

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 3 June 1991 under the Companies Act 1981 of Bermuda (as amended).

During the year the Group was involved in the printing of books, magazines, packaging products and financial printing.

Financial printing operation was discontinued during the year, further details of which are set out in note 6 to the financial statements.

## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : Presentation of financial statements
- SSAP 11 (Revised) : Foreign currency translation
- SSAP 15 (Revised) : Cash flow statements
- SSAP 33 : Discontinuing operations
- SSAP 34 : Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, are summarized as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 28 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group reserves note.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change is included in the accounting policy for "Foreign currencies" in note 3 to the financial statements.



# Notes to Financial Statements

31 December 2002

## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines a discontinuing operation and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinued operations are now included in note 6 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 24 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP. The adoption of the SSAP 34 has had no material effect on the financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

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

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated at cost less any impairment losses.

#### Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in associates.

#### Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.



# Notes to Financial Statements

31 December 2002

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

### Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

### Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Fixed assets and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms, including the renewable period
Buildings	Shorter of the lease terms, including the renewable period, and 40 years
Plant and machinery	6 $\frac{2}{3}$ % - 10%
Equipment, furniture and fixtures	20%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Plant and machinery under installation and factory buildings under construction are stated at cost less any impairment losses, and are not depreciated. They are reclassified to the appropriate category of fixed assets when completed and ready to use.

#### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.



# Notes to Financial Statements

31 December 2002

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and, in the case of work in progress and finished goods, comprises direct material, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

#### Revenue recognition

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

#### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves sections of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.



# Notes to Financial Statements

31 December 2002

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement.

### Employee benefits

#### *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

#### *Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### Employee benefits *(Continued)*

##### *Pension schemes and other retirement benefits*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in The People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 8% of its payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

### 4. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of turnover is as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Continuing operations:		
Printing of books and magazines	<b>696,113</b>	690,610
Printing of packaging products	<b>284,243</b>	265,454
	<b>980,356</b>	956,064
Discontinued operations:		
Financial printing	<b>41,463</b>	63,038
	<b>1,021,819</b>	1,019,102



## Notes to Financial Statements

31 December 2002

### 5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) printing of books and magazines includes the printing of case-bound books, magazines and children's books;
- (b) printing of packaging products includes the printing of packaging products for tobacco and colour box;
- (c) financial printing includes the financial printing of annual reports and prospectus (discontinued during the year - note 6); and
- (d) others.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

# Notes to Financial Statements

31 December 2002

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

#### Year ended 31 December 2002

##### Group

	Continuing operations		Discontinued operations		Eliminations	Consolidated
	Printing of books and magazines	Printing of packaging products	Financial printing	Others		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
External sales	696,113	284,243	41,463	—	—	1,021,819
Intersegment sales	1,213	5,387	—	—	(6,600)	—
Total	697,326	289,630	41,463	—	(6,600)	1,021,819
Segment results	68,581	14,626	2,988	—	—	86,195
Deficit arising on revaluation of investment properties						(15,334)
Gain on disposal of discontinued operations	—	—	25,506	—	—	25,506
Gain on disposal of interests in subsidiaries	185	631	—	—	—	816
Unallocated corporate expenses						(22,605)
Profit from operating activities						74,578
Finance costs						(12,766)
Share of results of associates	3,590	—	—	(64)	—	3,526
Amortisation of goodwill arising from the acquisition of associates	(403)	—	—	—	—	(403)
Profit before tax						64,935
Tax						(16,171)
Profit before minority interests						48,764
Minority interests						(8,627)
Net profit from ordinary activities attributable to shareholders						40,137

# Notes to Financial Statements

31 December 2002

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

Year ended 31 December 2002

#### Group

	Continuing operations		Discontinued operations	
	Printing of books and magazines HK\$'000	Printing of packaging products HK\$'000	Financial printing HK\$'000	Consolidated HK\$'000
Other information				
Capital addition	27,883	33,272	750	61,905
Depreciation	37,249	23,290	566	61,105
Amortisation of goodwill	403	—	—	403
Other non-cash expenses	15,050	6,317	829	22,196

#### At 31 December 2002

Assets				
Segment assets	678,260	172,682	—	850,942
Interests in associates	55,645	24,535	—	80,180
Unallocated assets				201,961
Total assets				1,133,083
Liabilities				
Segment liabilities	156,758	33,913	—	190,671
Unallocated liabilities				217,117
Total liabilities				407,788

# Notes to Financial Statements

31 December 2002

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

Year ended 31 December 2001

#### Group

	Continuing operations		Discontinued operations		Eliminations	Consolidated
	Printing of books and magazines	Printing of packaging products	Financial printing	Others		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
External sales	690,610	265,454	63,038	—	—	1,019,102
Intersegment sales	8,107	11,377	—	—	(19,484)	—
Total	698,717	276,831	63,038	—	(19,484)	1,019,102
Segment results	1,260	(22,924)	(6,382)	—	—	(28,046)
Deficit arising on revaluation of investment properties						(10,840)
Amortisation of goodwill arising from the acquisition of subsidiaries	(355)	—	—	—	—	(355)
Impairment loss recognised in respect of goodwill	(2,638)	—	—	—	—	(2,638)
Unallocated corporate expenses						(10,608)
Loss from operating activities						(52,487)
Finance costs						(23,399)
Loss on disposal of an associate						(300)
Share of results of associates	(2,570)	—	—	(753)	—	(3,323)
Amortisation of goodwill arising from the acquisition of associates	(290)	—	—	—	—	(290)
Loss before tax						(79,799)
Tax						(7,787)
Loss before minority interests						(87,586)
Minority interests						(7,643)
Net loss from ordinary activities attributable to shareholders						(95,229)

# Notes to Financial Statements

31 December 2002

## 5. SEGMENT INFORMATION (Continued)

### (a) Business segments (Continued)

Year ended 31 December 2001

#### Group

	Continuing operations		Discontinued operations	Consolidated
	Printing of books and magazines	Printing of packaging products	Financial printing	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other information				
Capital addition	30,042	49,184	1,226	80,452
Depreciation	36,779	21,392	965	59,136
Amortisation of goodwill and impairment losses of goodwill	3,283	—	—	3,283
Other non-cash expenses	19,370	17,866	6,003	43,239

#### At 31 December 2001

Assets				
Segment assets	630,024	339,576	13,183	982,783
Interests in associates	52,656	—	—	52,656
Unallocated assets				216,105
Total assets				1,251,544
Liabilities				
Segment liabilities	138,889	28,110	9,995	176,994
Unallocated liabilities				331,390
Total liabilities				508,384

# Notes to Financial Statements

31 December 2002

## 5. SEGMENT INFORMATION (Continued)

### (b) Geographical segments

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Segment revenue		
The PRC, excluding Hong Kong	<b>567,221</b>	577,622
Hong Kong	<b>108,546</b>	121,028
	<b>675,767</b>	698,650
United States of America	<b>253,942</b>	240,769
United Kingdom	<b>71,045</b>	41,749
Other areas	<b>21,065</b>	37,934
	<b>1,021,819</b>	1,019,102

An analysis of the carrying amount of segment assets, and additions to fixed assets analysed by the geographical area in which the assets are located has not been presented as they are substantially located in the PRC.

## 6. DISCONTINUED OPERATIONS

In view of the Group's strategy to concentrate on its core businesses, the Group has decided to discontinue its operation in financial printing during the year. On 2 August 2002, the Group entered into a sales and purchase agreement with an independent third party pursuant to which the Group procured to dispose of the entire interest in Vite Limited, a wholly-owned subsidiary of the Company, for a total consideration of approximately HK\$34.0 million. The segmental information of the subsidiary has been presented as "financial printing" in note 5 to the financial statements. The transaction was completed in August 2002 and the profit arising from the disposal amounted to approximately HK\$25.5 million and expenses attributable to the disposal of the discontinued operations amounted to approximately HK\$1.3 million. The results of the subsidiary disposed of have been classified as discontinued operations in the consolidated profit and loss account.

All of the revenue of the discontinued operations for the year is represented by the amount of turnover disclosed on the face of the consolidated profit and loss account. As at the date of disposal, the carrying amounts of the total assets and liabilities of the subsidiary disposed of were approximately HK\$22.0 million (31 December 2001: approximately HK\$18.6 million) and approximately HK\$15.2 million (31 December 2001: approximately HK\$14.5 million), respectively. The net cash inflows/(outflows) attributable to the operating, investing and financing activities of the discontinued operations for the year amounted to approximately HK\$4.4 million (2001: approximately HK\$(9.8) million), approximately HK\$(0.7) million (2001: approximately HK\$(0.7) million) and approximately HK\$(1.4) million (2001: approximately HK\$(44.0) million), respectively.

# Notes to Financial Statements

31 December 2002

## 7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>61,105</b>	59,136
Goodwill:		
Amortisation for the year*	<b>403</b>	645
Impairment arising during the year	<b>—</b>	2,638
	<b>403</b>	3,283
Minimum lease payments under operating leases:		
Plant and machinery	<b>1,522</b>	3,338
Land and buildings	<b>2,165</b>	3,530
	<b>3,687</b>	6,868
Auditors' remuneration	<b>1,302</b>	1,326
Staff costs (including directors' remuneration (note 9)):		
Wages and salaries	<b>111,100</b>	128,244
Pension scheme contributions	<b>3,736</b>	3,422
Less: Forfeited contributions	<b>(367)</b>	(156)
Net pension contributions	<b>3,369</b>	3,266
Total staff costs	<b>114,469</b>	131,510
Provision for bad and doubtful debts	<b>22,196</b>	43,239
Deficit arising on revaluation of investment properties	<b>15,334</b>	10,840
Provision for inventories	<b>—</b>	13,556
Write-off of inventories	<b>—</b>	22,976
Exception discount granted to a major customer	<b>—</b>	7,020
(Gain)/loss on disposal of fixed assets	<b>3,965</b>	(101)
Exchange (gain)/loss, net	<b>(1,162)</b>	1,771
Gross rental income	<b>(512)</b>	(452)
Less: outgoings	<b>30</b>	22
Net rental income	<b>(482)</b>	(430)
Interest income	<b>(962)</b>	(1,261)

\* The amortisation of goodwill for the year is included in "Amortisation of goodwill arising from the acquisition of associates" and "Amortisation of goodwill arising from the acquisition of subsidiaries" on the face of the profit and loss account.



# Notes to Financial Statements

31 December 2002

## 8. FINANCE COSTS

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Interest on bank borrowings and other loans wholly repayable within five years	<b>12,766</b>	23,399

## 9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Fees	<b>360</b>	402
Other emoluments:		
Salaries, allowances and benefits in kind	<b>7,653</b>	9,202
Pension scheme contributions	<b>247</b>	284
	<b>7,900</b>	9,486
	<b>8,260</b>	9,888

Fees include HK\$300,000 (2001: HK\$342,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2001: Nil).

The number of directors whose remuneration fell within the following bands is as follows:

	<b>Number of directors</b>	
	<b>2002</b>	2001
Nil - HK\$1,000,000	<b>13</b>	9
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	2
HK\$1,500,001 - HK\$2,000,000	<b>1</b>	1
HK\$2,000,001 - HK\$2,500,000	<b>1</b>	2
	<b>16</b>	14

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

# Notes to Financial Statements

31 December 2002

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2001: four) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2001: one) non-director, highest paid employee are as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>1,119</b>	1,039
Performance related bonuses	<b>145</b>	81
Pension scheme contributions	<b>42</b>	46
	<b>1,306</b>	1,166

The number of the non-director, highest paid employee whose remuneration fell within the following band is as follows:

	<b>Number of employees</b>	
	<b>2002</b>	2001
HK\$1,000,001 - HK\$1,500,000	<b>1</b>	1

# Notes to Financial Statements

31 December 2002

## 11. TAX

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Group:		
Hong Kong	<b>400</b>	—
Elsewhere	<b>15,573</b>	8,340
Overprovision in the prior year	<b>—</b>	(748)
Deferred ( <i>note 23</i> )	<b>—</b>	195
	<b>15,973</b>	7,787
Share of tax attributable to associates	<b>198</b>	—
Tax charge for the year	<b>16,171</b>	7,787

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK\$1,670,000 (2001: loss of HK\$19,858,000).

# Notes to Financial Statements

31 December 2002

## 13. DIVIDENDS

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Interim - 2 HK cents (2001: Nil) per ordinary share	<b>8,055</b>	—
Proposed final - 3 HK cents (2001: Nil) per ordinary share	<b>12,082</b>	—
	<hr/> <b>20,137</b> <hr/>	<hr/> — <hr/>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

## 14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of HK\$40,137,000 (2001: loss of HK\$95,229,000), and the weighted average of 402,736,288 (2001: 390,976,272) shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2002 and 2001 have not been disclosed as no diluting events existed during these years.

# Notes to Financial Statements

31 December 2002

## 15. FIXED ASSETS

Group	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Plant and machinery under installation and factory buildings under construction HK\$'000	Total HK\$'000
Cost or valuation:							
At 1 January 2002	13,710	338,229	578,480	50,637	20,872	28,272	1,030,200
Additions	—	2,098	28,246	3,844	213	27,504	61,905
Reclassifications	22,094	(6,649)	37,922	945	346	(54,658)	—
Disposals	—	(78)	(27,582)	(7,264)	(4,025)	(38)	(38,987)
Disposal of interests in subsidiaries	—	(29,737)	(156,161)	(8,068)	(3,812)	—	(197,778)
Deficit arising on revaluation	(15,684)	—	—	—	—	—	(15,684)
Exchange realignments	—	2,177	2,931	259	121	42	5,530
<b>At 31 December 2002</b>	<b>20,120</b>	<b>306,040</b>	<b>463,836</b>	<b>40,353</b>	<b>13,715</b>	<b>1,122</b>	<b>845,186</b>
Comprising:							
At cost	—	209,121	463,836	40,353	13,715	1,122	728,147
At valuation							
- 31.3.1994	—	58,620	—	—	—	—	58,620
- 31.3.1995	—	7,393	—	—	—	—	7,393
- 31.3.1998	—	30,906	—	—	—	—	30,906
- 31.12.2002	20,120	—	—	—	—	—	20,120
	20,120	306,040	463,836	40,353	13,715	1,122	845,186
Accumulated depreciation:							
At 1 January 2002	—	39,674	250,314	35,753	13,401	—	339,142
Provided for the year	—	6,951	45,985	5,541	2,628	—	61,105
Disposals	—	—	(18,786)	(5,295)	(2,915)	—	(26,996)
Disposal of interests in subsidiaries	—	(10,439)	(70,815)	(4,869)	(2,953)	—	(89,076)
Reclassifications	318	(318)	—	—	—	—	—
Write-back on revaluation	(318)	—	—	—	—	—	(318)
Exchange realignments	—	378	1,101	200	86	—	1,765
<b>At 31 December 2002</b>	<b>—</b>	<b>36,246</b>	<b>207,799</b>	<b>31,330</b>	<b>10,247</b>	<b>—</b>	<b>285,622</b>
Net book values:							
<b>At 31 December 2002</b>	<b>20,120</b>	<b>269,794</b>	<b>256,037</b>	<b>9,023</b>	<b>3,468</b>	<b>1,122</b>	<b>559,564</b>
At 31 December 2001	13,710	298,555	328,166	14,884	7,471	28,272	691,058

# Notes to Financial Statements

31 December 2002

## 15. FIXED ASSETS (Continued)

Certain of the Group's leasehold land and buildings were revalued at 31 March 1994 and 1995 by Sallmanns (Far East) Limited, independent professionally qualified valuers. The land and buildings were revalued at open market value, based on their existing use. Since 1995, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17 "Property, plant and equipment", from the requirement to carry out future revaluations of its fixed assets which were stated at valuation at that time. Properties carried at 1998 valuations are properties which were reclassified from investment properties on the basis of the directors' valuation as at 31 March 1998.

Had these land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK\$256 million (2001: HK\$285 million)

The Group's investment properties were revalued individually at the balance sheet date by Sallmanns (Far East) Limited, independent professionally qualified valuers, at an aggregate open market value of HK\$20,120,000 based on their existing use. A revaluation deficit of HK\$15,366,000 has arisen of which HK\$32,000 has been charged to the property revaluation reserve and HK\$15,334,000 has been charged to the profit and loss account. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 27 to the financial statements.

The Group's land and buildings included above are held under the following lease terms:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Long term leases in Hong Kong	<b>84,804</b>	106,940
Medium term leases in Hong Kong	<b>8,898</b>	9,120
Medium term land use rights in other parts of the PRC	<b>176,092</b>	182,495
	<b>269,794</b>	298,555

# Notes to Financial Statements

31 December 2002

## 15. FIXED ASSETS (Continued)

The Group's investment properties are held under the following lease terms:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Long term leases in Hong Kong	<b>9,460</b>	4,010
Medium term land use rights in other parts of the PRC	<b>10,660</b>	9,700
	<b>20,120</b>	13,710

## 16. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>73,024</b>	73,024
Due from subsidiaries	<b>758,207</b>	—
Due to subsidiaries	<b>(163,928)</b>	—
	<b>667,303</b>	73,024

Except for the amounts due from/(to) subsidiaries which included balances of HK\$120,146,000 (2001: HK\$120,146,000) bearing interest at the prevailing market rates, the amounts due from/to subsidiaries are unsecured, interest-free and not repayable within one year.

In 2001, the amounts due from/(to) subsidiaries included in the current assets and liabilities are unsecured, interest-free and have no fixed term of repayment.

Further particulars of the Company's principal subsidiaries as at 31 December 2002 are set out in note 31 to the financial statements.

# Notes to Financial Statements

31 December 2002

## 17. INTERESTS IN ASSOCIATES

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>78,904</b>	50,977
Goodwill	<b>1,276</b>	1,679
	<hr/>	<hr/>
	<b>80,180</b>	52,656
	<hr/> <hr/>	<hr/> <hr/>

The movements in goodwill arising from the acquisition of associates are as follows:

	HK\$'000
Cost:	
<b>At beginning of year and at 31 December 2002</b>	<b>2,016</b>
	<hr/>
Accumulated amortisation and impairment:	
At beginning of year	337
Amortisation provided during the year	403
	<hr/>
<b>At 31 December 2002</b>	<b>740</b>
	<hr/>
Net book values:	
<b>At 31 December 2002</b>	<b>1,276</b>
	<hr/> <hr/>
At 31 December 2001	1,679
	<hr/> <hr/>

The amounts due from/(to) associates included in the Group's current assets and liabilities are unsecured, interest-free and have no fixed term of repayment.

Further particulars of the Group's associates as at 31 December 2002 are set out in note 31 to the financial statements.



# Notes to Financial Statements

31 December 2002

## 18. INVENTORIES

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>80,332</b>	88,990
Work in progress	<b>15,620</b>	30,639
Finished goods	<b>782</b>	8,013
	<hr/> <b>96,734</b> <hr/>	<hr/> 127,642 <hr/>

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$1,393,000 (2001: HK\$50,455,000) as at the balance sheet date.

## 19. TRADE RECEIVABLES

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

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date, and net of provisions, is as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within credit period	<b>165,083</b>	174,334
0 - 30 days	<b>22,245</b>	19,291
31 - 60 days	<b>10,780</b>	11,874
61 - 90 days	<b>2,145</b>	4,688
Over 90 days	<b>6,142</b>	22,686
	<hr/> <b>206,395</b> <hr/>	<hr/> 232,873 <hr/>

# Notes to Financial Statements

31 December 2002

## 20. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
0 - 30 days	81,062	88,442
31 - 60 days	20,590	10,062
61 - 90 days	7,312	2,804
91 - 120 days	2,416	2,548
Over 120 days	2,116	1,354
	<b>113,496</b>	<b>105,210</b>

## 21. INTEREST-BEARING BANK BORROWINGS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts - unsecured	764	10,680	116	3
Current portion of bank loans	56,338	304,764	—	—
	<b>57,102</b>	<b>315,444</b>	<b>116</b>	<b>3</b>

# Notes to Financial Statements

31 December 2002

## 22. INTEREST-BEARING BANK LOANS AND OVERDRAFTS AND OTHER LOANS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts:				
- unsecured	<b>764</b>	10,680	<b>116</b>	3
Bank loans:				
- secured	—	19,954	—	—
- unsecured	<b>201,338</b>	284,810	—	—
	<b>201,338</b>	304,764	—	—
	<b>202,102</b>	315,444	<b>116</b>	3
Bank overdraft repayable:				
Within one year or on demand	<b>764</b>	10,680	<b>116</b>	3
Bank loans repayable:				
Within one year or on demand	<b>56,338</b>	304,764	—	—
In the second year	<b>60,000</b>	—	—	—
In the third to fifth years, inclusive	<b>85,000</b>	—	—	—
	<b>201,338</b>	304,764	—	—
	<b>202,102</b>	315,444	<b>116</b>	3
Portion classified as current liabilities (note 21)	<b>(57,102)</b>	(315,444)	<b>(116)</b>	(3)
Long term portion	<b>145,000</b>	—	—	—

# Notes to Financial Statements

31 December 2002

## 23. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	10,096	9,901
Charge for the year (note 11)	—	195
Disposal of interests in subsidiaries (note 26)	(299)	—
At 31 December	<u>9,797</u>	<u>10,096</u>

The principal components of the Group's deferred tax liability/(asset) which have been provided in the financial statements are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowances	14,954	16,892
Tax losses	(5,157)	(6,796)
	<u>9,797</u>	<u>10,096</u>

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

# Notes to Financial Statements

31 December 2002

## 24. SHARE CAPITAL

### Shares

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<i>Authorised:</i>		
500,000,000 (2001: 500,000,000) ordinary shares of HK\$0.10 each	<b>50,000</b>	50,000
<i>Issued and fully paid:</i>		
402,726,918 (2001: 402,736,918) ordinary shares of HK\$0.10 each	<b>40,273</b>	40,274

During the year, the Company repurchased a total of its 10,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which have been cancelled, at a total consideration of approximately HK\$7,200. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration in respect of the share repurchases was paid out of the retained profits of the Company. Further details of the repurchase are set out as follows:

<b>Month</b>	<b>Number of shares</b>	<b>Price per share</b>		<b>Total</b>
		<b>Highest</b>	<b>Lowest</b>	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$'000</i>
December 2002	10,000	0.72	0.72	7

In the opinion of the directors, the repurchases are in the best interests of the Company and its shareholders.

A summary of the transactions during the year with reference to the above movements in the Company's ordinary share capital is as follows:

	<b>Number of shares in issue</b>	<b>Issued capital</b>	<b>Share premium account</b>	<b>Total</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2002	402,736,918	40,274	326,499	366,773
Repurchase of shares	(10,000)	(1)	(6)	(7)
At 31 December 2002	402,726,918	40,273	326,493	366,766



## Notes to Financial Statements

31 December 2002

### 24. SHARE CAPITAL *(Continued)*

#### Share options

The Company adopted a share option scheme (the "Scheme") on 9 May 2000 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations. Pursuant to the Scheme, the directors may grant share options to executive directors and employees of the Company and of its subsidiaries to subscribe for shares in the Company in accordance with the terms of the Scheme. Options granted must be taken up within the period as specified in the offer of options, and upon payment of HK\$1 as the consideration for the options granted.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company in aggregate shall not exceed 10% of the issued share capital of the Company from time to time. The maximum entitlement of each participant under the Scheme shall not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. The exercise price shall be 80% of the average of the closing prices of the shares quoted on the Stock Exchange for the five trading days immediately preceding the date the options are granted or the nominal value of the Company's shares, whichever is the higher.

The Stock Exchange has amended the requirements for share option schemes under the Listing Rules. The new requirements have come into effect from 1 September 2001 and certain provisions of the Scheme are no longer applicable. The Company has not altered the Scheme nor adopted a new scheme to comply with the new requirements up to the date of this report.

No share option has been granted or exercised under the Scheme during the year.

### 25. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of a subsidiary of the Group established in the PRC has been transferred to a reserve fund which is restricted as to their use.

# Notes to Financial Statements

31 December 2002

## 25. RESERVES (Continued)

### (b) Company

	<b>Contributed surplus</b>	<b>Share premium account</b>	<b>Capital redemption reserve</b>	<b>Retained profits</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2001	63,516	175,555	2,471	285,032	526,574
Issue of shares	—	151,590	—	—	151,590
Repurchase of shares	—	(646)	43	(43)	(646)
Net loss for the year	—	—	—	(19,858)	(19,858)
Final 2000 dividend	—	—	—	(24,170)	(24,170)
	<u>63,516</u>	<u>175,555</u>	<u>2,471</u>	<u>285,032</u>	<u>526,574</u>
At 31 December 2001 and at beginning of year	63,516	326,499	2,514	240,961	633,490
Repurchase of shares	—	(6)	1	(1)	(6)
Net profit for the year	—	—	—	1,670	1,670
Interim 2002 dividend	—	—	—	(8,055)	(8,055)
Proposed final 2002 dividend	—	—	—	(12,082)	(12,082)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(12,082)</u>	<u>(12,082)</u>
<b>At 31 December 2002</b>	<b><u>63,516</u></b>	<b><u>326,493</u></b>	<b><u>2,515</u></b>	<b><u>222,493</u></b>	<b><u>615,017</u></b>

The contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries acquired by the Company and the nominal amount of the Company's shares which were issued under a Group reorganisation in 1991. In addition to the retained profits, the contributed surplus of the Company is also available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended). However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

# Notes to Financial Statements

31 December 2002

## 26. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Disposal of interests in subsidiaries

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Net assets disposed of:		
Fixed assets	<b>108,702</b>	—
Inventories	<b>21,076</b>	—
Trade receivables	<b>49,603</b>	—
Prepayments, deposits and other receivables	<b>43,015</b>	—
Tax recoverable	<b>2,887</b>	—
Cash and cash equivalents	<b>25,648</b>	—
Trade and bills payables	<b>(29,078)</b>	—
Other payables and accruals	<b>(21,731)</b>	—
Tax payable	<b>(3,504)</b>	—
Minority interests	<b>(55,948)</b>	—
Deferred tax	<b>(299)</b>	—
Interest-bearing bank borrowings	<b>(84,906)</b>	—
	<b>55,465</b>	—
Release of exchange fluctuation reserve	<b>8,197</b>	—
Reclassification to interests in associates	<b>(24,594)</b>	—
	<b>39,068</b>	—
Gain on disposal of discontinued operations	<b>25,506</b>	—
Gain on disposal of interests in subsidiaries	<b>816</b>	—
	<b>65,390</b>	—
Satisfied by:		
Cash received	<b>32,670</b>	—
Other receivables	<b>32,720</b>	—
	<b>65,390</b>	—



# Notes to Financial Statements

31 December 2002

## 26. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries is as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Cash consideration	<b>32,670</b>	—
Cash and cash equivalents disposed of	<b>(25,648)</b>	—
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries	<b>7,022</b>	—
	<hr/> <hr/>	<hr/> <hr/>

The interests in subsidiaries disposed of during the year contributed approximately HK\$261 million (2001: approximately HK\$287 million) to turnover and approximately HK\$28 million (2001: approximately HK\$13 million) to the consolidated profit before tax for the year ended 31 December 2002.

## 27. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Group</b>	
	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Within one year	<b>384</b>	449
In the second to fifth years, inclusive	<b>47</b>	384
	<hr/>	<hr/>
	<b>431</b>	833
	<hr/> <hr/>	<hr/> <hr/>

# Notes to Financial Statements

31 December 2002

## 27. OPERATING LEASE ARRANGEMENTS *(Continued)*

### (b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within one year	—	3,263
In the second to fifth years, inclusive	—	5,695
	<hr/>	<hr/>
	<b>—</b>	<b>8,958</b>
	<hr/> <hr/>	<hr/> <hr/>

## 28. COMMITMENTS

In addition to the operating lease commitments detailed in note 27 above, the Group and the Company had the following commitments as at the balance sheet date:

### (a) Capital commitments

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for, but not provided for, in the financial statements in respect of plant, machinery and equipment	<b>6,368</b>	19,921
Authorised, but not contracted for	<b>32,063</b>	—
	<hr/>	<hr/>
	<b>38,431</b>	19,921
	<hr/> <hr/>	<hr/> <hr/>

# Notes to Financial Statements

31 December 2002

## 28. COMMITMENTS (Continued)

In addition, the Group's shares of an associate's own capital commitments which are not included in the above are as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Contracted, but not provided for	—	—
Authorised, but not contracted for	<b>1,540</b>	—
	<u>1,540</u>	<u>—</u>
	<u><b>1,540</b></u>	<u>—</u>

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

## 29. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Export bills discounted with recourse	—	18,089	—	—
Guarantees given to banks in respect of banking facilities granted to:				
- subsidiaries	—	—	<b>1,052,740</b>	1,423,877
- associates	—	31,200	—	31,200
	<u>—</u>	<u>31,200</u>	<u><b>1,052,740</b></u>	<u>1,455,077</u>
	<u><b>—</b></u>	<u>31,200</u>	<u><b>1,052,740</b></u>	<u>1,455,077</u>



## Notes to Financial Statements

31 December 2002

### 30. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group purchased fibre based products amounting to HK\$5,786,000 (2001: HK\$993,000) from the group companies of Jefferson Smurfit Group plc ("Smurfit"), a substantial shareholder of the Company. The transactions with Smurfit were determined between the Group and the vendor in accordance with the terms of the agreement.
- (b) During the year, the Group sold packaging products amounting to approximately HK\$110,839,000 (2001: Nil) to 上海金葉包裝材料有限公司 ("上海金葉"), a company in which 上海紡印印刷包裝有限公司 ("上海紡印") holds 37% interest. 上海紡印 holds 41% interest in a subsidiary of the Company. The transactions with 上海金葉 were determined between the Group and the customer in accordance with the terms of the agreement.
- (c) During the year, the Group has also purchased papers amounting to approximately HK\$57,312,000 (2001: HK\$52,206,000) from 上海金葉. The purchase prices were determined between the Group and the vendor in accordance with the terms of the agreement.
- (d) On 24 October 2002, the Group has entered into the conditional sale and purchase agreement with 上海紡印 pursuant to which the Group has conditionally agreed to dispose of its 26% equity interest in Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. (the "Shanghai JV") to 上海紡印 for an aggregate consideration of approximately RMB34,000,000 (equivalent to approximately HK\$32,000,000). The consideration for the disposal was arrived at with reference to the net tangible assets as at 30 June 2002 attributable to the 26% equity interest in the Shanghai JV to be disposed of and the Group's original cost of investment, as denominated in US dollars, in the Shanghai JV. Immediately following the disposal, the equity interest of the Group in the Shanghai JV would decrease from 51% to 25% whereas the equity interest of 上海紡印 in the Shanghai JV would increase from 41% to 67%. The transaction was completed on 31 December 2002.
- (e) During the year, the Group paid subcontracting fees amounting to approximately HK\$37,652,000 (2001: HK\$11,334,000) to Beijing Leefung-Asco Changcheng Printers Limited, an indirect 47%-owned associate. The subcontracting fees were determined at the rates fairly negotiated between both parties.

# Notes to Financial Statements

31 December 2002

## 31. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries as at 31 December 2002 are as follows:

Name	Place of incorporation or registration and operations	Nominal value of issued capital	Percentage of attributable equity interest of the Group	Principal activities
Leefung-Asco Printers Limited	Hong Kong	Ordinary- HK\$10,000 Deferred- HK\$7,500,000	100  100	Investment holding
Leefung-Asco Printers Trading Limited	Hong Kong	HK\$2	100	Trading of books and packaging products
Leefung-Asco Printers (Shenzhen) Co., Ltd.	PRC	US\$15,000,000	100	Printing of books and magazines
Leefung-Asco Packaging & Printing (Dongguan) Co., Ltd.	PRC	US\$13,438,000	100	Printing of books and packaging products
Shenzhen Leefung-Asco Printers Co., Ltd.	PRC	US\$1,500,000	90	Magazines printing
Leefung-Asco Printers Investments Limited	British Virgin Islands	US\$100	100	Investment holding
Shenzhen Leefung-Asco Graphics Co., Ltd.	PRC	US\$1,500,000	90	Colour separation
Faith Well Limited	Hong Kong/PRC	HK\$2	100	Property holding
Geltin Limited	Hong Kong	HK\$1,000	100	Property holding
Kam Bright Limited	Hong Kong/PRC	HK\$2	100	Property holding
Lakesview Limited	Hong Kong	HK\$2	100	Property holding
Rich Ho Limited	Hong Kong/PRC	HK\$2	100	Property holding

# Notes to Financial Statements

31 December 2002

## 31. PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

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

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

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

Details of the Group's associates which are indirectly held by the Company, as at 31 December 2002 are as follows:

Name	Place of registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
		2002	2001	
Beijing Leefung-Asco Changcheng Printers Limited	PRC	47	47	Magazines printing
Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. (Note)	PRC	25	N/A	Cigarette packaging printing

Note: On 24 October 2002, the Group has entered into the conditional sale and purchase agreement with 上海紡印 pursuant to which the Group has conditionally agreed to dispose of its 26% equity interest in the Shanghai JV to 上海紡印 for an aggregate consideration of approximately RMB34,000,000. Immediately following the disposal, the equity interest of the Group in the Shanghai JV would decrease from 51% to 25% whereas the equity interest of 上海紡印 in the Shanghai JV would increase from 41% to 67%. The transaction was completed on 31 December 2002.



## Notes to Financial Statements

31 December 2002

### 32. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

### 33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 April 2003.