The board of directors (the "Board") of Samson Paper Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005 together with comparative figures for the corresponding period in 2004, and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2005 with audited comparative figures as at 31 March 2005. The unaudited interim financial report has been reviewed by the Company's audit committee, and the Company's auditors, PricewaterhouseCoopers, in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended 30 September	
	Notes	**2005**	2004
		HK$'000	*HK$'000*
			(As restated)
Turnover	5	**1,706,340**	1,630,680
Cost of sales		**(1,556,676)**	(1,463,250)
Gross profit		**149,664**	167,430
Other revenues		**7,175**	4,714
Selling expenses		**(57,833)**	(60,558)
Administrative expenses		**(37,274)**	(42,622)
Other operating expenses		**(7,475)**	(10,041)
Operating profit	6	**54,257**	58,923
Finance costs		**(24,938)**	(15,425)
Share of profit less loss of associated companies		**1,017**	1,614
Profit before taxation		**30,336**	45,112
Taxation	7	**(6,364)**	(12,423)
Profit for the period		**23,972**	32,689
Attributable to:			
Equity holders of the Company		**23,264**	31,631
Minority interests		**708**	1,058
		23,972	32,689
Earnings per share for profit attributable to the equity holders of the Company–Basic	8	**HK5.4 cents**	HK 7.4 cents
Interim dividend per share		**HK1.5 cents**	HK 2.0 cents
Interim dividends	9	**6,439**	8,585

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	Notes	Unaudited 30 September 2005 HK$'000	Audited 31 March 2005 HK$'000 (As restated)
Non-current assets			
Property, plant and equipment	10	**83,110**	79,523
Prepaid premium for land leases	10	**72,589**	73,486
Interests in associated companies		**64,518**	65,621
Deferred tax assets		**2,743**	4,044
		222,960	222,674
Current assets			
Inventories		**335,641**	353,441
Accounts receivables, deposits and prepayments	11	**1,305,683**	1,071,344
Other financial assets at fair value through profit and loss		**29,597**	–
Other investments		**–**	30,197
Bank balances and cash		**316,099**	297,313
		1,987,020	1,752,295
Current liabilities			
Accounts payable and accrued charges	12	**569,424**	480,840
Trust receipt loans	13	**628,979**	565,415
Taxation payable		**7,795**	3,612
Other financial liabilities at fair value through profit and loss		**1,541**	–
Bank loans	13	**296,094**	266,370
		1,503,833	1,316,237
Net current assets		**483,187**	436,058
Total assets less current liabilities		**706,147**	658,732
Non-current liabilities			
Bank loans	13	**72,188**	36,840
Deferred tax liabilities		**7,492**	8,008
Total non-current liabilities		**79,680**	44,848
Net assets		**626,467**	613,884
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**42,926**	42,926
Other reserves		**180,928**	176,597
Retained earnings			
– Others		**394,315**	378,046
– Proposed dividend		**6,439**	12,878
		581,682	567,521
Shareholders' funds		**624,608**	610,447
Minority interests		**1,859**	3,437
Total equity		**626,467**	613,884

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 HK$'000	2004 HK$'000
Net cash used in operating activities	**(101,178)**	(107,584)
Net cash inflow from/(used in) investing activities	**5,128**	(7,862)
Net cash inflow from financing activities	**113,298**	68,932
Net increase/(decrease) in cash and cash equivalents	**17,248**	(46,514)
Cash and cash equivalents at 1 April	**297,313**	282,215
Effect of change in foreign exchange rate	**1,538**	–
Cash and cash equivalents at 30 September	**316,099**	235,701
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**316,099**	235,701

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

Unaudited

	Share capital HK$'000	Share premium HK$'000	Assets revaluation HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2004	42,926	96,293	50,442	33,311	(1,590)	355,803	577,185	–	577,185
Capital injection by a minority shareholder	–	–	–	–	–	–	–	1,561	1,561
Profit for the period	–	–	–	–	–	31,631	31,631	1,058	32,689
2003-2004 final dividend paid	–	–	–	–	–	(12,878)	(12,878)	–	(12,878)
Share of reserves of an associated company	–	–	–	–	335	–	335	–	335
	42,926	96,293	50,442	33,311	(1,255)	365,971	587,688	2,619	590,307
Proposed 2004-2005 interim dividend	–	–	–	–	–	8,585	8,585	–	8,585
At 30 September 2004	42,926	96,293	50,442	33,311	(1,255)	374,556	596,273	2,619	598,892
At 1 October 2004, as previously stated	42,926	96,293	50,442	33,311	(1,255)	374,556	596,273	–	596,273
At 1 October 2004, as previously separately report as minority interests	–	–	–	–	–	–	–	2,619	2,619
At 1 October 2004, as restated	42,926	96,293	50,442	33,311	(1,255)	374,556	596,273	2,619	598,892
Profit for the period	–	–	–	–	–	24,953	24,953	546	25,499
Capital injection by a minority shareholder	–	–	–	–	–	–	–	272	272
2004-2005 interim dividend paid	–	–	–	–	–	(8,585)	(8,585)	–	(8,585)
Share of reserves of an associated company	–	–	–	–	(2,194)	–	(2,194)	–	(2,194)
	42,926	96,293	50,442	33,311	(3,449)	378,046	597,569	3,437	601,006
Proposed 2004-2005 final dividend	–	–	–	–	–	12,878	12,878	–	12,878
At 31 March 2005	42,926	96,293	50,442	33,311	(3,449)	390,924	610,447	3,437	613,884
At 1 April 2005, as previously stated	42,926	96,293	50,442	33,311	(3,449)	390,924	610,447	–	610,447
At 1 April 2005, as previously separately report as minority interests	–	–	–	–	–	–	–	3,437	3,437
	42,926	96,293	50,442	33,311	(3,449)	390,924	610,447	3,437	613,884
Profit for the period	–	–	–	–	–	23,264	23,264	708	23,972
Capital injection by a minority shareholder	–	–	–	–	–	–	–	1,125	1,125
Surplus on properties revaluation	–	–	4,288	–	–	–	4,288	–	4,288
2004-2005 final dividend paid	–	–	–	–	–	(12,878)	(12,878)	–	(12,878)
Currency translation difference	–	–	–	–	1,445	–	1,445	266	1,711
Dividend paid to a minority shareholder	–	–	–	–	–	–	–	(3,677)	(3,677)
Share of reserves of an associated company	–	–	–	–	(1,402)	(556)	(1,958)	–	(1,958)
	42,926	96,293	54,730	33,311	(3,406)	394,315	618,169	1,859	620,028
Proposed interim dividend	–	–	–	–	–	6,439	6,439	–	6,439
At 30 September 2005	42,926	96,293	54,730	33,311	(3,406)	400,754	624,608	1,859	626,467

1. **Basis of preparation and accounting policies**

These unaudited consolidated condensed interim accounts have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the HKICPA and applicable discloseable provisions of Appendix 16 of Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These condensed interim accounts should be read in conjunction with the 2005 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2005, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as the "New HKFRSs"), which have become effective for accounting periods beginning on or after 1 January 2005.

These interim accounts have been prepared in accordance with those HKFRSs and interpretations issued and effective as at the time of preparing these accounts. The HKFRSs and interpretations that will be applicable at 31 March 2006 including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim accounts.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2. **Changes in accounting policies**

(a) Effect of adopting new HKFRS

The applicable New HKFRSs adopted in these consolidated condensed accounts are set out below and the comparatives have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combination

The adoption of HKAS 1,2,7,8,10,16,21,23,24,27,28 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures.

HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard.

HKAS 2,7,8,10,16,23,24,27,28 and 33 had no material effect on the Group's policies.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land with a carrying value of HK$72,589,000 as at 30 September 2005 (31 March 2005: HK$73,486,000) are reclassified as prepaid premium for land leases payments instead of property, plant and equipment, which are expensed in the consolidated profit and loss account on a straight-line basis over the period of the leases. In prior years, the leasehold land and land use rights were stated at valuation on an open market basis.

The adoption of HKAS 32 and HKAS 39 has resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 3 and HKAS 36 results in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was:

– Amortised on a straight line basis over a period of 10 years; and

– Assessed for impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 April 2005;

– Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– From the year ending 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

Effect of the above changes in accounting policies on profit after taxation for the six months ended 30 September 2005:

	Unaudited Attributable to equity holders *HK$'000*
Increase in profit after taxation – HKFRS 3	354

Effect of the above changes in accounting policies on balance sheet as at 30 September 2005 and 31 March 2005:

	Unaudited 30 September 2005			Audited 31 March 2005		
	HKAS 17 *HK$'000*	**HKAS 32 & 39** *HK$'000*	**HKFRS3** *HK$'000*	HKAS 17 *HK$'000*	HKAS 32 & 39 *HK$'000*	HKFRS 3 *HK$'000*
Decrease in property, plant and equipment	**(72,589)**	**–**	**–**	(73,486)	–	–
Increase in prepaid premium on land leases	**72,589**	**–**	**–**	73,486	–	–
Increase in other financial assets at fair value through profit and loss	**–**	**1,786**	**–**	–	–	–
Increase in other financial liabilities at fair value through profit and loss	**–**	**1,541**	**–**	–	–	–
Decrease in other payable	**–**	**(245)**	**–**	–	–	–
Increase in interests in associated companies	**–**	**–**	**354**	–	–	–

(b) New accounting policies

The accounting policies used for the unaudited condensed consolidated accounts for the six months ended 30 September 2005 are the same as those set out in note 1 to the 2005 annual financial statements except for the following:

2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

2.2 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.3 *Investments*

On or before 31 March 2005:

The Group classified its investments in securities, other than subsidiaries as other investments.

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

From 1 April 2005 onwards:

The Group classifies its investments in the following categories: other financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Other financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all other financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Other financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2.4 *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.5 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group operates in various Asian countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Chinese Renminbi.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group enters into forward contracts to reduce foreign exchange risk.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as other financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(b) Credit risk

The carrying amount of accounts receivable included in the condensed consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible accounts receivable has been made in the condensed consolidated accounts.

(c) Liquidity risk

The Group has been prudent in liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The management aims to maintain flexibility in funding by keeping credit lines available.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from bank borrowings. As at 30 September 2005, borrowings were primarily at floating rates.

3.2 *Fair value estimation*

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of bills receivable and accounts receivable. Provisions are applied to bills receivable and accounts receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of bills receivable and accounts receivable and doubtful debt expenses in the period in which such estimate has been changed.

(c) Estimated write-downs of inventories to net realisble value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

5. Segment information

The Group is principally engaged in trading and marketing of paper products. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. No business segment analysis is provided as over 90% of the Group's turnover and profit contribution came from the distribution business of paper products during the period.

An analysis of the Group's turnover for the period by geographical segment is as follows:–

	Unaudited Six months ended 30 September **2005**	 2004
	HK$'000	*HK$'000*
Hong Kong	**851,849**	842,197
Mainland China	**839,195**	779,367
Others	**15,296**	9,116
	1,706,340	1,630,680

No contribution to operating profit from any of the above geographical segment is substantially out of line with the normal ratio of profit to turnover.

6. Operating profit

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30 September **2005**	 2004
	HK$'000	*HK$'000*
Crediting		
Interest income	**4,238**	2,693
Charging		
Depreciation of property, plant and equipment	**3,502**	3,782
Amortisation of prepaid premium for land leases	**897**	846

7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004:17.5%) on the estimated assessable profit for the period. Taxation on oversea profits has been calculated on the estimated assessable profit at the applicable rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	Unaudited Six months ended 30 September **2005**	 2004
	HK$'000	*HK$'000* (As restated)
Hong Kong profits tax	**4,448**	11,169
Overseas taxation	**1,131**	832
Deferred taxation	**785**	422
	6,364	12,423

8. **Earnings per share**

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to equity holders of the Company of HK$23,264,000 (2004: HK$31,631,000) for the period and on the weighted average number of 429,258,039 (2004: 429,258,039) shares of the Company in issue during the period.

9. **Interim dividends**

	Unaudited Six months ended 30 September **2005** ***HK$'000***	 2004 *HK$'000*
Proposed, of HK$0.015 (2004: HK$0.02) per share	**6,439**	8,585

Note: This proposed interim dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2006.

10. **Capital expenditure**

	Unaudited Properties, plant and equipment *HK$'000*	 Prepaid premium for land leases *HK$'000*
Net book amount at 1 April 2004	69,513	75,178
Additions	10,330	–
Disposals	(59)	–
Depreciation/amortisation	(3,782)	(846)
Net book amount at 30 September 2004	76,002	74,332
Additions	8,441	–
Disposals	(467)	–
Depreciation/amortisation	(4,453)	(846)
Net book amount at 31 March 2005	79,523	73,486
Additions	2,763	–
Exchange differences	173	–
Revaluation	4,288	–
Disposals	(135)	–
Depreciation/amortisation	(3,502)	(897)
Net book amount at 30 September 2005	83,110	72,589

11. **Accounts receivable, deposits and prepayments**

Included in accounts receivable, deposits and prepayments are trade debtors of HK$1,224,508,000 (net of provision) (31 March 2005: HK$1,041,542,000) and their ageing analysis is as follows:

	Unaudited **30 September** **2005** ***HK$'000***	Audited 31 March 2005 *HK$'000*
Current to 60 days	**825,552**	678,524
61 to 90 days	**206,718**	170,552
Over 90 days	**192,238**	192,466
	1,224,508	1,041,542

The Group has a defined credit policy with general credit terms ranging from 30 days to 90 days.

12. Accounts payable and accrued charges

Included in accounts payable and accrued charges are trade payable of HK$526,527,000 (31 March 2005: HK$435,737,000) and their ageing analysis is as follows:

	Unaudited 30 September 2005 *HK$'000*	Audited 31 March 2005 *HK$'000*
Current to 60 days	**371,989**	292,582
61 to 90 days	**58,359**	61,128
Over 90 days	**96,179**	82,027
	526,527	435,737

13. Bank loans

	Unaudited 30 September 2005 *HK$'000*	Audited 31 March 2005 *HK$'000*
Bank loans		
Unsecured	**312,761**	262,656
Secured	**55,521**	40,554
	368,282	303,210
Less: Amount repayable within one year classified under current liabilities	**(296,094)**	(266,370)
	72,188	36,840
Trust receipt loans	**628,979**	565,415

At 30 September 2005, the Group's bank loans were repayable as follows:

	Unaudited 30 September 2005 *HK$'000*	Audited 31 March 2005 *HK$'000*
Within one year	**296,094**	266,370
In the second year	**72,188**	16,527
In the third to fifth years inclusive	**–**	20,313
	368,282	303,210

At 30 September 2005, trust receipt loans amounted to HK$628,979,000 (31 March 2005: HK$565,415,000) were repayable within one year from the balance sheet date.

14. Share Capital

	Number of share of HK$0.10 each		Share capital	
	Unaudited 30 September 2005	Audited 31 March 2005	**Unaudited 30 September 2005**	Audited 31 March 2005
			HK$'000	*HK$'000*
Authorised:	**800,000,000**	800,000,000	**80,000**	80,000
Issued and fully paid:	**429,258,039**	429,258,039	**42,926**	42,926

15. Commitments

(a) Forward exchange contracts

As at 30 September 2005, the Group had outstanding forward exchange contracts to purchase US Dollars amounted to an aggregate of approximately HK$96,099,770 (31 March 2005: HK$220,428,000).

(b) Operating lease commitments

As at 30 September 2005, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30 September 2005	Audited 31 March 2005
	HK$'000	*HK$'000*
No later than one year	**2,092**	7,500
Later than one year and not later than five years	**446**	946
	2,538	8,446

(c) Capital commitments

Capital commitments for property, plant and equipment

	Unaudited 30 September 2005	Audited 31 March 2005
	HK$'000	*HK$'000*
Contracted but not provided for	**–**	840

(d) As at 30 September 2005, a wholly-owned subsidiary of the Company had commitment in respect of the injection of capital into a subsidiary in Mainland China amounted to approximately HK$6,380,000 (31 March 2005: HK$6,380,000).

16. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business at prices and terms no less than those charged and contracted with other third party suppliers of the Group are as follows:

	Unaudited Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Purchase from associated companies	**87,147**	117,028

The Economy

For the six months ended 30 September 2005, the Hong Kong economy continued to gain growth momentum with GDP leaped 8.2% in the third quarter following a 7.3% growth in the second quarter of 2005. The encouraging economic performance was partly the result of continued surge in export trade. With GDP growth averaging over 9% in the past few years, the burgeoning economy of the PRC, Hong Kong's largest trading partner, has also buttressed local economic prosperity.

The Paper Industry

The printing and publishing industries generally benefited from the sustained expansion of the global economy and the persistent export boom in the PRC market. The total exports of printed matters and packaging material from Hong Kong rose 15% to HK$11,582 million and 1% to HK$17,970 million respectively in the first nine months of 2005.

The PRC continued to be the leading exporter to Hong Kong, accounting for HK$4,903 million (representing 74.8% of total imports) worth of printed matters and HK$8,801 million worth of packaging materials (representing 43.7% of total imports) in the first nine months of 2005.

In a bid to tap the growing market demand, paper manufacturers over-boosted their production capacities and the resultant excess supply dragged down paper prices in the market. By the end of the six months period ended 30 September 2005, prices of book printing papers had dropped 5% and that of packaging boards declined by 10% as compared with the levels in March 2005.

Operations Review

The Group's long history and solid foundation underscored its resilience in the fiercely competitive market. Despite the pressure from rising interest rates and intense competition, the Group's continued efforts to expand its customer base were rewarded with growth in both turnover and sales volume. The Group reported a turnover of approximately HK$1,706 million for the six months ended 30 September 2005, 5% higher than that of the previous period. The Group delivered 322,000 metric tonnes in sales volume, a 10% growth over that of the last corresponding period. The Group's better than expected performance during the period testified to its strong foothold in the market.

Given that interest rate has been on the upward trend in the territory, the Group's total interest expense increased sharply from approximately HK$15.4 million to approximately HK$24.9 million in the period. Gross profit dropped to HK$149.7 million as a result of fierce market competition, with gross profit margin at 8.77%, against 10.27% in the same period last year. The Group's profit attributable to equity holders amounted to approximately HK$23.3 million with profit margin fell from 1.94% to 1.36% at the impact of interest rate hike. Earnings per share were HK 5.4 cents. The Board has resolved to declare and pay an interim dividend of HK 1.5 cents per share (2004: HK 2 cents).

As one of the largest paper trading companies in the region, the Group is committed to providing the timeliest services and extensive product choices. The Group has market presence in major cities in the PRC including Beijing, Chongqing, Foshan, Shanghai and Shenzhen, and during the period under review, its reach was extended to Wuxi and Malaysia. Sales of paper products in the PRC market grew 8% to reach HK$833 million, thanks to the Group's devoted marketing efforts in the PRC to sustain growth and its adoption of a different sales strategy that focuses on quality customers. The Hong Kong and PRC markets accounted for 51% and 49% respectively of the Group's total turnover arising from its paper product distribution business.

Sales contribution by product was maintained at a stable level, with 49% from book printing papers and 42% from packaging boards.

The Group's paper manufacturing arm, Singapore-listed United Pulp & Paper Company Limited ("UPP"), contributed a profit of HK$1 million to the Group. With an over 37 years' operating history, UPP certainly will continue to create synergy for the Group's paper trading business.

The Group is dedicated to providing quality value added service to customers. During the period under review, the Group's two other business arms-one was set up to enhance the Group's transportation and custom clearance services and the other one specializes in aeronautical parts distribution in 13 countries, continued to make contribution to its profit. It has proven that the Group has been heading in the right direction and towards a bright future.

To combat the challenging economic conditions, the Group streamlined its operating flows and enhanced logistic management and cost control to strengthen its competitiveness. Thus, it was able to lower its selling and administrative expenses from 6.33% to 5.57% of its turnover in the period under review. In addition, the Group continued its prudent credit policy and was able to reduce the doubtful debts provision level from 0.54% to 0.41% of total sales. Other operating expenses was also lowered by 25.6% to HK$7.5 million.

The Group mitigated the adverse impacts of high interest rate by effective inventory control and maintained a healthy financial position. Average stock turnover for the period under review was kept at 37 days. The Group's policy has always been to maintain an average inventory level of approximately one month with close regard to prevailing and expected market conditions.

Prospects

Looking to the future, the performance of the global economy is expected to progress at a fairly strong pace, and that of the PRC in particular will remain robust. The encouraging external environment will bolster local growth. The market expects interest rate to level off which will be favorable for the printing and publishing industries.

On the back of robust performance of the PRC economy, the Group believes that the printing and packaging sector will continue to grow. As for paper prices, they are expected to remain steady in the first quarter next year and start to climb in early second quarter, with the industry worldwide seeking to transfer the high energy and raw material costs to customers.

Riding on its solid experience that spans four decades and connection in the paper trading industry, the Group will continue its proven strategy to capture opportunities in the vast and blooming PRC market. It will strengthen its network in the market to help it achieve the goal. With shareholders' interest as a priority, the Group has been actively identifying the best opportunities to consolidate its market share in the PRC. It will also strictly follow its plan to open an additional overseas office to expand its regional reach. We expect to maintain market leadership, paving the way for our sustained growth in the future.

Looking ahead to 2006, the paper trading business will remain as the Group's major growth driver. However, the Group will strive to diversify its services by adding more value added customer services. The Group aims to capitalize on any strategic opportunities that may help it realize its corporate vision and achieve long-term growth for the shareholders.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK1.5 cents (2004: HK 2 cents) per share for the six months ended 30 September 2005. The interim dividend will be payable to all shareholders of the Company whose names appear on the register of members of the Company on Friday, 6 January 2006. The interim dividend will be paid on or about Monday, 16 January 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 January 2006 to Friday, 6 January 2006 (both days inclusive), during which period no transfers of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Computershare Hong Kong Investor Services Limited at Suite 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 pm on Tuesday, 3 January 2006.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2005, the total number of the Group's employees was 458. The Group's remuneration policies are primarily based on prevailing market levels and salaries are reviewed with reference to the performance of the Group and the individual employee concerned. In addition to salary payment, other staff benefits including performance bonus, education subsidies, provident fund, medical insurance and share option are offered to reward our high-calibre staff. Training on strategic planning and implementation, sales and marketing disciplines are offered to various management levels on a regular basis.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's short term deposits and bank balances as at 30 September 2005 amounted to approximately HK$316 million. To meet the financing demand of the Group, additional bank borrowings were drawn and the aggregate balance increased by HK$129 million to HK$997 million for the six months ended 30 September 2005. As at 30 September 2005, its gearing ratio, measured on the basis of the Group's long term debt over the Group's shareholders' funds was 11% (31 March 2005: 6%). With bank balances and other current assets of approximately HK$1,987 million as well as available banking and trade facilities, the directors of the Company (the "Directors") believe the Group has sufficient working capital to meet its present requirement.

The Group's foreign currency purchases were mainly denominated in United States dollars. Foreign exchange contracts and options were used, if necessary, to hedge the Group's foreign currency exposure. As the Group relied on the RMB banking finances to fund the operation in the PRC, which provides a natural hedge against currency risks, the appreciation of RMB does not have much impact on the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, the interests and short positions of each Director and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:–

(a) Long position in ordinary shares of HK$0.10 each in the Company (the "Shares")

		Number of ordinary shares beneficially held					
	Capacity	Personal interest	Corporate interest	Family interest	Other interest	Total	Percentage
Mr. LEE Seng Jin	Beneficial owner & beneficiary of trust	11,624,000	–	16,712,556	268,340,000 *(Note 1)*	296,676,556	69.11%
Ms. SHAM Yee Lan, Peggy	Beneficial owner & beneficiary of trust	572,556	16,140,000	11,624,000	268,340,000 *(Notes 1)*	296,676,556	69.11%
Mr. CHOW Wing Yuen	Beneficial owner	540,000	–	–	–	540,000	0.13%

Notes:

(1) Shares were held by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust. The objects of the family trust include Mr. Lee Seng Jin and Ms. Sham Yee Lan, Peggy.

Save as disclosed above, as at 30 September 2005, none of the Directors and chief executives of the Company had any interest or short position in the shares or underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those interests disclosed above, the Directors and chief executives of the Company also hold shares of certain subsidiaries of the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

At no time during the period was the Company, its holding company, its subsidiaries or its associated companies a party to any arrangement to enable any Director or chief executives of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company and its associated corporations as defined in the SFO.

(b) Short positions in shares and underlying Shares of the Company

None of the Directors and the chief executive of the Company or their associates had any short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Share option scheme

At the special general meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") to comply with the new requirements of Chapter 17 of the Listing Rules and the termination of the operation of the share option scheme (the "Old Scheme") which was adopted on 8 November 1995. No share option was granted under the Old Scheme since 8 November 1995 and up to the date of the termination or was outstanding as at the date of the termination. As at 30 September 2005, no option was granted under the New Scheme. A summary of the terms and conditions of the New Scheme are set out below.

(1) Purpose

The purpose of the New Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) Participants

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) Maximum number of shares

The number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the New Scheme. The maximum number of Share available for issue under the New Scheme is 42,925,803 as at the date of this report.

(4) Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the Shares in issue as at the date of grant.

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the New Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed the period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the New Scheme.

(6) *The Eligible Person shall pay HK$1.0 to the Company in consideration of the grant of an Option upon acceptance of the grant of Option.*

(7) *Exercise price*

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of

a) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant;

b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

c) the nominal value of a share on the date of grant.

(8) *Remaining life of the New Scheme*

The New Scheme will remain in force until 26 February 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 30 September 2005, the interests and short positions of the shareholders of the Company other than a Director or chief executives of the Company and their associates, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO were as follows:

Long position in the Shares

Name of shareholder	Number of Shares	Approximate percentage of interest to total issued share capital of the Company
Quinselle Holdings Limited	268,340,000	62.51%
HSBC International Trustee Limited *(Note)*	268,340,000	62.51%

Note:

Quinselle Holdings Limited holds the 268,340,000 Shares in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust, holds the majority units in the private unit trust.

Save as disclosed above, the register which was required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 September 2005.

CONTINGENT LIABILITIES

The Company provided corporate guarantees on the banking facilities granted to its subsidiaries. The amount of such facilities utilized by the subsidiaries as at 30 September 2005 amounted to HK$997,261,000 (31 March 2005: HK$868,625,000).

CHARGE OF ASSETS

As at 30 September 2005, trust receipt loans of HK$211,793,000 (31 March 2005: HK$174,104,000) and bank loans of HK$55,521,000 (31 March 2005: HK$40,554,000) were secured by legal charge on certain properties of the Group in Hong Kong.

AUDIT COMMITTEE

The Audit Committee of the Company (the "Committee") was set up to review and provide supervision of the Group's financial reporting process and internal controls. The Committee has reviewed the Group's unaudited interim report for the six months ended 30 September 2005 before it was tabled for the Board's approval. The review of the unaudited interim financial statements was conducted in conjunction with the Group's external auditors.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 September 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all the Directors, the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

In the opinion of the Directors, the Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six-month period ended 30 September 2005 except that the non-executive Directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the bye-laws of the Company.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five executive Directors, namely Mr. SHAM Kit Ying, Mr. LEE Seng Jin, Mr. CHOW Wing Yuen, Ms. SHAM Yee Lan, Peggy and Mr. LEE Yue Kong, Albert, one non-executive Director, Mr. LAU Wang Yip, Eric and three independent non-executive Directors, namely Mr. PANG Wing Kin, Patrick, Mr. TONG Yat Chong, and Mr. NG Hung Sui, Kenneth.

By order of the Board
SHAM Kit Ying
Chairman

Hong Kong, 16 December 2005