



Report of the Directors

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the printing of books, magazines and packaging products. Other than the disposal and discontinuance of the Group's financial printing activities, further details of which are included in note 6 to the financial statements, 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 December 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 70.

An interim dividend of 2 HK cents per ordinary share was paid on 23 October 2002. The directors recommend the payment of a final dividend of 3 HK cents per ordinary share in respect of the year, to shareholders on the register of members on 18 June 2003. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within capital and reserves in 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 reclassified as appropriate, is set out on page 71. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or articles of association or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.



PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. Further details of these transactions are set out in note 24 to the financial statements.

Except as disclosed above, 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 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2002, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK\$298,091,000, of which HK\$12,082,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$326,493,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$73,000.

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 45% of the total purchases for the year and purchases from the largest supplier included therein amounted to 12%.

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) had any beneficial interest in the Group's five largest suppliers.



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DIRECTORS

The directors of the Company during the year were:

Executive directors:

Peter, Yang Sze Chen (<i>Managing Director</i>)	(appointed as Chairman on 12 August 2002)
John, Yang Yat Kwei	(deceased on 6 July 2002)
Alain Raymond Baudant (<i>Chief Executive Officer</i>)	(appointed as an alternate director to Mr. Gerard William McGann and Mr. Ian James Curley on 13 November 2002)
Lo Kin Cheung	(appointed on 25 September 2002)
Stanislaus, Tsao Kwang Ngo	
David, Shen Ming Sun	(retired on 10 June 2002)
Rebecca, King Yung Jye	(retired on 10 June 2002)

Non-executive directors:

Maria Yang	(appointed on 5 September 2002)
Gerard William McGann	
Ian James Curley	(appointed on 14 January 2002)
Kyle Arnold Shaw Junior	
Michael Smurfit Junior	(resigned on 31 December 2002)
Gabriel Joseph McCarrick	(resigned on 14 January 2002)

Independent non-executive directors:

Anthony John Nevill Russell	
Walter, Ma King Wah	
Norman, Ho Man Kei	(resigned on 12 December 2002)

Dr. Edward, Yeung Yat Ming was appointed as a non-executive director of the Company with effect from 9 April 2003.

Pursuant to Clause 89 of the Company's Bye-laws, Mrs. Maria Yang, Mr. Lo Kin Cheung and Dr. Edward, Yeung Yat Ming, who were appointed by the Board on 5 September 2002, 25 September 2002 and 9 April 2003 respectively, will retire at the Company's forthcoming Annual General Meeting ("AGM").

In accordance with Clause 97 of the Bye-laws of the Company, Mr. Stanislaus, Tsao Kwang Ngo and Mr. Gerard William McGann will retire from office by rotation at the AGM.

All of the above 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.



DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the Annual Report.

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

No director had a material interest 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

At 31 December 2002, the interests of the directors in the share capital of the Company, as recorded in the register maintained by the Company or its associated corporations pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Ordinary shares of the Company

Name of directors	Number of shares held and nature of interest			
	Personal	Family	Corporate	Other
Maria Yang	11,469,432	—	—	126,428,495 (a)
Peter, Yang Sze Chen	900,000	—	16,514,867 (b)	—
Anthony John Nevill Russell	300,000	—	—	—

(a) The other interests of Mrs. Maria Yang in 126,428,495 shares are held through companies controlled by Margentin Limited which is 100% owned by The Yang Family Trust, of which Mrs. Maria Yang is a discretionary object. Of the 126,428,495 shares, 52,111,595 shares are held by Randburg Limited and 74,316,900 shares are held by United Rise Investments Limited. Randburg Limited and United Rise Investments Limited are controlled by Margentin Limited.

(b) The corporate interest of Mr. Peter, Yang Sze Chen in 16,514,867 shares is held by Team Long Development Limited, a company beneficially owned by Mr. Peter, Yang Sze Chen.

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 personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.



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DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' interests in the shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 9 May 2000 for the purpose of providing incentives and rewards to eligible participants, including the executive directors of the Company, who contribute to the success of the Group's operations. Pursuant to the Scheme, the directors may grant share options to executive directors and employees of the Company and of its subsidiaries to subscribe for shares in the Company in accordance with the terms of the Scheme. Options granted must be taken up within the period as specified in the offer of options, and upon payment of HK\$1 as the consideration for the options granted.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company in aggregate shall not exceed 10% of the issued share capital of the Company from time to time. The maximum entitlement of each participant under the Scheme shall not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. The exercise price shall be 80% of the average of the closing prices of the shares quoted on the Stock Exchange for the five trading days immediately preceding the date the options are granted or the nominal value of the Company's shares, whichever is the higher.

The Stock Exchange has amended the requirements for share option schemes under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The new requirements have come into effect from 1 September 2001 and certain provisions of the Scheme are no longer applicable. The Company has not altered the Scheme nor adopted a new scheme to comply with the new requirements up to the date of this report.

No share option has been granted or exercised under the Scheme during the year.



SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholders	Number of shares held	Percentage of the Company's issued capital
Smurfit International B.V.	100,792,000 (a) & (b)	25.03
S. I. Holdings Limited	100,792,000 (a)	25.03
United Rise Investments Limited	74,316,900 (c)	18.45
Randburg Limited	52,111,595 (c)	12.94

- (a) These shares are held indirectly by Smurfit International B.V. ("Smurfit Int'l"), through its interest in the entire issued capital of S. I. Holdings Limited.
- (b) Smurfit Int'l has been granted a right to purchase such number of shares of the Company as to enable Smurfit Int'l to beneficially hold directly or indirectly in aggregate up to 51 percent of the total issued ordinary share capital of the Company.
- (c) These shareholdings are duplicated in the section headed "Directors' interests in shares" disclosed above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

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

- (a) During the year, the Group purchased fibre based products amounting to HK\$5,786,000 (2001: HK\$993,000) from the group companies of Jefferson Smurfit Group plc ("Smurfit"), a substantial shareholder of the Company. The transactions with the Smurfit Group were carried out in the ordinary and usual course of business and on normal commercial terms.

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 30 January 2002.

- (b) During the year, the Group sold packaging products amounting to approximately HK\$110,839,000 (2001: Nil) to 上海金葉包裝材料有限公司("上海金葉"), a company in which 上海紡印印刷包裝有限公司("上海紡印") holds 37% interest. 上海紡印 holds 41% interest in a subsidiary of the Company. The transactions with 上海金葉 were carried out in the ordinary and usual course of business and on normal commercial terms.



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CONNECTED TRANSACTIONS *(Continued)*

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 sales. The amount of the sales for the year did not exceed RMB120,000,000, a condition which was set out in a circular issued by the Company to its shareholders on 20 March 2002.

- (c) During the year, the Group also purchased paper amounting to approximately HK\$57,312,000 (2001: HK\$52,206,000) from 上海金葉. The purchases were carried out in the ordinary and usual course of business and on normal commercial terms.

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.

- (d) On 24 October 2002, the Group entered into a conditional sale and purchase agreement with 上海紡印 pursuant to which the Group conditionally agreed to dispose of its 26% equity interest in Shanghai Fang Yin Leefung-Asco Printing and Packing Co., Ltd. (the "Shanghai JV") to 上海紡印 for an aggregate consideration of approximately RMB34,000,000 (equivalent to approximately HK\$32,000,000). Immediately following the disposal, the equity interest of the Group in the Shanghai JV would decrease from 51% to 25% whereas the equity interest of 上海紡印 in the Shanghai JV would increase from 41% to 67%. The transaction was completed on 31 December 2002.

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, throughout the year, 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.



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, comprising two independent non-executive directors, met twice during the financial year. During the meetings, the audit committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group, connected transactions and discussed with management the auditing, internal control and financial reporting matters.

AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Alain Raymond Baudant

Chief Executive Officer

Hong Kong
9 April 2003