

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 September 2004. (2003: nil)

BUSINESS REVIEW AND OUTLOOK

For the first six months of 2004/2005, the group achieved revenue of HK\$1,257.7 million and net profit of HK\$194.3 million on 438,430 tons of paper sold. This represents an increase in revenue of 57.5% and an increase in net profit of 40.9% over the same period last year. The growth in capacity and profit in the first half of this financial year came mostly from contributions from our PM5 at Changshu mill, which started production in January 2004. PM5 is now running at full capacity (of 200,000MT/year) and we expect it to make further contributions to the Group in years to come.

Needless to say, the first six months was not without difficulties for us. The major concerns were the rising coal price, transportation costs and wages. Fortunately, we had been successful in passing the increased cost to our customers. As a result, we maintained our margins.

We are optimistic about achieving better results in the next six months. We expect contributions from PM6, our second production line at Changshu. PM6, which has an annual production capacity of 350,000 metric tons of corrugated medium, started operation in September 2004. It brings the Group's total containerboard output capacity to 1.2 million metric tons, making the Group one of the largest containerboard producers in the world.

Looking ahead, the Group will forge ahead with its next main development project — the construction of its third production plant located at Dongguan Hongmei, which will allow it to capture the continuously growing demand for quality containerboard in the Pearl River Delta region. We committed to purchasing land and production machine in early 2004 and staff members who are responsible for the project are now following up on construction of the plant. Scheduled to start operation in the fourth quarter of 2005, PM7 at Dongguan Hongmei will have an annual production capacity of 400,000 metric tons of linerboard, and increase the Group's total containerboard production capacity to 1.6 million metric tons. The Group anticipates the further strengthening of its position in the world containerboard market and impressive profit achievements.