

1 Principal accounting policies

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

(a) Basis of preparation

The consolidated accounts including the accounts of the Company and its subsidiaries (the “Group”) have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain leasehold land and buildings and plant and machinery are stated at open market valuation.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002 and they are applicable to the Group:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of these revised SSAPs had no material effects on the Group’s results.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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

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

1 Principal accounting policies *(Continued)*

(b) Consolidation *(Continued)*

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

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

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

(c) Goodwill

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

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

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

1 Principal accounting policies *(Continued)*

(d) Fixed assets

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

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

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

The principal annual rates are as follows:

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

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

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

1 Principal accounting policies *(Continued)*

(d) Fixed assets *(Continued)*

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

(e) Assets under leases

(i) *Finance leases*

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

Assets under finance leases are depreciated over their estimated useful lives if there is reasonable certainty that the assets held under finance leases will be owned by the Group by the end of the lease periods.

(ii) *Operating leases*

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

(f) Inventories

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

1 Principal accounting policies *(Continued)*

(g) Trade receivables

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

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(i) Provisions

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

(j) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pensions obligations*

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

1 Principal accounting policies *(Continued)*

(k) Deferred taxation

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

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(m) Revenue recognition

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

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

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

1 Principal accounting policies *(Continued)*

(n) Borrowing costs

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

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

(o) Translation of foreign currencies

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

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as movements in reserves. Upon disposal of an overseas subsidiary, the related cumulated exchange difference is included in the profit and loss account as part of the gain or loss on disposal.

(p) Segment reporting

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

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

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

NOTES TO THE ACCOUNTS

2 Turnover, revenues and segment information

The Group is principally engaged in manufacturing and trading of packaging products, paper gifts items and promotional products. Revenues recognised during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of goods at invoiced value to customers, net of discounts	156,042	162,904
Other revenues		
Interest income	306	464
Rental income from plant and machinery	270	540
Exchange gains	284	49
Gains on disposal of fixed assets	504	—
Sundry income	595	355
	1,959	1,408
Total revenues	158,001	164,312

NOTES TO THE ACCOUNTS

2 Turnover, revenues and segment information *(Continued)*

Primary reporting format – business segments

	Year ended 31st March 2003			Group HK\$'000
	Packaging products HK\$'000	Paper gifts items HK\$'000	Promotional products HK\$'000	
Turnover	94,339	30,745	30,958	156,042
Segment results	21,655	7,057	7,106	35,818
Unallocated income				1,959
Unallocated costs				(38,333)
Operating loss				(556)
Finance costs				(3,474)
Loss before taxation				(4,030)
Taxation				(1,231)
Loss after taxation				(5,261)
Minority interests				(123)
Loss attributable to shareholders				(5,384)
Segment assets	84,233	31,357	32,572	148,162
Unallocated assets				63,801
Total assets				211,963
Segment liabilities	47,503	18,505	18,220	84,228
Unallocated liabilities				32,347
Total liabilities				116,575
Capital expenditure	12,018	14,087	12,293	38,398
Depreciation of fixed assets	6,208	2,023	2,037	10,268
Amortisation of goodwill (unallocated)				1,342

NOTES TO THE ACCOUNTS

2 Turnover, revenues and segment information (Continued)

Primary reporting format – business segments (Continued)

	Year ended 31st March 2002			
	Packaging products HK\$'000	Paper gifts items HK\$'000	Promotional products HK\$'000	Group HK\$'000
Turnover	89,462	37,292	36,150	162,904
Segment results	23,442	13,556	14,285	51,283
Unallocated income				1,408
Unallocated costs				(19,104)
Operating profit				33,587
Finance costs				(2,613)
Share of profit of an associated company				53
Profit before taxation				31,027
Taxation				(1,937)
Profit after taxation				29,090
Minority interests				252
Profit attributable to shareholders				29,342
Segment assets	60,639	22,097	37,837	120,573
Unallocated assets				58,905
Total assets				179,478
Segment liabilities	21,129	8,790	11,916	41,835
Unallocated liabilities				18,878
Total liabilities				60,713
Capital expenditure	3,496	4,483	3,099	11,078
Depreciation of fixed assets	3,865	1,637	1,611	7,113
Amortisation of goodwill (unallocated)				9

NOTES TO THE ACCOUNTS

2 Turnover, revenues and segment information (Continued)

Secondary reporting format – geographical segments

	Year ended 31st March 2003			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	106,843	24,525	100,648	4,539
Mainland China	36,760	8,438	110,299	33,859
Other countries	12,439	2,855	1,016	—
	<u>156,042</u>	<u>35,818</u>	<u>211,963</u>	<u>38,398</u>
Unallocated income		1,959		
Unallocated costs		<u>(38,333)</u>		
Operating loss		<u>(556)</u>		

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

NOTES TO THE ACCOUNTS

3 Operating (loss)/profit

Operating (loss)/profit was stated after charging the following:

	2003 HK\$'000	2002 HK\$'000
Auditors' remuneration	806	728
Cost of inventories sold	120,224	111,621
Provision for and write off of bad debts	1,462	300
Write off of obsolete inventories	198	–
Amortisation of goodwill	1,342	9
Depreciation of fixed assets		
– owned assets	6,470	3,957
– assets held under finance leases	3,798	3,156
Operating lease rentals in respect of land and buildings	1,393	907
Loss on partial disposal of interest in a subsidiary	107	–
Staff costs, including directors' emoluments (note 9)	16,822	10,154

4 Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts	2,270	1,579
Interest element of finance leases	1,204	1,034
	3,474	2,613

NOTES TO THE ACCOUNTS

5 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Subsidiaries of the Company established in the People's 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 subsidiaries have tax privileges granted by the PRC Government that they are 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 subsidiaries as they have no taxable income for the year.

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

	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
– Current	425	2,560
– Over provision in prior years	(924)	(623)
Deferred taxation (note 24)	1,730	–
	<u>1,231</u>	<u>1,937</u>

6 Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$883,000 (2002: profit of HK\$19,966,000).

7 Dividends

	2003 HK\$'000	2002 HK\$'000
Final, proposed of HK\$ Nil (2002: HK\$0.1) per ordinary share	<u>–</u>	<u>18,000</u>

NOTES TO THE ACCOUNTS

8 Basic (loss)/earnings per share

The calculation of basic loss per share (2002: earnings per share) is based on the Group's loss attributable to shareholders of HK\$5,384,000 (2002: profit of HK\$29,342,000) and of 180,000,000 shares (2002: the weighted average of 155,342,466 shares) in issue during the year.

Diluted (loss)/earnings per share was not presented for both years as there were no dilutive potential ordinary shares at year end.

9 Staff costs (including directors' remuneration)

	2003 HK\$'000	2002 HK\$'000
Wages and salaries	16,377	9,918
Retirement benefit costs		
– defined contribution benefit schemes	445	236
	<u>16,822</u>	<u>10,154</u>

10 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to the directors of the Company during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Fees	290	–
Other emoluments	3,445	2,944
Bonus	2,411	–
Retirement benefit costs	48	48
	<u>6,194</u>	<u>2,992</u>

The leasehold land and buildings of the Group were occupied by an executive director as rent free quarters during the year. The rateable value of the leasehold land and buildings as at 31st March 2003 was approximately HK\$153,000 (2002: HK\$153,000).

10 Directors' and senior management's emoluments (Continued)

(a) Directors' emoluments (Continued)

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

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2003	2002
Nil – HK\$1,000,000	4	6
HK\$1,000,001 – HK\$1,500,000	<u>4</u>	<u>1</u>

Directors' emoluments disclosed above include HK\$195,000 (2002: Nil) paid to independent non-executive directors.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2002: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2002: one) individual during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Basic salaries and allowances	573	490
Retirement benefit costs	<u>12</u>	<u>12</u>
	<u>585</u>	<u>502</u>

NOTES TO THE ACCOUNTS

11 Goodwill

	Group HK\$'000
Year ended 31st March 2003	
Opening net book amount	164
Acquisition of subsidiaries	13,077
Amortisation charge	<u>(1,342)</u>
Closing net book amount	<u>11,899</u>
At 31st March 2003	
Cost	13,250
Accumulated amortisation	<u>(1,351)</u>
Net book amount	<u>11,899</u>
At 31st March 2002	
Cost	173
Accumulated amortisation	<u>(9)</u>
Net book amount	<u>164</u>

NOTES TO THE ACCOUNTS

12 Fixed assets

	Group					
	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improve- ments HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation						
At 1st April 2002	3,956	75,971	6,813	12,781	2,301	101,822
Acquisition of subsidiaries	–	5,956	1,017	293	130	7,396
Additions	–	29,834	1,455	6,375	734	38,398
Disposals	–	(1,063)	(2)	–	(32)	(1,097)
At 31st March 2003	<u>3,956</u>	<u>110,698</u>	<u>9,283</u>	<u>19,449</u>	<u>3,133</u>	<u>146,519</u>
Accumulated depreciation						
At 1st April 2002	711	19,826	3,147	1,610	1,524	26,818
Acquisition of subsidiaries	–	4,472	937	25	61	5,495
Charge for the year	93	6,880	820	2,075	400	10,268
Disposals	–	(131)	–	–	–	(131)
At 31st March 2003	<u>804</u>	<u>31,047</u>	<u>4,904</u>	<u>3,710</u>	<u>1,985</u>	<u>42,450</u>
Net book value						
At 31st March 2003	<u>3,152</u>	<u>79,651</u>	<u>4,379</u>	<u>15,739</u>	<u>1,148</u>	<u>104,069</u>
At 31st March 2002	<u>3,245</u>	<u>56,145</u>	<u>3,666</u>	<u>11,171</u>	<u>777</u>	<u>75,004</u>

NOTES TO THE ACCOUNTS

12 Fixed assets (Continued)

The analysis of the cost or valuation of the above assets at 31st March 2003 is as follows:

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improve- ments HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	–	34,727	9,283	19,449	3,133	66,592
At valuation (note (a))	3,956	75,971	–	–	–	79,927
	<u>3,956</u>	<u>110,698</u>	<u>9,283</u>	<u>19,449</u>	<u>3,133</u>	<u>146,519</u>

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

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

Net book value of
leased assets

At 31st March 2003	<u>–</u>	<u>48,839</u>	<u>–</u>	<u>–</u>	<u>499</u>	<u>49,338</u>
At 31st March 2002	<u>–</u>	<u>19,218</u>	<u>–</u>	<u>–</u>	<u>284</u>	<u>19,502</u>

NOTES TO THE ACCOUNTS

12 Fixed assets (Continued)

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

At 31st March 2003, the directors of the Company have reviewed the carrying value of leasehold land and buildings and plant and machinery and are of the opinion that the valuation is not materially different from the above carrying amount.

- (b) The carrying amount of revalued land and buildings, and plant and machinery held by the Group would have been HK\$2,912,000 (2002: HK\$2,997,000) and HK\$51,201,000 (2002: HK\$52,947,000), respectively had they been stated at cost less accumulated depreciation.
- (c) The Group's leasehold land and buildings are all situated in Hong Kong and are held on leases of between 10 to 50 years.
- (d) At 31st March 2003, the net book value of leasehold land and buildings pledged for the Group's facilities was HK\$1,946,000 (2002: HK\$2,031,000).

13 Investments in subsidiaries

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	71,870	71,870
Amounts due from subsidiaries	28,622	30,251
	<u>100,492</u>	<u>102,121</u>

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

NOTES TO THE ACCOUNTS

13 Investments in subsidiaries (Continued)

The following is a list of principal subsidiaries at 31st March 2003:

Name	Country/place of incorporation or establishment	Issued and fully paid up share capital/registered capital	Attributable equity interest		Principal activities and place of operation
			2003	2002	
<i>Direct subsidiary:</i>					
New Master Group Limited	British Virgin Islands	200 Ordinary shares of US\$1.00 each	100%	100%	Investment holding in Hong Kong
<i>Indirect subsidiaries:</i>					
New Spring Group Company Limited	Hong Kong	2 Ordinary shares of HK\$1.00 each and 10,000 Non-voting deferred shares of HK\$1.00 each	100%	100%	Manufacturing and trading of gift and toy boxes and other paper products in Hong Kong and the PRC
Sun Hip Fung (JF) Printing Products Company Limited	Hong Kong	2 Ordinary shares of HK\$1.00 each and 200,000 Non-voting deferred shares of HK\$1.00 each	100%	100%	Trading of paper products in Hong Kong
Today Graphic Company Limited	Hong Kong	2 Ordinary shares of HK\$1.00 each and 200,000 Non-voting deferred shares of HK\$1.00 each	100%	100%	Trading of packaging products in Hong Kong
Today Advertising Products Company Limited	Hong Kong	2 Ordinary shares of HK\$1.00 each and 200,000 Non-voting deferred shares of HK\$1.00 each	100%	100%	Investment holding in Hong Kong

NOTES TO THE ACCOUNTS

13 Investments in subsidiaries (Continued)

Name	Country/place of incorporation or establishment	Issued and fully paid up share capital/registered capital	Attributable equity interest		Principal activities and place of operation
			2003	2002	
New Richest Holdings Limited	Hong Kong	10,000 Ordinary shares of HK\$1.00 each	63%	63%	Investment holding in Hong Kong
力新時紙製品 (深圳) 有限公司*	The PRC	Registered capital of HK\$2,000,000	100%	100%	Manufacturing and sale of paper products in the PRC
Anson Printing Group Limited	Hong Kong	10,000 Ordinary shares of HK\$1.00 each	51%	51%	Provision of printing and colour separation services in Hong Kong
Visual Products Limited	Hong Kong	10,000 Ordinary shares of HK\$1.00 each	100%	60%	Manufacturing and trading of lenticular plastic products in Hong Kong
Pronto Print Limited	Hong Kong	50,000 Ordinary shares of HK\$10.00 each	99.2%	—	Printing of paper products in Hong Kong
Great Tech Trading Limited	Hong Kong	10,000 Ordinary shares of HK\$1.00 each	100%	—	Trading of lenticular plastic products in Hong Kong
New Spring Label & Packaging Limited	Hong Kong	10,000 Ordinary shares of HK\$1.00 each	34.65%	51%	Production of label and packaging in Hong Kong
New Pearl Hot Stamping & Packaging Limited	Hong Kong	10,000 Ordinary shares of HK\$1.00 each	100%	—	Provision of hot stamping and packaging services in Hong Kong
俊寶進包裝燙印 (深圳) 有限公司*	The PRC	Registered capital of HK\$1,000,000	100%	—	Provision of hot stamping and packaging services in the PRC

* foreign wholly-owned enterprise

NOTES TO THE ACCOUNTS

14 Inventories

	Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials	11,468	6,445
Work in progress	2,450	1,221
Finished goods	8,820	7,761
	<u>22,738</u>	<u>15,427</u>

At 31st March 2002 and 2003, all the inventories were carried at cost.

15 Trade receivables

At 31st March 2003, the ageing analysis of the trade receivables are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current	10,419	15,440
30 days to 60 days	2,903	7,012
61 days to 90 days	5,380	8,252
91 days to 180 days	4,055	9,831
Over 180 days	19,157	3,782
	<u>41,914</u>	<u>44,317</u>

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.

NOTES TO THE ACCOUNTS

16 Other receivables, deposits and prepayments

	Group	
	2003 HK\$'000	2002 HK\$'000
Deposits and payments made in relation to the acquisition of shares in subsidiaries (note (a))	—	14,530
Other receivables, other deposits and prepayments (note (b))	24,003	13,970
	<u>24,003</u>	<u>13,970</u>
	<u>24,003</u>	<u>28,500</u>

Notes:

- (a) The deposits were paid for the acquisition of subsidiaries. The acquisition transactions were completed during the year.
- (b) Included in the other receivables of last year, an amount of HK\$4 million was advanced to an independent supplier of the Group in last year. Such amount was fully repaid during the year.

17 Due from/(to) related companies

- (a) Particulars of amounts due from related companies disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Name of related companies	Amount outstanding at 31st March 2003 HK\$'000	Maximum amount outstanding during the year 2003 HK\$'000	Amount outstanding at 31st March 2002 HK\$'000
Beautiking Investments Limited (i) & (ii)	—	1,124	612
Glory Motion Company Limited (ii) & (iii)	—	575	185
	<u>—</u>		<u>797</u>

NOTES TO THE ACCOUNTS

17 Due from/(to) related companies *(Continued)*

- (i) All the amounts due from related companies were of non-trade nature and were unsecured, interest-free and repayable on demand except for the amount due from Beautiking Investments Limited which was interest bearing at 12% per annum. All such amounts were repaid during the year.
- (ii) A director of the Company, Mr. NG Man Chan, has beneficial interests in the related companies.
- (iii) A director of the Company, Ms. LI Mi Lai, has beneficial interests in the related company.
- (b) The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayments.

18 Bank balances and cash

Included in the balance of the Group is an amount of approximately HK\$148,000 (2002: HK\$607,000) denominated in Renminbi in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

19 Trade payables

At 31st March 2003, the ageing analysis of the trade payables are as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current to 30 days	5,773	4,271
31 days to 60 days	3,056	3,480
61 days to 90 days	3,720	4,306
Over 90 days	8,634	5,983
	<u>21,183</u>	<u>18,040</u>

NOTES TO THE ACCOUNTS

20 Long-term liabilities

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank loans, secured	27,222	6,392
Obligations under finance leases	26,963	13,551
	<hr/>	<hr/>
	54,185	19,943
Current portion of long term liabilities	(35,671)	(10,496)
	<hr/>	<hr/>
	18,514	9,447
	<hr/> <hr/>	<hr/> <hr/>

Bank loans and obligations under finance leases are wholly repayable within five years.

At 31st March 2003, the Group's bank loans are repayable as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	23,861	6,344
In the second year	2,721	48
In the third to fifth year	640	—
	<hr/>	<hr/>
	27,222	6,392
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS

20 Long-term liabilities (Continued)

At 31st March 2003, the Group's finance lease liabilities are repayable as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	12,751	4,780
In the second year	8,617	3,668
In the third to fifth year	7,171	6,375
	<u>28,539</u>	<u>14,823</u>
Future finance charges on finance leases	(1,576)	(1,272)
	<u>26,963</u>	<u>13,551</u>
Present value of finance lease liabilities		
	<u>26,963</u>	<u>13,551</u>
The present value of finance lease liabilities is as follows:		
Within one year	11,810	4,152
In the second year	8,141	3,267
In the third to fifth year	7,012	6,132
	<u>26,963</u>	<u>13,551</u>

21 Share capital

	2003 HK\$'000	2002 HK\$'000
Authorised:		
2,000,000,000 (2002: 2,000,000,000) ordinary shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
180,000,000 (2002: 180,000,000) ordinary shares of HK\$0.1 each	<u>18,000</u>	<u>18,000</u>

22 Share options

Under the share option scheme (the “Scheme”) approved by the shareholders on 22nd October 2001, the directors of the Company may, at its discretion, invite directors and employees of the Group to take up options to subscribe for shares in the Company representing up to a maximum of 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the shares in relation to options to be granted under the Scheme shall be determined by the board and shall be at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares on the date of grant (the “Offer Date”); and (iii) the average closing price of the shares for the five business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer Date.

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

NOTES TO THE ACCOUNTS

23 Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Group Revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st April 2001	–	(290)	–	–	8	56,790	56,508
Premium on new issue of shares to the public	36,000	–	–	–	–	–	36,000
Share issue expenses	(9,600)	–	–	–	–	–	(9,600)
Capitalisation issue	(13,733)	–	–	–	–	–	(13,733)
Surplus on reorganisation	–	47	–	–	–	–	47
Transfer to statutory surplus reserve according to PRC regulations	–	–	294	–	–	(294)	–
Surplus on revaluation	–	–	–	2,203	–	–	2,203
Exchange differences arising on translation of the accounts of an overseas subsidiary	–	–	–	–	(2)	–	(2)
Profit attributable to shareholders	–	–	–	–	–	29,342	29,342
At 31st March 2002	<u>12,667</u>	<u>(243)</u>	<u>294</u>	<u>2,203</u>	<u>6</u>	<u>85,838</u>	<u>100,765</u>
Representing:							
Reserves							82,765
2002 Final dividend proposed (note 7)							<u>18,000</u>
							<u>100,765</u>
At 1st April 2002	12,667	(243)	294	2,203	6	85,838	100,765
Transfer to statutory surplus reserve according to PRC regulations	–	–	240	–	–	(240)	–
Exchange differences arising on translation of the accounts of the overseas subsidiaries	–	–	–	–	7	–	7
Loss attributable to shareholders	–	–	–	–	–	(5,384)	(5,384)
Dividends	–	–	–	–	–	(18,000)	(18,000)
At 31st March 2003	<u>12,667</u>	<u>(243)</u>	<u>534</u>	<u>2,203</u>	<u>13</u>	<u>62,214</u>	<u>77,388</u>
Representing:							
Reserves							<u>77,388</u>

NOTES TO THE ACCOUNTS

23 Reserves (Continued)

	Share premium HK\$'000	Company (Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
At 1st April 2001	—	(62)	(62)
Premium on new issue of shares to the public	36,000	—	36,000
Share issue expenses	(9,600)	—	(9,600)
Capitalisation issue	(13,733)	—	(13,733)
Amount arising from reorganisation	71,603	—	71,603
Profit attributable to shareholders	—	19,966	19,966
At 31st March 2002	<u>84,270</u>	<u>19,904</u>	<u>104,174</u>
Representing:			
Reserves			86,174
2002 Final dividend proposed (note 7)			18,000
			<u>104,174</u>
At 1st April 2002	84,270	19,904	104,174
Loss attributable to shareholders	—	(883)	(883)
Dividends	—	(18,000)	(18,000)
At 31st March 2003	<u>84,270</u>	<u>1,021</u>	<u>85,291</u>
Representing:			
Reserves			<u>85,291</u>

At 31st March 2003, goodwill written off against the Group's retained earnings as a result of the acquisition of subsidiaries prior to 1st April 2001 amounted to HK\$293,000 (2002: HK\$293,000).

NOTES TO THE ACCOUNTS

24 Deferred taxation

The movement on the deferred taxation liabilities account is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
At the beginning of the year	3,164	3,164
Charged to profit and loss account (note 5)	1,730	—
	<u> </u>	<u> </u>
At the end of the year	<u>4,894</u>	<u>3,164</u>

Deferred taxation liabilities/(assets) are recognised in respect of:

	Group	
	2003 HK\$'000	2002 HK\$'000
Accelerated depreciation allowances	6,027	3,164
Tax loss	(1,133)	—
	<u> </u>	<u> </u>
	<u>4,894</u>	<u>3,164</u>

The Group and the Company have no significant unprovided deferred taxation as at 31st March 2003 and 31st March 2002.

NOTES TO THE ACCOUNTS

25 Consolidated cash flow statement

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

	2003 HK\$'000	2002 HK\$'000
(Loss)/profit before taxation	(4,030)	31,027
Depreciation	10,268	7,113
Gain on disposal of fixed assets	(504)	—
Share of profit of an associated company	—	(53)
Interest income	(306)	(464)
Interest expenses	2,270	1,579
Interest element of finance leases	1,204	1,034
Amortisation of goodwill	1,342	9
Increase in inventories	(7,311)	(6,352)
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments	11,976	(34,891)
Decrease in amounts due from directors	—	4,396
Decrease in amounts due from related companies	797	6,506
(Decrease)/increase in trade payables, accrued charges and other payables	(840)	5,426
Increase/(decrease) in amounts due to related companies	276	(118)
Net cash inflow generated from operations	15,142	15,212

NOTES TO THE ACCOUNTS

25 Consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Share capital including share premium		Minority interests		Loans and obligations under finance leases	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At the beginning						
of the year	30,667	413	(153)	—	19,943	27,223
Effect of reorganisation on share capital	—	(413)	—	—	—	—
Increase in interest in a subsidiary	—	—	(5)	—	—	—
Minority interests in share of profits/(losses) in subsidiaries	—	—	123	(252)	—	—
Shares issued for non- cash consideration	—	267	—	—	—	—
New issue of shares to the public	—	4,000	—	—	—	—
Premium on new issue of shares to the public	—	36,000	—	—	—	—
Capitalisation issue	—	13,733	—	—	—	—
Capitalisation of shares out of share premium account	—	(13,733)	—	—	—	—
Share issue expenses	—	(9,600)	—	—	—	—
New bank loans	—	—	—	—	24,759	18,127
Repayment of bank loans	—	—	—	—	(3,928)	(17,119)
Capital elements of finance lease rental payments	—	—	—	—	(4,844)	(9,231)
Capital contributions from minority shareholders	—	—	—	12	—	—
Purchase of subsidiaries	—	—	(10)	87	—	—
Inception of finance leases	—	—	—	—	18,255	943
At the end of the year	<u>30,667</u>	<u>30,667</u>	<u>(45)</u>	<u>(153)</u>	<u>54,185</u>	<u>19,943</u>

25 Consolidated cash flow statement (Continued)

(c) Major non-cash transactions

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

	2003 HK\$'000	2002 HK\$'000
Finance lease arrangements in respect of assets with total capital values at the inception of leases	<u>18,255</u>	<u>943</u>

(d) Purchase of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets acquired		
Fixed assets	1,901	80
Trade and other receivables	5,076	4,249
Bank balances and cash	149	402
Trade and other payables	(5,413)	(4,554)
Minority interests	<u>10</u>	<u>(87)</u>
	1,723	90
Goodwill on acquisition	<u>13,077</u>	<u>173</u>
Consideration	<u>14,800</u>	<u>263</u>
Satisfied by		
Cash consideration	14,800	210
Interest in an associated company at the date it became a subsidiary	<u>—</u>	<u>53</u>
	<u>14,800</u>	<u>263</u>

The subsidiaries acquired during the year contributed HK\$1,030,000 (2002: HK\$487,000) to the Group's net operating cash flows, paid HK\$166,000 (2002: Nil) in respect of the investing activities.

NOTES TO THE ACCOUNTS

25 Consolidated cash flow statement *(Continued)*

(d) Purchase of subsidiaries *(Continued)*

Analysis of the net cash (outflow)/inflow in respect of the purchase of subsidiaries:

	2003 HK\$'000	2002 HK\$'000
Cash consideration	(14,800)	(210)
Cash and cash equivalents acquired	149	402
Net (outflow)/inflow of cash and cash equivalents in respect of purchase of subsidiaries	(14,651)	192

26 Banking facilities

At 31st March 2003, the Group's banking facilities were secured by the following:

- (i) certain leasehold land and buildings of the Group (note 12(d));
- (ii) corporate guarantee given by the Company; and
- (iii) bank deposits of HK\$3,500,000.

27 Contingent liabilities

	Company	
	2003 HK\$'000	2002 HK\$'000
Guarantees for bank loans and overdrafts of subsidiaries	56,614	14,409

NOTES TO THE ACCOUNTS

28 Commitments

(a) Capital commitments

At 31st March 2003, the Group had capital commitments contracted but not provided for in respect of plant and equipment of HK\$10,475,000 (2002: HK\$18,862,000).

(b) Commitments under operating leases

At 31st March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which expire as follows:

	2003 HK\$'000	2002 HK\$'000
Not later than one year	1,821	686
Later than one year and not later than five years	937	69
	<u>2,758</u>	<u>755</u>

The Company did not have any commitments at 31st March 2003 (2002: Nil).

29 Related party transactions

Save as disclosed in other notes to the accounts, other significant related party transactions, which were carried out in the normal course of the Group's business and were charged at prices mutually agreed, are as follows:

	2003 HK\$'000	2002 HK\$'000
Interest income		
Beautiking Investments Limited (i)	47	318
Rental paid		
Baumax Company Limited (ii) & (v)	360	228
Beautiking Investments Limited (iii) & (iv)	324	264
Glory Motion Company Limited (iii)	276	252

29 Related party transactions *(Continued)*

- (i) During the year, the 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. Certain executive directors of the Company have beneficial interests in Beaumax Company Limited. The lease was entered into on normal commercial terms.
- (iii) One of the subsidiaries, New Spring Group Company Limited, has entered into a lease agreement with related companies, Beautiking Investments Limited and Glory Motion Company Limited, to lease office spaces for a period of 2 years commencing 1st July 2001 and 1st February 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 Pearl Hot Stamping & Packaging Limited (which was acquired by the Group on 30th September 2002) has entered into a lease agreement with Beautiking Investments Limited to lease office spaces for a period of two years commencing 1st August 2002 at a monthly rental of HK\$10,000. The leases were entered into on normal commercial terms.
- (v) One of the subsidiaries, Pronto Print Limited (which was acquired by the Group on 30th September 2002) has entered into a lease agreement with Beaumax Company Limited to lease office spaces for a period of two years commencing 1st January 2002 at monthly rental of HK\$22,000. The lease was entered into on normal commercial terms.

30 Ultimate holding company

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

31 Approval of accounts

The accounts were approved by the board of directors on 28th July 2003.