

# DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Company for the year ended 31 December 2005.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 18 to the financial statements.

The Group's turnover and contribution to operating result for the year is attributable to manufacturing of laminated papers and printing of cigarette packages. The analysis of the principal activities and geographical location of the operations of the Group are set out in note 33 to the financial statements.

## RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2005 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 30 to 79.

An interim dividend of HK7.2 cents per share and a special dividend of HK2.8 cents per share was paid in October 2005. The Directors now recommend the payment of a final dividend of HK8.5 cents per share to the members of the Company whose names appear on the register of members of the Company on 16 May 2006 in respect of the year ended 31 December 2005.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out in the statements of changes in equity on pages 33 to 35.

## DISTRIBUTABLE RESERVES

At 31 December 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$256 million. Under the Companies Law of the Cayman Islands, the share premium of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the distribution or dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully bonus shares.

## SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2005 are set out in note 18 to the financial statements.

# DIRECTORS' REPORT

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

## BORROWINGS

Details of the Group's borrowings as at 31 December 2005 are set out in notes 25 and 26 to the financial statements.

## SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 27 to the financial statements.

Details of the Company's share option scheme are set out in the paragraph headed "Share option scheme" of this report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the relevant laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing shareholders of the Company.

## SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group is set out on page 80.

## PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S SHARES

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

# DIRECTORS' REPORT

## DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

### Executive directors

Mr. Li Wei Bo  
Mr. Chan Chew Keak, Billy (appointed on 24 January 2005)  
Mr. Lee Cheuk Yin, Dannis  
Mr. Cheung Chun Ming  
Ms. Zhu Wei Li (resigned on 24 January 2005)

### Non-executive director

Mr. Sik Siu Kwan

### Independent non-executive directors

Mr. Ng Kwai Sang  
Mr. Ng Pui Cheung, Joseph  
Mr. Chung Kwok Mo, John

Subsequent to the balance sheet date, effective from 27 April 2006, Mr. Chan Chew Keak, Billy, was re-designated as Chairman of the Board and Mr. Tay Ah Kee, Keith was appointed as an independent non-executive Director.

In accordance with article 87 of the articles of association of the Company, one-third of the Directors (excluding chairman) shall retire but, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with article 86 of the articles of association of the Company, any Director appointed by the Board shall also retire but, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. Details of the Directors to be retired and subject to re-election at the forthcoming annual general meeting of the Company are contained in the circular to be dispatched together with this annual report.

# DIRECTORS' REPORT

## DIRECTORS' SERVICE CONTRACTS

Each of Mr. Li Wei Bo, Mr. Lee Cheuk Yin, Dannis and Mr. Cheung Chun Ming has entered into a service contract with the Company for a term of three years commencing from 26 March 2004 and thereafter be continuous until terminated by either party giving to the other not less than two months' written notice. Mr. Chan Chew Keak, Billy has been appointed as director since 24 January 2005 and his appointment will continue until terminated by either party giving to other not less than one month's written notice.

Mr. Sik Siu Kwan has been appointed for a term of two years commencing from 26 March 2004.

Each of Mr. Ng Kwai Sang and Mr. Ng Pui Cheung, Joseph has been appointed for a term of two years commencing 26 March 2004 while Mr. Chung Kwok Mo, John has been appointed for a term of two years commencing from 30 September 2004. All of them are subject to retirement by rotation in accordance with the articles of association of the Company.

The Company confirms that it has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

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.

## EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 8 to the financial statements.

## RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group and the employer's costs charged to the consolidated income statement for the year are set out in note 9 to the financial statements.

## DIRECTORS' INTEREST IN CONTRACTS

Save and except for those disclosed under the paragraph headed "Related party transactions" below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 11 to 14 of the annual report.

# DIRECTORS' REPORT

## RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2005 which do not constitute connected transactions under the Listing Rules are set out in note 14 to the financial statements.

## DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at 31 December 2005, the following Directors had or were deemed to have interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	No. of shares held	Position	Approximate percentage of issued share capital
Mr. Li Wei Bo	Personal	276,728,000	Long	57.65%
Mr. Lee Cheuk Yin, Dannis	Personal	3,272,000	Long	0.68%

Save as disclosed above, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2005 (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

# DIRECTORS' REPORT

## DISCLOSURE OF INTERESTS *(continued)*

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at 31 December 2005, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	No. of shares held	Position	Approximate of issued share capital
Ms. Gu Lily Ying (Note 1)	276,728,000	Long	57.65%
AMB Packaging Pte Limited (Note 2)	176,000,000	Long	24.65%
Amcor Packaging (Asia) Pty Ltd. (Note 2)	313,870,000	Long	43.97%
Amcor Limited (Note 2)	313,870,000	Long	43.97%

Note 1: Ms. Gu Lily Ying is the spouse of Mr. Li Wei Bo, the chairman of the Company. Ms. Gu Lily Ying is deemed to be interested in the shares beneficially owned by Mr. Li Wei Bo pursuant to the SFO.

Note 2: These companies are deemed to be interested in the shares to be issued under the sale and purchase agreement, the subscription agreement and the further subscription agreement entered into by the Group dated 23 December 2005 pursuant to Part XV of the SFO.

Save as disclosed above, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above and the paragraph headed "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in 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.

# DIRECTORS' REPORT

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associated company. The Share Option Scheme became effective for a period of 10 years commencing on 10 March 2004.

As at 31 December 2005, no option have been granted or agreed to be granted to any person under the Share Option Scheme.

Details of the Share Option Scheme are set out in note 28 to the financial statements and the prospectus of the Company dated 16 March 2004.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year under review.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for approximately 71.3% of the total sales for the year and the sales attributable to the largest customer included therein accounted for approximately 32.8%. Nanjing Sanlong Packing Co., Ltd. was one of the five largest customers of the Group.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 53.5% of the total purchases for the year and the purchases attributable to the largest supplier included therein accounted for approximately 17.5%.

Save as disclosed above, none of the Directors, any of their associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's Shares) had any beneficial interest in the Group's five largest customers or suppliers.

## DIVIDENDS

The Board has recommended a final dividend of HK\$8.5 cents per share for the year ended 31 December 2005 to be payable to the shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 16 May 2006. Subject to approval by the shareholders at the forthcoming annual general meeting, the dividends will be paid on or about Monday, 29 May 2006.

# DIRECTORS' REPORT

## CLOSURE OF THE TRANSFER BOOKS AND REGISTER OF MEMBER

The Transfer Books and Register of Members of the Company will be closed from Monday, 15 May 2006 to Tuesday, 16 May 2006, both days inclusive. During this period, no transfer of shares of the Company will be registered. In order to qualify for the entitlement of the final dividend for the year ended 31 December 2005 and for attending the forthcoming annual general meeting of the Company to be held on Friday, 26 May 2006, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share register, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Friday, 12 May 2006.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 34 to the financial statements.

## COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The full corporate governance report is set out on pages 15 to 19 of the annual report.

## AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 10 March 2004 for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group.

The Committee comprises the three independent non-executive Directors with Mr. Ng Kwai Sang acting as Chairman.

The financial statements of the Group and of the Company for the year ended 31 December 2005 together with the notes attached thereto have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.





# DIRECTORS' REPORT

## AUDITORS

RSM Nelson Wheeler will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of RSM Nelson Wheeler as auditors of the Company is to be proposed at the forthcoming annual general meeting.

There is no change in auditors of the Company since the first appointment on 1 December 2003.

On behalf of the Board of Directors

**Li Wei Bo**

*Chairman and Executive Director*

Hong Kong, 26 April 2006