For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

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

(c) Subsidiaries

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

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

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

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) **Fixed assets**

(i) Fixed assets are carried in the balance sheets at cost less accumulated depreciation (see note 1(f)) and impairment losses (see note 1(g)), with the exception of properties under development which are stated at cost less impairment losses (see note 1(g)).

(ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(e) **Leased assets**

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

(i) Assets acquired under finance leases

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) **Leased assets** *(continued)*

(ii) Operating lease charges

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

(f) **Depreciation**

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

- leasehold land is amortised on a straight-line basis over the remaining terms of the leases;

- buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases; and

- other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

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

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) **Impairment of assets**

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

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(i) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(j) Deferred taxation

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

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) **Provisions and contingent liabilities**

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

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

(l) **Revenue recognition**

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

(i) Sale of goods

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

(ii) Dividends

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

(iii) Interest income

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Translation of foreign currencies

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

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

(n) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Borrowing costs

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Borrowing costs *(continued)*

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

(p) Related parties

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

(q) Segment reporting

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

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

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

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

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

2 TURNOVER

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

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

3 INCOME

(a) **Other revenue**

	2003	2002
	$'000	*$'000*
Interest income	**178**	310
Forfeiture income	**—**	2
Others	**762**	596
	940	908

(b) **Other net income**

	2003	2002
	$'000	*$'000*
Gain on disposal of fixed assets	**117**	313
Exchange gain/(loss)	**682**	(144)
Others	**(126)**	(53)
	673	116

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2003	2002
	$'000	*$'000*
(a) **Finance costs:**		
Finance charges on obligations under finance leases	**324**	632
Interest on bank overdrafts and advances repayable within five years	**11,168**	11,813
Total borrowing costs	**11,492**	12,445
Less: Borrowing costs capitalised into properties under development *	**(618)**	(404)
	10,874	12,041

* The borrowing costs have been capitalised at a rate of 5.1% per annum (2002: 5.6% per annum) for properties under development.

	2003	2002
	$'000	*$'000*
(b) **Staff costs:** #		
Contributions to defined contribution plan	**2,847**	2,923
Salaries, wages and other benefits	**79,699**	87,430
	82,546	90,353

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

(c) **Other items:**

	2003	2002
	$'000	*$'000*
Cost of inventories sold #	**352,753**	342,187
Auditors' remuneration	**742**	719
Depreciation #		
- owned assets	**27,585**	25,411
- assets held under finance leases	**1,429**	1,944
Operating lease charges for land and buildings #	**550**	848
Relocation costs	**5,871**	—
Provision for bad debts	**4,409**	492

\# Cost of inventories includes $82,921,000 (2002: $90,026,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5 TAXATION

(a) **Taxation in the consolidated income statement represents:**

	2003	2002
	$'000	*$'000*
Provision for Hong Kong profits tax for the year	**54**	49
Underprovision in respect of prior years	**41**	13
	95	62
Provision for PRC income tax	**4,183**	4,025
	4,278	4,087

The provision for Hong Kong profits tax is calculated at 16% (2002: 16%) on the estimated assessable profits for the year.

Pursuant to the income tax rules and regulations of the PRC, Dongguan New Island Printing Company Limited is liable to PRC income tax at a rate of 27% (2002: 27%). Shanghai New Island Packaging Printing Company Limited ("SNIP") is eligible for a 100% relief from PRC income tax for two years from its first profit-making year of operations and thereafter, it is subject to PRC income tax at 50% of the standard income tax rate for the following three years. As SNIP is in the fifth year following the first profit-making year, it is subject to income tax at an effective rate of 13.5% for the year ended 31st March, 2003 (2002: 13.5%).

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

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda.

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

5 TAXATION *(continued)*

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

	2003	2002
	$'000	*$'000*
Provision for Hong Kong profits tax for the year	**54**	49
Provisional profits tax paid	**(52)**	(44)
	2	5
Balance of profits tax recoverable relating to prior year	**—**	(38)
	2	(33)
PRC income tax payable	**2,068**	1,798
	2,070	1,765

6 DIRECTORS' REMUNERATION

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

	2003	2002
	$'000	*$'000*
Fees	**150**	150
Salaries, allowances and benefits in kind	**3,377**	3,664
	3,527	3,814

Included in the Directors' remuneration were fees of $150,000 (2002: $150,000) paid to Independent Non-Executive Directors during the year.

The Directors' remuneration is within the following bands:

	Number of directors 2003	Number of directors 2002
Nil to $1,000,000	**8**	8

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2002: three) are Directors whose emoluments are disclosed in note 6. The aggregate of the emoluments of the other two (2002: two) individuals are as follows:

	2003	2002
	$'000	*$'000*
Salaries, allowances and benefits in kind	**1,604**	2,275
Discretionary bonuses	**—**	—
	1,604	2,275

The emoluments of the above two (2002: two) individuals with the highest emoluments are within the following bands:

	Number of individuals 2003	Number of individuals 2002
Nil to $1,000,000	**2**	1
$1,000,001 to $1,500,000	**—**	1

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $4,459,000 (2002: $2,717,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the company's profit for the year:

	2003	2002
	$'000	*$'000*
Amount of consolidated profit attributable to shareholders dealt with in the company's financial statements	**4,459**	2,717
Final dividend from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**—**	3,748
Company's profit for the year (note 23(b))	**4,459**	6,465

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

9 DIVIDENDS

(a) **Dividends attributable to the year**

	2003	2002
	$'000	*$'000*
Interim dividend declared and paid of 1.0 cent per share (2002: 1.0 cent per share)	**2,225**	2,225
Final dividend proposed after the balance sheet date of 1.0 cent per share (2002: Nil)	**2,225**	—
	4,450	2,225

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

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

	2003	2002
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of Nil cent per share (2002: 1.5 cents per share)	**—**	3,338

10 EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of $13,601,000 (2002: $8,354,000) and on the number of 222,529,000 (2002: 222,529,000) shares in issue during the year.

(b) **Diluted earnings per share**

There were no dilutive potential shares during 2003 and 2002.

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

11 SEGMENT REPORTING

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

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

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

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

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

11 SEGMENT REPORTING *(continued)*

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

	Hong Kong		Other areas of the PRC		Inter-segment elimination		Unallocated		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Location of assets										
Revenue from external customers	**166,971**	279,364	**284,559**	146,071	**—**	—	**—**	—	**451,530**	425,435
Inter-segment revenue	**61,573**	70,027	**44,970**	84,993	**(106,543)**	(155,020)	**—**	—	**—**	—
Other revenue from external customers	**377**	238	**385**	360	**—**	—	**178**	310	**940**	908
Total	**228,921**	349,629	**329,914**	231,424	**(106,543)**	(155,020)	**178**	310	**452,470**	426,343
Segment result	**3,582**	12,925	**29,638**	16,036					**33,220**	28,961
Unallocated operating income and expenses									**(4,467)**	(4,479)
Profit from operations									**28,753**	24,482
Finance costs									**(10,874)**	(12,041)
Taxation									**(4,278)**	(4,087)
Profit attributable to shareholders									**13,601**	8,354
Depreciation and amortisation for the year	**7,823**	14,442	**21,191**	12,913						

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

11 SEGMENT REPORTING *(continued)*

	Hong Kong		Other areas of the PRC		United States		Europe		Other countries		Inter-segment elimination		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Segment assets	**174,664**	360,681	**525,518**	262,155	**—**	—	**—**	—	**—**	—	**(91,129)**	(69,334)	**609,053**	553,502
Unallocated assets													**55,660**	31,411
Total assets													**664,713**	584,913
Segment liabilities	**24,697**	88,585	**172,160**	75,746	**—**	—	**—**	—	**—**	—	**(91,129)**	(69,334)	**105,728**	94,997
Unallocated liabilities													**288,810**	230,589
Total liabilities													**394,538**	325,586
Capital expenditure incurred during the year	**2,150**	10,998	**62,167**	30,746	**—**	—	**—**	—	**—**	—				

Additional information concerning geographical segments:

	Hong Kong		Other areas of the PRC		United States		Europe		Other countries	
Revenue from external customers by the location of customers	**139,938**	146,352	**175,269**	146,087	**95,106**	99,132	**32,686**	22,600	**8,531**	11,264

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

12 FIXED ASSETS

Group

	Land and buildings	Properties under development	Machinery Owned	Machinery Leased	Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles Owned	Motor vehicles Leased	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:										
At 1st April, 2002	205,538	26,018	250,578	17,883	7,109	21,426	17,699	9,785	1,308	557,344
Additions	8	29,255	29,314	—	538	632	1,841	2,729	—	64,317
Disposals	—	—	—	—	—	—	(58)	(2,480)	—	(2,538)
Reclassification	48,973	(49,881)	199	—	—	427	282	696	(696)	—
At 31st March, 2003	254,519	5,392	280,091	17,883	7,647	22,485	19,764	10,730	612	619,123
Aggregate depreciation:										
At 1st April, 2002	36,968	—	107,663	939	3,660	16,313	11,407	6,931	523	184,404
Charge for the year	6,923	—	15,157	1,168	585	1,367	2,260	1,293	261	29,014
Written back on disposal	—	—	—	—	—	—	(52)	(1,953)	—	(2,005)
Reclassification	—	—	—	—	—	—	—	418	(418)	—
At 31st March, 2003	43,891	—	122,820	2,107	4,245	17,680	13,615	6,689	366	211,413
Net book value:										
At 31st March, 2003	210,628	5,392	157,271	15,776	3,402	4,805	6,149	4,041	246	407,710
At 31st March, 2002	168,570	26,018	142,915	16,944	3,449	5,113	6,292	2,854	785	372,940

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

	2003	2002
	$'000	*$'000*
Situated in Hong Kong and held under medium term leases	**120,363**	120,363
Situated outside Hong Kong and held under medium term leases	**134,156**	85,175
	254,519	205,538

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	$'000	*$'000*
Unlisted shares, at cost	**82,360**	82,360
Amounts due from subsidiaries	**47,252**	45,031
	129,612	127,391

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

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

13 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Dongguan New Island Printing Company Limited ("DNIP") was set up in 1992 as an equity joint venture between the Company's subsidiary, New Island Printing Company Limited ("NIPCL"), and Dongguan Dalingshan Economic Development Company ("DDEDC") with equity interests of 70% and 30% respectively. Pursuant to the approval letter from Dongguan Municipal Foreign Economic Trade Committee on 28th March, 1996, DNIP became a cooperative joint venture and DDEDC's 30% equity interest was transferred to NIPCL in return for a management fee of RMB300,000 per annum (subject to a 10% increase for each year until 2001 revised to a 6% increase each year thereafter). Following the transfer, DNIP effectively became a wholly owned subsidiary of the Group. DNIP has an operating period of 35 years expiring on 13th March, 2027.

Shanghai New Island Packaging Printing Company Limited ("SNIP") was set up in 1995 as a wholly owned foreign enterprise. SNIP has an operating period of 20 years expiring on 1st March, 2015.

14 INVENTORIES

	Group	
	2003	2002
	$'000	*$'000*
Raw materials	**44,462**	44,218
Work in progress	**41,495**	28,733
Finished goods	**12,293**	12,545
	98,250	85,496

15 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to $210,000 (2002: $235,000), are expected to be recovered within one year.

Included in trade debtors, prepayments and deposits are trade debtors (net of provision for bad debts) with the following ageing analysis:

	Group	
	2003	2002
	$'000	*$'000*
Current	**53,901**	42,175
One to three months overdue	**26,810**	33,380
More than three months overdue	**11,001**	11,565
	91,712	87,120

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

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	**2003**	2002
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**55,550**	31,537	**34**	34
Pledged bank deposit #	**(8,500)**	—	**—**	—
Cash and cash equivalents in the balance sheet	**47,050**	31,537	**34**	34
Bank overdrafts (note 17)	**(53,699)**	(29,916)		
Cash and cash equivalents in the cash flow statement	**(6,649)**	1,621		

\# At 31st March, 2003, a bank deposit of $8,500,000 (2002: $Nil) was pledged as security against banking facilities amounting to RMB8,500,000 (2002: RMBNil), equivalent to $7,949,869 (2002: $Nil), extended to the Group. Such facilities were fully utilised at 31st March, 2003.

17 BANK LOANS AND OVERDRAFTS

At 31st March, 2003, the bank loans and overdrafts were repayable as follows:

	Group	
	2003	2002
	$'000	*$'000*
Within one year	**213,646**	145,454
After one but within two years	**40,156**	27,211
After two but within five years	**25,807**	44,700
	65,963	71,911
	279,609	217,365

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

17 BANK LOANS AND OVERDRAFTS *(Continued)*

At 31st March, 2003, the bank loans and overdrafts were secured as follows:

	2003	2002
	$'000	*$'000*
Bank overdrafts		
- secured	**10,234**	8,386
- unsecured	**43,465**	21,530
	53,699	29,916
Bank loans		
- secured	**121,422**	142,577
- unsecured	**104,488**	44,872
	225,910	187,449
	279,609	217,365

Certain banking facilities and loans granted to the Group are secured by mortgages over the Group's land, buildings and machinery with an aggregate carrying value of $200,337,000 (2002: $232,823,000) at 31st March, 2003. Such banking facilities, amounting to $180,534,000 (2002: $225,488,000) were utilised to the extent of $143,255,000 (2002: $172,945,000) at 31st March, 2003.

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

18 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2003, the Group had obligations under finance leases payable as follows:

	2003			2002		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Within one year	**4,111**	**151**	**4,262**	4,320	359	4,679
After one year but within two years	**2,587**	**40**	**2,627**	4,110	191	4,301
After two years but within five years	**433**	**3**	**436**	3,029	54	3,083
	3,020	**43**	**3,063**	7,139	245	7,384
	7,131	**194**	**7,325**	11,459	604	12,063

19 TRADE CREDITORS AND ACCRUED CHARGES

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

	Group	
	2003	2002
	$'000	*$'000*
Current	**28,296**	21,884
One to three months overdue	**18,775**	18,954
More than three months overdue	**2,090**	4,965
	49,161	45,803

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

20 BILLS PAYABLE

An ageing analysis of bills payables is as follows:

	Group	
	2003	2002
	$'000	*$'000*
Due within one month	**13,457**	13,378
Due after one month but within two months	**6,714**	10,553
Due after two months but within three months	**9,526**	7,283
	29,697	31,214

21 DEFERRED TAXATION

Major components of the unprovided potential assets and liabilities are:

	Group	
	2003	2002
	$'000	*$'000*
Depreciation allowances in excess of the related depreciation	**20,574**	19,991
Future benefits of tax losses	**(2,180)**	(1,536)
Other timing differences	**(522)**	(346)
	17,872	18,109

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

22 SHARE CAPITAL

	2003	2002
	$'000	*$'000*
Authorised:		
380,000,000 shares of $0.1 each	**38,000**	38,000
Issued and fully paid:		
222,529,000 shares of $0.1 each	**22,253**	22,253

The Company's Share Option Scheme expired on 25th March, 2003. No option was granted, exercised, lapsed or cancelled during the year. There were no outstanding share options at 31st March, 2003.

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

23 RESERVES

(a) Group

	Share premium	Exchange reserve	Statutory surplus reserve	Other reserves	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1st April, 2001	37,741	(5,726)	4,525	2,153	195,876	234,569
Dividend approved in respect of the previous year (note 9(b))	—	—	—	—	(3,338)	(3,338)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(286)	—	—	—	(286)
Transfer	—	—	2,404	1,247	(3,651)	—
Profit for the year	—	—	—	—	8,354	8,354
Dividends declared in respect of the current year (note 9(a))	—	—	—	—	(2,225)	(2,225)
At 31st March, 2002	37,741	(6,012)	6,929	3,400	195,016	237,074
At 1st April, 2002	37,741	(6,012)	6,929	3,400	195,016	237,074
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(528)	—	—	—	(528)
Transfer	—	—	1,990	156	(2,146)	—
Profit for the year	—	—	—	—	13,601	13,601
Dividends declared in respect of the current year (note 9(a))	—	—	—	—	(2,225)	(2,225)
At 31st March, 2003	37,741	(6,540)	8,919	3,556	204,246	247,922

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

23 RESERVES *(Continued)*

(a) **Group** *(Continued)*

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

According to the prevailing PRC laws and regulations, a wholly-owned foreign enterprise is required to transfer a certain percentage of its profit after taxation to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital of the enterprise. The transfer to the reserve has to be made before distribution of dividends to shareholders. The statutory surplus reserve can be used to make good previous years' losses, and are not distributable to shareholders.

Other reserves were set up by the Group's PRC subsidiaries in accordance with their articles of association. The amounts to be transferred to these reserves are determined by the respective board of directors. They can be used to covert into paid-up capital, and are not distributable to shareholders.

(b) **Company**

	Share premium	**Contributed surplus**	**Retained profits**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
At 1st April, 2001	37,741	67,360	(898)	104,203
Dividend approved in respect of the previous year (note 9(b))	—	—	(3,338)	(3,338)
Profit for the year (note 8)	—	—	6,465	6,465
Dividend declared in respect of the current year (note 9(a))	—	—	(2,225)	(2,225)
At 31st March, 2002	37,741	67,360	4	105,105
At 1st April, 2002	37,741	67,360	4	105,105
Dividend approved in respect of the previous year (note 9(b))	—	—	—	—
Profit for the year (note 8)	—	—	4,459	4,459
Dividend declared in respect of the current year (note 9(a))	—	—	(2,225)	(2,225)
At 31st March, 2003	37,741	67,360	2,238	107,339

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

23 RESERVES *(Continued)*

(b) Company *(Continued)*

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

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

The Company's reserves available for distribution to shareholders at 31st March, 2003 are $69,598,000 (2002: $67,364,000). After the balance sheet date the directors recommend the payment of a final dividend of 1.0 cent (2002: Nil) per share for the year ended 31st March, 2003. The dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

24 CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of $375 million (2002: $377 million) granted to subsidiaries, of which $252 million (2002: $227 million) was utilised at 31st March, 2003.

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

25 COMMITMENTS

(a) **Capital commitments outstanding at 31st March, 2003 not provided for in the financial statements were as follows:**

At 31st March, 2003, the Group had outstanding commitments in respect of the acquisition of land, plant and machinery of $18,482,000 (2002: $44,746,000).

(b) **Commitments under operating leases**

At 31st March, 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2003	2002
	$'000	*$'000*
Within one year	—	240
After one year but within five years	—	60
	—	300

All operating leases were terminated during the year.

(c) **Other commitments**

At 31st March, 2003, the Group had commitments to contribute capital of $31,305,000 (2002: $19,730,000) to subsidiaries in the PRC.

26 RETIREMENT SCHEMES

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Company's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to $20,000 of monthly compensation) and in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

Employees of the Group in the PRC are covered by appropriate local retirement schemes pursuant to local labour rules and regulations. The Group's annual contributions to these schemes represent defined contributions, and the Group has no further obligation.

The Group's contributions to the MPF and various PRC schemes for the year of $2,847,000 (2002: $2,923,000) are charged to the income statement.

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

27 MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group sold packaging products to companies which are controlled by an Independent Non-Executive Director amounting to $11,852,000 (2002: $14,395,000), under normal commercial terms.

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

28 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with changes in presentation in the current financial year as a result of adopting revised Statements of Standard Accounting Practice ("SSAPs").

(a) The consolidated statement of recognised gains and losses was replaced by the consolidated statement of changes in equity as required by the SSAP 1 (revised) "Presentation of financial statements".

(b) The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised) "Cash flow statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement.

29 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31st March, 2003 to be Ka Chau Enterprises (B.V.I.) Ltd, incorporated in the British Virgin Islands.