

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. Basis of Preparation

This interim financial statements is unaudited and has been prepared in accordance with the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statements of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants except that comparative figures for the consolidated cash flow statement have not been prepared as the company has taken advantage of the transitional provisions set out in the Main Board Listing Rules.

The accounting policies and methods of computation adopted are consistent with those followed in the Group's most recent published annual financial statements for the year ended 31 March 2000.

The notes on the interim financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statement for the year ended 31 March 2000.

## 2. Segmental Information

Business Segments

The principal activities of the Group consisted of the printing and manufacturing of paper and carton boxes, the trading of paper and the manufacturing of corrugated cartons.

An analysis by business division is as follows:

	Turnover for the six months ended 30 September		Contribution to profit from operating activities for the six months ended 30 September	
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
Paper and carton box printing and manufacturing	600,488	482,316	145,206	109,765
Paper trading	198,019	177,373	25,563	24,709
Corrugated carton manufacturing	264,043	207,329	40,367	31,501
	<u>1,062,550</u>	<u>867,018</u>	<u>211,136</u>	<u>165,975</u>

## Geographical Market Segments

An analysis by geographical market is as follows:

	Turnover for the six months ended 30 September		Contribution to profit from operating activities for the six months ended 30 September	
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
The PRC:				
Hong Kong	<b>732,110</b>	604,485	<b>150,021</b>	117,577
Elsewhere	<b>130,699</b>	104,521	<b>19,769</b>	17,696
Overseas	<b>199,741</b>	158,012	<b>41,346</b>	30,702
	<b>1,062,550</b>	867,018	<b>211,136</b>	165,975

### 3. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging or crediting the following items:

	For the six months ended 30 September	
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
After charging—		
Depreciation:		
Owned assets	<b>25,616</b>	25,207
Leased assets	<b>122</b>	175
Staff costs (including directors' remuneration)	<b>117,703</b>	100,822
Provision for bad and doubtful debts	<b>10,000</b>	4,103
Provision for diminution in value of listed investment	<b>1,417</b>	4,186
After crediting—		
Profit on disposal of listed investment	—	3,862
Interest income	<b>7,896</b>	5,821

#### 4. Finance Costs

	<b>For the six months ended 30 September</b>	
	<b>2000</b>	1999
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank loans	<b>7,143</b>	3,173
Finance leases	<b>53</b>	75
	<b><u>7,196</u></b>	<u>3,248</u>

#### 5. Tax

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere has been calculated at the rate of tax prevailing in the countries in which the Group and the associates operate, based on existing legislation, interpretations and practices in respect thereof. No provision for tax has been made for the associate for the period ended 30 September 1999 as it had no assessable profits.

	<b>For the six months ended 30 September</b>	
	<b>2000</b>	1999
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
The Group:		
The PRC:		
Hong Kong	<b>17,944</b>	14,848
Elsewhere	<b>12,455</b>	3,191
	<b>30,399</b>	18,039
Associates:		
The PRC, exclude Hong Kong	<b>1,108</b>	—
	<b><u>31,507</u></b>	<u>18,039</u>

## 6. Interim Dividends

	For the six months ended 30 September	
	2000	1999
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK9.5 cents (1999: HK8 cents) per ordinary share	<u>54,510</u>	<u>46,163</u>

## 7. Earnings per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$171,361,000 (1999: HK\$145,330,000) and the weighted average of 573,794,798 (1999: 577,043,990) shares in issue during the period.

Diluted earnings per share for the period ended 30 September 2000 and 1999 have not been presented as there were no dilutive potential ordinary shares in existence during the period.

## 8. Fixed Assets

	30 September 2000 (Unaudited) HK\$'000
Net book value at 1 April 2000	653,260
Additions	33,981
Disposals	(3,359)
Depreciation	<u>(25,738)</u>
Net book value at 30 September 2000	<u>658,144</u>

Certain leasehold land and building and machinery of the Group with a net book value of HK\$71,086,000 (31 March 2000: HK\$60,381,000) have been pledged to a bank to secure bank loans.

## 9. Properties Under Construction

	30 September 2000 (Unaudited) HK\$'000
Net book value at 1 April 2000	34,187
Additions	<u>17,425</u>
Net book value at 30 September 2000	<u>51,612</u>

The properties under construction are located in the PRC.

## 10. Account Receivables and Bills Receivable

The Group grants to its trade customers a normal term of credit period of 30 days to 90 days.

An ageing analysis of accounts receivable and bills receivable is as follows:

	<b>30 September 2000 (Unaudited) HK\$'000</b>	31 March 2000 (Unaudited) HK\$'000
0–1 month	<b>197,129</b>	147,343
2–3 months	<b>314,290</b>	170,104
Over 3 months	<b>113,418</b>	95,147
Bills receivable	<u>—</u>	<u>179</u>
	<b><u>624,837</u></b>	<b><u>412,773</u></b>

## 11. Cash and Cash Equivalents

	<b>30 September 2000 (Unaudited) HK\$'000</b>	31 March 2000 (Audited) HK\$'000
Cash and bank balances	<b>26,049</b>	28,275
Time deposits	<u><b>119,548</b></u>	<u>220,281</u>
	<b><u>145,597</u></b>	<b><u>248,556</u></b>

For the purpose of the condensed balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

## 12. Accounts Payables

An ageing analysis of accounts payable is as follows:

	<b>30 September 2000 (Unaudited) HK\$'000</b>	31 March 2000 (Unaudited) HK\$'000
0–1 month	<b>23,206</b>	26,631
2–3 months	<b>17,256</b>	6,939
Over 3 months	<u><b>849</b></u>	<u>1,010</u>
	<b><u>41,311</u></b>	<b><u>34,580</u></b>

### 13. Related Party Transactions

The Group had the following transactions with related parties during the period:

		<b>For the six months ended</b>	
		<b>30 September</b>	1999
		<b>2000</b>	
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Sales to an associate	(i)	<b>70,024</b>	47,824
Purchases from an associate	(i)	<b>30,961</b>	35,903
Rentals paid to Perla City Investments Limited, a company beneficially owned by Yum Chak Ming, Matthew	(ii)	<b>300</b>	300
Rentals paid to C.H. Yam Holding Limited, a company beneficially owned by Yam Cheong Hung and his family	(iii)	<b>—</b>	48
Interest income received from an associate	(iv)	<b>1,482</b>	1,828

- (i) The sales to the associate were carried out in the ordinary course of business of the Group according to the prices and conditions offered to usual customers of the Group, and the purchases from the associate were carried out in the ordinary course of business of the Group according to the prices and conditions similar to those offered to usual customers of the supplier.
- (ii) The rentals paid to Perla City Investments Limited were in connection with housing provided to Yum Chak Ming, Matthew, a director of the Company, and were based on estimated open market rentals.
- (iii) The rentals paid to C.H. Yam Holding Limited in connection with housing provided to an employee were based on estimated open market rentals.
- (iv) The interest income from the associate arose from the amount due from the associate, arising in the ordinary course of business of the Group.

#### 14. Contingent Liabilities and Commitments

	<b>30 September 2000 (Unaudited) HK\$'000</b>	31 March 2000 (Audited) HK\$'000
(a) Capital commitments contracted, but not provided for	<u><b>71,307</b></u>	<u>34,397</u>
(b) Annual commitments under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	<b>2,278</b>	1,818
In second to fifth years, inclusive	<u>—</u>	<u>396</u>
	<u><b>2,278</b></u>	<u>2,214</u>