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## 1. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

In the current period, the Group has adopted, for the first time, SSAP 12 (Revised) “Income taxes” (“SSAP 12 (Revised)”). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. In the previous years, partial provision was made for deferred taxation using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Other than as described above, the accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31st March, 2003.

## 2. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group’s turnover and net profit for the period by principal activity is as follows:

	Turnover		Net profit for the period	
	Six months ended 30th September		Six months ended 30th September	
	2003	2002	2003	2002
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>Principal activity</b>				
OEM paper products manufacturing	243,081	198,728	9,280	11,075
House brand and agency products	6,472	11,266	(184)	973
	<u>249,553</u>	<u>209,994</u>	<u>9,096</u>	<u>12,048</u>
Unallocated corporate expenses			(3,232)	(4,375)
Interest income			5	25
Finance costs			(1,153)	(586)
Net profit for the period			<u>4,716</u>	<u>7,112</u>

An analysis of the Group's turnover by geographical market is as follows:

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
United States of America	159,121	129,922
Europe	53,174	36,257
Asia-Pacific (excluding Hong Kong)	29,616	34,082
Hong Kong	3,163	3,361
Canada	490	2,715
Others	3,989	3,657
	<b>249,553</b>	<b>209,994</b>

Contribution to profit by geographical market has not been presented as the contribution to profit from each market is substantially in line with the overall group ratio of profit to turnover.

### 3. PROFIT FROM OPERATIONS

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of prepaid rentals	1,120	1,120
Depreciation and amortisation of property, plant and equipment	5,464	5,691
Loss on disposal of property, plant and equipment	-	92
and after crediting:		
Interest income	5	25
Gain on disposal of property, plant and equipment	<b>4</b>	<b>-</b>

### 4. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the estimated assessable profits of the Group for both periods were wholly absorbed by taxation losses brought forward from previous years.

No deferred tax asset has been recognised relating to tax losses as the recoverability of this potential deferred tax assets is uncertain.

## 5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30th September, 2003 and 2002 is computed based on the following data:

	<b>Six months ended 30th September</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Net profit for the period and earnings for the purposes of basic and diluted earnings per share	<b>4,716</b>	7,112
	<b>3,882,974</b>	3,738,897
	<b>30,919</b>	74,104
Weighted average number of shares for the purpose of diluted earnings per share	<b>3,913,893</b>	3,813,001

The computation of diluted earnings per share does not assume the exercise of the warrants as the exercise price of the warrants is higher than the average market price of the shares of the Company for both periods.

## 6. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30th September, 2003, the Group spent approximately HK\$8,112,000 (HK\$9,516,000 for the six months ended 30th September, 2002) for the acquisition of property, plant and equipment to expand its operations.

## 7. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30th September, 2003, the balance of debtors, deposits and prepayments included trade debtors of HK\$46,554,000 (HK\$44,250,000 at 31st March, 2003) and the aged analysis (by due date) of trade debtors at the same date is as follows:

	<b>30th September</b>	31st March
	<b>2003</b>	2003
	<b>HK\$'000</b>	HK\$'000
Not yet due	<b>34,820</b>	34,527
Overdue:		
0 – 30 days	<b>8,732</b>	6,163
31 – 60 days	<b>1,861</b>	1,888
61 – 90 days	<b>148</b>	53
91 – 120 days	<b>221</b>	61
> 120 days	<b>772</b>	1,558
	<hr/> <b>46,554</b> <hr/>	<hr/> <b>44,250</b> <hr/>

The Group allows an average credit period of 35 days (35 days for the year ended 31st March, 2003) to its trade customers.

## 8. CREDITORS AND ACCRUED CHARGES

At 30th September, 2003, the balance of creditors and accrued charges included trade creditors of HK\$63,798,000 (HK\$70,226,000 at 31st March, 2003) and the aged analysis (by due date) of trade creditors at the same date is as follows:

	<b>30th September</b>	31st March
	<b>2003</b>	2003
	<b>HK\$'000</b>	HK\$'000
Not yet due	<b>16,835</b>	27,639
Overdue:		
0 – 30 days	<b>4,316</b>	16,259
31 – 60 days	<b>7,168</b>	7,598
61 – 90 days	<b>10,783</b>	5,624
91 – 120 days	<b>10,842</b>	5,165
> 120 days	<b>13,854</b>	7,941
	<hr/> <b>63,798</b> <hr/>	<hr/> <b>70,226</b> <hr/>

**9. SHARE CAPITAL**

	Number of shares	Share capital HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1st April, 2003	3,844,958,071	38,450
Issue of new shares upon exercise of share options	<u>42,050,000</u>	<u>420</u>
At 30th September, 2003	<u><u>3,887,008,071</u></u>	<u><u>38,870</u></u>

**10. CAPITAL COMMITMENTS**

At the balance sheet date, the Group had contracted for the acquisition of property, plant and equipment amounting to approximately HK\$9,528,000 (HK\$1,790,000 at 31st March, 2003).