

The Directors submit their report together with the audited accounts for the year ended 31 March 2003.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are trading and marketing of paper products. The Group's customers are mainly based in Hong Kong. The Group also sells its paper products directly to customers based in the Mainland China. An analysis of the Group's performance for the year by geographical segment is set out in note 2 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 27.

The Board has declared an interim dividend of HK1.0 cent per share, totaling HK\$4,293,000, which was paid on 17 January 2003.

The Board recommends the payment of a final dividend of HK2.0 cents per ordinary share, totalling HK\$8,585,000.

Report of the Directors

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$982,815.

Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in note 11 to the accounts.

Bank borrowings

Particulars of the Group's bank borrowings as at 31 March 2003 are set out in note 20 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 18 to the accounts.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2003 are set out in note 28 to the accounts.

Five year financial summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	1,850,775	2,379,132	2,538,064	2,117,592	2,512,363
Profit attributable to shareholders	31,824	62,403	21,509	23,870	39,123
Total assets	1,014,670	1,417,921	1,345,776	1,272,354	1,570,076
Total liabilities	604,463*	957,434*	853,142	757,996	1,027,547
Net assets	410,207	460,487	492,634	514,358	542,529

* These figures have been adjusted to account for the proposed final dividend in accordance with SSAP9 (revised).

Major customers and suppliers

The percentages of purchases attributable to the Group's major suppliers are as follows:

	%
Purchases	
– the largest supplier	12
– five largest suppliers combined	45

None of the Directors, their associates or shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the above major suppliers.

During the year, the Group sold less than 30% of its goods and services to its five largest customers and therefore no additional disclosure with regard to major customers is made.

Distributable reserves

As at 31 March 2003, the distributable reserves of the Company available for distribution amounted to HK\$261,633,000 (2002: HK\$257,173,000).

Directors

The Directors during the year were:

Executive Directors

Mr SHAM Kit Ying (Chairman) (alias SHAM Kit)

Mr LEE Seng Jin (Deputy Chairman)

Mr CHOW Wing Yuen

Ms SHAM Yee Lan, Peggy

Mr LEE Yue Kong, Albert

Ms SHAM Yee Ching, Judy (resigned on 6 June 2002)

Non-executive Directors

Mr PANG Wing Kin, Patrick (Note)

Mr LAU Wang Yip, Eric (Note)

Mr YEO Choon Tat (appointed on 1 January 2003)

Ms MA Hui Hsing (resigned on 1 January 2003)

Note : Independent non-executive Director

Ms SHAM Yee Lan, Peggy, Mr PANG Wing Kin, Patrick and Mr YEO Choon Tat retire in accordance with clause 99 of the Company's Bye-laws and, being eligible, offer themselves for re-election.

Directors and senior management

The biographical details of the Directors of the Company and senior management of the Group are set out as follows:

Executive Directors

Mr SHAM Kit Ying (alias SHAM Kit), aged 77, is the founder and Chairman of the Group. Mr Sham is responsible for the Group's corporate vision and corporate development. He has over 44 years of experience in the paper distribution industry in Hong Kong.

Mr LEE Seng Jin, aged 46, is the Deputy Chairman and Chief Executive Officer of the Group. Mr Lee is responsible for the formulation of the Group's corporate strategies and development. He joined the Group in 1997. He is the husband of Ms Sham Yee Lan, Peggy and the son-in-law of Mr Sham Kit Ying.

Mr CHOW Wing Yuen, aged 44, is the Chief Operating Officer of the Group. Mr Chow joined the Group in 1978 and is responsible for the overall management of the Group's operation in Hong Kong and Mainland China. Mr Chow has over 25 years of experience in the paper distribution industry in Hong Kong.

Ms SHAM Yee Lan, Peggy, aged 37, is the Director of the Group. Ms Sham joined the Group in 1989 and is responsible for the Group's overall credit and administrative management. Ms Sham is the wife of Mr Lee Seng Jin and a daughter of Mr Sham Kit Ying.

Mr LEE Yue Kong, Albert, aged 47, is the Chief Financial Officer of the Group and the Company Secretary of the Company. Mr Lee is responsible for the Group's financial and accounting management. He has over 20 years of experience in finance, auditing and accounting fields. Prior to joining the Group in June 1997, Mr Lee was an independent non-executive Director of the Company. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Society of Accountants.

Directors and senior management (continued)

Non-executive Directors

Mr PANG Wing Kin, Patrick, aged 47, is a qualified accountant and has over 20 years of working experience in the auditing, finance and general management areas. Mr Pang was appointed independent non-executive Director of the Company in 1995 and is currently the Finance Manager of an international corporation. He is a member of the Australian Society of Certified Practising Accountants, the Hong Kong Society of Accountants and the Institute of Internal Auditors of the United Kingdom.

Mr LAU Wang Yip, Eric, aged 36, is a solicitor practising in Hong Kong. He was appointed independent non-executive Director of the Company in 1997 and is currently a partner of a local law firm. Mr Lau holds a Bachelor's degree in Laws and has been admitted as a solicitor in England and Wales. He has also been admitted as a legal practitioner in Tasmania, Australia.

Mr YEO Choon Tat, aged 50, is the Senior Vice President of Vertex Management, Singapore and the fund manager of SI Technology Fund, a China focused investment vehicle sponsored by Temasek Holdings Singapore, Vertex and Shanghai Industrial Holdings Limited, a window company of the Shanghai Municipal Government in Hong Kong. Mr Yeo is also a member of the investment committee of Korean Venture Fund (KVF), a fund co-managed by State Street Global Alliance (SSGA), Korean Small Medium Business Association and YOSMA of Israel. He has more than 20 years' experience in the high-tech industry and extensive experience in the areas of finance, high-tech manufacturing operations, sales, marketing and distribution. Mr Yeo has a Bachelor degree in Accountancy from the University of Singapore and is a member of the Institute of Certified Public Accountants of Singapore. Mr Yeo was appointed as an Non-executive Director of the Company in 1 January 2003.

Senior management

Mr CHU Wai Kwong, aged 46, is the Sales Director, Southern China of Samson Paper (China) Company Limited. Mr Chu joined the Group in 1976. Mr Chu has over 17 years of sales experience in the paper distribution industry and is responsible for the purchases of packaging boards and overseeing the general operations in Southern China.

Mr HOI Tin On, Joseph, aged 41, is the General Manager of Samson Paper Company Limited. He joined the Group in 1990. He has over 17 years of working experience in the paper distribution industry.

Mr CHAN Kwok Keung, aged 43, is the Sales Director, Northern China of Samson Paper (China) Company Limited. Mr Chan joined the Group in 1990 and has over 16 years of working experience in the paper distribution industry and is responsible for the purchases of printing papers and overseeing the general operations in Northern China.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' service contracts

Each of the executive Directors entered into a service contract with the Company for a term of three years from the date of contract and each of the service contract will continue thereafter until terminated by either party concerned with not less than three month's notice in writing.

Apart from the above, none of the Directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than under statutory compensation.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in equity or debt securities

At 31 March 2003, the interests of the Directors and chief executive in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Ordinary shares of HK\$0.10 each in the Company

	Number of ordinary shares beneficially held				Total
	Personal interest	Corporate interest	Family interest	Other interest	
Mr LEE Seng Jin	11,624,000	—	—	268,340,000 (Note 1)	279,964,000
Ms SHAM Yee Lan, Peggy	572,556	—	—	284,480,000 (Notes 1 and 2)	285,052,556
Mr CHOW Wing Yuen	540,000	—	—	—	540,000

Directors' interests in equity or debt securities (continued)

(a) Ordinary shares of HK\$0.10 each in the Company (continued)

Notes:

- (1) Of the 284,480,000 shares, 268,340,000 shares were held by Caewern Holdings Limited, the entire issued share capital of which is owned 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.
- (2) Of the 284,480,000 shares, 16,140,000 shares were held by Morpeth Investments Limited, the entire issued share capital of which is owned by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust. The object of the family trust includes Ms Sham Yee Lan, Peggy.

Other than as disclosed above, as at 31 March 2003, none of the Directors and chief executive and their associates had any interests in shares in, or debentures of, the Company or any of its associated corporations which had been entered in the register maintained by the Company under Section 29 of the SDI Ordinance.

(b) Share option scheme

Pursuant to a share option scheme ("the Scheme") approved at a special general meeting of the Company held on 8 November 1995, the Directors may, at their discretion, invite employees and Directors of the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. As at 31 March 2003, no option has been granted under this scheme.

(1) *Purpose*

The purpose of the Scheme is to provide an employee incentive compensation plan that is based on corporate performance and is tied to the Company's share value with the goal of increasing shareholders' wealth.

(2) *Eligible persons*

Any employee, including any executive director, of the Company and any of its subsidiaries.

(3) *Maximum number of shares*

The maximum number of shares available for issue is 42,925,803, representing approximately 10 percent of the issued share capital of the Company as at the date of this report.

Directors' interests in equity or debt securities (continued)

(b) Share option scheme (continued)

(4) *Maximum entitlement of each eligible person*

No option shall be granted to an eligible person which if exercised in full would result in the total number of shares already issued and issuable to that eligible person under the Scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

(5) *Time of exercise of option*

An option may be exercised in accordance with the terms of the 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 8 November 1995 but subject to the provisions for early termination of the option as contained in the rules of the Scheme.

(6) *Exercise price*

The option price per share payable on the exercise of an option is determined by the Directors as being not less than 80% of the average of the closing prices of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher.

(7) *Remaining life of the Scheme*

The Scheme will remain in force until 8 November 2005.

As at 31 March 2003, no option has been granted under this Scheme.

Apart from the above, at no time during the year was the Company, its holding company or its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouse or children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31 March 2003, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of ordinary shares
Caewern Holdings Limited	268,340,000
HSBC International Trustee Limited (Note)	284,480,000

Note: Of the 284,480,000 shares, 268,340,000 shares were held by Caewern Holdings Limited and 16,140,000 shares were held by Morpeth Investments Limited. The entire issued share capital of Caewern Holdings Limited is owned 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 entire issued share capital of Morpeth Investments Limited is owned by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda.

Compliance with the Code of Best Practice

The Company has complied with Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2003 except that the independent non-executive Directors are not appointed for any specific terms. However, they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 17 July 2003