

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

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 No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

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, 2004.

2. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover and net profit for the period by principal activity which is the primary format for reporting segment information, is as follows:

	(Unaudited)			
	Turnover		Net profit for the period	
	Six months ended		Six months ended	
	30th September		30th September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activity				
OEM paper products				
manufacturing	189,067	243,081	12,797	9,280
House brand and agency products	6,307	6,472	(166)	(184)
	195,374	249,553	12,631	9,096
Unallocated corporate expenses			(3,080)	(3,232)
Interest income			7	5
Profit from operations			9,558	5,869
Finance costs			(1,465)	(1,153)
Net profit for the period			8,093	4,716

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

	(Unaudited)	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
United States of America	110,180	159,121
Europe	51,923	53,174
Asia-Pacific (excluding Hong Kong)	24,092	29,616
Hong Kong	2,336	3,163
Others	6,843	4,479
	195,374	249,553

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

3. PROFIT FROM OPERATIONS

	(Unaudited)	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	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	5,708	5,464

and after crediting:

Gain on disposal of property, plant and equipment	50	4
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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 tax losses brought forward from previous years.

No deferred tax asset has been recognised relating to tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

5. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30th September, 2004 and 2003 is computed based on the following data:

	(Unaudited)	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	HK\$'000
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Earnings:		
Net profit for the period and earnings for the purposes of basic and diluted earnings per share	8,093	4,716
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	Six months ended	
	30th September	
	2004	2003
	'000	'000
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Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	3,918,903	3,882,974
Effect of dilutive potential shares:		
Share options	32,537	30,919
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Weighted average number of shares for the purpose of diluted earnings per share	3,951,440	3,913,893
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The warrants had expired after the close of business on 6th February, 2004, there was no warrant outstanding during the six months ended 30th September, 2004,

The computation of diluted earnings per share for the six months ended 30th September, 2003 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 that period.

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2004 (Nil for the six months ended 30th September, 2003).

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30th September, 2004, the Group spent approximately HK\$18,587,000 (HK\$8,112,000 for the six months ended 30th September, 2003) for the acquisition of property, plant and equipment to expand its operations.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30th September, 2004, the balance of debtors, deposits and prepayments included trade debtors of HK\$52,060,000 (HK\$37,074,000 at 31st March, 2004) and the aged analysis (by due date) of trade debtors at the same date is as follows:

	(Unaudited) 30th September 2004 HK\$'000	(Audited) 31st March 2004 HK\$'000
Not yet due	40,333	26,358
Overdue:		
0 – 30 days	7,738	8,870
31 – 60 days	1,023	1,224
61 – 90 days	421	182
91 – 120 days	1,052	274
> 120 days	1,493	166
	52,060	37,074

The Group allows an average credit period of 35 days (35 days for the year ended 31st March, 2004) to its trade customers.

9. CREDITORS AND ACCRUED CHARGES

At 30th September, 2004, the balance of creditors and accrued charges included trade creditors of HK\$37,464,000 (HK\$41,291,000 at 31st March, 2004) and the aged analysis (by due date) of trade creditors at the same date is as follows:

	(Unaudited) 30th September 2004 HK\$'000	(Audited) 31st March 2004 HK\$'000
Not yet due	19,293	19,476
Overdue:		
0 – 30 days	4,571	3,620
31 – 60 days	4,241	1,688
61 – 90 days	2,899	1,731
91 – 120 days	2,796	2,984
> 120 days	3,664	11,792
	37,464	41,291

10. OBLIGATIONS UNDER FINANCE LEASES

For the six months ended 30th September, 2004, the Group entered into finance lease arrangements in respect of property, plant and equipment amounting to approximately HK\$11,920,000 (HK\$6,000,000 for the six months ended 30th September, 2003).

11. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1st April, 2004	3,901,508,071	39,015
Issue of new shares upon exercise of share options	32,682,000	327
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At 30th September, 2004	3,934,190,071	39,342

12. CAPITAL COMMITMENTS

	(Unaudited) 30th September 2004 HK\$'000	(Audited) 31st March 2004 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	1,751	6,620
Capital expenditure in respect of capital injection in a subsidiary in the People's Republic of China contracted for	21,400	31,000
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	23,151	37,620