

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

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 (“Stock Exchange”), including compliance with Statements of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of 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 2001, except the following new/revised accounting standards have been adopted for the first time in the preparation of this interim financial statements:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 9 (revised): Events after the balance sheet date

In accordance with the revised SSAP 9, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of capital and reserves in the condensed balance sheet. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment.

The condensed consolidated balance sheet as at 31 March 2001 has been restated for the purpose of this interim financial statements, resulting in reclassification of the dividend payable of HK\$108,869,000 within the current liabilities to the proposed dividends account within the capital and reserves.

(b) SSAP 14 (revised): Leases

In accordance with revised SSAP 14, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Comparative amounts as at 31 March 2001 as extracted from the Group’s audited financial statements are restated.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

1. Basis of Preparation and Accounting Policies *(continued)*

(c) SSAP 26: Segment reporting

The Group has changed the basis of identification of reportable segments to that required by SSAP 26. Segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis.

(d) SSAP 30: Business combinations

Goodwill/Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against reserves. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of assets" which requires any impairment loss be recognised as an expenses in profit and loss account immediately and allocated to reduce the carrying amount of the acquired subsidiary/associate.

Goodwill is generally amortised over 20 years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets of the acquired subsidiary/associate over the cost of acquisition at the date of acquisition. For acquisitions after 1 April 2001, negative goodwill is presented in the same balance sheet classification as goodwill.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the profit and loss account immediately. For acquisitions prior to 1 April 2001, negative goodwill was taken directly to reserves on acquisitions. The Group has adopted transitional provisions in SSAP 30 and such negative goodwill will not be restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 April 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

1. Basis of Preparation and Accounting Policies *(continued)*

Except for the effect of the adoption of SSAPs mentioned above, the adoption of SSAP 28, 29, 31 & 32 has no material impact on the reported financial results and position of the Group.

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 statements for the year ended 31 March 2001.

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:

	For the six months ended 30 September 2001			SEGMENT
	SEGMENT REVENUE			RESULTS
	External	Inter-	Total	
	sales	segment	sales	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK'\$000	HK'\$000	HK'\$000	HK'\$000	
Paper and carton box printing and manufacturing	611,392	417	611,809	147,378
Paper trading	145,471	164,201	309,672	13,555
Corrugated carton manufacturing	209,075	56,636	265,711	37,632
Inter-segment elimination	—	(221,254)	(221,254)	896
	<u>965,938</u>	<u>—</u>	<u>965,938</u>	<u>199,461</u>
Unallocated revenue				8,187
Corporate and other expenses				<u>(9,244)</u>
Profit from operating activities				<u>198,404</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

2. Segmental Information (continued)

Business Segments (continued)

	For the six months ended 30 September 2000			SEGMENT
	SEGMENT REVENUE			RESULTS
	External	Inter-	Total	
	sales	segment	sales	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000	HK'\$000	HK'\$000
Paper and carton box printing and manufacturing	600,488	471	600,959	146,155
Paper trading	198,019	247,097	445,116	24,359
Corrugated carton manufacturing	264,043	45,526	309,569	42,517
Inter-segment elimination	—	(293,094)	(293,094)	694
	<u>1,062,550</u>	<u>—</u>	<u>1,062,550</u>	<u>213,725</u>
Unallocated revenue				8,153
Corporate and other expenses				<u>(10,742)</u>
Profit from operating activities				<u>211,136</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

2. **Segmental Information** *(continued)*

Geographical Market Segments

An analysis by geographical market is as follows:

	For the six months ended 30 September			
	2001		2000	
	SEGMENT REVENUE	SEGMENT RESULTS	SEGMENT REVENUE	SEGMENT RESULTS
	External sales		External sales	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000	HK'\$000	HK'\$000
The People's Republic of China ("the PRC"):				
Hong Kong	627,241	129,731	732,109	149,432
Elsewhere	144,537	25,258	130,699	20,457
United States of America	102,179	23,280	113,523	25,259
Other location	91,981	21,025	86,219	19,183
Inter-segment elimination	—	167	—	(606)
	<u>965,938</u>	<u>199,461</u>	<u>1,062,550</u>	<u>213,725</u>
Unallocated revenue		8,187		8,153
Corporate and other expenses		(9,244)		(10,742)
Profit from operating activities		<u>198,404</u>		<u>211,136</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:

	For the six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
After charging —		
Depreciation:		
Owned assets	28,357	25,616
Leased assets	86	122
Staff costs (including directors' remuneration)	124,586	117,703
Provision for bad and doubtful debts	9,000	10,000
Unrealised losses on listed equity investments	451	1,417
	<u> </u>	<u> </u>
After crediting —		
Interest income	7,292	7,896
	<u> </u>	<u> </u>

4. Finance Costs

	For the six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans	4,354	7,143
Finance leases	30	53
	<u> </u>	<u> </u>
Total finance costs	4,384	7,196
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

5. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 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.

	For the six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group:		
The PRC:		
Hong Kong	12,556	17,944
Elsewhere	16,531	12,455
	<u>29,087</u>	<u>30,399</u>
Associates:		
The PRC, excluding Hong Kong	264	1,108
	<u>29,351</u>	<u>31,507</u>

6. Interim Dividends

	For the six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK 9.5 cents (2000: HK 9.5 cents) per ordinary share	<u>54,342</u>	<u>54,510</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\$155,386,000 (2000: HK\$171,361,000) and the weighted average of 573,176,766 (2000: 573,794,798) shares in issue during the period.

Diluted earnings per share for the periods ended 30 September 2001 and 2000 have not been presented as there were no dilutive potential ordinary shares in existence during the periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

8. Fixed Assets

	30 September 2001 (Unaudited) HK\$'000
Net book value at 1 April 2001	698,808
Additions	74,533
Transfer from properties under construction <i>(note 9)</i>	417
Disposals	(332)
Depreciation	<u>(28,443)</u>
Net book value at 30 September 2001	<u>744,983</u>

Certain leasehold land and buildings of the Group's subsidiary with a total net book value of HK\$58,476,281 (31/3/2001: certain leasehold land and buildings, and, plant and machinery of HK\$69,760,000) have been pledged to a bank to secure a bank loan.

9. Properties Under Construction

	30 September 2001 (Unaudited) HK\$'000
Net book value at 1 April 2001	30,945
Additions	12,941
Transfer to fixed assets <i>(note 8)</i>	<u>(417)</u>
Net book value at 30 September 2001	<u>43,469</u>

The properties under construction are located in the PRC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

10. Accounts Receivable

The aged analysis of accounts receivable, net of provisions, is as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Aged:		
Within 30 days	214,374	144,295
Between 31 to 60 days	127,507	106,498
Between 61 to 90 days	95,262	37,172
Over 90 days	90,384	98,999
	<u>527,527</u>	<u>386,964</u>

Trading terms with customers are largely 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

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Cash and bank balances	55,968	46,576
Time deposits	210,108	261,639
	<u>266,076</u>	<u>308,215</u>

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

12. Accounts Payable

The aged analysis of accounts payable is as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Aged:		
Within 30 days	29,183	16,767
Between 31 to 60 days	10,290	4,820
Between 61 to 90 days	3,407	444
Over 90 days	314	689
	43,194	22,720

13. Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	590,690	787	104,289	37,062	467,634	1,200,462
Interim dividend	—	—	—	—	(54,510)	(54,510)
Net profit attributable to shareholders	—	—	—	—	273,663	273,663
Final dividend	—	—	—	—	(108,869)	(108,869)
Appropriation of retained profits to legal reserves	—	—	—	11,007	(11,007)	—
At 31 March 2001 and 1 April 2001	590,690	787	104,289	48,069	566,911	1,310,746
Share repurchases	—	80	—	—	(80)	—
Premium paid in respect of share repurchases	—	—	—	—	(2,169)	(2,169)
Net profit attributable to shareholders	—	—	—	—	155,386	155,386
Interim dividend	—	—	—	—	(54,342)	(54,342)
At 30 September 2001	590,690	867	104,289	48,069	665,706	1,409,621

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

14. Related Party Transactions

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

		For the six months ended 30 September	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Sales to an associate	(i)	75,162	70,024
Purchases from an associate	(i)	29,134	30,961
Rentals paid to Perla City Investments Limited, a company beneficially owned by Yum Chak Ming, Matthew	(ii)	300	300
Rentals paid to Gaintek Holdings Limited, a company beneficially owned by Yam Hon Ming, Tommy	(ii)	420	—
Interest income received from an associate	(iii)	1,345	1,482

- (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 and Gaintek Holdings Limited were in connection with housing provided to Yum Chak Ming, Matthew and Yam Hon Ming, Tommy respectively, directors of the Company, and were based on estimated open market rentals and have been included in directors' remuneration.
- (iii) The interest income from the associate arose from the amount due from the associate, arising in the ordinary course of business of the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

15. Contingent Liabilities and Commitments

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
(a) Capital commitments contracted, but not provided for	<u>56,311</u>	<u>47,747</u>

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Unaudited & Restated) HK\$'000
(b) Total commitments under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	—	570
In second to fifth years, inclusive	<u>5,130</u>	<u>2,304</u>
	<u>5,130</u>	<u>2,874</u>

16. Comparative Amounts

As further explained in note 1 due to the adoption of new/revised SSAP during the current period, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.