

# Interim Results

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th September 2004

### 1. Basis of preparation and principal accounting policies

The condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public 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.

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 2004.

### 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.

On 13th October 2004, the Company announced the exercise of the put option granted by Good Partner Trading Limited (“Good Partner”) to the Company under the shareholders’ agreement entered into between Good Partner, Mr. Lee Wan Keung (“Mr. Lee”) and the Company on 14th June 2002 to require Good Partner to purchase 51% of the issued share capital of Capital Nation Investments Limited (“Capital Nation”), conditionally upon completion of the acquisition of the entire equity interest in Union Petro-Chemicals (BVI) Company Limited (“UPC”) as set out in note 13. Capital Nation is principally engaged in the manufacture and sales of paper packaging products.

# Interim Results

## 2. Segment information (continued)

The Group's turnover and contribution to the operating profits for the six months ended 30th September 2004 and 30th September 2003, analysed by business segments, were as follows:

	Turnover		Segment Results	
	Six months ended 30th September		Six months ended 30th September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Trading of petroleum products	7,937	160,187	(17)	1,068
Discontinuing operations				
Manufacture and sales of paper packaging products	122,349	109,903	10,300	11,088
	<b>130,286</b>	<b>270,090</b>	<b>10,283</b>	<b>12,156</b>
Interest income			34	67
Unallocated corporate expenses			(3,276)	(2,674)
Profit from operations			<b>7,041</b>	<b>9,549</b>

## 3. Profit from operations

	Six months ended 30th September	
	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Allowance for trade and other receivables	1,789	—
Depreciation and amortisation	7,028	7,312
Interest income	(34)	(67)

## Interim Results

### 4. Taxation

The charge represents Hong Kong Profits Tax calculated at 17.5% (six months ended 30th September 2003: 17.5%) of the estimated assessable profit for the period.

### 5. Earnings per share

The calculation of earnings per share is based on unaudited profit attributable to shareholders of HK\$2,014,000 (six months ended 30th September 2003: HK\$4,097,000) and on 990,000,000 (six months ended 30th September 2003: 990,000,000) shares in issue during the period.

### 6. Movements in property, plant and equipment

During the period, the Group spent HK\$5,457,000 (six months ended 30th September 2003: HK\$1,488,000) on property, plant and equipment to expand its operations.

### 7. Trade and other receivables

The Group allows an average credit period of 30 to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK\$57,872,000 (31st March 2004: HK\$49,571,000).

The aged analysis of trade receivables is as follows:

	At 30th September 2004 HK\$'000	At 31st March 2004 HK\$'000
Less than 31 days	21,133	18,843
31–60 days	20,623	15,590
61–90 days	11,359	8,996
Over 90 days	4,757	6,142
<b>Total</b>	<b>57,872</b>	<b>49,571</b>

## Interim Results

### 8. Amounts due from related companies

The amounts represent trading balances due from certain subsidiaries of Lee & Man Holding Limited (“L & M Holding”, L & M Holding and its subsidiaries are collectively referred to as the “L & M Holding Group”). L & M Holding is beneficially owned by Fortune Star Tradings Ltd. which is an associate (as defined in the Listing Rules) of Mr. Lee who is a director of a subsidiary of the Company. The amounts are aged less than 60 days.

### 9. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$10,874,000 (31st March 2004: HK\$10,724,000).

The aged analysis of trade payables is as follows:

	At 30th September 2004 HK\$'000	At 31st March 2004 HK\$'000
Less than 31 days	9,174	8,660
31–60 days	1,685	2,061
61–90 days	15	3
Total	<b>10,874</b>	<b>10,724</b>

### 10. Amount due to a related company

The amount represents trading balance due to Lee & Man Industries Company Limited (“L & M Industries”), a subsidiary of Lee & Man Paper Manufacturing Limited (“L & M Paper”). L & M Paper is beneficially owned by Gold Best Holdings Ltd. which is an associate (as defined in the Listing Rules) of Mr. Lee. The amount is aged less than 31 days.

# Interim Results

## 11. Related party transactions

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

	<i>Notes</i>	Six months ended 30th September	
		2004 HK\$'000	2003 HK\$'000
L & M Industries and its subsidiary			
Raw materials purchased	<i>a</i>	43,583	40,519
Waste paper by-products sold	<i>b</i>	3,778	3,226
Steam purchased	<i>c</i>	780	780
Licence fee received	<i>d</i>	431	352
L & M Holding Group			
Corrugated cardboard and carton boxes sold	<i>e</i>	3,925	3,742
Management fee paid	<i>f</i>	271	384
Mr. Lee			
Management fee paid	<i>g</i>	2,500	2,500
Guarantee given to banks in respect of credit facilities extended to the Group	<i>h</i>	33,000	53,000
Guangdong Petro-Chemicals Company Limited ("GDPC")			
Licence fee received	<i>i</i>	225	—

*Notes:*

- 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.
- 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.
- The Group will pay a monthly fee of HK\$130,000 to L & M Industries for the supply of steam by L & M Industries.

# Interim Results

## 11. Related party transactions (continued)

Notes: (continued)

- d. The licence fees were charged in accordance with the relevant licence agreements.
- 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 was charged on a cost basis.
- g. Pursuant to a service agreement entered into between 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.
- h. The guarantee was provided by Mr. Lee without charge.
- i. GDPC is beneficially owned by Mr. David An, a director of the Company. The licence fee was charged in accordance with the relevant licence agreement.

## 12. Contingent liabilities and commitments

	At 30th September 2004 HK\$'000	At 31st March 2004 HK\$'000
Guarantees given to a supplier in respect of credit facilities extended to a subsidiary	7,800	7,800
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	662	—

## 13. Post balance sheet event

On 5th October 2004, the Company entered into a conditional sale and purchase agreement to acquire the entire equity interest in UPC, a company incorporated in the British Virgin Islands and its major subsidiary is engaged in the provision of storage and transshipment, and port development. The total consideration for this transaction is HK\$1,040,000,000.

Details are set out in an announcement of the Company dated 13th October 2004.