

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 (the “Stock Exchange”), including compliance with Statements of Standard Accounting Practice (“SSAPs”) 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 2003, except SSAP 12 (Revised) “Income taxes” has been adopted for the first time in the preparation of this interim financial statements.

The principal impact of the revision of this SSAP is that in previous periods deferred tax was recognised for all significant timing differences to the extent it is probable that the deferred tax asset or liability would crystallise in the foreseeable future. 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 amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

The adoption of the SSAP 12 (Revised) represents a change in accounting policy, which has been applied retrospectively so that certain comparative amounts presented have been restated to conform to the changed policy. Opening retained earnings at 1 April 2002 and 2003 have been reduced by HK\$9,293,000 and HK\$11,834,000 respectively. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31 March 2003 by HK\$2,383,000 and HK\$14,217,000 respectively. The profit for the six months ended 30 September 2002 has been decreased by HK\$1,173,000.

2. 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 and the manufacturing of corrugated cartons.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

2. Segment Information (continued)

Business segments (continued)

An analysis by business segments is as follows:

	For the six months ended 30 September 2003			SEGMENT
	SEGMENT REVENUE			RESULTS
	Sales to external customers (Unaudited)	Inter- segment sales (Unaudited)	Total sales (Unaudited)	(Unaudited)
	HK'\$000	HK'\$000	HK'\$000	HK'\$000
Paper and carton box printing and manufacturing	722,371	3,096	725,467	167,301
Paper trading	149,412	195,971	345,383	22,443
Corrugated carton manufacturing	246,462	49,798	296,260	21,817
Eliminations	—	(248,865)	(248,865)	1,340
	<u>1,118,245</u>	<u>—</u>	<u>1,118,245</u>	<u>212,901</u>
Interest and dividend income				5,039
Corporate and unallocated expenses				(10,291)
Profit from operating activities				<u>207,649</u>
	For the six months ended 30 September 2002			SEGMENT
	SEGMENT REVENUE			RESULTS
Sales to external customers (Unaudited)	Inter- segment sales (Unaudited)	Total sales (Unaudited)	(Unaudited)	(Unaudited)
HK'\$000	HK'\$000	HK'\$000	HK'\$000	HK'\$000
Paper and carton box printing and manufacturing	624,717	1,139	625,856	148,283
Paper trading	164,256	224,120	388,376	21,286
Corrugated carton manufacturing	235,378	43,508	278,886	26,172
Eliminations	—	(268,767)	(268,767)	1,995
	<u>1,024,351</u>	<u>—</u>	<u>1,024,351</u>	<u>197,736</u>
Interest and dividend income				5,193
Corporate and unallocated expenses				(8,938)
Profit from operating activities				<u>193,991</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

2. Segment Information *(continued)*

Geographical segments

In determining the Group's geographical segments revenues and results are attributed to the segments based on the location of the customers.

An analysis by geographical segments is as follows:

	For the six months ended 30 September			
	2003		2002	
	SEGMENT REVENUE	SEGMENT RESULTS	SEGMENT REVENUE	SEGMENT RESULTS
	Sales to external customers		Sales to external customers	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK'\$000	HK'\$000	HK'\$000	HK'\$000
Hong Kong	610,556	111,970	601,288	111,764
Mainland China	217,882	35,869	182,682	29,458
United States of America	157,554	35,371	128,455	30,200
Others	132,253	29,691	111,926	26,314
	<u>1,118,245</u>	<u>212,901</u>	<u>1,024,351</u>	<u>197,736</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	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
After charging —		
Depreciation	33,446	32,009
Staff costs (including directors' remuneration)	143,592	129,448
Provision for bad and doubtful debts	—	5,000
Unrealised losses on listed equity investments	—	290
	<u> </u>	<u> </u>
After crediting —		
Written back of provision for diminution on listed equity investments	451	—
Interest income	4,910	5,065
	<u> </u>	<u> </u>

4. Finance Costs

	For the six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	2,978	2,924
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

5. Tax

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have 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	
	2003	2002
	(Unaudited)	(Unaudited and restated)
	HK\$'000	HK\$'000
The Group:		
Hong Kong	14,888	9,644
Mainland China	18,416	11,815
Deferred tax	820	1,173
	<u>34,124</u>	<u>22,632</u>
Associates:		
Mainland China	533	667
	<u>34,657</u>	<u>23,299</u>

6. Interim Dividend

	For the six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK9.5 cents (2002: HK9.5 cents) per ordinary share	<u>54,341</u>	<u>54,341</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\$164,158,000 (2002: restated profit of HK\$165,422,000 after prior year adjustment in relation to the adoption of SSAP 12 (Revised) "Income taxes") and the weighted average of 572,006,798 (2002: 572,006,798) shares in issue during the period.

Diluted earnings per share amounts for the periods ended 30 September 2003 and 2002 have not been presented as there were no dilutive potential ordinary shares in existence during these periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

8. Fixed Assets

	30 September 2003 (Unaudited) HK\$'000
Net book value at 1 April 2003	830,866
Additions	88,654
Transfer from properties under construction (note 9)	4,245
Disposals	(656)
Depreciation	<u>(33,446)</u>
Net book value at 30 September 2003	<u>889,663</u>

Certain leasehold land and buildings of the Group's subsidiaries with a total net book value of HK\$55,453,000 (31 March 2003: HK\$56,209,000) have been pledged to a bank to secure certain short term bank loans.

9. Properties Under Construction

	30 September 2003 (Unaudited) HK\$'000
Net book value at 1 April 2003	46,399
Additions	28,859
Transfer to fixed assets (note 8)	<u>(4,245)</u>
Net book value at 30 September 2003	<u>71,013</u>

The properties under construction are located in Mainland China.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

10. Accounts Receivable

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

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within 30 days	219,812	148,999
Between 31 to 60 days	169,588	107,494
Between 61 to 90 days	112,526	57,986
Over 90 days	106,119	71,851
	<u>608,045</u>	<u>386,330</u>

The Group's trading terms with customers are mainly 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 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Cash and bank balances	83,497	69,016
Time deposits	147,753	315,809
	<u>231,250</u>	<u>384,825</u>

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

12. Accounts Payable

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

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within 30 days	50,743	42,745
Between 31 to 60 days	21,623	18,917
Between 61 to 90 days	9,500	2,595
Over 90 days	1,608	2,310
	<u>83,474</u>	<u>66,567</u>

13. Related Party Transactions

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

		For the six months ended 30 September 2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Sales to associates	(i)	102,365	74,626
Purchases from associates	(i)	48,883	24,163
Rentals paid to Perla City Investments Limited, a company beneficially owned by Mr. Yum Chak Ming, Matthew	(ii)	240	300
Rentals paid to Gaintek Holdings Limited, a company beneficially owned by Mr. Yam Hon Ming, Tommy	(ii)	420	420
Interest income received from associates	(iii)	<u>961</u>	<u>640</u>

(i) The sales to the associates were carried out in the ordinary course of business of the Group according to the prices and conditions offered to regular customers of the Group, and the purchases from the associates were carried out in the ordinary course of business of the Group according to the prices and conditions similar to those offered to regular customers of the suppliers.

(ii) The rentals paid to Perla City Investments Limited and Gaintek Holdings Limited 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 and have been included in the directors' remuneration.

(iii) The interest income from the associates arose from the amount due from the associates, arising in the ordinary course of business of the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(continued)*

14. Contingent Liabilities and Commitments

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
(a) Capital commitments contracted, but not provided for:		
Land and buildings	20,253	31,092
Plant and machineries	21,410	73,195
	41,663	104,287
	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
(b) Total future minimum lease payments under non-cancellable operating leases falling due as follows:		
Within one year	3,520	2,240
In the second to fifth years, inclusive	6,505	6,182
After five years	51,308	52,199
	61,333	60,621