

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure requirements as set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the annual financial statements for the year ended 31 March 2006, except that the Group has changed certain of its accounting policies mentioned in note 2 below following its adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations (“HK-Int”)) which have become effective for accounting periods beginning on or after 1 January 2006.

2. Impact of new and revised HKFRS

The following HKFRSs are adopted for the first time for the current period’s unaudited interim financial statements:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new and revised HKFRSs had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated interim financial statements.

The following new and revised HKFRSs relevant to the Group’s operations have been issued but are not effective in these interim financial statements and have not been early adopted:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

3. 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, the manufacturing of corrugated cartons and the manufacturing of paper.

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 2006			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to external customers (Unaudited) HK'\$000	Intersegment sales (Unaudited) HK'\$000	Total sales (Unaudited) HK'\$000	(Unaudited) HK'\$000
Paper and carton box printing and manufacturing	892,131	19,341	911,472	142,290
Paper trading	159,357	266,916	426,273	21,392
Corrugated carton manufacturing	283,138	59,797	342,935	20,299
Paper manufacturing	370,712	71,544	442,256	34,469
Eliminations	—	(417,598)	(417,598)	948
	<u>1,705,338</u>	<u>—</u>	<u>1,705,338</u>	219,398
Interest, dividend income and other gains				24,189
Corporate and unallocated expenses				(7,491)
				236,096
Fair value gain on derivative component of convertible bonds				64,050
Finance costs				(31,211)
Profit before tax				268,935
Tax				(27,974)
Profit for the period				<u>240,961</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

3. Segment Information (continued)

Business segments (continued)

	For the six months ended 30 September 2005			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to external customers (Unaudited) HK'\$000	Intersegment sales (Unaudited) HK'\$000	Total sales (Unaudited) HK'\$000	(Unaudited) HK'\$000
Paper and carton box printing and manufacturing	935,129	20,908	956,037	179,722
Paper trading	184,169	194,461	378,630	17,634
Corrugated carton manufacturing	266,224	68,088	334,312	23,808
Paper manufacturing	346,113	101,940	448,053	23,927
Eliminations	—	(385,397)	(385,397)	(806)
	<u>1,731,635</u>	<u>—</u>	<u>1,731,635</u>	244,285
Interest, dividend income and other gains				7,445
Corporate and unallocated expenses				<u>(11,373)</u>
				240,357
Fair value gain on derivative component of convertible bonds				—
Finance costs				<u>(15,185)</u>
Profit before tax				225,172
Tax				<u>(38,777)</u>
Profit for the period				<u>186,395</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

3. Segment Information *(continued)*

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	
	2006	2005
	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000
Sales to external customers:		
Hong Kong	687,050	814,011
Mainland China	568,612	509,063
Europe	215,251	175,097
United States of America	157,547	172,443
Others	76,878	61,021
	<u>1,705,338</u>	<u>1,731,635</u>

4. Fair Value Gain on Derivative Component of Convertible Bonds

On 29 March 2006, Greatest Joy Investments Limited, a subsidiary of the Company, issued five-year zero coupon guaranteed convertible bonds with a nominal value of HK\$750,000,000. There was no movement in the number of these convertible bonds during the period.

The net proceeds received from the issue of the convertible bonds have been split between the derivative and liability components. The derivative component is measured at fair value using an option pricing model and the change in fair value of that component is recognised in the income statement.

During the period, the share price of the Company decreased considerably, the fair value of the derivative component of the convertible bonds decreased accordingly, resulting in a fair value gain of HK\$64,050,000.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

5. Finance Costs

	For the six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans	12,288	15,185
Convertible bonds	18,923	—
	<u>31,211</u>	<u>15,185</u>

6. Profit before Tax

The Group's profit before tax is arrived at after charging or crediting the following items:

	For the six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
After charging —		
Depreciation	60,075	54,847
Recognition of prepaid land lease payments	1,601	1,777
Employee benefits expense (including directors' remuneration)	247,061	219,351
Write-down of inventories	—	129
After crediting —		
Bank interest income	20,473	5,269
Fair value gain on derivative component of convertible bonds	64,050	—
Net fair value gains on other derivative instruments, not qualified as hedges	3,510	1,970
Dividend income from available-for-sale investments/long term investments	<u>206</u>	<u>206</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong	7,335	14,791
— Mainland China	14,448	23,733
Deferred tax	6,191	253
Total tax charge for the period	<u>27,974</u>	<u>38,777</u>

8. Interim Dividend

	For the six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK9.5 cents (2005: HK9.5 cents) per ordinary share	<u>57,074</u>	<u>56,266</u>

9. Earnings per Share attributable to Equity Holders of the Parent

The calculation of basic earnings per share amount is based on the net profit for the period attributable to equity holders of the parent of HK\$226,649,000 (2005: HK\$171,720,000) and the weighted average of 600,780,529 (2005: 577,875,157) shares in issue during the period.

Diluted earnings per share amount for the period ended 30 September 2006 has not been presented as the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period. Diluted earnings per share amount for the period ended 30 September 2005 has not been presented as there were no dilutive potential ordinary shares in existence during that period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

10. Property, Plant and Equipment

	30 September 2006 (Unaudited) HK\$'000
Net carrying amount at 1 April 2006	1,373,577
Additions	121,450
Acquisition of a subsidiary	149
Transfer from properties under construction	2,016
Disposals	(1,971)
Depreciation provided during the period	(60,075)
Exchange realignment	19,194
Net carrying amount at 30 September 2006	<u>1,454,340</u>

Certain buildings and plant and machinery of the Group with a total net book value of HK\$272,879,000 (31 March 2006 : HK\$283,637,000) have been pledged to secure banking facilities granted to the Group.

11. Prepaid Land Lease Payments

	30 September 2006 (Unaudited) HK\$'000
Carrying amount at beginning of period	145,531
Recognised during the period	(1,601)
Exchange realignment	1,616
Carrying amount at 30 September 2006	<u>145,546</u>

Certain leasehold land of the Group with a total net book value of HK\$45,693,000 (31 March 2006 : HK\$46,584,000) have been pledged to banks to secure banking facilities granted to the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

12. Available-for-sale Investments/Long Term Investments

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Unlisted equity investment, at fair value	60	60
Club debentures, at fair value	2,177	1,948
	2,237	2,008
Hong Kong listed equity investments, at market value	7,432	8,758
	9,669	10,766

13. Properties Under Construction

	30 September 2006 (Unaudited) HK\$'000
At beginning of period	46,058
Additions	30,467
Transfer to property, plant and equipment	(2,016)
Exchange realignment	353
At 30 September 2006	74,862

The properties under construction are located in Mainland China.

14. Accounts and Bills Receivable

The Group's trading terms with customers are mainly on credit. Invoices are normally payable between 30 and 90 days of issuance.

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Accounts receivable	897,222	506,900
Bills receivable	46,688	35,232
	943,910	542,132

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

14. Accounts and Bills Receivable *(continued)*

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

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 30 days	371,177	204,676
31 to 60 days	244,389	126,579
61 to 90 days	156,395	88,783
Over 90 days	125,261	86,862
	<u>897,222</u>	<u>506,900</u>

The carrying amounts of the accounts and bills receivable approximate to their fair values.

15. Derivative Financial Instruments

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Current assets:		
Forward currency contracts	<u>5,726</u>	<u>1,231</u>
Current liabilities:		
Forward currency contracts	823	—
Derivative component of convertible bonds (note 4)	<u>24,000</u>	<u>88,050</u>
	<u>24,823</u>	<u>88,050</u>

16. Cash and Cash Equivalents

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Cash and bank balances	206,348	196,285
Time deposits	<u>628,697</u>	<u>1,114,746</u>
Cash and cash equivalents	<u>835,045</u>	<u>1,311,031</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

17. Accounts Payable

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

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 30 days	112,705	87,052
31 to 60 days	46,569	24,980
61 to 90 days	12,178	341
Over 90 days	4,533	1,465
	<u>175,985</u>	<u>113,838</u>

18. Related Party Transactions

(a) *Transactions with related parties*

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		For the six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Rentals paid to companies in which directors of the Company are controlling shareholders	(i)	<u>420</u>	<u>660</u>

Note:

- (i) The rentals paid in the current period to a company of which Mr. Yam Hon Ming, Tommy, a director of the Company, is the controlling shareholder were in connection with the housing benefits provided to him, and were based on estimated open market rentals. They have been included in the directors' remuneration.

The rentals paid in the last period to two companies of which certain directors of the Company are controlling shareholders 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. They have been included in the directors' remuneration.

(b) *Outstanding balances with related parties*

There are no outstanding balances with related parties as at 30 September 2006 (31 March 2006: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

18. Related Party Transactions *(continued)*

(c) Compensation of key management personnel of the Group

	For the six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employment benefits	11,259	11,284
Post-employment benefits	335	317
	<u>11,594</u>	<u>11,601</u>

19. Contingent Liabilities and Commitments

	30 September	31 March
	2006	2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
(a) Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
Within one year	6,182	3,885
In the second to fifth years, inclusive	6,802	6,751
After five years	64,880	64,161
	<u>77,864</u>	<u>74,797</u>
	30 September	31 March
	2006	2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
(b) In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the balance sheet date:		
Contracted for:		
Buildings	25,720	38,486
Plant and machinery	37,070	99,762
	<u>62,790</u>	<u>138,248</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

19. Contingent Liabilities and Commitments *(continued)*

- (c) As at 30 September 2006, the Company has provided corporate guarantees to the extent of HK\$984,756,000 (31 March 2006: HK\$922,184,000) to secure the banking and trading facilities of subsidiaries. The amount drawn against the banking and trading facilities was HK\$311,853,000 as at 30 September 2006 (31 March 2006: HK\$353,301,000).

The Company has also given a guarantee to the extent of HK\$760,125,000 as at 30 September 2006 (31 March 2006: HK\$750,000,000) to a subsidiary for the settlement of convertible bonds issued.

20. Comparative Amounts

Certain comparative amounts have been reclassified and restated to confirm with the current period's presentation. The reclassifications and restatements had no impact on the Group's earnings for the six months ended 30 September 2005.

21. Approval of the Condensed Consolidated Interim Financial Statements

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 11 December 2006.