

Interim Results

The board of directors of Wisdom Venture Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2003 together with the comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 30th September 2003

	<i>Notes</i>	Six months ended 30th September	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover	2	270,090	148,413
Cost of sales		(247,780)	(114,119)
Gross profit		22,310	34,294
Other operating income		5,560	6,134
Distribution costs		(3,341)	(13,205)
Administrative expenses		(14,980)	(16,188)
Profit from operations	3	9,549	11,035
Finance costs	4	(1)	(163)
Net loss on disposal of subsidiaries		—	(18,400)
Profit (loss) before taxation		9,548	(7,528)
Taxation	5	(16)	(156)
Profit (loss) after taxation		9,532	(7,684)
Minority interests		(5,435)	1,784
Profit (loss) attributable to shareholders		4,097	(5,900)
Earnings (loss) per share (HK cents)	6	0.4	(0.7)

Interim Results

Condensed Consolidated Balance Sheet

At 30th September 2003

	<i>Notes</i>	30th September 2003 (Unaudited) HK\$'000	31st March 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	151,588	157,412
CURRENT ASSETS			
Inventories		31,694	39,436
Trade and other receivables	8	59,401	49,528
Bills receivable		6,733	—
Amounts due from related companies	9	9,115	1,243
Pledged bank deposit		7,845	7,819
Bank balances and cash		41,321	29,296
		156,109	127,322
CURRENT LIABILITIES			
Trade and other payables	10	22,334	8,194
Amount due to a related company	11	—	684
Taxation payable		15	6
Bank overdraft		—	34
		22,349	8,918
NET CURRENT ASSETS		133,760	118,404
TOTAL ASSETS LESS CURRENT LIABILITIES		285,348	275,816
NON-CURRENT LIABILITIES			
Retirement benefit obligations		110	110
		285,238	275,706
Minority interests		124,148	118,713
		161,090	156,993
CAPITAL AND RESERVES			
Share capital		99,000	99,000
Reserves		62,090	57,993
		161,090	156,993

Interim Results

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September 2003

	Six months ended 30th September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
NET CASH FROM OPERATING ACTIVITIES	13,573	91,917
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,514)	79,036
NET CASH USED IN FINANCING ACTIVITIES	—	(161,394)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,059	9,559
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	29,262	29,357
CASH AND CASH EQUIVALENTS AT END OF PERIOD	41,321	38,916
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	41,321	38,987
Bank overdraft	—	(71)
	41,321	38,916

Interim Results

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September 2003

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Accumulated profits (losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April 2003	99,000	96,986	12,975	—	(51,968)	156,993
Realised on depreciation of property, plant and equipment	—	—	(859)	—	859	—
Realised on disposal of property, plant and equipment	—	—	117	—	(117)	—
Profit attributable to shareholders	—	—	—	—	4,097	4,097
At 30th September 2003	99,000	96,986	12,233	—	(47,129)	161,090

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Accumulated profits (losses) (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April 2002	82,500	136,694	22,196	(124)	75,632	316,898
Issue of new shares	16,500	21,450	—	—	—	37,950
Expenses incurred in connection with issue of new shares	—	(656)	—	—	—	(656)
Realised on depreciation of property, plant and equipment	—	—	(3,110)	—	3,110	—
Realised on disposal of property, plant and equipment	—	—	(15)	—	15	—
Realised on disposal of subsidiaries	—	—	(8,255)	—	8,255	—
Exchange difference arising from translation of financial statements of overseas operations not recognised in the income statement	—	—	—	35	—	35
Loss attributable to shareholders	—	—	—	—	(5,900)	(5,900)
Special dividend paid	—	(60,502)	—	—	(133,373)	(193,875)
At 30th September 2002	99,000	96,986	10,816	(89)	(52,261)	154,452

Interim Results

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2003

1. Basis of preparation and principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and 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”).

These condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of property, plant and equipment.

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st March 2003 except for the adoption of SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of this standard has had no material effect on the results for the current or prior accounting periods.

Interim Results

2. Segment information

For management purposes, the Group's operations are organised into two operating divisions namely manufacture and sales of paper packaging products and trading of petroleum products. These divisions are the basis on which the Group reports its primary segment information. During the period ended 30th September 2002, the business of manufacture and sales of audio cassette products was discontinued.

The Group's turnover and contribution to the operating profits for the six months ended 30th September 2003 and 30th September 2002, analysed by business segments, were as follows:

	Turnover		Segment Results	
	Six months ended 30th September		Six months ended 30th September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Manufacture and sales of paper packaging products	109,903	136,317	11,088	9,571
Trading of petroleum products	160,187	—	1,068	—
Discontinued operation				
Manufacture and sales of audio cassette products	—	12,096	—	2,877
	270,090	148,413	12,156	12,448
Interest income			67	70
Unallocated corporate expenses			(2,674)	(1,483)
Profit from operations			9,549	11,035

Interim Results

3. Profit from operations

	Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Bad debts written off	—	8,136
Depreciation and amortisation	7,312	10,029
Interest income	(67)	(70)

4. Finance costs

During the period, interest of HK\$1,000 (six months ended 30th September 2002: HK\$163,000) was charged in respect of the Group's bank borrowings.

5. Taxation

The charge represents Hong Kong Profits Tax calculated at 17.5% (six months ended 30th September 2002: 16%) of the estimated assessable profit for the period.

6. Earnings (loss) per share

The calculation of earnings (loss) per share is based on unaudited profit attributable to shareholders of HK\$4,097,000 (six months ended 30th September 2002: loss of HK\$5,900,000) and on 990,000,000 (six months ended 30th September 2002: weighted average number of 850,246,000) shares in issue during the period.

7. Movements in property, plant and equipment

During the period, the Group spent HK\$1,488,000 (six months ended 30th September 2002: HK\$5,678,000) on property, plant and equipment to expand its operations.

At 30th September 2003, the directors have considered the carrying amount of the Group's property, plant and equipment carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

Interim Results

8. Trade and other receivables

The Group allows an average credit period of 15 to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK\$57,851,000 (31st March 2003: HK\$46,714,000).

The aged analysis of trade receivables is as follows:

	At 30th September 2003 HK\$'000	At 31st March 2003 HK\$'000
Less than 31 days	42,419	18,259
31–60 days	10,138	12,069
61–90 days	3,627	9,720
Over 90 days	1,667	6,666
Total	57,851	46,714

9. Amounts due from related companies

The amounts represent trading balances due from Lee And Man Manufacturing Company Limited (“L & M Manufacturing”), and certain subsidiaries of Lee & Man Holding Limited, formerly known as Lee & Man Handbag International Limited (“L & M Holding”), and Lee & Man Industries Company Limited (“L & M Industries”). L & M Manufacturing is beneficially owned by Mr. Lee Wan Keung (“Mr. Lee”) who is a director of a subsidiary of the Company. L & M Holding is beneficially owned by Fortune Star Tradings Ltd. (“Fortune Star”). Fortune Star is an associate of Mr. Lee. L & M Industries is wholly-owned by Lee & Man Paper Manufacturing Limited (“L & M Paper Manufacturing”) and is also an associate of Mr. Lee. The amounts are unsecured, interest free and repayable on demand.

10. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$13,889,000 (31st March 2003: HK\$3,940,000).

The aged analysis of trade payables is as follows:

	At 30th September 2003 HK\$'000	At 31st March 2003 HK\$'000
Less than 31 days	13,843	2,313
31–60 days	46	1,596
61–90 days	—	31
Total	13,889	3,940

Interim Results

11. Amount due to a related company

The balance represented trading balance due to L & M Industries. It was unsecured, interest free and was fully repaid during the period.

12. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	<i>Notes</i>	Six months ended 30th September	
		2003 HK\$'000	2002 HK\$'000
L & M Industries and its subsidiary			
Raw materials purchased	<i>a</i>	40,519	41,169
Waste paper by-products sold	<i>b</i>	3,226	2,728
Steam purchased	<i>c</i>	780	780
Licence fee received	<i>d</i>	352	337
L & M Holding and its subsidiaries ("L & M Holding Group")			
Corrugated cardboard and carton boxes sold	<i>e</i>	3,742	3,805
Management fee paid	<i>f</i>	384	524
Licence fee received	<i>g</i>	—	314
L & M Manufacturing			
Corrugated cardboard and carton boxes sold	<i>e</i>	298	159
Mr. Lee			
Management fee paid	<i>h</i>	2,500	1,482
Guarantee given to banks in respect of credit facilities extended to the Group	<i>i</i>	53,000	20,000

Notes:

- a. The prices are based on the monthly quote given by L & M Industries provided that the quote is not higher than the prevailing market price of test liner and corrugated medium paper at the time of such quotation.

Interim Results

12. Related party transactions *(continued)*

Notes: (continued)

- b. The prices are based on the monthly quote given by the Group provided that the quote is not higher than the prevailing market price of waste paper at the time of such quotation.
- c. The Group will pay a monthly fee of HK\$130,000 (which is based on the monthly fee representing approximately the cost of coal incurred by the Group to produce steam in the past) to L & M Industries for the supply of steam by L & M Industries.
- d. The licence fee is HK\$40,000 per month for the use of certain pre-determined areas plus an amount calculated on the basis of any additional space occupied at the rate of HK\$8 per square metre per month.
- e. The selling prices are negotiated on a case by case basis in the ordinary course of business by reference to the prevailing market conditions.
- f. The management fee is HK\$120,000 per month for the use of office facilities and equipment, transportation facilities and management service.
- g. The licence fee was HK\$156,750 per month for the use of certain pre-determined areas.
- h. Pursuant to a service agreement entered into between a non wholly-owned subsidiary, Capital Nation Investments Limited (“Capital Nation”) and Mr. Lee on 14th June 2002, Mr. Lee has agreed to manage the business of Capital Nation for a term of 10 years for a service fee of HK\$5 million per annum, which fee is payable in four equal quarterly instalments in advance.
- i. The guarantee was provided by Mr. Lee without charge.