1. General

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its major subsidiaries are engaged in commercial printing, books printing and packaging printing.

2. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Goodwill

Goodwill or capital reserve represents respectively the excess or shortfall of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary. Goodwill or capital reserve is written off or credited directly to reserves, respectively, in the year of acquisition.

On the disposal of an investment in a subsidiary, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves, respectively, is included in the determination of the profit or loss on disposal.

2. Significant Accounting Policies *(Cont'd)*

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation and amortisation are provided to write off the cost of property, plant and equipment, over their estimated useful lives, using the straight line method, as follows:

Leasehold land	50 years or, if shorter, over the term of the relevant lease
Buildings	20 - 30 years
Leasehold improvements	Over the term of the lease
Plant and machinery	3 - 15 years
Furniture and fixtures	3 - 6 years
Motor vehicles	3 - 5 years

In previous years, certain accessories of plant and machinery were depreciated over the estimated useful lives of the respective plant and machinery of 10 to 15 years. Upon a reassessment of the estimated useful lives of those accessories, the Company commenced to write off the cost of those assets over their revised estimated useful lives of 3 years effective 1st January, 2000. This change in depreciation rate has increased the depreciation charge for the year by approximately HK$6,170,000.

Assets held under finance leases and hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

2. Significant Accounting Policies *(Cont'd)*

Assets held under finance leases and hire purchase contracts

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

Assets held under finance leases and hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor or hirer, net of interest charges, is included in the balance sheet as obligations under finance leases and hire purchase contracts. Finance costs, which represent the difference between the total finance lease and hire purchase commitments and the original outstanding principal at the inception of the finance lease and hire purchase contracts, are charged to the income statement over the period of the respective leases and contracts so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the term of the relevant lease.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

2. Significant Accounting Policies *(Cont'd)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents 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.

Turnover

Turnover represents the amounts received and receivable for printing products sold, net of returns, to outside customers during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Sales of investments in securities are recognised when the related Bought and Sold notes are executed.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

2. Significant Accounting Policies *(Cont'd)*

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollar and which operate in the People's Republic of China, other than Hong Kong, (the "PRC") and overseas are translated at the approximate rates ruling on the balance sheet date. Exchange differences arising, if any, are classified as equity and are recognised as income or as expenses in the period in which the operations are disposed of.

Pension cost

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the income statement so as to spread the cost over the service lives of employees in the scheme operated by the Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. Other Revenue

Included in other revenue are the following:

	2000 HK$'000	1999 HK$'000
Dividend received from investments in securities	**15**	30
Gain on disposal of investments in securities	**148**	467
Interest earned on bank and other deposits	**3,505**	1,186

4. Profit from Operations

	2000 HK$'000	1999 HK$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (note 5)	**4,212**	7,317
Other staff costs	**83,520**	70,550
Pension scheme contribution (note)	**1,163**	757
Total staff costs	**88,895**	78,624
Auditors' remuneration	**971**	770
Depreciation and amortisation:		
Owned assets	**33,191**	19,903
Assets held under finance leases and hire purchase contracts	**3,117**	6,586
Loss on disposal of property, plant and equipment	**470**	—
Rental of premises under operating leases	**5,017**	5,059

Note: The amount represents pension scheme contributions payable by the Group at rates specified in the rules of the scheme. Details of the pension scheme are set out in note 31.