

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, 2005.

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, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 17 to 52.

An interim dividend of HK1.0 cent (2004: HK1.0 cent) per share was paid on 18th January, 2005. The Directors do not recommend the payment of a final dividend in respect of the year ended 31st March, 2005 (2004: HK1.5 cents per share).

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK\$767,000 (2004: HK\$157,000).

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, 2005 are set out in note 13 on the financial statements.

REPORT OF THE DIRECTORS

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 pages 53 to 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	46
The largest customer	20
Purchases	
Five largest suppliers in aggregate	24
The largest supplier	11

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, 2005 are set out in notes 17 and 18 on the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Madam So Chau Yim Ping, JP (*Chairman*)

Mr. So Wah Sum, Conrad

Mr. Ho Hing Lim, Peter (*Chief Executive Officer*) (appointed on 1st January, 2005)

Mrs. Cheong So Ka Wai, Patsy**

(re-designated from Executive Director
to Non-Executive Director on 23rd May, 2005)

Mrs. Fung So Ka Wah, Karen**

(re-designated from Executive Director
to Non-Executive Director on 23rd May, 2005)

Mr. Ting Woo Shou, Kenneth, JP**

(re-designated from Independent
Non-Executive Director to Non-Executive
Director on 30th September, 2004)

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

Mr. Wong Wang Fat, Andrew, O.B.E., JP*

Mr. She Chiu Shun, Ernest* (appointed on 27th September, 2004)

Madam Shea Chau Hung Ping** (retired on 20th August, 2004)

* *Independent Non-Executive Directors*

** *Non-Executive Directors*

In accordance with the bye-laws of the Company, Mr. So Wah Sum, Conrad, Mr. Ho Hing Lim, Peter, Mrs. Fung So Ka Wah, Karen and Mr. She Chiu Shun, Ernest retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the Independent Non-Executive Directors concerning their independence to the Company and considers that each of the Independent Non-Executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

Madam So Chau Yim Ping, JP, Mr. So Wah Sum, Conrad and Mr. Ho Hing Lim, Peter have entered into service agreements as Executive Directors with the Company which may be terminated by either party giving to the other six months written notice. Mrs. Cheong So Ka Wai, Patsy and Mrs. Fung So Ka Wah, Karen were appointed as Non-Executive Directors of the Company for a period of two years from 23rd May, 2005. Mr. Ting Woo Shou, Kenneth, JP was appointed as a Non-Executive Director of the Company for a period of two years from 15th July, 2005. Mr. Hui Yin Fat, O.B.E., JP, Mr. Wong Wang Fat, Andrew, O.B.E., JP and Mr. She Chiu Shun, Ernest were appointed as Independent Non-Executive Directors of the Company for a period of two years from 15th July, 2005.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than normal statutory obligations.

REPORT OF THE DIRECTORS

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice, as set out in Appendix 14 to the Listing Rules, throughout the year ended 31st March, 2005, except that the above Non-Executive Directors and Independent Non-Executive Directors were 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-laws, until the appointment dates specified under Directors' service contracts above.

On 1st January, 2005, the Code of Best Practice has been replaced by the Code of Corporate Governance Practices ("New Code"). Pursuant to the New Code, listed issuers are expected to comply with the code provisions for accounting periods commencing on or after 1st January, 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors of the Company, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors and chief executive of the Company who held office at 31st March, 2005 had the following interests in the shares of the Company, subsidiaries and other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and chief executive's interests and short positions required to be kept under section 352 of the SFO:

(a) Interests in issued shares of the Company

Name of Directors	Ordinary shares of HK\$0.1 each			% of total issued shares
	Personal interests (Note 1)	Corporate interests (Note 2)	Total number of shares held	
Madam So Chau Yim Ping, JP	19,800,000	132,000,000	151,800,000	68.22%
Mrs. Cheong So Ka Wai, Patsy	3,300,000	—	3,300,000	1.48%
Mrs. Fung So Ka Wah, Karen	3,300,000	—	3,300,000	1.48%
Mr. So Wah Sum, Conrad	3,300,000	—	3,300,000	1.48%
Mr. Ting Woo Shou, Kenneth, JP	105,000	—	105,000	0.05%

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

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(a) Interests in issued shares of the Company (continued)

Notes:

- (1) All these shares are held by the respective Directors personally as beneficial owners.
- (2) Ka Chau Enterprises (B.V.I.) Limited ("Ka Chau") beneficially owned 132,000,000 shares as at 31st March, 2005. 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. Accordingly, Madam So Chau Yim Ping, JP is deemed to be interested in the 132,000,000 shares owned by Ka Chau.

(b) Interests in non-voting deferred shares of subsidiaries

Name of Directors	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	—
	9,850	1,000

Note: All the above non-voting deferred shares are held by the respective Directors personally as beneficial owners.

As at 31st March, 2005, apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

REPORT OF THE DIRECTORS

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 or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 the Listing Rules.

The Group, in the ordinary course of business, sold packaging products to Kader Holdings Company Limited ("Kader") and its related companies from time to time on an arm's length basis and on normal commercial terms. Mr. Ting Woo Shou, Kenneth, JP, a Non-Executive Director of the Company is the managing director and a controlling shareholder of Kader. Sales for the year ended 31st March, 2005 amounted to HK\$13,587,000.

These transactions have been reviewed by the Independent Non-Executive Directors (namely, Mr. Hui Yin Fat, O.B.E., JP, Mr. Wong Wang Fat, Andrew, O.B.E., JP and Mr. She Chiu Shun, Ernest) 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

At no time during the year ended 31st March, 2005 was the Company or its subsidiaries a party to any arrangement to enable the Directors or the chief executive 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.

REPORT OF THE DIRECTORS

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, 2005, the Group had a total staff of 3,341 (2004: 2,434) of which 3,246 (2004: 2,350) were employed in the People's Republic of China 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 a Non-Executive Director 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

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
Li Sau Yan, Philip
Secretary

Hong Kong, 15th July, 2005