

Directors' Report

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

Principal Activities

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

There were no changes in the nature of the Group's principal activities during the year.

Results

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 21.

The directors do not recommend the payment of any dividend.

Five Years Financial Summary

A summary of the published results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 66. This summary is not part of the audited financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

Bank loans, Overdrafts and Other Borrowings

Details of the bank loans, overdrafts and other borrowings of the Company and the Group are set out in note 22 to the financial statements.

Share Capital and Share Options

Details of movements in the share capital and share options of the Company during the year are set out in note 25 to the financial statements.

The capital base of the Company was enlarged by approximately HK\$162 million during the year as a result of a subscription of 100,792,000 new shares of HK\$0.10 each of the Company by Smurfit International B.V. ("Smurfit"). As at 31 December 2001, part of the proceeds amounting to approximately HK\$40 million have been invested in the Dongguan plant for the expansion of the Packaging Division and the balance has been used as working capital for the Group to reduce its bank borrowings.

Subsidiaries and Associate

Details of the principal subsidiaries and associate are set out in note 34 to the financial statements.

Investment Properties

A deficit of HK\$10,840,000 arose from the revaluation of the Group's investment properties as at 31 December 2001. The deficit was charged to the income statement. Details of the movements of the Group's investment properties are set out in note 13 to the financial statements.

Other Properties, Plant and Equipment

During the year, the Group incurred expenditure of approximately HK\$80.5 million on additions to plant and machinery, factory construction and other equipments. Details of other changes during the year are set out in note 14 to the financial statements.

Major Customers and Suppliers

The five largest customers accounted for less than 30% of the Group's total turnover for the year. The five largest suppliers accounted for approximately 43% of the Group's total purchases for the year and the largest supplier accounted for approximately 13% of the total purchases.

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

Directors

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

Executive directors:

John, Yang Yat Kwei (*Chairman*)

Alain Raymond Baudant (*Chief Executive Officer*)

(appointed as a non-executive director on 13 February 2001; appointed as an executive director and Chief Executive Officer on 17 November 2001)

Peter, Yang Sze Chen (*Managing Director*)

David, Shen Ming Sun

Rebecca, King Yung Jye

Stanislaus, Tsao Kwang Ngo

Quincy, Tang Yiu Kwan

(resigned on 9 September 2001)

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Directors (Continued)

Non-executive directors:

Kyle Arnold Shaw Junior	
Gerard William McGann	(appointed on 13 February 2001)
Michael Smurfit Junior	(appointed on 13 February 2001)
Gabriel Joseph McCarrick	(appointed on 13 February 2001 as alternate director to Messrs. Gerard William McGann, Michael Smurfit Junior and Alain Raymond Baudant; resigned on 14 January 2002)
Ian James Curley	(appointed on 14 January 2002; also appointed on same date as an alternate director to Messrs. Gerard William McGann and Michael Smurfit Junior)

Independent non-executive directors:

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

Pursuant to Clause 89 of the Company's Bye-Laws, Mr. Ian James Curley, who was appointed as a director of the Company by the Board on 14 January 2002, will retire at the Company's forthcoming Annual General Meeting (the "AGM").

In accordance with Clause 97 of the Company's Bye-Laws, Ms. Rebecca, King Yung Jye, Mr. David, Shen Ming Sun, Mr. Anthony John Nevill Russell and Mr. Norman, Ho Man Kei, existing directors of the Company, will retire from office by rotation at the AGM.

Ms. Rebecca, King Yung Jye and Mr. David, Shen Ming Sun will not offer themselves for re-election at the AGM. The other retiring directors, being eligible, will offer themselves for re-election at the AGM.

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' Interests in the Shares of the Company

As at 31 December 2001, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company under Section 29 of the 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	–	11,469,432(a)	–	132,398,495(b)
Alain Raymond Baudant	–	–	–	–
Peter, Yang Sze Chen	900,000	–	16,514,867(c)	–
David, Shen Ming Sun	2,500,000	–	–	–
Rebecca, King Yung Jye	–	–	–	–
Stanislaus, Tsao Kwang Ngo	–	–	–	–
Kyle Arnold Shaw Junior	–	–	12,852,000(d)	–
Gerard William McGann	–	–	–	–
Michael Smurfit Junior	–	–	–	–
Gabriel Joseph McCarrick	–	–	–	–
Anthony John Nevill Russell	300,000	–	–	–
Walter, Ma King Wah	–	–	–	–
Norman, Ho Man Kei	–	–	–	–

- (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 132,398,495 shares, 31,166,267 shares are held by Randburg Limited, 74,316,900 shares are held by United Rise Investments Limited and 26,915,328 shares are held by Eggbutt Knitwear Limited. Randburg Limited and United Rise Investments Limited are controlled by Margentin Limited. Eggbutt Knitwear Limited is 78% 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 Shaw, Kwei & Partners (Asia) Ltd., a company in which Mr. Kyle Arnold Shaw Junior 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.

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Substantial Shareholders

At 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of the directors, the Company has been notified of the following shareholders with interests representing 10% or more of the Company's issued share capital:

Name of shareholder	Number of shares held	Shareholding percentage
United Rise Investments Limited	74,316,900	18.45%
S. I. Holdings Limited*	100,792,000	25.03%

* These shares were held indirectly by Smurfit International B.V., through its indirect beneficial interest in the entire issued capital of S.I. Holdings Limited.

Directors' Interests in Contracts of Significance

No contracts of significance in relation to the Group's business 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, the details of which are set out in note 25 to the financial statements, 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.

No option was granted during the year nor was there any unexercised option outstanding at any time during the year.

Connected Transactions

Details of the connected transactions of the Group during the year are set out below:

- (1) Pursuant to the subscription agreement entered into between the Company and Smurfit on 21 December 2000, the Company issued a total of 100,792,000 new shares, for cash, at a price of HK\$1.65 per share to Smurfit during the year. By virtue of the entry into of an option agreement between Mr. John, Yang Yat Kwei, the Chairman of the Company, and Smurfit, Smurfit is considered to be a deemed connected person of the Company with respect to the subscription under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Connected Transactions (Continued)

- (2) During the year, the Group purchased paper amounting to approximately HK\$52,206,000 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, the transactions were entered into in the ordinary and usual course of the Group's business, conducted on normal commercial terms and were in accordance with the terms of the contracts governing such purchases. The amount of the purchases for the year did not exceed HK\$70,000,000, a condition which was set out in a circular issued by the Company to its shareholders on 11 May 2001.

- (3) During the year ended 31 December 2000, 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 bore interest of 6.435% per annum. The advance and the accrued interest thereon was settled during the year. The interest income received by the Group for the year amounted to HK\$219,000.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 33 to the financial statements.

Purchase, Sale or Redemption of The Company's Listed Securities

During the year, the Company repurchased 430,000 of its own shares on The Stock Exchange of Hong Kong Limited as described in note 25 to the financial statements with the objective of enhancing the earnings per share of the Company. The repurchased shares have been subsequently cancelled.

Saved as disclosed above, there was no purchase, sale, or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2001.

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 laws of Bermuda.

Retirement Benefits Scheme

Details of the pension scheme of the Group are set out in note 3 to the financial statements.

Directors' Report

Compliance With The Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-Laws of the Company.

Auditors

Deloitte Touche Tohmatsu, the existing auditors of the Company, will retire at the close of the Company's forthcoming Annual General Meeting and they will not offer themselves for reappointment. A resolution will be proposed at the Company's forthcoming Annual General Meeting to appoint Ernst & Young as the Company's auditors to fill the vacancy.

On behalf of the Board
Alain Raymond Baudant
Chief Executive Officer

Hong Kong
15 April 2002