

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of Preparation and Accounting Policies

These interim financial statements are unaudited and have been prepared in accordance with the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with Statements of Standard Accounting Practice (“SSAPs”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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 2004.

### 2. Segment 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

An analysis by business segments is as follows:

	For the six months ended 30 September 2004			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to external customers (Unaudited) HK’\$000	Inter- segment sales (Unaudited) HK’\$000	Total sales (Unaudited) HK’\$000	(Unaudited) HK’\$000
Paper and carton box printing and manufacturing	806,692	2,168	808,860	157,116
Paper trading	122,487	309,385	431,872	15,034
Corrugated carton manufacturing	278,147	65,489	343,636	23,146
Eliminations	—	(377,042)	(377,042)	1,435
	<u>1,207,326</u>	<u>—</u>	<u>1,207,326</u>	<u>196,731</u>
Interest, dividend income and other gains				11,376
Corporate and unallocated expenses				<u>(9,396)</u>
Profit from operating activities				<u>198,711</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

2. Segment Information (continued)

Business segments (continued)

	For the six months ended 30 September 2003			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to external customers (Unaudited) HK'\$000	Inter- segment sales (Unaudited) HK'\$000	Total sales (Unaudited) HK'\$000	(Unaudited) HK'\$000
Paper and carton box printing and manufacturing	722,371	3,096	725,467	167,301
Paper trading	149,412	195,971	345,383	22,443
Corrugated carton manufacturing	246,462	49,798	296,260	21,817
Eliminations	—	(248,865)	(248,865)	1,340
	<u>1,118,245</u>	<u>—</u>	<u>1,118,245</u>	<u>212,901</u>
Interest, dividend income and other gains				5,039
Corporate and unallocated expenses				<u>(10,291)</u>
Profit from operating activities				<u>207,649</u>

Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

An analysis of segment revenue by geographical segments is as follows:

	For the six months ended 30 September	
	2004 (Unaudited) HK'\$000	2003 (Unaudited) HK'\$000
Sales to external customers:		
Hong Kong	572,115	610,556
Mainland China	285,912	217,882
United States of America	171,769	157,554
Others	177,530	132,253
	<u>1,207,326</u>	<u>1,118,245</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

**3. Profit from Operating Activities**

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

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
After charging —		
Depreciation	<b>39,711</b>	33,446
Staff costs (including directors' remuneration)	<b>171,853</b>	143,592
Unrealised losses on listed equity investments	<b>193</b>	—
	<b><u>          </u></b>	<b><u>          </u></b>
After crediting —		
Written back of provision for diminution on listed equity investments	—	451
Interest income	<b>4,814</b>	4,910
	<b><u>          </u></b>	<b><u>          </u></b>

**4. Finance Costs**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans	<b>3,479</b>	2,978
	<b><u>          </u></b>	<b><u>          </u></b>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 5. Tax

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group and the associates operate, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Group:		
Current — Hong Kong	11,429	14,888
— Mainland China	19,919	18,416
Deferred tax	1,307	820
	<u>32,655</u>	<u>34,124</u>
Share of tax attributable to associates:		
Mainland China	504	533
	<u>33,159</u>	<u>34,657</u>

### 6. Interim Dividend

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interim dividend of HK9.5 cents (2003: HK9.5 cents) per ordinary share	<u>54,341</u>	<u>54,341</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\$156,784,000 (2003: HK\$164,158,000) and the weighted average of 572,006,798 (2003: 572,006,798) shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30 September 2004 and 2003 have not been presented as there were no dilutive potential ordinary shares in existence during these periods.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 8. Fixed Assets

	<b>30 September 2004 (Unaudited) HK\$'000</b>
Net book value at 1 April 2004	957,329
Additions	86,470
Transfer from properties under construction (note 9)	33,921
Disposals	(610)
Depreciation	<u>(39,711)</u>
Net book value at 30 September 2004	<u><b>1,037,399</b></u>

Certain leasehold land and buildings of the Group's subsidiaries with a total net book value of HK\$53,941,000 (31 March 2004: HK\$55,146,000) have been pledged to a bank to secure a short term banking facility.

### 9. Properties Under Construction

	<b>30 September 2004 (Unaudited) HK\$'000</b>
Net book value at 1 April 2004	41,291
Additions	38,245
Transfer to fixed assets (note 8)	<u>(33,921)</u>
Net book value at 30 September 2004	<u><b>45,615</b></u>

The properties under construction are located in Mainland China.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 10. Accounts Receivable

An aged analysis of accounts receivable at the balance sheet date, based on invoice date and net of provisions, is as follows:

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Within 30 days	<b>244,047</b>	162,752
Between 31 to 60 days	<b>162,761</b>	125,840
Between 61 to 90 days	<b>138,969</b>	43,836
Over 90 days	<b>99,015</b>	74,716
	<b><u>644,792</u></b>	<u>407,144</u>

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 to 90 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management.

### 11. Cash and Cash Equivalents

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Cash and bank balances	<b>100,755</b>	145,331
Time deposits	<b>197,899</b>	292,044
	<b><u>298,654</u></b>	<u>437,375</u>

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 12. Accounts Payable

An aged analysis of accounts payable at the balance sheet date, based on invoice date, is as follows:

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Within 30 days	<b>60,425</b>	54,952
Between 31 to 60 days	<b>23,579</b>	25,352
Between 61 to 90 days	<b>4,515</b>	2,263
Over 90 days	<b>473</b>	4,607
	<b><u>88,992</u></b>	<u>87,174</u>

### 13. Related Party Transactions

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

		<b>For the six months ended 30 September 2004 (Unaudited) HK\$'000</b>	2003 (Unaudited) HK\$'000
Sales to associates	(i)	<b>146,989</b>	102,365
Purchases from associates	(i)	<b>32,763</b>	48,883
Rentals paid to Perla City Investments Limited, a company beneficially owned by Mr. Yum Chak Ming, Matthew	(ii)	<b>240</b>	240
Rentals paid to Gaintek Holdings Limited, a company beneficially owned by Mr. Yam Hon Ming, Tommy	(ii)	<b>420</b>	420
Interest income received from associates	(iii)	<b>936</b>	961

- (i) The sales to associates were carried out in the ordinary course of business of the Group according to the prices and conditions offered to regular customers of the Group, and the purchases from associates were carried out in the ordinary course of business of the Group according to the prices and conditions similar to those offered to regular customers of the suppliers.
- (ii) The rentals paid to Perla City Investments Limited and Gaintek Holdings Limited were in connection with the housing benefits provided to Messrs. Yum Chak Ming, Matthew and Yam Hon Ming, Tommy, directors of the Company, respectively and were based on estimated open market rentals and have been included in the directors' remuneration.
- (iii) The interest income from associates arose from the amount due from associates, arising in the ordinary course of business of the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

14. Contingent Liabilities and Commitments

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
(a) Capital commitments contracted, but not provided for:		
Land and buildings	29,407	40,724
Plant and machinery	86,752	108,711
	<u>116,159</u>	<u>149,435</u>
	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
(b) Notional amounts of forward foreign exchange contracts:		
Buying of RMB	49,631	237,380
Buying of JPY	620,000	—
Buying of EURO	—	38,123
Buying of USD	3,651	134,395
Selling of RMB	30,000	405,032
Selling of USD	6,000	84,739
	<u>6,000</u>	<u>84,739</u>

The unrealised gain on forward foreign exchange contracts at the balance sheet date has not been recorded as it is not material to the Group's financial statements.

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
(c) Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
Within one year	3,153	3,118
In the second to fifth years, inclusive	6,016	6,416
After five years	49,847	50,372
	<u>59,016</u>	<u>59,906</u>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

### 15. Events After Balance Sheet Date

On 3 November 2004, the Group entered into an equity transfer contract to acquire an additional 30% interest of its two 35% owned associates in Zhongshan, which is subject to shareholders' approval and completion of certain conditions at a consideration of approximately HK\$ 115,800,000.