

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2003. (2002: nil)

BUSINESS REVIEW

In the first half of 2003, the Company overcame the impact of SARS and produced an significant increase in sales turnover and profits over the same period last year. In fact, it was the impact of SARS, which provided a wake-up call for the Company to become more competitive when the market conditions deteriorate. As a result, the Company enhanced its competitiveness by broadening its product range, emphasizing on internal staff training as well as increasing the number of various departmental staff, in order to expand the customer base and increase our market share. With its growth in production, sales, and profits, the Company has maintained its position as one of the largest containerboard producers in China.

The Company's four production lines at its Dongguan mill ran at close to full capacities in the first six months. With increased production, sales and net profit grew by 106% and 51% respectively over the same period last year.

For the six months ended 30 September 2003, the Group's profit attributable to shareholders amounted to HK\$137.9 million, representing an increase of approximately 51% as compared to HK\$91.6 million in the corresponding period last year. Turnover for the Group increased from HK\$387.0 million to HK\$798.6 million, representing an increase of 106% over the corresponding period last year. The earnings per share for the period was HK24.30 cents when compared with HK16.29 cents for the corresponding period last year.

OUTLOOK

At present, China is being praised as the "World Factory". With its manufacturing sector getting stronger and the demand of paper products shows an upward trend, the Management of the Company believes that the market conditions for containerboard will continue to be good. The first phase of development at the Company's Changshu mill was completed and our fifth production line (PM5), which has a capacity of 200,000 metric tons per year will start production in mid December 2003. The second phase of development, on the other hand, will bring up our sixth production line (PM6) in operation, which has a capacity of 350,000 metric tons per year, is expected to commence production in the third quarter of 2004. These two additional production lines will bring the Company's total annual capacity to approximately 1,200,000 metric tons. In view of the above, the Directors believe that these two production lines should nevertheless contribute to the Company's sales turnover and profit in the near future.

With favorable market conditions, enhanced competitiveness in its production lines, an increased number of customers, and an introduction of a new production line, the management and staff feels confident to achieve better results.