

## REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2001.

### GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands on 24 May 2000. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the Group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 26 July 2000. Further details of the Group Reorganisation, together with details of the subsidiaries acquired pursuant thereto, as well as the basis of presentation of the financial statements, are set out in notes 1, 3, 17 and 23 to the financial statements.

The Company's shares were listed on the Stock Exchange on 23 August 2000.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no changes in the nature of the subsidiaries' principal activities during the year.

### SEGMENTAL INFORMATION

Details of the Group's segmental information relating to its turnover and contribution to profit from operating activities for the year ended 30 June 2001 are set out in notes 5 and 6 to the financial statements, respectively.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2001 and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements on pages 24 to 54.

The directors recommend the payment of a final dividend of HK4 cents per ordinary share in respect of the year to the shareholders on the register of members on 29 November 2001. This recommendation has been incorporated in the financial statements.

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SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated/combined results of the Group for the last five years and assets and liabilities of the Group for the last three years prepared on the basis set out in notes 1 and 2 below.

Results

	Year ended 30 June				
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
Turnover	<u>409,633</u>	<u>353,116</u>	<u>204,027</u>	<u>107,315</u>	<u>90,454</u>
Profit before tax	108,729	92,969	51,433	22,408	18,577
Tax	<u>(14,321)</u>	<u>(11,308)</u>	<u>(4,000)</u>	<u>—</u>	<u>—</u>
Profit before minority interests	94,408	81,661	47,433	22,408	18,577
Minority interests	<u>133</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net profit from ordinary activities attributable to shareholders	<u>94,541</u>	<u>81,661</u>	<u>47,433</u>	<u>22,408</u>	<u>18,577</u>

Assets and liabilities

	As at 30 June		
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Non-current assets	123,558	25,229	11,424
Current assets	<u>223,055</u>	<u>123,682</u>	<u>118,120</u>
Total assets	346,613	148,911	129,544
Current liabilities	(70,482)	(50,990)	(74,561)
Minority interests	<u>(1,199)</u>	<u>—</u>	<u>—</u>
Net assets	<u>274,932</u>	<u>97,921</u>	<u>54,983</u>

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### SUMMARY FINANCIAL INFORMATION *(continued)*

#### Notes:

1. The summary of the combined results for each of the three years ended 30 June 1999 has been extracted from the Company's prospectus dated 11 August 2000. The results of the Group for each of the two years ended 30 June 2001 are those set out on page 24 of the financial statements. The summary of the combined results of the Group for the four years ended 30 June 2000 includes the results of the Company and its subsidiaries as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis set out in note 3 to the financial statements.
2. As at the date of this report, the only published consolidated/combined balance sheets of the Group that have been prepared to date are as at 30 June 1999, 2000 and 2001. The combined balance sheets of the Group as at 30 June 1999 and 2000 are extracted from the published pro forma financial statements of the Group for the year ended 30 June 2000 and were prepared on the basis as if the Group had been in existence as at 30 June 1999 and 2000.

### FIXED ASSETS

Details of the movements in the fixed assets of the Group are set out in note 13 to the financial statements.

### SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 17 to the financial statements.

### JOINTLY-CONTROLLED ENTITY

Particulars of the Company's interest in a jointly-controlled entity are set out in note 16 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the Company's share capital and share options during the year together with the reasons therefor, are set out in note 23 to the financial statements.

### RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements.

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### DISTRIBUTABLE RESERVES

As at 30 June 2001, the Company had distributable reserves of approximately HK\$162,664,000. Under the Company's memorandum and articles of association and the Companies Law (2001 Revision) of the Cayman Islands, the capital reserve and share premium of the Company of HK\$104,915,000 and HK\$55,478,000, respectively, at 30 June 2001 are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

### MAJOR CUSTOMERS AND SUPPLIERS

Approximately 10% of the Group's total turnover for the year was attributable to the Group's five largest customers. Turnover from the Group's largest customer accounted for approximately 2% of the Group's turnover for the year.

In addition, approximately 94% of the Group's total purchases for the year was attributable to the Group's five largest suppliers. Purchases from the Group's largest supplier accounted for approximately 49% of the Group's purchases for the year.

As far as the directors are aware, other than Mr. Chen Ching Ken, an executive director of the Company, who is the sole shareholder of 福州德勝印刷有限公司, one of the Group's top five suppliers for the year ended 30 June 2001, none of the directors, their associates, and those shareholders who to the knowledge of the directors owned more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers and/or suppliers mentioned in the preceding paragraphs.

Details of the transactions with 福州德勝印刷有限公司 are set out in note 4 to the financial statements.

### DIRECTORS

The directors of the Company during the year were as follows:

#### Executive directors:

Mr. Cai Chong Zhen

Mr. Cai Cong Yi

Mr. Chen Ching Ken

Mr. Luk Wai Hong

Mr. Wong Sui Kwong

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### DIRECTORS *(continued)*

#### Independent non-executive directors:

Ms. Hu Ling Po (appointed on 26 July 2000)

Mr. Yu Er Feng (appointed on 26 July 2000)

In accordance with article 87 of the Company's articles of association, Mr. Luk Wai Hong and Mr. Wong Sui Kwong will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The directors of the Company, including the independent non-executive directors, but excluding the chairman Mr. Cai Chong Zhen, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

### BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 13 of the annual report.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years (except for Mr. Luk Wai Hong and Mr. Wong Sui Kwong where their respective service contracts have a term of two years) commencing on 1 August 2000, and which may be terminated by either party thereto by giving to the other six months' prior notice in writing and which notice period shall not expire at any time during the first year.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 4 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

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### DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the remuneration of the directors of the Company and of the five highest paid individuals of the Group during the year ended 30 June 2001 are set out in note 7 to the financial statements.

### RETIREMENT SCHEME

Details of the retirement scheme and the related contributions of the Group for the year are set out in notes 3 and 6 to the financial statements, respectively.

### DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 June 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register (the "Register") that was maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or notified to the Company, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as set out below:

Name	Type of interest	Number of shares of the Company interest
Mr. Chen Ching Ken	Other (Note)	249,800,000

*Note:* These shares are held by Great Wall Investment Group Limited as the trustee of The Great Wall Unit Trust, a unit trust of which all of the units in issue are owned by Ansbacher (BVI) Limited in its capacity as the trustee of The C&C Trust, a discretionary family trust of which the objects include the spouse of Mr. Chen Ching Ken.

In addition, Mr. Cai Cong Yi is holding a share in a subsidiary of the Company, in a non-beneficial capacity which is solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, none of the directors, chief executives or their associates, had any personal, family, corporate or other beneficial interests in the issued share capital of the Company or any of its associated corporations which was recorded in the Register, as defined in the SDI Ordinance.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 26 July 2000, the board of directors is authorised, at its absolute discretion, to grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company. Further details of the Scheme are set out in note 23 to the financial statements. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 23 August 2000.

Pursuant to the Scheme noted above, the Company has granted options on the Company's ordinary shares in favour of certain directors, the summary details of which during the year are as follows:

Name of director	Granted during the year	Number of share options		Exercise price HK\$
		Exercised during the year	At 30 June 2001	
Mr. Cai Cong Yi	1,000,000	—	1,000,000	0.6520
	7,500,000	—	7,500,000	0.7696
Mr. Cai Chong Zhen	3,000,000	—	3,000,000	0.6520
	5,500,000	—	5,500,000	0.7696
Mr. Luk Wai Hong	1,000,000	(1,000,000)	—	0.6520
	3,000,000	(3,000,000)	—	0.7696
Mr. Wong Sui Kwong	8,000,000	—	8,000,000	0.7696
	<u>29,000,000</u>	<u>(4,000,000)</u>	<u>25,000,000</u>	

HK\$1 is payable by each of the grantees upon acceptance of the grant of the options.

The above share options with exercise price of HK\$0.6520 are exercisable from 19 January 2001 to 18 January 2011, both days inclusive. Whereas the share options with exercise price of HK\$0.7696 are exercisable from 27 March 2001 to 26 March 2011, both days inclusive.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to date of this report, no directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

### SUBSTANTIAL SHAREHOLDERS

As at the date of this report, the shareholders who were interested in 10% or more of the issued share capital of the Company according to the Register required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance were as follows:

Name	Number of shares	Percentage of holding
Great Wall Investment Group Limited	249,800,000 <i>(Note)</i>	69.9%
Ansbacher (BVI) Limited	249,800,000 <i>(Note)</i>	69.9%

*Note:* These shares are held by Great Wall Investment Group Limited as the trustee of The Great Wall Unit Trust, a unit trust of which all of the units in issue are owned by Ansbacher (BVI) Limited in its capacity as the trustee of The C&C Trust, a discretionary family trust of which the objects include the spouse of Mr. Chen Ching Ken. The interests of Great Wall Investment Group Limited and Ansbacher (BVI) Limited in the 249,800,000 shares in the Company, therefore, duplicate each other.

These interests have also been disclosed as "other interest" of Mr. Chen Ching Ken in the section headed "Directors' interests in share capital".

Save as disclosed above, no other party was recorded in the Register as having an interest of 10% or more in the issued share capital of the Company.

### CONNECTED TRANSACTIONS

Details of the connected transactions that are required to be disclosed for the year are set out in note 4 to the financial statements. Save as disclosed therein, there were no other transactions which would need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The independent non-executive directors are of the opinion that the terms of the above transactions are fair and reasonable so far as the shareholders of the Company are concerned; and that the transactions have been entered into by the Group in its ordinary and usual course of business and were carried out in accordance with the terms of the agreements governing such transactions.



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### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 27 to the financial statements.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company's shares were listed on the Stock Exchange on 23 August 2000. Other than the foregoing, neither the Company, nor any its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

### AUDIT COMMITTEE

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company set up an Audit Committee (the "Committee") on 26 July 2000 with written terms of reference. The Committee comprises two independent non-executive directors of the Company, namely Ms. Hu Ling Po and Mr. Yu Er Feng.

### COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules since its shares were listed on the Stock Exchange except that the independent non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

### AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Cai Chong Zhen**

*Chairman*

Hong Kong

24 October 2001