

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31st March, 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are the printing and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

The analysis of the geographical segments of the operations of the Company and its subsidiaries during the year is set out in note 11 on the financial statements.

FINANCIAL STATEMENTS

The profit and cash flows of the Group for the year ended 31st March, 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 53.

An interim dividend of HK1.0 cent (2002: HK1.0 cent) per share was paid on 14th January, 2003. The Directors now recommend the payment of a final dividend of HK1.0 cent (2002: Nil) per share in respect of the year ended 31st March, 2003.

RESERVES

Movements in reserves during the year are set out in note 23 on the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries at 31st March, 2003 are set out in note 13 on the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 54.

MAJOR SUPPLIERS AND CUSTOMERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year is as follows:

	%
Sales	
Five largest customers in aggregate	51
The largest customer	22
Purchases	
Five largest suppliers in aggregate	19
The largest supplier	6

At no time during the year, have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5 per cent. of the Company's share capital) had any interests (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) in these major customers and suppliers.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 12 on the financial statements.

BANK LOANS, OVERDRAFTS AND OBLIGATIONS UNDER FINANCE LEASES

Particulars of bank loans, overdrafts and obligations under finance leases of the Group at 31st March, 2003 are set out in notes 17 and 18 on the financial statements.

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Madam So Chau Yim Ping, JP (*Chairman and Managing Director*)

Mrs Cheong So Ka Wai, Patsy

Mrs Fung So Ka Wah, Karen

Mr So Wah Sum, Conrad

Madam Shea Chau Hung Ping**

Mr Hui Yin Fat, O.B.E., JP*

The Hon. Ting Woo Shou, Kenneth, JP*

The Hon. Wong Wang Fat, Andrew, O.B.E. (Hon), JP*

* *Independent Non-Executive Directors*

** *Non-Executive Director (effective from 1st April, 2003)*

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In accordance with the bye-laws of the Company, Madam Shea Chau Hung Ping and The Hon. Ting Woo Shou, Kenneth, JP retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Madam So Chau Yim Ping, JP, Mrs Cheong So Ka Wai, Patsy, Mrs Fung So Ka Wah, Karen, Mr So Wah Sum, Conrad and Madam Shea Chau Hung Ping have entered into service agreements with the Company which may be terminated by either party giving to the other six months written notice.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the year ended 31st March, 2003, except that Independent Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meetings in accordance with the Company's Bye-law.

DIRECTORS' INTERESTS IN SHARES

As at 31st March, 2003, the beneficial interests of the Directors in the issued share capital of the Company and its subsidiaries within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register required to be kept under section 29 of that Ordinance were as follows:

(a) Interests in the Company

Beneficial interests	Number of ordinary shares		
	Personal	Corporate (Note)	Total
Madam So Chau Yim Ping, JP	19,800,000	132,000,000	151,800,000
Mrs Cheong So Ka Wai, Patsy	3,300,000	—	3,300,000
Mrs Fung So Ka Wah, Karen	3,300,000	—	3,300,000
Mr So Wah Sum, Conrad	3,300,000	—	3,300,000
Madam Shea Chau Hung Ping	3,300,000	—	3,300,000
The Hon. Ting Woo Shou, Kenneth, JP	105,000	—	105,000

No family interests in shares are held by any of the Directors.

Note: Ka Chau Enterprises (B.V.I.) Limited ("Ka Chau") beneficially owned 132,000,000 shares as at 31st March, 2003. Madam So Chau Yim Ping, JP has a 60 per cent. interest in Ka Chau, and each of Mrs Cheong So Ka Wai, Patsy and Mrs Fung So Ka Wah, Karen has a 20 per cent. interest in Ka Chau.

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(b) Interests in subsidiaries

Beneficial interests	Non-voting deferred shares of HK\$100 each in New Island Printing Company Limited	Non-voting deferred shares of HK\$100 each in Sonic Manufacturing Company Limited
Madam So Chau Yim Ping, JP	6,700	500
Mrs Cheong So Ka Wai, Patsy	1,000	500
Mrs Fung So Ka Wah, Karen	1,000	—
Mr So Wah Sum, Conrad	1,000	—
Madam So Chau Yim Ping, JP and Mrs Cheong So Ka Wai, Patsy	150	—
Madam Shea Chau Hung Ping	150	—
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	10,000	1,000

In addition to the above, certain Directors hold shares in subsidiaries on trust and as nominees for their respective intermediate holding companies.

SUBSTANTIAL SHAREHOLDERS

Save for those shares referred to in the Directors' interests in shares above, no person or corporation had any interest in the share capital of the Company as recorded in the register required to be kept under section 16(1) of the SDI Ordinance.

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following transactions as described below with persons who are "connected persons" for the purpose of Listing Rules.

The Group, in the ordinary course of business, entered into transactions with Kader Holdings Company Limited ("Kader") and its related companies from time to time on an arm's length basis and on normal commercial terms. The Hon. Ting Woo Shou, Kenneth, JP, an Independent Non-Executive Director of the Group is the managing director and a controlling shareholder of Kader.

These transactions have been reviewed by the other Independent Non-Executive Directors (namely, Mr Hui Yin Fat, O.B.E., JP and The Hon. Wong Wang Fat, Andrew, O.B.E. (Hon), JP) of the Company, who are satisfied that the above transactions have been concluded on normal commercial terms in the ordinary course of business and are fair and reasonable so far as the shareholders of the Company are concerned.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Apart from the above, no contract 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 subsisted at the end of the year or at any time during the year.

ARRANGEMENT TO PURCHASE SHARES

Under the Company's Share Option Scheme ("the Scheme") which was adopted as an incentive to the employees of the Group and expired on 25th March, 2003, the Directors of the Company may, at their discretion, invite any employees, including directors, of any company in the Group, to take up options to subscribe for shares of the Company. The exercise price of options was determined by the Board of Directors of the Company, which would not be less than 80 per cent. of the average closing price of the shares on The Stock Exchange of Hong Kong Limited on the five trading days preceding the date of offer of the option or the nominal value of the shares if higher. The maximum number of shares in respect of which options may be granted may not exceed 10 per cent. of the issued share capital. No option may be granted to any one employee which if exercised in full would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25 per cent. of the maximum aggregate number of shares for the time being issued and issuable under the Scheme. The offer of a grant of options must be accepted within 28 days from the date of offer with a payment of nominal consideration of HK\$1.00 by the grantee. Each option gave the holder the right to subscribe for one share at the relevant exercise price. The options were exercisable for a period of up to three years commencing on the expiry of six months after the date on which the option was accepted. Full amount of the exercise price must be paid upon the exercise of options.

The Stock Exchange of Hong Kong Limited amended the requirements for Share Option Schemes under the Listing Rules. The new requirements have come into effect from 1st September, 2001 and make some of the provisions of the Scheme no longer applicable.

The Scheme expired on 25th March, 2003. No option was granted, exercised, lapsed or cancelled during the year. There were no outstanding share options at 31st March, 2003.

Save for the Scheme, at no time during the year ended 31st March, 2003 was the Company or its subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws, although there is no restriction against such rights under Bermuda Law.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

RETIREMENT SCHEMES

Particulars of retirement schemes of the Group are set out in note 26 on the financial statements.

STAFF

As at 31st March, 2003, the Group had a total staff of 2,950 (2002: 2,718) of which 2,845 (2002: 2,448) were employed in the People's Republic of China ("PRC") for the Group's manufacturing and distribution businesses.

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-Executive Directors and reports to the Board of Directors. The audit committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Cheong So Ka Wai, Patsy
Secretary

Hong Kong, 18th July, 2003