

Directors' Report

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal operating subsidiaries are engaged in the printing of books, magazines, documents and packaging products.

RESULTS AND DIVIDENDS

The results of the Group and the dividends declared by the Company for the year ended 31 December 2000 are set out in the consolidated income statement on page 41 and in note 9 to the financial statements respectively.

RESERVES

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

FINANCIAL SUMMARY

A summary of the results of the Group and its assets and liabilities for the past five financial periods is set out on page 78.

INVESTMENT PROPERTIES

A deficit of HK\$50,000 arose from the revaluation of the Group's investment properties at 31 December 2000. The deficit is charged to the income statement. Details of this and other movements in the Group's investment properties are set out in note 11 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred approximately HK\$72.5 million on additions to plant and machinery, factory construction and other equipment. Details of the changes in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Movements in the issued share capital of the Company during the year and a subsequent change are set out in notes 23 and 34 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for approximately 32% of the Group's total turnover for the year and the largest customer accounted for 9% of the total turnover. The five largest suppliers accounted for approximately 33% of the Group's total purchases for the year and the largest supplier accounted for 12% of the total purchases.

None of the directors, their associates or any shareholder which to the knowledge of the directors owns more than 5% of the Company's issued share capital, has an interest in the share capital of any of the above major customers or suppliers of the Group.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

John, Yang Yat Kwei (*Chairman*)
Peter, Yang Sze Chen (*Managing Director*)
David, Shen Ming Sun
Rebecca, King Yung Jye
Quincy, Tang Yiu Kwan
Stanislaus, Tsao Kwang Ngo

Non-executive directors:

Kyle Arnold Shaw Jr.	(appointed on 26 June 2000)
Gerard William McGann	(appointed on 13 February 2001)
Michael Smurfit Jr.	(appointed on 13 February 2001)
Alain Raymond Baudant	(appointed on 13 February 2001)
Gabriel Joseph McCarrick	(appointed on 13 February 2001 as alternate to Messrs. Gerard William McGann, Michael Smurfit Jr. and Alain Raymond Baudant)

Independent non-executive directors:

Walter, Ma King Wah
Anthony John Nevill Russell
Norman, Ho Man Kei

In accordance with the Company's Bye-Laws, Messrs. Kyle Arnold Shaw Jr., Gerard Willam McGann, Michael Smurfit Jr. and Alain Raymond Baudant, being directors appointed during the year and Messrs. Peter, Yang Sze Chen, Stanislaus, Tsao Kwang Ngo, and Walter, Ma King Wah retire and, being eligible, offer themselves for re-election.

The non-executive directors are subject to retirement by rotation in the same manner as the executive directors.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Report

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2000, the interests of the directors in the shares of the Company as recorded in the register maintained under section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
John, Yang Yat Kwei	14,183,400	9,307,432 (a)	–	121,625,095 (b)
Peter, Yang Sze Chen	900,000	–	16,514,867 (c)	–
David, Shen Ming Sun	10,000,000	851,006 (d)	–	–
Rebecca, King Yung Jye	–	–	–	–
Quincy, Tang Yiu Kwan	–	–	–	–
Stanislaus, Tsao Kwang Ngo	–	–	–	–
Walter, Ma King Wah	–	–	–	–
Anthony John Nevill Russell	300,000	–	–	–
Norman, Ho Man Kei	–	–	–	–
Kyle Arnold Shaw Jr.	–	–	12,728,000 (e)	–

(a) These shares were held by the spouse of Mr. John, Yang Yat Kwei.

(b) These shares were held through companies controlled by Margentin Limited which is 100% owned by The Yang Family Trust, of which Mr. John, Yang Yat Kwei is a discretionary object of the 121,625,095 shares, 19,334,867 shares are held by Randburg Limited, 74,316,900 shares are held by United Rise Investments Limited, 25,793,328 shares are held by Eggbutt Knitwear Limited and 2,180,000 shares are held by Friendfield Label Manufacturing Limited. Randburg Limited and United Rise Investments Limited are controlled by Margentin Limited. Friendfield Label Manufacturing Limited is 51% owned by Eggbutt Knitwear Limited and 74% of the issued capital of Eggbutt Knitwear Limited is owned by Randburg Limited.

(c) These shares were held by Team Long Development Limited, a company beneficially owned by Mr. Peter, Yang Sze Chen.

(d) These shares were held by the spouse and a child of Mr. David, Shen Ming Sun.

(e) These shares were held by Shaw, Kwei & Partners (Asia) Ltd. in which Mr. Kyle Arnold Shaw Jr. has a beneficial interest.

Save as disclosed above and other than nominee shares in certain subsidiaries held in trust for the Group, none of the directors or their associates had any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

Except for the interests of Mr. John, Yang Yat Kwei as disclosed above and recorded on the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance, the directors of the Company are not aware of any other person having an interest of 10% or more in the issued share capital of the Company at 31 December 2000.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, or any of 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except for the share option scheme of the Company, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

The changes in the scheme this year are set out in note 23 to the financial statements. No option was granted during the year nor was there any unexercised option outstanding during the year in respect of either the former or the new scheme.

CONNECTED TRANSACTIONS

- (1) During the year, the Group incurred subcontracting expenses of approximately HK\$34,041,000 for printing services provided by Sing Kee Printing Factory Limited, a company in which the spouse of a director of Vite Limited, a wholly-owned subsidiary of the Company, has a controlling interest. In the opinion of the Company's independent non-executive directors, these transactions were entered into in the ordinary and usual course of the Group's business and were conducted on normal commercial terms and other terms governing such printing contracts. The amount of the subcontracting expenses does not exceed 15% of the consolidated net tangible assets of the Group as disclosed in the published audited accounts for the previous financial year, a condition which was set out in a circular issued by the Company to its shareholders on 7 June 2000.

- (2) During the year, the Group purchased paper amounting to approximately HK\$41,311,000 from 上海金葉包裝材料有限公司, a company in which 上海紡印印刷包裝有限公司 holds 37% interest. 上海紡印印刷包裝有限公司 holds 41% interest in a subsidiary of the Company. In the opinion of the Company's independent non-executive directors, these transactions were entered into in the ordinary and usual course of the Group's business and were conducted on normal commercial terms.
- (3) During the year, the Group advanced a sum of approximately HK\$17,757,000 to 上海紡印印刷包裝有限公司. The advance bears interest of 6.435% per annum. The interest income receivable by the Group for the year amounted to approximately HK\$409,000. The advance and the accrued interest thereon were settled subsequent to 31 December 2000.

DONATIONS

During the year, the Group made charitable and other donations totalling approximately HK\$3,000.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company purchased some of its own shares on The Stock Exchange of Hong Kong Limited as described in note 23 to the financial statements with the objective of enhancing the earnings per share of the Company. The repurchased shares have been cancelled.

Save as aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed 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 Bye-Laws although there are no restrictions against such rights under the law in Bermuda.

Directors' Report

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Company's audit committee comprises non-executive directors of the Company. Mr. Stanislaus, Tsao Kwang Ngo resigned as chairman and member of the audit committee with effect from 1 July 2000 when he became an executive director and Mr. Anthony John Nevill Russell was appointed as chairman in his place. Mr. Kyle Arnold Shaw Jr. was also appointed as a member of the audit committee on 1 July 2000. The other members of the audit committee are Messrs. Walter, Ma King Wah and Norman, Ho Man Kei. In establishing the terms of reference for this committee, the directors have had regard to the "Guide for the formation of an audit committee" issued by the Hong Kong Society of Accountants in December 1997.

AUDITORS

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming general meeting.

On behalf of the Board

John Yang
CHAIRMAN

Hong Kong
15 March 2001