

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year consisted of investment holding and the provision of management services.

The principal activities of the Group consisted of the printing and manufacturing of paper and carton boxes, the trading of paper and the manufacturing of corrugated cartons. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 68.

An interim dividend of HK9.5 cents per share was paid on 14 January 2004. The directors recommend the payment of a final dividend of HK20.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 24 August 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting deferred taxes, as detailed in note 2 to the financial statements.

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SUMMARY FINANCIAL INFORMATION (continued)

Results

	Year ended 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TURNOVER	<u>2,028,920</u>	<u>1,818,333</u>	<u>1,628,556</u>	<u>1,800,162</u>	<u>1,622,512</u>
PROFIT FROM OPERATING ACTIVITIES	336,617	305,419	303,309	345,731	291,248
Finance costs	(5,551)	(6,119)	(7,083)	(13,489)	(7,087)
Share of profits and losses of associates	<u>9,122</u>	<u>9,736</u>	<u>5,346</u>	<u>13,340</u>	<u>19,378</u>
PROFIT BEFORE TAX	340,188	309,036	301,572	345,582	303,539
Tax	<u>(55,204)</u>	<u>(44,794)</u>	<u>(24,262)</u>	<u>(58,303)</u>	<u>(29,642)</u>
PROFIT BEFORE MINORITY INTERESTS	284,984	264,242	277,310	287,279	273,897
Minority interests	<u>(20,242)</u>	<u>(20,711)</u>	<u>(20,803)</u>	<u>(25,068)</u>	<u>(20,836)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u>264,742</u>	<u>243,531</u>	<u>256,507</u>	<u>262,211</u>	<u>253,061</u>
EARNINGS PER SHARE					
Basic	<u>46.3 cents</u>	<u>42.6 cents</u>	<u>44.8 cents</u>	<u>45.7 cents</u>	<u>43.9 cents</u>

SUMMARY FINANCIAL INFORMATION (continued)

Assets, Liabilities and Minority Interests

	At 31 March				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
FIXED ASSETS	957,329	830,866	804,597	698,808	653,260
LONG TERM INVESTMENTS	6,825	5,666	5,673	5,694	7,207
PROPERTIES UNDER CONSTRUCTION	41,291	46,399	15,204	30,945	34,187
INTERESTS IN ASSOCIATES	137,557	137,022	136,586	141,764	102,935
DEFERRED TAX ASSETS	2,387	2,384	1,837	1,396	757
CURRENT ASSETS	1,331,498	1,137,369	1,038,848	980,483	949,325
TOTAL ASSETS	2,476,887	2,159,706	2,002,745	1,859,090	1,747,671
CURRENT LIABILITIES	338,922	269,357	213,249	200,015	268,046
LONG TERM LOANS	230,000	90,000	85,000	45,094	—
DEFERRED TAX LIABILITIES	16,628	14,179	11,998	21,149	6,517
LONG TERM PORTION OF FINANCE LEASE PAYABLES	—	—	—	245	662
TOTAL LIABILITIES	585,550	373,536	310,247	266,503	275,225
MINORITY INTERESTS	151,478	148,031	134,868	123,171	107,448
	1,739,859	1,638,139	1,557,630	1,469,416	1,364,998

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

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PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$150,684,000, of which HK\$114,401,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$590,690,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$94,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 31% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Yam Cheong Hung
Yum Chak Ming, Matthew
Yam Ho Ming, Michael
Yam Hon Ming, Tommy

Non-executive directors:

Chu Shu Ho, David
Yum Pui Ming, Anna

Independent non-executive directors:

Wu Shu Chih, Alex
Yip Yu Bun

In accordance with the Company's articles of association, the following directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting:

Yam Cheong Hung
Yum Chak Ming, Matthew
Wu Shu Chih, Alex

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BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive directors

Mr. Yam Cheong Hung, aged 75, has been the Chairman and a director of the Company since 1991. He is responsible for the strategic policy and the corporate development of the Group. He has over 50 years of experience in the printing industry.

Mr. Yum Chak Ming, Matthew, aged 46, has been the Managing Director and a director of the Company since 1991. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto. He is responsible for the overall management of the Group. He has been with the Group since 1983 and is a son of Mr. Yam Cheong Hung.

Mr. Yam Ho Ming, Michael, aged 45, is a director of the Company and is responsible for overseeing the Group's paper trading and paper manufacturing operations in China. He holds a Bachelor of Science degree in Printing Management from Rochester Institute of Technology, U.S.A.. He has over 10 years of experience in the printing industry both in Hong Kong and overseas. He worked for 3 years in the sales and marketing department with a paper mill in Canada before rejoining the Group in 1992. He became a director of the Company in June 1996. He is a son of Mr. Yam Cheong Hung.

Mr. Yam Hon Ming, Tommy, aged 40, was a director of the Company from 1991 to 1996. He rejoined the Group in 1999 and became a director of the Company in July 2000. He holds a Bachelor of Art degree in Economics from York University, Canada. He is the General Manager of the Group's subsidiary, Hung Hing Packaging (Wuxi) Company Limited and is responsible for its general management. He has over 10 years of experience in the printing industry. He is a son of Mr. Yam Cheong Hung.

Non-executive directors

Dr. Chu Shu Ho, David, JP, aged 53, has been a director of the Company since 1991. He has over 30 years of experience in the paper packaging industry. He is the Honorary Chairman of the Hong Kong Corrugated Paper Manufacturers Association Limited and a member of the National Committee of the Chinese People's Political Consultative Conference. He is well known in the Chinese sports society. Dr. Chu is the Chairman of the Mission Hills Group and Mission Hills Golf Club.

Ms. Yum Pui Ming, Anna, aged 43, has been a director of the Company since 1992. She has 12 years of experience in administration and finance. She is a daughter of Mr. Yam Cheong Hung.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (continued)

Independent non-executive directors

Dr. Wu Shu Chih, Alex, CBE, LL.D., JP, aged 84, has been a director of the Company since 1992. He was a former member of the Legislative Council, and former Vice Chairman of the Stock Exchange. He is presently the Chairman of Fidelity Management Ltd. and a non-executive director of a number of listed companies including Hong Kong Aircraft Engineering Co., Ltd., Hong Kong Ferry (Holdings) Co., Ltd., K. Wah International Holdings Ltd., Paliburg Holdings Ltd. and Regal Hotels International Holdings Limited. Dr. Wu is also the Life Honorary President of the Hong Kong Printers Association.

Mr. Yip Yu Bun, MH, aged 77, has been a director of the Company since 1994. He is the Managing Director of The Green Pagoda Press Limited. He is the Honorary President of the Hong Kong Printers Association, the former Chairman of the Printing, Publishing & Newspaper Industries Occupational, Safety & Health Committee and the former Chairman of the Printing Industry Training Board of the Vocational Training Council. He has over 40 years of experience in the printing industry.

Senior management

Mr. Man Lim Huen, aged 70, is a director and co-founder of the Group's subsidiary, Tai Hing Paper Products Company, Limited. He is an advisor to the Group's subsidiary, Hung Hing Printing (China) Company Limited. He has over 30 years of experience in production and factory management in the corrugated carton industry. He has been with the Group since 1966.

Mr. Chan Siu Man, Alvin, aged 46, is the executive director of the Group's subsidiary, Hung Hing Off-Set Printing Company, Limited and is responsible for sales and marketing. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is a son-in-law of Mr. Yam Cheong Hung.

Mr. Sung Chee Keung, aged 45, is the General Manager of the Group's subsidiary, Zhongshan Hung Hing Printing & Packaging Company Limited and is responsible for its general management. He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A.. He has 19 years of experience in the printing industry and has been with the Group since 1986.

Mr. Chan Tai Ho, aged 55, is the General Manager of the Group's subsidiary, Tai Hing Paper Products Company, Limited and is responsible for sales and marketing. He has over 30 years of experience in the corrugated carton industry and has been with the Group since 1969.

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BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (continued)

Senior management (continued)

Mr. Chan Lai Him, Raymond, aged 47, is the Deputy General Manager of the Group's subsidiary, Tai Hing Paper Products Company, Limited and is responsible for its general management. He holds a Bachelor of Art degree in Commerce from the University of Toronto. He has over 15 years of experience in different manufacturing industries and has been with the Group since 1999. He is a son-in-law of Mr. Yam Cheong Hung.

Mr. Song Zhi Yi, aged 43, is the General Manager of the Group's subsidiary, Hung Hing Printing (China) Company Limited and is responsible for its general management. He holds a Bachelor's degree in Forestry from the Southern China University, the People's Republic of China. He has been with the Group since 1990.

Ms. Chong Wai Kan, Winky, aged 34, is the General Manager of the Group's subsidiary, Sun Hing Paper Company, Limited and is responsible for its general management. She has over 10 years of experience in sales and marketing in paper trading. She has been with the Group since 1992.

Mr. Tung Yu Bui, aged 55, is the Financial Controller and Company Secretary of the Company and is responsible for the financial and secretarial affairs of the Group. He is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, he had 5 years of experience with a major international accounting firm in Hong Kong and 11 years of experience in financial management with a multinational company in Hong Kong. He has been with the Group since 1992.

Mr. Sung Wei Han, Henry, aged 71, is the Group's representative in the management of the Group's associate, Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited, working in the capacity of Deputy General Manager. He is responsible for sales, finance and administration. He has over 30 years of experience in administration and general management with a shipping company in Hong Kong. He has been with the Group since 1996.

Mr. Lau Chin Hung, Edwin, aged 50, is the Deputy General Manager of the Company and the Personal Assistant to Managing Director. He is responsible for assisting the Managing Director in the planning and operations of the Group. He obtained a higher diploma with distinction in design from Hong Kong Polytechnic University in 1976. He has been with the Group since January 2004 and has over 15 years experience in senior management in the printing industry.

DIRECTORS' SERVICE CONTRACTS

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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the interests and short positions of the directors and chief executive in the share capital of the Company or 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 pursuant to 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:

Long positions in ordinary shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interests				Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Other		
Yam Cheong Hung	(a) & (b)	–	1,246,411	267,111,681	1,530,000	269,888,092	47.18
Yum Chak Ming, Matthew	(a)	8,061,834	–	267,111,681	–	275,173,515	48.11
Yam Ho Ming, Michael	(a)	–	–	267,111,681	–	267,111,681	46.70
Yam Hon Ming, Tommy	(a)	–	–	267,111,681	–	267,111,681	46.70
Yum Pui Ming, Anna	(a)	1,150,000	877,759	267,111,681	–	269,139,440	47.05

Notes:

(a) Yam Cheong Hung, Yum Chak Ming, Matthew, Yam Ho Ming, Michael, Yam Hon Ming, Tommy and Yum Pui Ming, Anna are beneficial shareholders of approximately 9.15%, 14.08%, 14.08%, 14.08% and 9.86%, respectively, of the issued share capital of C.H. Yam International Limited, which directly holds 89,224,532 shares of the Company and indirectly holds 177,887,149 shares of the Company through its subsidiary, Hung Tai Industrial Company Limited.

(b) Yam Cheong Hung's spouse is a director of Oberon Worldwide Limited which holds 1,530,000 shares of the Company.

Save as disclosed above, none of the directors and chief executives had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the following interest of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
C.H. Yam International Limited	(a)	Directly beneficially owned and through a controlled corporation	267,111,681	46.70
Hung Tai Industrial Company Limited		Directly beneficially owned	177,887,149	31.10
J.P. Morgan Chase & Co.	(b)	Through controlled corporations	50,800,000	8.88
The Capital Group Companies, Inc.	(c)	Through controlled corporations	56,776,751	9.93

Notes:

- (a) There is a duplication of interests of 177,887,149 shares in the Company between C.H. Yam International Limited and Hung Tai Industrial Company Limited.
- (b) J.P. Morgan Chase & Co. was deemed to have a beneficial interest in 50,800,000 shares of the Company by virtue of its indirect interests in J.P. Morgan Chase Bank, JF Asset Management Limited, JF Asset Management (Taiwan) Limited and JF International Management Inc., which holds 20,592,000, 24,918,000, 4,500,000 and 790,000 shares of the Company, respectively.
- (c) The Capital Group Companies, Inc. was deemed to have a beneficial interest in 56,776,751 shares of the Company by virtue of its indirect interests in Capital Research and Management Company, Capital Guardian Trust Company and Capital International, Inc., which holds 45,749,000, 10,719,300 and 308,451 shares of the Company, respectively.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests in shares and short positions in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises one non-executive director and two independent non-executive directors of the Company.

AUDITORS

Ernst & Young and Nexia Charles Mar Fan & Co. 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

Yam Cheong Hung

Chairman

Hong Kong, 6 July 2004