

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 2006.

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, the manufacturing of corrugated cartons and the manufacturing of paper. 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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 100.

An interim dividend of HK9.5 cents per share was paid on 15 February 2006. 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 28 August 2006. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

Results

	Year ended 31 March				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	2,956,885	2,327,393	2,028,920	1,818,333	1,628,556
PROFIT FROM OPERATING ACTIVITIES	349,878	314,595	336,617	305,419	303,309
Finance costs	(28,247)	(12,203)	(5,551)	(6,119)	(7,083)
Share of profits and losses of associates	—	4,756	8,571	8,444	6,339
PROFIT BEFORE TAX	321,631	307,148	339,637	307,744	302,565
Tax	(45,540)	(44,096)	(54,653)	(43,502)	(25,255)
PROFIT FOR THE YEAR	276,091	263,052	284,984	264,242	277,310
Attributable to:					
Equity holders of the parent	248,891	240,281	264,742	243,531	256,507
Minority interests	27,200	22,771	20,242	20,711	20,803
	276,091	263,052	284,984	264,242	277,310
EARNINGS PER SHARE					
Basic	42.5 cents	41.9 cents	46.3 cents	42.6 cents	44.8 cents

Report of the Directors

SUMMARY FINANCIAL INFORMATION (continued)

Assets, Liabilities and Minority Interests

	At 31 March				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
PROPERTY, PLANT AND EQUIPMENT	1,373,577	1,289,684	859,151	750,180	722,182
PREPAID LAND LEASE PAYMENTS	145,531	149,682	98,178	80,686	82,415
GOODWILL	3,041	3,041	—	—	—
AVAILABLE-FOR-SALE INVESTMENTS/ LONG TERM INVESTMENTS	10,766	10,438	6,825	5,666	5,673
PROPERTIES UNDER CONSTRUCTION	46,058	57,382	41,291	46,399	15,204
INTERESTS IN ASSOCIATES	—	—	137,557	137,022	136,586
DEFERRED TAX ASSETS	5,869	6,060	2,387	2,384	1,837
CURRENT ASSETS	2,400,552	1,604,097	1,331,498	1,137,369	1,038,848
TOTAL ASSETS	3,985,394	3,120,384	2,476,887	2,159,706	2,002,745
CURRENT LIABILITIES	797,458	634,545	338,922	269,357	213,249
CONVERTIBLE BONDS	641,185	—	—	—	—
INTEREST-BEARING BANK AND OTHER BORROWINGS	169,167	325,000	230,000	90,000	85,000
DEFERRED TAX LIABILITIES	23,354	19,325	16,628	14,179	11,998
TOTAL LIABILITIES	1,631,164	978,870	585,550	373,536	310,247
MINORITY INTERESTS	317,017	298,854	151,478	148,031	134,868
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	2,037,213	1,842,660	1,739,859	1,638,139	1,557,630

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital and convertible bonds during the year are set out in notes 28 and 26 to the financial statements, respectively.

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 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$191,425,000, of which HK\$120,156,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$724,845,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$68,000.

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 less than 30% of the total purchases for the year.

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

Report of the Directors

DIRECTORS (continued)

Non-executive directors:

Chu Shu Ho, David
Yum Pui Ming, Anna

Independent non-executive directors:

Yip Yu Bun
Wong Siu Ping
Yap Alfred Donald

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 Hon Ming, Tommy
Yip Yu Bun
Wong Siu Ping

The Company has received annual confirmations of independence from Mr. Yip Yu Bun, Mr. Wong Siu Ping and Mr. Yap Alfred Donald, and as at the date of this report still considers them to be independent.

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

Executive directors

Mr. Yam Cheong Hung, aged 77, 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 48, 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, Canada. 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 47, 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.

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

Executive directors (continued)

Mr. Yam Hon Ming, Tommy, aged 42, 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 56, 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 45, 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.

Independent non-executive directors

Mr. Yip Yu Bun, MH, aged 79, 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 Industry Safety and Health Committee of the Occupational Safety & Health Council 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.

Mr. Wong Siu Ping, aged 57, was a non-executive director of the Company from 2000 to 2002 and re-appointed as an independent non-executive director of the Company in July 2004. He is the Deputy General Manager, Finance Department of China Resources (Holdings) Company Limited. He has been an associate member of the Hong Kong Institute of Certified Public Accountants since 1984. Mr. Wong has over 15 years of experience in financial management with a diversified business group in Hong Kong.

Mr. Yap, Alfred Donald, JP, aged 67, is presently a consultant of Messrs. K.C. Ho & Fong, Solicitors & Notaries. He is the former president of The Law Society of Hong Kong and of The Law Association for Asia and The Pacific (LAWASIA). He has served and presently still serves on various public and community bodies. Mr. Yap is currently an independent non-executive director of eSun Holdings Limited, Wong's International (Holdings) Limited and RBI Holdings Limited, which are listed on the Stock Exchange of Hong Kong Limited. He became a director of the Company in March 2005.

Report of the Directors

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

Senior management

Mr. Man Lim Huen, aged 72, 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 48, 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 47, is the Operation Officer of the Zhongshan Region, PRC. He is responsible for overseeing the operation of the Group's manufacturing facilities in Zhongshan, PRC. He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A.. He has 20 years of experience in the printing industry and has been with the Group since 1986.

Mr. Chan Lai Him, Raymond, aged 49, is the executive director 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 16 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. Chan Tai Ho, aged 57, 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.

Mr. Song Zhi Yi, aged 45, 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 36, 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.

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

Senior management (continued)

Mr. Tung Yu Bui, aged 57, 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 Institute of Certified Public 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. Lau Chin Hung, Edwin, aged 52, 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 over 16 years experience in senior management in the printing industry. He has been with the Group since January 2004.

Mr. Lee Kwok Wai, Raymond, aged 46, is the General Manager of the Group's subsidiaries Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited and Zhongshan Ren Hing Paper Manufacturing Company Limited and is responsible for their general management. He holds a Bachelor of Economics degree in Finance and a Master of Business Administration degree, from the Royal Melbourne Institute of Technology, Australia. Prior to joining the Group, he had extensive experience in finance, manufacturing, sales and marketing with multinational companies in China. He has worked in the paper manufacturing industry over 10 years. He has been with the Group since 2005.

Mr. Wong Fu Cheung, Dennis, aged 46, is the Deputy General Manager, MIS, Compliance and Standards of the Company and is responsible for information technology, social responsibility and quality assurance. He holds a Bachelor of Science degree with Honours in Computational and Statistical Science from University of Liverpool, United Kingdom. He has been with the Group since 1992.

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' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 31 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' INTERESTS IN SHARES AND CONVERTIBLE BONDS

At 31 March 2006, the interests of the directors in the share capital and convertible bonds of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (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 Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
					(Note)
Yam Cheong Hung	—	1,650,207	282,676,379	284,326,586	47.33
Yum Chak Ming, Matthew	9,104,537	—	282,676,379	291,780,916	48.57
Yam Ho Ming, Michael	—	—	282,676,379	282,676,379	47.05
Yam Hon Ming, Tommy	—	—	282,676,379	282,676,379	47.05
Yum Pui Ming, Anna	1,246,135	951,134	282,676,379	284,873,648	47.42
Yap, Alfred Donald	27,504	—	—	27,504	—

Note: 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 88,887,189 shares of the Company and indirectly holds 193,789,190 shares of the Company through its subsidiary, Hung Tai Industrial Company Limited.

Save as disclosed above, as at 31 March 2006, none of the directors had registered an interest or short position in the shares or underlying shares or convertible bonds of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND CONVERTIBLE BONDS

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or convertible bonds of 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 body corporate.

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

At 31 March 2006, the following interests of 5% or more of the issued share capital and convertible bonds 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	<i>Note</i>	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Yam Cheong Hung	(a)	Through a controlled corporation and his spouse	284,326,586	47.33
C.H. Yam International Limited	(a)	Directly beneficially owned and through a controlled corporation	282,676,379	47.05
C.H. Yam Holding Limited	(a)	Through a controlled corporation	193,789,190	32.26
Hung Tai Industrial Company Limited		Directly beneficially owned	193,789,190	32.26
Capital Research and Management Company		Directly beneficially owned	45,749,000	7.61

Note:

- (a) C.H. Yam International Limited is a company owned by Yam Cheong Hung and his family. C.H. Yam International Limited in turn owns Hung Tai Industrial Company Limited as to 96.6% through its wholly-owned subsidiary C.H. Yam Holding Limited. Further, under the Securities and Futures Ordinance, Yam Cheong Hung is deemed to be interested in the 1,650,207 shares (0.27%) owned by his spouse.

There is a duplication of interests of 193,789,190 shares in the Company among C.H. Yam International Limited, C.H. Yam Holding Limited and Hung Tai Industrial Company Limited.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Save as disclosed above, as at 31 March 2006, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares and convertible bonds" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

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, 7 July 2006