

The Directors submit their report together with the audited accounts for the year ended 31 March 2001.

### **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. An analysis of the Group's turnover for the year by principal markets 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 25.

The Board have declared an interim dividend of HK1.5 cents per share, totalling HK\$6,439,000, which was paid on 17 January 2001.

The Board do not recommend the payment of a final dividend.

### **Reserves**

Movements in the reserves of the Group and the Company during the year are set out in note 17 to the accounts.

# Report of the Directors

### **Donations**

Charitable and other donations made by the Group during the year amounted to HK\$195,200.

### **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 at the balance sheet date are set out in note 18 to the accounts.

### **Share capital**

Details of the movements in share capital of the Company are set out in note 16 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

Details of the Company's subsidiaries as at 31 March 2001 are set out in note 25 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:

|                                     | 1997      | 1998      | 1999      | 2000      | 2001      |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
|                                     | HK\$'000  | HK\$'000  | HK\$'000  | HK\$'000  | HK\$'000  |
| Turnover                            | 1,778,237 | 1,954,209 | 1,850,775 | 2,379,132 | 2,538,064 |
| Profit attributable to shareholders | 43,611    | 36,758    | 31,824    | 62,403    | 21,509    |
| Total assets                        | 980,916   | 992,082   | 1,014,670 | 1,417,921 | 1,345,776 |
| Total liabilities                   | 578,154   | 562,569   | 610,467   | 963,438   | 853,142   |
| Net assets                          | 402,762   | 429,513   | 404,203   | 454,483   | 492,634   |

## Major customers and suppliers

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

|                                   | %  |
|-----------------------------------|----|
| Purchases                         |    |
| – the largest supplier            | 16 |
| – five largest suppliers combined | 47 |

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 has 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

At 31 March 2001, the distributable reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$252,786,000.

## Directors

The Directors during the year were:

### Executive Directors

Mr. SHAM Kit Ying (Chairman) (aka SHAM Kit)

Mr. LEE Seng Jin (Deputy Chairman)

Mr. CHOW Wing Yuen

Ms. SHAM Yee Ching, Judy

Ms. SHAM Yee Lan, Peggy

Mr. LEE Yue Kong, Albert

### Non-executive Directors

Mr. PANG Wing Kin, Patrick (Note)

Mr. LAU Wang Yip, Eric (Note)

Ms. MA Hui Hsing (appointed on 7 November 2000)

Note: Independent non-executive Directors

Mr. CHOW Wing Yuen, Ms. SHAM Yee Ching, Judy and Mr. PANG Wing Kin, Patrick 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 (aka SHAM Kit), aged 75, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 42 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 44, is the Deputy Chairman of the Group and Chief Executive Officer of the Group's China operation. Mr. Lee is responsible for the formulation of the Group's corporate strategies and development. He is also responsible for the overall management of the Group's operations in the Mainland. Prior to joining the Group in 1997, Mr. Lee worked in the property development industry with extensive experience in the Asia Pacific region including China. He holds a Bachelor's degree in Business Administration from the University of Hawaii, Manoa. 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 42, is the Chief Executive Officer of the Group's Hong Kong operation. Mr. Chow joined the Group in 1978 and is responsible for the overall management of the Group's operation in Hong Kong. Mr. Chow has over 23 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Ching, Judy, aged 36, is the Director, Project Division of the Group. She is responsible for the Group's overall project management in Hong Kong. She joined the Group in 1988 and was the Executive Director and General Manager of Samson Paper Company Limited until September 1994. Ms. Sham re-joined the Group in February 1997. Ms. Sham holds a Bachelor's degree in Social Science from the International Christian University in Japan. Ms. Sham is a daughter of Mr. Sham Kit Ying.

## Directors and senior management (continued)

### Executive Directors (continued)

Ms. SHAM Yee Lan, Peggy, aged 35, is the Financial Controller of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall financial management and credit management. She holds a Bachelor's degree in Business Administration from the University of Hawaii, Manoa and a Master's degree in Business Administration from the University of Hull. Ms. Sham is the wife of Mr. Lee Seng Jin and a daughter of Mr. Sham Kit Ying.

Mr. LEE Yue Kong, Albert, aged 45, is a Director of the Group and the Company Secretary of the Company. Mr. Lee is responsible for the Group's accounting and control management. He has over 18 years of experience in financial and accounting management. 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.

### Non-executive Directors

Mr. PANG Wing Kin, Patrick, aged 45, is a qualified accountant and has over 18 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 34, 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.

Ms. MA Hui Hsing, aged 40, is appointed non-executive Director of the Company in November 2000 following the equity investment in the Company by Vickers Capital Limited, where she is currently a Senior Vice President. Ms. Ma has extensive international experience in finance and management having worked in multinational investment firm, investment banks and conglomerate. She holds a Master's degree in Business Administration from Manchester Business School and a Bachelor's degree in Accountancy from the National University of Singapore.

### Senior management

Mr. CHU Wai Kwong, aged 44, is a Sales Director of Samson Paper (China) Company Limited. Mr. Chu joined the Group as a warehouse assistant of Samson Paper Company Limited in 1976 and was transferred to the sales department in 1985. Mr. Chu has over 15 years of sales experience in the paper distribution industry and is responsible for the purchases and sales management of the China Division of the Group.

Mr. HOI Tin On, Joseph, aged 39, is the General Manager of Samson Paper Company Limited. He joined the Group as an Assistant Sales Manager of Shun Hing Paper Company Limited in 1990 and was transferred to Samson Paper Company Limited in March 2000. He has over 15 years of working experience in the paper distribution industry.

Mr. CHAN Kwok Keung, aged 41, is the General Manager of Shun Hing Paper Company Limited. Mr. Chan joined the Group as a Sales Executive in 1990 and has over 14 years of working experience in the paper distribution industry.

Mr. CHI Mei Fai, Matthew, aged 36, is the General Manager of Burotech Limited. Mr. Chi joined the Group as a Sales Executive of Shun Hing Paper Company Limited in 1990 and was transferred to Burotech Limited in July 1996. Mr. Chi holds a Diploma of Printing.

## Directors and senior management (continued)

### Senior management (continued)

Mr. WONG Hing Chuen, aged 56, is the Warehouse and Delivery Manager of the Group. Mr. Wong is responsible for the Group's warehouse and delivery operations. He joined the Group in 1986 and has over 27 years of working experience in the warehouse and delivery operations.

### 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 subsidiary was a party and in which any 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 the equity or debt securities

At 31 March 2001, the interests of Directors and chief executive in the shares of the Company and its associated corporation 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 |                    |                 |                                |             |
|--------------------------|---|--------------------|-----------------|--------------------------------|-------------|
|                          | Personal interest                           | Corporate interest | Family interest | Other interest                 | Total       |
| Ms. SHAM Yee Ching, Judy | 159,043                                     | —                  | —               | 284,480,000<br>(Notes 1 and 2) | 284,639,043 |
| Ms. SHAM Yee Lan, Peggy  | 572,556                                     | —                  | —               | 284,480,000<br>(Notes 1 and 2) | 285,052,556 |
| Mr. CHOW Wing Yuen       | 540,000                                     | —                  | —               | —                              | 540,000     |

#### 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 Barclays Private Bank & Trust Limited, acting in its capacity as the trustee of The Sham Kit Ying Family Trust, a discretionary trust whose objects include Ms. Sham Yee Ching, Judy, Ms. Sham Yee Lan, Peggy and another child of Mr. Sham Kit Ying, who is over 18 years of age.
- (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 Barclays Private Bank & Trust Limited, acting in its capacity as the trustee of The Chan Wai Hing Family Trust, a discretionary trust whose objects include Ms. Sham Yee Ching, Judy, Ms. Sham Yee Lan, Peggy and another child of Mr. Sham Kit Ying, who is over 18 years of age.

## Directors' interests in the equity or debt securities (continued)

### (b) Share Option Scheme

Pursuant to a share option 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. At 31 March 2001, 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 any of its subsidiaries a party to any arrangements 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 2001, 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               |
| Barclays Private Bank & Trust 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 Barclays Private Bank & Trust Limited, acting in its capacity as the trustee of The Sham Kit Ying Family Trust and the entire issued capital of Morpeth Investments Limited is owned by Barclays Private Bank & Trust Limited, acting in its capacity as the trustee of The Chan Wai Hing Family 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 of the Listing Rules

The Company has complied with Appendix 14 of the Listing Rules throughout the year ended 31 March 2001 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 and a resolution to this effect will be proposed at the Annual General Meeting.

On behalf of the Board

SHAM Kit Ying  
Chairman

Hong Kong, 19 July 2001