

# CORPORATE INFORMATION

---

## DIRECTORS

Madam So Chau Yim Ping, J.P.  
*(Chairman and Managing Director)*  
Mrs. Cheong So Ka Wai, Patsy  
Mrs. Fung So Ka Wah, Karen  
Mr. So Wah Sum, Conrad  
Madam Shea Chau Hung Ping  
Mr. Hui Yin Fat, O.B.E., J.P.\*  
The Hon. Ting Woo Shou, Kenneth, J.P.\*  
The Hon. Wong Wang Fat, Andrew, O.B.E.  
(Hon.), J.P.\*

\* *Independent Non-Executive Directors*

## COMPANY SECRETARY

Mrs. Cheong So Ka Wai, Patsy

## SOLICITORS

Woo, Kwan, Lee & Lo

## AUDITORS

KPMG

## PRINCIPAL BANKERS

BNP Paribas  
The Hongkong and Shanghai Banking  
Corporation Limited  
Wing Hang Bank Limited

## REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

## HEAD OFFICE

New Island Printing Centre  
38 Wang Lee Street  
Yuen Long Industrial Estate  
New Territories  
Hong Kong

## HONG KONG SHARE REGISTRARS

Standard Registrars Limited  
5/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## CORPORATE INFORMATION

---

### BIOGRAPHY OF DIRECTORS

*Madam So Chau Yim Ping, J.P.*, aged 74, is the Chairman and Managing Director of the Company as well as the founder of the Group. Madam So has more than 30 years' experience in the printing and paper products industry. She is the Vice-Chairman of Supervisory Committee of The Hong Kong Printers Association, the President of the Southern District Industrialists Association Limited and the Hon. President of Hong Kong Federation of Women. She is also a committee member of the 東莞外商投資企業協會 in Dongguan in the PRC. She was a member of the Legislative Council from October, 1988 to August, 1991 and was a District Board member for the Southern District from April, 1985 to September, 1994.

*Mrs. Cheong So Ka Wai, Patsy*, aged 52, is an Executive Director of the Company and is responsible for corporate planning, general administration and special projects. Mrs. Cheong is a law graduate from the University of Hull, United Kingdom and has been admitted as a solicitor in Hong Kong since 1977. She joined the Group in 1992. Mrs. Cheong is a daughter of Madam So Chau Yim Ping.

*Mrs. Fung So Ka Wah, Karen*, aged 51, is an Executive Director of the Company. Mrs. Fung graduated from the University of Toronto and obtained a post graduate degree from the University of Western Ontario in Canada. She was in the banking industry before joining the Group in 1985. Her main responsibility is procurement and logistics. Mrs. Fung is a daughter of Madam So Chau Yim Ping.

*Mr. So Wah Sum, Conrad*, aged 47, is an Executive Director of the Company. Mr. So graduated from the University of Waterloo in Canada with degrees in urban and regional planning and in economics and accounting. He is a certified management accountant of the Society of Management Accountants of Ontario, Canada and worked in various divisional control departments of a multinational chemical manufacturer in Canada before returning to Hong Kong and joining the Group in 1983. His main responsibility is marketing and sales. Mr. So is the son of Madam So Chau Yim Ping.

*Madam Shea Chau Hung Ping*, aged 68, is an Executive Director of the Company and is an accountant by training. She joined the Group in 1990 and is mainly responsible for general management. Madam Shea is the sister of Madam So Chau Yim Ping.

\* *Mr. Hui Yin Fat, O.B.E., J.P.*, aged 66, was a member of the Legislative Council from 1985 to 1995, and a member of the Provisional Legislative Council from 1997 to 1998. Mr. Hui, who was the Director of the Hong Kong Council of Social Service, holds a B.A. (Hons) degree and a Dip. (Social Studies) from the University of Hong Kong and a M.Sc. (Social Administration) degree from the Western Reserve University, Cleveland, Ohio, USA. He had been the Chairman of the Advisory Committee to the Social Work Course at Baptist University, Polytechnic University and the Chairman of the Advisory Committee of Shue Yan College.

## CORPORATE INFORMATION

---

\* *The Hon. Ting Woo Shou, Kenneth, J.P.*, aged 59, is the managing director and a controlling shareholder of Kader Holdings Company Limited. Mr. Ting is the representative of the Federation of Hong Kong Industries in the Legislative Council, the Deputy Chairman of the Federation of Hong Kong Industries, the President of the Hong Kong Plastics Manufacturers' Association, the Chairman of the Vocational Training Council-Plastics Industry Training Board, the Honorary President of the Toys Manufacturers' Association of Hong Kong Limited, a Director & Executive Committee Member of the Hong Kong Plastics Technology Centre and a member of the Hong Kong Trade Development Council and the Council of The Hong Kong Polytechnic University. He is also a member of the Chinese Manufacturers' Association of Hong Kong and the Hong Kong General Chamber of Commerce.

\* *The Hon. Wong Wang Fat, Andrew, O.B.E. (Hon.), J.P.*, aged 58, has been an elected member of the Legislative Council since 1985 and was the President of the Council from 1995 to 1997. Mr. Wong holds a Bachelor of Arts (Honours) degree in literature from the University of Hong Kong and a Master of Public Administration degree from the Syracuse University, USA. He has been lecturing at The Chinese University of Hong Kong since 1970 and is currently Honorary Professor of Government and Public Administration. Mr. Wong is also a Non-Executive Director of the Chevalier International Holdings Limited and the Honorary President of the Hong Kong Corrugated Paper Manufacturers Association.

\* *Independent Non-Executive Directors*

*Note: Various aspects of the Group's business are respectively under the direct responsibility of the five Directors holding executive offices of the Company as named above. Only these Executive Directors are regarded as members of the Group's senior management.*

# NOTICE OF ANNUAL GENERAL MEETING

---

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, New Territories, Hong Kong on Friday, the 23rd day of August, 2002 at 12:00 noon for the following purposes:—

1. To receive and consider the financial statements and the reports of the Directors and Auditors for the year ended 31st March, 2002.
2. To re-elect Directors and to fix the remuneration of Directors.
3. To re-appoint Auditors and authorise the Directors to fix their remuneration.
4. To consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:—

## ORDINARY RESOLUTION

“**THAT** a general mandate be and is hereby unconditionally given to the Directors of the Company to issue and dispose of new shares of the Company not exceeding twenty per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution until the next Annual General Meeting of the Company or until this resolution is revoked or varied by an ordinary resolution passed by the shareholders in general meeting of the Company, whichever is the earliest.”

By Order of the Board  
**CHEONG SO Ka Wai, Patsy**  
*Secretary*

Hong Kong, 19th July, 2002

*Notes:—*

1. *Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
2. *To be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the head office and principal place of business of the Company at New Island Printing Centre, 38 Wang Lee Street, Yuen Long Industrial Estate, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*

## CHAIRMAN'S STATEMENT

---



With the global economic slowdown aggravated by the 11th September incident in the U.S., 2001/2002 turned out to be a difficult year. A review of the Group's performance is set out in the section headed Management Discussion and Analysis. While an interim dividend of HK1.0 cent was paid on 7th January, 2002, no final dividend for the year under review is recommended.

Although the short term performance of the Group has been adversely affected by the poor economic conditions, we remain optimistic about the long term prospects of the Group particularly in view of the new business opportunities that are expected to arise following the accession of China to the World Trade Organisation. The accession of China to the World Trade Organisation is expected to have a long term positive impact on the economic development in China and to further stimulate the trading activities between China and the rest of the world. This, in turn, is expected to further

stimulate the growth in demand for packaging printing products. To better position the Group to meet such expected growth in demand, the Group has embarked on an expansion programme to further develop its production facilities in the PRC.

In February 2001, the Group acquired a plot of land within a short distance from its existing plant in Dongguan. The first phase of construction of warehouses and factory buildings with a total gross floor area of approximately 280,000 square feet on this plot of land was completed in April 2002. The Group is currently in the process of relocating the production unit in its Yuen Long plant in Hong Kong to these new premises in Dongguan. To minimise any disruption in production, the relocation process is being carried out in phases and is expected to be completed by October 2002. We are confident that the Group will be able to improve its cost efficiencies and achieve substantial cost savings as a result of relocation.

Meanwhile, the Group has also acquired a plot of land adjacent to its existing plant in Shanghai. The land will be used for the development of additional production facilities with a total gross floor area of approximately 100,000 square feet. Construction of these additional production facilities is tentatively scheduled for completion by mid-2003.

## CHAIRMAN'S STATEMENT

---

Given the expected increase in demand from the PRC market following China's accession to the World Trade Organisation, we believe that the Group's expansion programme to further develop its production facilities in Dongguan and Shanghai will better position it to meet its long term operational requirements and will further improve the competitiveness of the Group for future growth.

Finally, I would like to take this opportunity to extend our gratitude to the dedicated staff of the Group for their hard work and contributions during the year under review. On behalf of the Board, I would also like to express our sincere thanks to the shareholders of the Company for their continued support.

**So Chau Yim Ping**

*Chairman and Managing Director*

Hong Kong, 19th July, 2002

# MANAGEMENT DISCUSSION AND ANALYSIS

---

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported a turnover of approximately HK\$425 million (2001: HK\$455 million) for the year under review. This represents a decrease of approximately 6.6% as compared to the corresponding period last year. Profit from ordinary activities before taxation and profit attributable to shareholders amounted to approximately HK\$12.4 million and approximately HK\$8.4 million respectively (2001: HK\$26.0 million and HK\$18.6 million).

During the year under review, the performance of the Group was adversely affected by the global economic slowdown. The difficult operating environment was further aggravated by the 11th September incident in the U.S., the repercussions of which on worldwide economic activities were clearly felt in the second half of the year. As a result, the Group recorded a decrease in both turnover and profit during the year under review. Although the sales to the PRC market remained steady, the sales to the local and overseas markets decreased by approximately 10.3% as compared to the corresponding period last year, reflecting the downturn in the underlying economies particularly following the 11th September event in the U.S.

During the year under review, the profit margins of the Group were under pressure due to keen competition within the packaging printing industry as local competitors adopted a price-cutting strategy under the difficult operating environment to secure customers' orders while the Group remained committed to maintaining the quality of its products. Nevertheless, the Directors believe that the Group's commitment to maintaining the quality of its products will enable it to strengthen its market position and its relationship with customers in the long term.

To alleviate pressure on profit margins under the competitive environment, the Group tightened its cost control measures during the year under review. Cost savings were achieved through the reduction in selling and distribution costs and administrative expenses, which fell by approximately 6.6% and approximately 1.9% respectively as compared to the corresponding period last year. Finance cost was also reduced by approximately 23.5% as the Group was able to take advantage of the reduction in interest rates during the year despite the fact that the amount of its borrowings was higher than that in the corresponding period last year. The increase in the Group's borrowings was due primarily to the strategic decision of the Group to expand its production facilities in the PRC to cater for its long term operational requirements, further details of which are discussed in the section headed Chairman's Statement.

## FINANCIAL AND CAPITAL RESOURCES

---

### FINANCIAL AND CAPITAL RESOURCES

During the year under review, the Group spent a total of approximately HK\$42 million on fixed assets investment. The fixed assets investment, which included the construction of four factory and warehouse buildings in Dongguan, was financed by retained profit and bank loans. The daily operating activities of the Group were funded by profit generated from operations and banking facilities.

The Directors believe that the financial position of the Group is sound and that the Group has adequate resources to meet its financial commitments in the foreseeable future. As at 31st March, 2002, the borrowings of the Group, which were either denominated in Hong Kong dollars or Chinese Renminbi, amounted to approximately HK\$260 million (2001: HK\$236 million). Of this amount, approximately HK\$173 million (2001: HK\$142 million) were secured by mortgages over the Group's land, buildings and machinery with an aggregate net book value of approximately HK\$233 million (2001: HK\$247 million). The gearing ratio (defined as total interest-bearing borrowings divided by total assets) of the Group as at 31st March, 2002 was approximately 44% (2001: 41%). The increase in the gearing ratio of the Group was due primarily to the financing requirements associated with the construction of the factory and warehouse buildings in Dongguan during the year under review. The construction of these premises forms part of the Group's expansion programme to further develop its production facilities in the PRC.



# REPORT OF THE DIRECTORS

---

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March, 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

The analysis of the geographical locations of the operations of the Company and its subsidiaries during the year are set out in note 12 on the financial statements.

## FINANCIAL STATEMENTS

The profit of the Group for the year ended 31st March, 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 17 to 52.

An interim dividend of HK1.0 cent (2001: HK2.0 cents) per share was paid on 7th January, 2002. The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March, 2002 (2001: HK1.5 cents per share).

## RESERVES

Movements in reserves during the year are set out in note 24 on the financial statements.

## SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2002 are set out in note 14 on the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 53 and 54.

# REPORT OF THE DIRECTORS

---

## MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year is as follows:

	%
Sales	
Five largest customers in aggregate	51
The largest customer	23
Purchases	
Five largest suppliers in aggregate	24
The largest supplier	9

At no time during the year, have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5 per cent. of the Company's share capital) had any interests (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) in these major customers and suppliers.

## FIXED ASSETS

Movements in fixed assets during the year are set out in note 13 on the financial statements.

## BANK LOANS, OVERDRAFTS AND OBLIGATIONS UNDER FINANCE LEASES

Particulars of bank loans, overdrafts and obligations under finance leases of the Group at 31st March, 2002 are set out in notes 18 and 19 on the financial statements.

## DIRECTORS

The Directors during the financial year and up to the date of this report were:

Madam So Chau Yim Ping, JP (Chairman and Managing Director)

Mrs Cheong So Ka Wai, Patsy

Mrs Fung So Ka Wah, Karen

Mr So Wah Sum, Conrad

Madam Shea Chau Hung Ping

Mr Hui Yin Fat, O.B.E., JP\*

The Hon. Ting Woo Shou, Kenneth, JP\*

The Hon. Wong Wang Fat, Andrew, O.B.E. (Hon), JP\*

\* *Independent Non-Executive Directors*

In accordance with the bye-laws of the Company, Mrs Cheong So Ka Wai, Patsy and Mr. Hui Yin Fat, O.B.E., JP retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

# REPORT OF THE DIRECTORS

---

## DIRECTORS' SERVICE CONTRACTS

Madam So Chau Yim Ping, JP, Mrs Cheong So Ka Wai, Patsy, Mrs Fung So Ka Wah, Karen, Mr So Wah Sum, Conrad and Madam Shea Chau Hung Ping have entered into service agreements with the Company which may be terminated by either party giving to the other six months written notice.

## CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the year ended 31st March, 2002, except that Independent Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with the Company's Bye-law.

## DIRECTORS' INTERESTS IN SHARES

As at 31st March, 2002, the beneficial interests of the Directors in the issued share capital of the Company and its subsidiaries within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register required to be kept under section 29 of that Ordinance were as follows:

### (a) Interests in the Company

Beneficial interests	Number of ordinary shares		
	Personal	Corporate (Note)	Total
Madam So Chau Yim Ping, JP	19,800,000	132,000,000	151,800,000
Mrs Cheong So Ka Wai, Patsy	3,300,000	—	3,300,000
Mrs Fung So Ka Wah, Karen	3,300,000	—	3,300,000
Mr So Wah Sum, Conrad	3,300,000	—	3,300,000
Madam Shea Chau Hung Ping	3,300,000	—	3,300,000
The Hon. Ting Woo Shou, Kenneth, JP	105,000	—	105,000

No family interests in shares are held by any of the Directors.

*Note: Ka Chau Enterprises (B.V.I.) Limited ("Ka Chau") beneficially owned 132,000,000 shares as at 31st March, 2002. Madam So Chau Yim Ping, JP has a 60 per cent. interest in Ka Chau, and each of Mrs Cheong So Ka Wai, Patsy and Mrs Fung So Ka Wah, Karen has a 20 per cent. interest in Ka Chau.*

## REPORT OF THE DIRECTORS

---

### (b) Interests in subsidiaries

<b>Beneficial interests</b>	<b>Non-voting deferred shares of HK\$100 each in New Island Printing Company Limited</b>	<b>Non-voting deferred shares of HK\$100 each in Sonic Manufacturing Company Limited</b>
Madam So Chau Yim Ping, JP	6,700	500
Mrs Cheong So Ka Wai, Patsy	1,000	500
Mrs Fung So Ka Wah, Karen	1,000	—
Mr So Wah Sum, Conrad	1,000	—
Madam So Chau Yim Ping, JP and Mrs Cheong So Ka Wai, Patsy	150	—
Madam Shea Chau Hung Ping	150	—
	<b>10,000</b>	<b>1,000</b>

In addition to the above, certain Directors hold shares in subsidiaries on trust and as nominees for their respective intermediate holding companies.

### SUBSTANTIAL SHAREHOLDERS

Save for those shares referred to in the Directors' interests in shares above, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance.

### CONNECTED TRANSACTIONS

During the year, the Group has entered into the following transactions as described below with persons who are "connected persons" for the purpose of Listing Rules.

The Group, in the ordinary course of business, entered into transactions with Kader Holdings Company Limited ("Kader") and its related companies from time to time on an arm's length basis and on normal commercial terms. The Hon. Ting Woo Shou, Kenneth, JP, an Independent Non-Executive Director of the Group is the managing director and a controlling shareholder of Kader.

These transactions have been reviewed by the other Independent Non-Executive Directors (namely, Mr Hui Yin Fat, O.B.E., JP and The Hon. Wong Wang Fat, Andrew, O.B.E. (Hon), JP) of the Company, who are satisfied that the above transactions have been concluded on normal commercial terms in the ordinary course of business and are fair and reasonable so far as the shareholders of the Company are concerned.

# REPORT OF THE DIRECTORS

---

## **DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS**

Apart from the above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest subsisted at the end of the year or at any time during the year.

## **ARRANGEMENT TO PURCHASE SHARES**

Under the Company's Share Option Scheme ("the Scheme") which was adopted as an incentive to the employees of the Group, the Directors of the Company may, at their discretion, invite any employees, including directors, of any company in the Group, to take up options to subscribe for shares of the Company. For options granted before 1st September, 2001, the exercise price of options was determined by the Board of Directors of the Company, which would not be less than 80 per cent. of the average closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days preceding the date of offer of the option or the nominal value of the shares if higher. For options granted on or after 1st September, 2001, the exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. The maximum number of shares in respect of which options may be granted may not exceed 10 per cent. of the issued share capital. The offer of a grant of options must be accepted within 28 days from the date of offer with a payment of nominal consideration of HK\$1.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price. The options are exercisable for a period of up to three years commencing on the expiry of six months after the date on which the option is accepted. Full amount of the exercise price must be paid upon the exercise of options. The Scheme remains in force for a period of 10 years commencing on 25th March, 1993.

No option was granted, exercised, lapsed or cancelled during the year. There were no outstanding share options at 31st March, 2002.

Save for the Scheme, at no time during the year ended 31st March, 2002 was the Company or its subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws, although there is no restriction against such rights under Bermuda Law.

# REPORT OF THE DIRECTORS

---

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

## **RETIREMENT SCHEMES**

Particulars of retirement schemes of the Group are set out in note 27 on the financial statements.

## **STAFF**

As at 31st March, 2002, the Group had a total staff of 2,718 (2001: 2,440) of which 2,448 (2001: 2,153) were employed in the People's Republic of China for the Group's manufacturing and distribution businesses.

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

## **AUDIT COMMITTEE**

The audit committee comprises three Independent Non-Executive Directors and reports to the Board of Directors. The audit committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

## **AUDITORS**

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board  
**Cheong So Ka Wai, Patsy**  
*Secretary*

Hong Kong, 19th July, 2002

# REPORT OF THE AUDITORS

---



Auditors' report to the shareholders of  
**NEW ISLAND PRINTING HOLDINGS LIMITED**  
*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 17 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

## **BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## **OPINION**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2002 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

**KPMG**

*Certified Public Accountants*

Hong Kong, 19th July, 2002

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>2002</b>	<b>2001</b>
		<b>\$'000</b>	<b>restated \$'000</b>
<b>Turnover</b>	2	<b>425,435</b>	454,788
<b>Cost of sales</b>		<b>(342,187)</b>	(351,979)
		<b>83,248</b>	102,809
<b>Other revenue</b>	3(a)	<b>908</b>	1,935
<b>Other net income/(loss)</b>	3(b)	<b>116</b>	(1,051)
<b>Selling and distribution costs</b>		<b>(20,059)</b>	(21,477)
<b>Administrative expenses</b>		<b>(39,731)</b>	(40,496)
<b>Profit from operations</b>		<b>24,482</b>	41,720
<b>Finance costs</b>	4(a)	<b>(12,041)</b>	(15,747)
<b>Profit from ordinary activities before taxation</b>	4	<b>12,441</b>	25,973
<b>Taxation</b>	5(a)	<b>(4,087)</b>	(7,414)
<b>Profit attributable to shareholders</b>	8	<b>8,354</b>	18,559
<b>Dividends attributable to the year:</b>	9		
Interim dividend declared during the year		<b>2,225</b>	4,450
Final dividend proposed after the balance sheet date		—	3,338
		<b>2,225</b>	7,788
<b>Earnings per share</b>	10	<b>3.75 cents</b>	8.34 cents

*The notes on pages 25 to 52 form part of these financial statements.*



## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2002</b> <b>\$'000</b>	<b>2001</b> <b>\$'000</b>
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	24(a)	<b>(286)</b>	(736)
<b>Net loss not recognised in the profit and loss account</b>		<b>(286)</b>	(736)
Net profit for the year		<b>8,354</b>	18,559
<b>Total recognised gains</b>		<b>8,068</b>	17,823

---

*The notes on pages 25 to 52 form part of these financial statements.*

# CONSOLIDATED BALANCE SHEET

*At 31st March, 2002*  
(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>2002</b>		<b>2001</b>	
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>restated</b>
				<b>\$'000</b>	<b>\$'000</b>
<b>NON-CURRENT ASSETS</b>					
Fixed assets	<i>13</i>		<b>372,940</b>		358,840
<b>CURRENT ASSETS</b>					
Inventories	<i>15</i>	<b>85,496</b>		80,942	
Trade debtors, prepayments and deposits	<i>16</i>	<b>94,940</b>		102,640	
Cash and cash equivalents	<i>17</i>	<b>31,537</b>		30,380	
			<b>211,973</b>	213,962	
<b>CURRENT LIABILITIES</b>					
Bank loans and overdrafts					
- secured	<i>18</i>	<b>89,219</b>		84,854	
- unsecured	<i>18</i>	<b>56,235</b>		40,383	
Obligations under finance leases	<i>19</i>	<b>4,320</b>		5,100	
Trade creditors and accrued charges	<i>20</i>	<b>63,783</b>		78,502	
Bills payable	<i>21</i>	<b>31,214</b>		40,628	
Taxation	<i>5(b)</i>	<b>1,765</b>		1,398	
			<b>246,536</b>	250,865	
<b>NET CURRENT LIABILITIES</b>			<b>(34,563)</b>		(36,903)
<b>TOTAL ASSETS LESS</b>					
<b>CURRENT LIABILITIES</b>			<b>338,377</b>		321,937
<b>NON-CURRENT LIABILITIES</b>					
Bank loans					
- secured	<i>18</i>	<b>61,744</b>		52,975	
- unsecured	<i>18</i>	<b>10,167</b>		4,167	
Obligations under finance leases	<i>19</i>	<b>7,139</b>		7,973	
			<b>(79,050)</b>		(65,115)
<b>NET ASSETS</b>			<b>259,327</b>		256,822

# CONSOLIDATED BALANCE SHEET

*At 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2002</b>	<b>2001</b>
		<b>\$'000</b>	<b>restated</b>
			<b>\$'000</b>
<b>CAPITAL AND RESERVES</b>			
<b>Share capital</b>	<i>23</i>	<b>22,253</b>	22,253
<b>Reserves</b>	<i>24(a)</i>	<b>237,074</b>	234,569
		<b>259,327</b>	256,822

Approved and authorised for issue by the Board of Directors on 19th July, 2002

**So Chau Yim Ping**  
*Chairman and Managing Director*

**Cheong So Ka Wai, Patsy**  
*Executive Director*

*The notes on pages 25 to 52 form part of these financial statements.*

# BALANCE SHEET

*At 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

	<i>Note</i>	<b>2002</b>		<b>2001</b> <b>restated</b>	
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries	<i>14</i>		<b>127,391</b>		126,470
<b>CURRENT ASSETS</b>					
Trade debtors, prepayments and deposits	<i>16</i>	<b>109</b>		109	
Cash and cash equivalents	<i>17</i>	<b>34</b>		35	
		<b>143</b>		144	
<b>CURRENT LIABILITIES</b>					
Trade creditors and accrued charges	<i>20</i>	<b>176</b>		158	
<b>NET CURRENT LIABILITIES</b>					
			<b>(33)</b>		(14)
<b>NET ASSETS</b>					
			<b>127,358</b>		126,456
<b>CAPITAL AND RESERVES</b>					
Share capital	<i>23</i>		<b>22,253</b>		22,253
Reserves	<i>24(b)</i>		<b>105,105</b>		104,203
			<b>127,358</b>		126,456

Approved and authorised for issue by the Board of Directors on 19th July, 2002

**So Chau Yim Ping**  
*Chairman and Managing Director*

**Cheong So Ka Wai, Patsy**  
*Executive Director*

*The notes on pages 25 to 52 form part of these financial statements.*

# CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

	<i>Note</i>	<b>2002</b>	<b>2001</b>
		<i>\$'000</i>	<i>\$'000</i>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<i>(a)</i>	<b>33,437</b>	68,109
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		<b>310</b>	817
Interest paid		<b>(12,005)</b>	(14,639)
Interest element of finance lease rental payments		<b>(641)</b>	(879)
Dividends paid		<b>(5,563)</b>	(10,013)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>(17,899)</b>	(24,714)
<b>TAXATION</b>			
Hong Kong profits tax paid		<b>(65)</b>	(778)
Hong Kong profits tax refunded		<b>537</b>	—
People's Republic of China income tax paid		<b>(4,192)</b>	(7,150)
<b>TAX PAID</b>		<b>(3,720)</b>	(7,928)
<b>INVESTING ACTIVITIES</b>			
Payment for purchase of fixed assets		<b>(38,432)</b>	(36,100)
Proceeds from sale of fixed assets		<b>602</b>	1,099
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(37,830)</b>	(35,001)
<b>NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		<b>(26,012)</b>	466
<b>FINANCING</b>			
Repayment of loan from director	<i>(b)</i>	—	(19,298)
New bank loans	<i>(b)</i>	<b>162,304</b>	118,535
Repayment of bank loans	<i>(b)</i>	<b>(111,035)</b>	(86,719)
Capital element of finance lease rental payments	<i>(b)</i>	<b>(7,817)</b>	(5,621)
<b>NET CASH INFLOW FROM FINANCING</b>		<b>43,452</b>	6,897
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>17,440</b>	7,363
<b>CASH AND CASH EQUIVALENTS AT 1ST APRIL</b>		<b>(15,819)</b>	(23,182)
<b>CASH AND CASH EQUIVALENTS AT 31ST MARCH</b>	<i>(d)</i>	<b>1,621</b>	(15,819)

# CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of profit from ordinary activities before taxation to net cash inflow from operating activities

	2002	2001
	\$'000	\$'000
Profit from ordinary activities before taxation	12,441	25,973
Interest income	(310)	(597)
Interest expense	11,409	14,873
Finance lease charges	632	874
Depreciation	27,355	25,708
(Gain)/loss on disposal of fixed assets	(313)	296
Increase in inventories	(4,554)	(18,553)
Decrease/(increase) in trade debtors, prepayments and deposits	7,700	(14,270)
(Decrease)/increase in bills payable	(9,414)	15,108
(Decrease)/increase in trade creditors and accrued charges	(11,223)	19,433
Exchange difference	(286)	(736)
Net cash inflow from operating activities	<b>33,437</b>	<b>68,109</b>

### (b) Analysis of changes in financing during the year

	Loan from a director	Bank loans	Finance lease obligations
	\$'000	\$'000	\$'000
Balance at 1st April, 2000	19,298	104,364	7,194
Cash inflow from financing	—	118,535	—
Cash outflow from financing	(19,298)	(86,719)	(5,621)
Inception of finance lease contracts	—	—	11,500
Balance at 31st March, 2001	—	136,180	13,073
Balance at 1st April, 2001	—	136,180	13,073
Cash inflow from financing	—	162,304	—
Cash outflow from financing	—	(111,035)	(7,817)
Inception of finance lease contracts	—	—	6,203
Balance at 31st March, 2002	—	187,449	11,459

# CONSOLIDATED CASH FLOW STATEMENT

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

### (c) Major non-cash transaction

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of \$6,203,000 (2001: \$11,500,000).

### (d) Analysis of the balances of cash and cash equivalents

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Deposits with bank	—	2,323
Cash at bank and in hand	<b>31,537</b>	28,057
Bank overdrafts	<b>(29,916)</b>	(46,199)
	<hr/> <b>1,621</b>	<hr/> (15,819)

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(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 profit and loss account 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 profit and loss account as they arise.



# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(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 profit and loss account 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 profit and loss account 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.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(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 profit and loss account 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 profit and loss account 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.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(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 profit and loss account in the year in which the reversals are recognised.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(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 equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

### (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.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(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 profit and loss account 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.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 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 profit and loss account, 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 exchange differences are dealt with as a movement in reserves.

### (n) Retirement costs

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

### (o) Borrowing costs

Borrowing costs are expensed in the profit and loss account 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.

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.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (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, 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.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(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

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
(a) <b>Other revenue</b>		
Interest income	<b>310</b>	597
Forfeiture income	<b>2</b>	568
Insurance and other claims	<b>—</b>	352
Others	<b>596</b>	418
	<b>908</b>	1,935
(b) <b>Other net income/(loss)</b>		
Gain/(loss) on disposal of fixed assets	<b>313</b>	(296)
Exchange loss	<b>(144)</b>	(709)
Others	<b>(53)</b>	(46)
	<b>116</b>	(1,051)



# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 4 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

	2002	2001
	\$'000	\$'000
<b>(a) Finance costs:</b>		
Finance charges on obligations under finance leases	632	874
Interest on bank overdrafts and advances repayable within five years	11,813	14,873
<b>Total borrowing costs</b>	<b>12,445</b>	<b>15,747</b>
Less: Borrowing costs capitalised into properties under development *	(404)	—
	<b>12,041</b>	<b>15,747</b>

\* The borrowing costs have been capitalised at a rate of 5.6% per annum for properties under development.

	2002	2001
	\$'000	\$'000
<b>(b) Other items:</b>		
Cost of inventories #	342,187	351,979
Staff costs (including retirement costs of \$2,923,000 (2001: \$2,088,000)) #	90,353	84,469
Auditors' remuneration	719	578
Depreciation #		
- owned assets	25,411	24,094
- assets held under finance leases	1,944	1,614
Operating lease charges for land and buildings #	848	340

# Cost of inventories includes \$90,026,000 (2001: \$86,335,000) 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.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 5 TAXATION

(a) **Taxation in the consolidated profit and loss account represents:**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for Hong Kong profits tax for the year	<b>49</b>	31
Underprovision in respect of prior years	<b>13</b>	—
	<b>62</b>	31
Provision for People's Republic of China income tax	<b>4,025</b>	7,383
	<b>4,087</b>	7,414

The provision for Hong Kong profits tax is calculated at 16% (2001: 16%) on the estimated assessable profits for the year.

Provision for People's Republic of China ("PRC") income tax is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the PRC during the year.

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.

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

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for Hong Kong profits tax for the year	<b>49</b>	31
Provisional profits tax paid	<b>(44)</b>	(560)
	<b>5</b>	(529)
Balance of profits tax recoverable relating to prior year	<b>(38)</b>	(38)
	<b>(33)</b>	(567)
PRC income tax payable	<b>1,798</b>	1,965
	<b>1,765</b>	1,398

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 6 DIRECTORS' REMUNERATION

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

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees	<b>150</b>	90
Salaries, allowances and benefits in kind	<b>3,664</b>	3,649
	<b>3,814</b>	3,739

---

Included in the Directors' remuneration were fees of \$150,000 (2001: \$90,000) paid to Independent Non-Executive Directors during the year.

The Directors' remuneration is within the following bands:

	<b>Number of</b>	<b>Number of</b>
	<b>directors</b>	<b>directors</b>
	<b>2002</b>	<b>2001</b>
Nil to \$1,000,000	<b>8</b>	8

---

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments, three (2001: three) are Directors whose emoluments are disclosed in note 6. The aggregate of the emoluments of the other two (2001: two) individuals are as follows:

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries, allowances and benefits in kind	<b>2,275</b>	2,201
Discretionary bonuses	—	—
	<b>2,275</b>	2,201

The emoluments of the above two (2001: two) individuals with the highest emoluments are within the following bands:

	<b>Number of</b>	<b>Number of</b>
	<b>individuals</b>	<b>individuals</b>
	<b>2002</b>	<b>2001</b>
Nil to \$1,000,000	<b>1</b>	1
\$1,000,001 to \$1,500,000	<b>1</b>	1

## 8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of \$6,465,000 (2001 (restated): \$9,765,000) which has been dealt with in the financial statements of the Company.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 9 DIVIDENDS

### (a) Dividends attributable to the year

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend declared and paid of 1.0 cent per share (2001: 2.0 cents per share)	<b>2,225</b>	4,450
Final dividend proposed after the balance sheet date of Nil cents per share (2001: 1.5 cents per share)	—	3,338
	<b>2,225</b>	<b>7,788</b>

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

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the year, of 1.5 cents per share (2001: 2.5 cents per share)	<b>3,338</b>	5,563

## 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 \$8,354,000 (2001: \$18,559,000) and on the number of 222,529,000 (2001: 222,529,000) shares in issue during the year.

### (b) Diluted earnings per share

There were no dilutive potential shares during 2002 and 2001.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 11 CHANGE IN ACCOUNTING POLICY

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1st April, 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) issued by the Hong Kong Society of Accountants, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries is recognised as income in the Company's profit and loss account in the accounting period in which they are declared.

The new accounting policy has no impact on the Group's net assets as at the year end (2001: an increase of net assets by \$3,338,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

## 12 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 locations 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.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 12 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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<i>Location of assets</i>										
Revenue from external customers	279,364	313,159	146,071	141,629	—	—	—	—	425,435	454,788
Inter-segment revenue	70,027	62,206	84,993	86,259	(155,020)	(148,465)	—	—	—	—
Other revenue	238	934	360	404	—	—	310	597	908	1,935
<b>Total revenue</b>	<b>349,629</b>	<b>376,299</b>	<b>231,424</b>	<b>228,292</b>	<b>(155,020)</b>	<b>(148,465)</b>	<b>310</b>	<b>597</b>	<b>426,343</b>	<b>456,723</b>
Segment result	12,925	4,985	16,036	40,818					28,961	45,803
Inter-segment transactions	14,966	24,053	(14,966)	(24,053)					—	—
Contribution from operations	27,891	29,038	1,070	16,765					28,961	45,803
Unallocated operating income and expenses									(4,479)	(4,083)
Profit from operations									24,482	41,720
Finance costs									(12,041)	(15,747)
Taxation									(4,087)	(7,414)
Profit attributable to shareholders									8,354	18,559
Depreciation and amortisation for the year	14,442	13,453	12,913	12,255						

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 12 SEGMENT REPORTING (Continued)

	Hong Kong		Other areas of the PRC		United States		Europe		Other Countries		Inter-segment elimination		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	360,681	381,301	262,155	213,926	—	—	—	—	—	—	(69,334)	(52,759)	553,502	542,468
Unallocated assets													31,411	30,334
<b>Total assets</b>													<b>584,913</b>	<b>572,802</b>
Segment liabilities	88,585	94,258	75,746	77,631	—	—	—	—	—	—	(69,334)	(52,759)	94,997	119,130
Unallocated liabilities													230,589	196,850
<b>Total liabilities</b>													<b>325,586</b>	<b>315,980</b>
Capital expenditure incurred during the year	10,998	31,188	30,746	20,169	—	—	—	—	—	—	—	—		
<i>Additional information concerning geographical segments:</i>														
Revenue from external customers by the location of customers	146,352	170,321	146,087	143,509	99,132	100,739	22,600	24,774	11,264	15,445				



# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 13 FIXED ASSETS

### Group

	Properties		Machinery		Tools	Furniture and fixtures	Computer and office equipment	Motor vehicles		Total
	Land and buildings	under development	Owned	Leased				Owned	Leased	
	\$'000	\$'000	\$'000	\$'000				\$'000	\$'000	
<b>Cost:</b>										
At 1st April, 2001	196,897	8,718	230,619	25,670	6,845	20,780	16,253	9,596	1,308	516,686
Additions	14	26,286	5,969	6,203	264	646	1,461	901	—	41,744
Disposals	(359)	—	—	—	—	—	(15)	(712)	—	(1,086)
Reclassification	8,986	(8,986)	13,990	(13,990)	—	—	—	—	—	—
At 31st March, 2002	205,538	26,018	250,578	17,883	7,109	21,426	17,699	9,785	1,308	557,344
<b>Aggregate depreciation:</b>										
At 1st April, 2001	31,088	—	88,983	3,874	3,072	14,904	9,234	6,430	261	157,846
Charge for the year	5,960	—	14,063	1,682	588	1,409	2,178	1,213	262	27,355
Written back on disposal	(80)	—	—	—	—	—	(5)	(712)	—	(797)
Reclassification	—	—	4,617	(4,617)	—	—	—	—	—	—
At 31st March, 2002	36,968	—	107,663	939	3,660	16,313	11,407	6,931	523	184,404
<b>Net book value:</b>										
At 31st March, 2002	168,570	26,018	142,915	16,944	3,449	5,113	6,292	2,854	785	372,940
At 31st March, 2001	165,809	8,718	141,636	21,796	3,773	5,876	7,019	3,166	1,047	358,840

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

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Situated in Hong Kong and held under medium term leases	<b>120,363</b>	120,363
Situated outside Hong Kong and held under medium term leases	<b>85,175</b>	76,534
	<b>205,538</b>	196,897

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 13 FIXED ASSETS (Continued)

- (b) The Group leases production plant and machinery under finance leases expiring from one to four 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.

## 14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	\$'000	\$'000
Unlisted shares, at cost	82,360	82,360
Amounts due from subsidiaries	45,031	44,110
	127,391	126,470

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		Principal activities
			Directly	Indirectly	
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

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 15 INVENTORIES

	Group	
	2002	2001
	\$'000	\$'000
Raw materials	44,218	43,455
Work in progress	28,733	32,867
Finished goods	12,545	4,620
	85,496	80,942

## 16 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

All trade debtors, prepayments and deposits, apart from deposits of the Group amounting to \$235,000 (2001: \$333,000), are expected to be recovered within one year.

Included in trade debtors, prepayments and deposits are trade debtors with the following ageing analysis:

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Current	42,175	50,084	—	—
One to three months overdue	33,380	32,508	—	—
More than three months overdue	11,565	14,889	—	—
	87,120	97,481	—	—

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

## 17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Deposits with bank	—	2,323	—	—
Cash at bank and in hand	31,537	28,057	34	35
	31,537	30,380	34	35

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 18 BANK LOANS AND OVERDRAFTS

At 31st March, 2002, the bank loans and overdrafts were repayable as follows:

	Group	
	2002	2001
	\$'000	\$'000
Within one year	145,454	125,237
After one but within two years	27,211	28,288
After two but within five years	44,700	28,854
	71,911	57,142
	<b>217,365</b>	182,379

At 31st March, 2002, the bank loans and overdrafts were secured as follows:

	2002	2001
	\$'000	\$'000
Bank overdrafts		
- secured	8,386	16,816
- unsecured	21,530	29,383
	29,916	46,199
Bank loans		
- secured	142,577	121,013
- unsecured	44,872	15,167
	187,449	136,180
	<b>217,365</b>	182,379

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 \$232,823,000 (2001: \$247,218,000) at 31st March, 2002. Such banking facilities, amounting to \$225,488,000 (2001: \$168,930,000) were utilised to the extent of \$172,945,000 (2001: \$142,086,000) at 31st March, 2002.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 19 OBLIGATIONS UNDER FINANCE LEASES

At 31st March, 2002, the Group had obligations under finance leases repayable as follows:

	2002			2001		
	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Interest expense relating to future periods \$'000	Total minimum lease payments \$'000
Within one year	4,320	359	4,679	5,100	784	5,884
After one year but within two years	4,110	191	4,301	3,263	491	3,754
After two years but within five years	3,029	54	3,083	4,710	278	4,988
	7,139	245	7,384	7,973	769	8,742
	11,459	604	12,063	13,073	1,553	14,626

## 20 TRADE CREDITORS AND ACCRUED CHARGES

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

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current	21,884	29,732	—	—
One to three months overdue	18,954	16,836	—	—
More than three months overdue	4,965	3,247	—	—
	45,803	49,815	—	—

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 21 BILLS PAYABLE

An ageing analysis of bills payables is as follows:

	Group		Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Due within one month	13,378	13,591	—	—
Due after one month but within two months	10,553	16,331	—	—
Due after two months but within three months	7,283	10,706	—	—
	<b>31,214</b>	40,628	—	—

## 22 DEFERRED TAXATION

Major components of the unprovided potential assets and liabilities are:

	Group	
	2002 \$'000	2001 \$'000
Depreciation allowances in excess of the related depreciation	19,991	19,150
Future benefits of tax losses	(1,536)	(1,677)
Other timing differences	(346)	(493)
	<b>18,109</b>	16,980

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 not reverse. Accordingly, no provision for deferred taxation has been made.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 23 SHARE CAPITAL

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Authorised:</b>		
380,000,000 shares of \$0.1 each	<b>38,000</b>	38,000
<b>Issued and fully paid:</b>		
222,529,000 shares of \$0.1 each	<b>22,253</b>	22,253

Under the Company's Share Option Scheme ("the Scheme") which was adopted as an incentive to the employees of the Group, the Directors of the Company may, at their discretion, invite any employees, including directors, of any company in the Group, to take up options to subscribe for shares of the Company. For options granted before 1st September, 2001, the exercise price of options was determined by the Board of Directors of the Company, which would not be less than 80 per cent. of the average closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days preceding the date of offer of the option or the nominal value of the shares if higher. For options granted on or after 1st September, 2001, the exercise price of options is the highest of the nominal value of the shares, the closing price of the shares on The Stock Exchange of Hong Kong Limited on the date of grant and the average closing price of the shares on The Stock Exchange of Hong Kong Limited for the five business days immediately preceding the date of grant. The maximum number of shares in respect of which options may be granted may not exceed 10 per cent. of the issued share capital. The offer of a grant of options must be accepted within 28 days from the date of offer with a payment of nominal consideration of \$1.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price. The options are exercisable for a period of up to three years commencing on the expiry of six months after the date on which the option is accepted. Full amount of the exercise price must be paid upon the exercise of options. The Scheme remains in force for a period of 10 years commencing on 25th March, 1993.

No option was granted, exercised, lapsed or cancelled during the year. There were no outstanding share options at 31st March, 2002.

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 24 Reserves

### (a) Group

	Share premium \$'000	Exchange reserve \$'000	Statutory surplus reserves \$'000	Retained profits \$'000	Total \$'000
At 1st April, 2000					
- as previously reported	37,741	(4,990)	3,105	185,340	221,196
- prior period adjustments in respect of dividend proposed (note 11)	—	—	—	5,563	5,563
- as restated	37,741	(4,990)	3,105	190,903	226,759
Dividends approved in respect of the previous year (note 9(b))	—	—	—	(5,563)	(5,563)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	—	(736)	—	—	(736)
Transfer	—	—	3,573	(3,573)	—
Profit for the year	—	—	—	18,559	18,559
Dividends declared in respect of the current year (note 9(a))	—	—	—	(4,450)	(4,450)
At 31st March, 2001	37,741	(5,726)	6,678	195,876	234,569
At 1st April, 2001					
- as previously reported	37,741	(5,726)	6,678	192,538	231,231
- prior period adjustments in respect of dividend proposed (note 11)	—	—	—	3,338	3,338
- as restated	37,741	(5,726)	6,678	195,876	234,569
Dividends 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	—	—	3,651	(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)	10,329	195,016	237,074



# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
(Expressed in Hong Kong dollars)

## 24 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 Company Law and the PRC subsidiaries' articles of association, the PRC subsidiaries are required to transfer a certain percentage of its profit after taxation to statutory surplus reserves until the surplus reserve balance reaches 50% of the registered capital of the PRC subsidiaries. The transfer to these reserves has to be made before distribution of dividend to shareholders.

The statutory surplus reserves can be used to make good previous years' losses, and are not distributable to shareholders.

### (b) Company

	Share premium \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
At 1st April, 2000				
- as previously reported	37,741	67,360	(493)	104,608
- prior period adjustments in respect of:				
- dividend proposed (note 11)	—	—	5,563	5,563
- dividend income (note 11)	—	—	(5,720)	(5,720)
- as restated	37,741	67,360	(650)	104,451
Dividends approved in respect of the previous year (note 9(b))	—	—	(5,563)	(5,563)
Profit for the year (note 8)	—	—	9,765	9,765
Dividends declared in respect of the current year (note 9(a))	—	—	(4,450)	(4,450)
<b>At 31st March, 2001</b>	<b>37,741</b>	<b>67,360</b>	<b>(898)</b>	<b>104,203</b>
At 1st April, 2001				
- as previously reported	37,741	67,360	(488)	104,613
- prior period adjustments in respect of:				
- dividend proposed (note 11)	—	—	3,338	3,338
- dividend income (note 11)	—	—	(3,748)	(3,748)
- as restated	37,741	67,360	(898)	104,203
Dividends approved in respect of the previous year (note 9(b))	—	—	(3,338)	(3,338)
Profit for the year (note 8)	—	—	6,465	6,465
Dividends declared in respect of the current year (note 9(a))	—	—	(2,225)	(2,225)
<b>At 31st March, 2002</b>	<b>37,741</b>	<b>67,360</b>	<b>4</b>	<b>105,105</b>

# NOTES ON THE FINANCIAL STATEMENTS

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## 24 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.

The Company's reserves available for distribution to shareholders at 31st March, 2002 are \$67,364,000 (2001: \$66,462,000). After the balance sheet date the directors did not recommend the payment of a final dividend for the year ended 31st March, 2002 (2001: 1.5 cents per share and a total of \$3,338,000). No dividend proposed after the balance sheet date has been recognised as a liability at the balance sheet date.

## 25 CONTINGENT LIABILITIES

The Company has given guarantees to banks and leasing companies to secure facilities of \$377 million (2001: \$260 million) granted to a subsidiary, of which \$227 million (2001: \$216 million) was utilised at 31st March, 2002.

## 26 COMMITMENTS

### (a) Capital commitments outstanding at 31st March, 2002 not provided for in the financial statements were as follows:

At 31st March, 2002, the Group had outstanding commitments in respect of the acquisition of land, plant and machinery of \$44,746,000 (2001: \$6,670,000).

### (b) Commitments under operating leases

At 31st March, 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2002	2001
	\$'000	\$'000
Within one year	240	180
After one year but within five years	60	20
	<b>300</b>	<b>200</b>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

# NOTES ON THE FINANCIAL STATEMENTS

---

*For the year ended 31st March, 2002*  
*(Expressed in Hong Kong dollars)*

## **26 COMMITMENTS** *(Continued)*

### **(c) Other commitments**

At 31st March, 2002, the Group had commitments to contribute capital of \$19,730,000 (2001: \$Nil) to a subsidiary in the PRC.

## **27 RETIREMENT SCHEME**

Prior to December 2000, the Group operated a defined contribution staff provident fund scheme (the "Scheme") for all qualifying employees. The Group was required to make contributions to the Scheme equal to 5% of the salaries of the employees who were eligible to join the Scheme. The assets of the Scheme were held separately from those of the Group in independently administered funds.

In December 2000, the Group established a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees. All the then existing members of the Scheme were transferred to the MPF Scheme.

The Company's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee and in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

The Group's contributions to the two schemes for the year of \$2,923,000 (2001: \$2,088,000) are charged to the profit and loss account.

## **28 RELATED PARTY TRANSACTIONS**

During the year, the Group entered into transactions with companies which are controlled by an Independent Non-Executive Director amounting to \$14,395,000 (2001: \$13,784,000), under normal commercial terms.

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

## **29 ULTIMATE HOLDING COMPANY**

The directors consider the ultimate holding company at 31st March, 2002 to be Ka Chau Enterprises (B.V.I.) Ltd, incorporated in the British Virgin Islands.

## FIVE YEARS SUMMARY

*(Expressed in Hong Kong dollars)*

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>OPERATING RESULTS</b>					
Turnover	330,493	320,623	379,754	454,788	<b>425,435</b>
Profit from operations	43,438	14,489	35,106	41,720	<b>24,482</b>
Finance costs	(17,765)	(17,686)	(14,408)	(15,747)	<b>(12,041)</b>
Profit/(loss) from ordinary activities before taxation	25,673	(3,197)	20,698	25,973	<b>12,441</b>
Taxation	(3,664)	(3,343)	(2,170)	(7,414)	<b>(4,087)</b>
Profit/(loss) attributable to shareholders	22,009	(6,540)	18,528	18,559	<b>8,354</b>

## FIVE YEARS SUMMARY

*(Expressed in Hong Kong dollars)*

	<b>1998</b> <b>restated</b> \$'000	<b>1999</b> <b>restated</b> \$'000	<b>2000</b> <b>restated</b> \$'000	<b>2001</b> <b>restated</b> \$'000	<b>2002</b>  \$'000
<b>ASSETS AND LIABILITIES</b>					
Fixed assets	371,763	353,110	334,586	358,840	<b>372,940</b>
Net current liabilities	(45,290)	(55,607)	(49,990)	(36,903)	<b>(34,563)</b>
Total assets less current liabilities	326,473	297,503	284,596	321,937	<b>338,377</b>
Non-current liabilities	(77,978)	(63,011)	(35,584)	(65,115)	<b>(79,050)</b>
	<b>248,495</b>	<b>234,492</b>	<b>249,012</b>	<b>256,822</b>	<b>259,327</b>
Share capital	22,253	22,253	22,253	22,253	<b>22,253</b>
Reserves	226,242	212,239	226,759	234,569	<b>237,074</b>
	<b>248,495</b>	<b>234,492</b>	<b>249,012</b>	<b>256,822</b>	<b>259,327</b>

*Note:* As a result of a change in accounting policy for dividend recognition in order to comply with Statement of Standard Accounting Practice 9 (revised) issued by the Hong Kong Society of Accountants, figures for the years from 1998 to 2001 have been restated for comparison purposes.