



新高準控股有限公司  
NEW SPRING HOLDINGS LTD.  
(Incorporated in the Cayman Islands with limited liability)

*New Spring*

Interim Report **2004**

## **MANAGEMENT COMMENTARY**

The directors of New Spring Holdings Limited (the “Company”) are pleased to present the Interim Report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six-months ended 30th September 2004. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six-months ended 30th September 2004, and the consolidated balance sheet as at 30th September 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 7 to 18 of this report.

### **Management Discussion and Analysis**

The Group is pleased to report a profit of HK\$442,000 for the period under review.

During the period under review, the Group recorded a consolidated turnover of HK\$83,473,000 representing a slight increase of approximately HK\$440,000 compared with HK\$83,033,000 recorded in the last corresponding period. The gross profit of HK\$17,121,000 representing a drop of HK\$6,138,000 compared with HK\$23,259,000 recorded in 2003. As the result of such macro-economic factors as adjustments in direct materials and labour costs, the Group’s operating efficiencies and cost of sales were impacted.

### **Business Review**

#### *Packaging products*

During the period of review, the packaging printing remained the Group’s major source of revenue with a turnover of HK\$38,446,000, a decrease of HK\$8,193,000 representing a drop of approximately 18% comparable to HK\$46,639,000 recorded in 2003. This is due to keen competition and increase in direct material costs, which took a relatively high portion of the cost of production.

#### *Paper gift items*

Paper gift items recorded a turnover of HK\$10,266,000, an increase of HK\$1,233,000 representing an increase of 14% comparable to HK\$9,033,000 recorded in 2003. This was due to our effort in participating exhibitions both in oversea and Hong Kong, which led to increase demand for our reliable and high quality of paper gift items. Paper gift items division contributed with a steady proportion in the Group’ turnover with approximately 12% and 11% in 2004 and 2003 respectively. With the global recovery of economy, the Group expected more demand in this division.

### *Promotional products*

The division recorded a turnover of HK\$34,761,000, an increase of HK\$7,400,000 representing an increase of 27% comparable to the turnover of HK\$27,361,000 recorded in 2003. This is due to the increase demand in retail industry as the recovery of global economy in cope of Mainland China. With the rejuvenation of retail business, demand for promotional products was expected to be strong. The Group expected this division would continue to achieve better results both in turnover and profits.

### **Prospect**

The Group expects the overall recovery of the global economy and the continuing growth of Mainland China resulting a steady business environment.

During the period under review, though the rising oil and other materials prices erode the profit of many factories, leading to a slowdown in business, the Group will continue emphasize more strength in providing value-added products to achieve higher margin. On the other hand, the Group will be more prudent in trimming costs to achieve better results.

With the continuing recovery of the global economy and our well-established relationship in Mainland China, the Group is optimistic that its high quality and emphasis in value-added services will achieve better prospect in future.

### **Liquidity and financial resources**

The Group generally finances its operations with internally generated cash flow and loan facilities from banks. As at 30th September 2004, the Group's bank balances and cash amounted to HK\$4,156,000 and bank and other borrowings amounted to HK\$57,138,000.

As at 30th September 2004, the Group has assets of approximately HK\$204,992,000. Current assets of the Group on the date amounted to approximately HK\$102,060,000 while current liabilities were HK\$96,447,000. The gearing ratio, calculated by dividing the total debts over its total assets, was 0.57.

With respect of foreign exchange exposure, the risk is rather low as only a small portion of the Group's foreign currency assets and borrowings are denominated in Renminbi and Euro. The impact of exchange rate fluctuations of these currencies is relatively insignificant to the Group.

### **Interim Dividend**

The directors do not recommend the payment of an interim dividend for the period.

## **Employment and remuneration policy**

As at 30th September 2004, the Group employed a total of 399 employees, including approximately 356 employees in the PRC production sites and approximately 43 employees in Hong Kong. An additional work force of approximately 823 were provided by Sha Jing factory in the production facilities in Sha Jing under the Processing Agreement. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

## **Share options**

Pursuant to the written resolutions of the shareholders of the Company dated 22nd October 2001, a share options scheme (the "Scheme") was adopted by the Company. Details of the Scheme are as follows:

### *(a) Purposes of the Scheme*

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and rewards for their contribution to the Group.

### *(b) Participants of the Scheme*

Pursuant to the Scheme, the Company may offer to grant share options ("Options") to full-time employees or executives of the Group, including the full-time executive directors and executive directors of any of its subsidiaries, to subscribe for shares of the Company.

### *(c) Maximum number of shares available for issue under the Scheme*

The maximum number of shares in respect of which options may be granted (including shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Scheme and under any other share option scheme of the Company must not in aggregate exceed 10% of the shares in issue.

### *(d) Maximum entitlement of each participant*

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised at any time under the Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time.

At 30th September 2004, no option has been granted or agreed to be granted under the Scheme. No option may be granted to any one employee, which in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

*(e) Exercisable period of Options*

Pursuant to the Scheme, an Option may be exercised in whole or in part in the manner provided in the Scheme by a grantee giving notice in writing to the Company at any time during a period commencing one year after the date of the Options, to be notified by the Board of the Company to the grantee, which shall be not less than 3 years nor more than 10 years from the date an Option is offered (the "Offer Date").

*(f) Payment on acceptance of Option Offer*

Pursuant to the Scheme, HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of a grant of options.

*(g) Basis of determining the subscription price*

The subscription price of options pursuant to the Scheme is absolute discretion determined by the Board and will not be less than the highest of the following:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share, provided that for the purpose of determining the subscription price of the shares where the shares have been listed on the Stock Exchange for less than 5 business days preceding the date of grant, the issue price of the shares in connection with such listing shall be deemed to be the closing price of the shares for each business day falling within the period before the listing of the shares on the Stock Exchange.

(h) *Remaining life of the Scheme*

The Scheme will be valid and effective for a period of 10 years commencing on 22nd October 2001, after which no further options will be granted thereunder.

No options have been granted since the establishment of the Scheme.

**Directors' interests in the shares of the Company**

At 30th September 2004, the interests of each director in the shares of the Company (within the meaning of the Securities and Future Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

<b>Name of director</b>	<b>Ordinary shares of HK\$0.10 each in the Company Corporate Interests (note) number of shares held</b>
Mr. NG Man Chan	95,000,000

*Note:* Held through Fortune Gold Developments Limited in which Mr. NG Man Chan is legally and beneficially owning shares in.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY**

The register of substantial shareholders maintained under Section 336 of the SFO shows that at 30th September 2004, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

	<b>Ordinary shares of HK\$0.10 each in the Company Number of shares</b>	<b>Percentage of share capital (%)</b>
Airsirco Profits Limited ( <i>note (a)</i> )	22,850,000	12.69%
Mei Ah Holdings Limited	12,000,000	6.67%
Mei Ah Entertainment Group Limited ( <i>note (b)</i> )	12,000,000	6.67%
Kuo Hsing Holdings Limited ( <i>note (c)</i> )	12,000,000	6.67%
Mr. Li Kuo Hsing ( <i>note (d)</i> )	12,000,000	6.67%

*Note:*

- (a) Aircirco Profits Limited is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. Li Kuo Lim.
- (b) Mei Ah Holdings Limited is a wholly-owned subsidiary of Mei Ah Entertainment Group Limited ("Mei Ah Entertainment"). The shares referred to herein relate to the same parcel of shares held by Mei Ah Holdings Limited.
- (c) As at 30th September 2004, Kuo Hsing Holdings Limited is interested in approximately 52.45% of the issued share capital of Mei Ah Entertainment. The shares referred to herein relate to the same parcel of shares held by Mei Ah Holdings Limited.
- (d) Kuo Hsing Holdings Limited is wholly-owned by Mr. Li Kuo Hsing, Chairman of Mei Ah Entertainment. The shares referred to herein relate to the same parcel of shares held by Mei Ah Holdings Limited.

### **Purchase, sales or redemption of shares**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

### **Compliance with the Code of Best Practice of the Listing Rules**

For the period under review, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules except that a non-executive director, Mr. LEUNG Siu Cheung, was not appointed for a specific term as recommended under the guidelines set out in Appendix 14 of the Listing Rules.

### **Audit Committee**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited consolidated accounts for the six months ended 30th September 2004 with the directors. The Committee now comprises three independent non-executive directors, namely, Mr. LEE Man Kwong, Mr. LEUNG Siu Cheung and Mr. LAM Kin Kau, Mark.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**
*FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004*

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2004</b>	2003
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>83,473</b>	83,033
Cost of sales		<b>(66,352)</b>	(59,774)
Gross profit		<b>17,121</b>	23,259
Other revenues		<b>1,244</b>	138
Distribution costs		<b>(3,037)</b>	(2,659)
Administrative expenses		<b>(11,862)</b>	(12,218)
Operating profit	3	<b>3,466</b>	8,520
Finance costs		<b>(2,656)</b>	(2,414)
Profit before taxation		<b>810</b>	6,106
Taxation	5	<b>(43)</b>	1,808
Profit after taxation		<b>767</b>	7,914
Minority interests		<b>(325)</b>	(1,824)
Profit attributable to shareholders		<b>442</b>	6,090
		<b>HK cents</b>	<i>HK cents</i>
Basic earnings per share	6	<b>0.25</b>	3.4



**CONDENSED CONSOLIDATED BALANCE SHEET**
*AS AT 30TH SEPTEMBER 2004 AND 31ST MARCH 2004*

	<i>Note</i>	<b>Unaudited 30th September 2004 HK\$'000</b>	Audited 31st March 2004 HK\$'000
Non current assets			
Deferred tax assets	12	<b>295</b>	315
Goodwill	7	<b>7,846</b>	9,154
Fixed assets	7	<b>94,791</b>	100,432
		<b>102,932</b>	109,901
Current assets			
Inventories		<b>19,927</b>	24,147
Trade receivables	8	<b>45,540</b>	35,553
Other receivables, deposits and prepayments		<b>31,272</b>	38,367
Due from related companies		<b>1,165</b>	–
Taxation recoverable		<b>–</b>	104
Pledged bank deposits		<b>3,500</b>	3,600
Bank balances and cash		<b>656</b>	1,032
		<b>102,060</b>	102,803
Current liabilities			
Trade payables	9	<b>50,352</b>	42,196
Accrued charges and other payables		<b>9,406</b>	8,857
Due to related companies		<b>–</b>	999
Taxation payable		<b>77</b>	349
Current portion of long-term liabilities	10	<b>20,720</b>	29,800
Trust receipt loans		<b>1,888</b>	6,844
Bank overdrafts, secured		<b>14,004</b>	13,471
		<b>96,447</b>	102,516
Net current assets		<b>5,613</b>	287
Total assets less current liabilities		<b>108,545</b>	110,188
Financed by:			
Share capital	11	<b>18,000</b>	18,000
Reserves		<b>58,957</b>	58,515
Shareholders' funds		<b>76,957</b>	76,515
Minority interests		<b>937</b>	612
Non-current liabilities		<b>20,526</b>	22,912
Deferred tax liabilities	12	<b>10,125</b>	10,149
		<b>108,545</b>	110,188

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
*FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Net cash inflow/(outflow) from operating activities	<b>17,428</b>	(681)
Net cash (used in)/from investing activities	<b>(1,436)</b>	1,985
Net cash used in financing activities	<b>(11,945)</b>	(11,350)
Increase/(decrease) in cash and cash equivalents	<b>4,047</b>	(10,046)
Cash and cash equivalents at 1st April	<b>(19,283)</b>	(24,116)
Cash and cash equivalents at 30th September	<b>(15,236)</b>	(34,162)
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<b>656</b>	975
Bank overdrafts, secured	<b>(14,004)</b>	(17,471)
Trust receipts loans	<b>(1,888)</b>	(17,666)
	<b>(15,236)</b>	(34,162)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
*FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004*

	Unaudited							
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Exchange reserve	Revaluation reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st April 2004, as previously reported	18,000	12,667	(243)	534	20	2,203	43,334	76,515
Profit for the period	-	-	-	-	-	-	442	442
<b>At 30th September 2004</b>	<b>18,000</b>	<b>12,667</b>	<b>(243)</b>	<b>534</b>	<b>20</b>	<b>2,203</b>	<b>43,776</b>	<b>76,957</b>
At 1st April 2003	18,000	12,667	(243)	534	13	2,203	62,214	95,388
Changes in accounting policy-provision for net deferred tax assets	-	-	-	-	-	-	1,832	1,832
At 1st April 2003, as restated	18,000	12,667	(243)	534	13	2,203	64,046	97,200
Profit for the period	-	-	-	-	-	-	6,090	6,090
At 30th September 2003	18,000	12,667	(243)	534	13	2,203	70,136	103,310

## NOTES TO CONDENSED ACCOUNTS

### 1. Basis of preparation and principal accounting policies

These unaudited condensed consolidated interim accounts of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed accounts should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2004.

### 2. Segment information

*Primary reporting format – business segments*

The Group is principally engaged in the manufacturing and trading of packaging products, paper gifts items and promotional products.

An analysis of the Group's turnover and results for the period by business segments is as follows:

	<b>Unaudited Six months ended 30th September 2004 HK\$'000</b>			
	<b>Packaging Products</b>	<b>Paper Gifts Items</b>	<b>Promotional Products</b>	<b>Group</b>
Turnover	<b>38,446</b>	<b>10,266</b>	<b>34,761</b>	<b>83,473</b>
Segment results	<b>8,305</b>	<b>1,598</b>	<b>7,218</b>	<b>17,121</b>
Unallocated income				<b>1,244</b>
Unallocated costs				<b>(14,899)</b>
Operating profit				<b>3,466</b>
Finance costs				<b>(2,656)</b>
Profit before taxation				<b>810</b>
Taxation				<b>(43)</b>
Minority interests				<b>(325)</b>
Profit attributable to shareholders				<b>442</b>

	Unaudited Six months ended 30th September 2003 HK\$'000			
	Packaging Products	Paper Gifts Items	Promotional Products	Group
Turnover	<u>46,639</u>	<u>9,033</u>	<u>27,361</u>	<u>83,033</u>
Segment results	<u>13,124</u>	<u>2,516</u>	<u>7,619</u>	23,259
Unallocated income				138
Unallocated costs				<u>(14,877)</u>
Operating profit				8,520
Finance costs				<u>(2,414)</u>
Profit before taxation				6,106
Taxation				1,808
Minority interests				<u>(1,824)</u>
Profit attributable to shareholders				<u>6,090</u>

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

*Secondary reporting format – geographical segments*

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segment is as follows:

	Unaudited Turnover Six months ended 30th September 2004 HK\$'000		Unaudited Operating profit Six months ended 30th September 2004 HK\$'000	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Geographical segments:				
Hong Kong	<b>56,855</b>	64,633	<b>3,461</b>	6,633
Mainland China	<b>25,190</b>	13,865	<b>(148)</b>	1,422
Others	<u><b>1,428</b></u>	<u>4,535</u>	<u><b>153</b></u>	<u>465</u>
	<u><b>83,473</b></u>	<u>83,033</u>	<u><b>3,466</b></u>	<u>8,520</u>

Sales are based on the country in which the customer is located. There are no sales between the geographical segments.

### 3. Operating profit

Operating profit is stated after charging the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>66,352</b>	59,774
Depreciation of fixed assets		
– owned assets	<b>3,855</b>	3,996
– assets held under finance leases	<b>1,758</b>	1,435
Amortisation of goodwill	<b>1,308</b>	1,326
Provision for doubtful debts	<b>1,570</b>	9
	<b>_____</b>	<b>_____</b>

### 4. Staff costs

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Wages and salaries	<b>6,615</b>	6,241
Pension costs – defined contribution plans	<b>229</b>	187
	<b>_____</b>	<b>_____</b>
	<b>6,844</b>	6,428
	<b>_____</b>	<b>_____</b>

### 5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the six months ended 30th September 2004. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

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

	<b>Unaudited Six months ended 30th September</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax	<b>47</b>	405
Deferred taxation ( <i>note 12</i> )	<b>(4)</b>	(2,213)
	<b>43</b>	(1,808)

## 6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of approximately HK\$442,000 (2003: HK\$6,090,000) and of 180,000,000 shares (2003: 180,000,000 shares) in issue during the period.

No diluted earnings per share is presented as there are no dilutive potential ordinary shares during the period.

## 7. Capital expenditure

	<b>Unaudited</b>	
	<b>Goodwill</b>	<b>Fixed assets</b>
	HK\$'000	HK\$'000
Opening net book amount as at 1st April 2004	9,154	100,432
Additions	–	5,154
Disposals	–	(5,182)
Depreciation charge ( <i>note 3</i> )	(1,308)	(5,613)
Closing net book amount as at 30th September 2004	<b>7,846</b>	<b>94,791</b>

## 8. Trade receivables

The ageing analysis of trade receivables (net of provision for doubtful debts) is as follows:

	<b>Unaudited 30th September 2004</b>	Audited 31st March 2004
	<b>HK\$'000</b>	HK\$'000
Current	<b>20,113</b>	8,424
30–60 days	<b>12,903</b>	6,009
61–90 days	<b>5,254</b>	3,104
91 days to 180 days	<b>1,677</b>	3,304
Over 180 days	<b>5,593</b>	14,712
	<b>45,540</b>	35,553

Customers are generally granted with credit terms of 30 to 90 days. Longer payment terms are granted to those customers which have good payment history and long-term business relationship with the Group.

## 9. Trade payables

The ageing analysis of trade payables is as follows:

	<b>Unaudited 30th September 2004 HK\$'000</b>	Audited 31st March 2004 HK\$'000
Current–30 days	<b>3,829</b>	5,002
31–60 days	<b>5,705</b>	4,180
61–90 days	<b>7,253</b>	2,053
Over 90 days	<b>33,565</b>	30,961
	<b>50,352</b>	42,196

## 10. Long-term liabilities

	<b>Unaudited 30th September 2004 HK\$'000</b>	Audited 31st March 2004 HK\$'000
Bank loans, secured	<b>22,267</b>	26,012
Other loan, secured	<b>300</b>	2,500
Obligations under finance leases	<b>18,679</b>	24,200
	<b>41,246</b>	52,712
Current portion of long-term liabilities	<b>(20,720)</b>	(29,800)
	<b>20,526</b>	22,912

At 30th September 2004, the Group's secured bank loans (excluding finance lease liabilities) were repayable as follows:

	<b>Unaudited 30th September 2004 HK\$'000</b>	Audited 31st March 2004 HK\$'000
Within one year	<b>16,470</b>	16,325
In the second year	<b>3,004</b>	3,541
In the third to fifth years	<b>2,793</b>	4,920
Over fifth year	<b>–</b>	1,226
	<b>22,267</b>	26,012



**11. Share capital**

	<b>Unaudited 30th September 2004 HK\$'000</b>	Audited 31st March 2004 HK\$'000
<i>Authorised:</i> 2,000,000,000 ordinary shares of HK\$0.1 each	<b>200,000</b>	200,000
<i>Issued and fully paid:</i> 180,000,000 ordinary shares of HK\$0.1 each	<b>18,000</b>	18,000

**12. Deferred taxation**

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the deferred tax liabilities is as follows:

	<b>Unaudited Six months ended 30th September 2004 HK\$'000</b>	Audited 31st March 2004 HK\$'000
At the beginning of the period/year	<b>10,149</b>	4,894
Deferred taxation (credited)/charged to consolidated profit and loss account ( <i>note 5</i> )	<b>(24)</b>	5,255
At the end of the period/year	<b>10,125</b>	10,149

Deferred tax assets are recognised for the carryforward of unused tax loss to the extent that realisation of the related tax benefit through the future taxable profits is probable.

The movement on the deferred tax assets is as follows:

	<b>Unaudited Six months ended 30th September 2004 HK\$'000</b>	Audited 31st March 2004 HK\$'000
At the beginning of the period/year	<b>(315)</b>	-
Deferred taxation (credited)/charged to consolidated profit and loss account ( <i>note 5</i> )	<b>20</b>	(315)
At the end of the period/year	<b>(295)</b>	(315)

### 13. Contingent liabilities

As at 30th September 2004, the Group had no contingent liabilities in respect of discounted bills with recourse (31st March 2004: US\$56,438).

### 14. Commitments under operating leases

At 30th September 2004, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Unaudited 30th September 2004 HK\$'000</b>	Audited 31st March 2004 HK\$'000
Within one year	<b>1,016</b>	928
Later than one year and not later than five years	<b>444</b>	402
	<b><u>1,460</u></b>	<b><u>1,330</u></b>

### 15. Capital commitments

At 30th September 2004, the Group had made a contract with a third party to dispose a printing press with an amount of HK\$5,000,000 (31st March 2004: HK\$NIL). The Group had no capital commitments in respect of purchase of plant and equipment (31st March 2004: HK\$1,980,000).

### 16. Related party transactions

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

	<i>Note</i>	<b>Unaudited Six month ended 30th September 2004 HK\$'000</b>	2003 HK\$'000
Interest income			
Beautiking Investments Limited	(i)	<b>12</b>	24
Rental paid			
Beaumax Company Limited	(ii)	<b>114</b>	224
Beautiking Investments Limited	(iii), (iv) & (v)	<b>252</b>	172
Glory Motion Company Limited	(iii)	<b>138</b>	138
		<b><u>138</u></b>	<b><u>138</u></b>

*Notes:*

- (i) Amount due from Beautiking Investments Limited was unsecured and interest-bearing at 12% per annum which was charged at market rates.
- (ii) One of the subsidiaries, Sun Hip Fung (JF) Printing Products Company Limited, has entered into a lease agreement with a related company, Beaumax Company Limited, to lease office space for a period of 2 years commencing 1st February 2003 at a monthly rental of HK\$19,000. The lease was entered into on normal commercial terms.
- (iii) One of the subsidiaries, New Spring Group Company Limited, has entered into lease agreements with related companies Beautiking Investments Limited and Glory Motion Company Limited to lease office spaces for a period of 2 years commencing 1st February 2003 and 1st July 2003 at a monthly rental of HK\$22,000 and HK\$23,000 respectively. The leases were entered into on normal commercial terms.
- (iv) One of the subsidiaries, New Spring Label & Packaging Limited has entered into a lease agreement with Beautiking Investments Limited to lease office spaces for a period of 2 years commencing 1st April 2004 at a monthly rental of HK\$10,000. The lease was entered into on normal commercial terms.
- (v) One of the subsidiaries, Visual Products Limited has entered into a lease agreement with Beautiking Investments Limited to lease office spaces for a period of 2 years commencing 1st April 2004 at monthly rental of HK\$10,000. The lease was entered into on normal commercial terms.