

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year consisted of investment holding and the provision of management services.

The principal activities of the Group consisted of the printing and manufacturing of paper and carton boxes, the trading of paper and the manufacturing of corrugated cartons. 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 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 27 to 70.

An interim dividend of HK9.5 cents per share was paid on 15 January 2003. The directors recommend the payment of a final dividend of HK19.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 20 August 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

Results

	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	1,818,333	1,628,556	1,800,162	1,622,512	1,370,988
PROFIT FROM OPERATING ACTIVITIES	305,419	303,309	345,731	291,248	238,973
Finance costs	(6,119)	(7,083)	(13,489)	(7,087)	(6,615)
Share of profits and losses of associates	9,736	5,346	13,340	19,378	11,896
PROFIT BEFORE TAX	309,036	301,572	345,582	303,539	244,254
Tax	(43,250)	(24,079)	(46,385)	(31,572)	(23,528)
PROFIT BEFORE MINORITY INTERESTS	265,786	277,493	299,197	271,967	220,726
Minority interests	(21,260)	(20,855)	(25,534)	(20,937)	(15,614)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	244,526	256,638	273,663	251,030	205,112
EARNINGS PER SHARE					
Basic	42.7 cents	44.8 cents	47.7 cents	43.6 cents	36.9 cents
Diluted	N/A	N/A	N/A	N/A	36.6 cents

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SUMMARY FINANCIAL INFORMATION (continued)

Assets, Liabilities and Minority Interests

	At 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
FIXED ASSETS	830,866	804,597	698,808	653,260	638,752
LONG TERM INVESTMENTS	5,666	5,673	5,694	7,207	21,111
PROPERTIES UNDER					
CONSTRUCTION	46,399	15,204	30,945	34,187	10,760
INTERESTS IN ASSOCIATES	137,022	136,586	141,764	102,935	89,927
CURRENT ASSETS	1,137,369	1,038,848	980,483	949,325	780,115
TOTAL ASSETS	2,157,322	2,000,908	1,857,694	1,746,914	1,540,665
CURRENT LIABILITIES	269,357	213,249	200,015	268,046	187,958
LONG TERM LOANS	90,000	85,000	45,094	—	—
DEFERRED TAX	1,043	953	10,728	8,653	6,345
LONG TERM PORTION OF					
FINANCE LEASE PAYABLES	—	—	245	662	1,035
TOTAL LIABILITIES	360,400	299,202	256,082	277,361	195,338
MINORITY INTERESTS	150,078	136,366	124,618	108,429	92,596
	1,646,844	1,565,340	1,476,994	1,361,124	1,252,731

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK\$143,250,000, of which HK\$108,681,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$590,690,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$76,000.

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 31% of the total purchases for the year and purchases from the largest supplier included therein amounted to 9%.

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) has 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:

Yam Cheong Hung
Yum Chak Ming, Matthew
Yam Ho Ming, Michael
Yam Hon Ming, Tommy

Non-executive directors:

Chu Shu Ho, David
Yum Pui Ming, Anna
Wong Siu Ping (resigned on 9 July 2002)

Independent non-executive directors:

Wu Shu Chih, Alex
Yip Yu Bun

In accordance with the Company's articles of association, the following directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting:

Yam Hon Ming, Tommy
Yip Yu Bun
Chu Shu Ho, David

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive directors

Mr. Yam Cheong Hung, aged 74, has been the Chairman and a director of the Company since 1991. He is responsible for the strategic policy and the corporate development of the Group. He has over 50 years of experience in the printing industry.

Mr. Yum Chak Ming, Matthew, aged 45, has been the Managing Director and a director of the Company since 1991. He holds a Bachelor of Applied Science degree in Industrial Engineering and a Master of Business Administration degree in Marketing and Finance, both from the University of Toronto. He is responsible for the overall management of the Group. He has been with the Group since 1983 and is a son of Mr. Yam Cheong Hung.

Mr. Yam Ho Ming, Michael, aged 44, is a director of the Company and is responsible for the general management of the Group. He holds a Bachelor of Science degree in Printing Management from Rochester Institute of Technology, U.S.A.. He has over 10 years of experience in the printing industry both in Hong Kong and overseas. He worked for 3 years in the sales and marketing department with a paper mill in Canada before rejoining the Group in 1992. He became a director of the Company in June 1996. He is a son of Mr. Yam Cheong Hung.

Mr. Yam Hon Ming, Tommy, aged 39, was a director of the Company from 1991 to 1996. He rejoined the Group in 1999 and became a director of the Company in July 2000. He holds a Bachelor of Arts degree in Economics from York University, Canada. He is directly overlooking the Company's investment in Wuxi, China and is responsible for the general business development of the Group. He has over 5 years of experience in the sales and marketing of paper and carton boxes. He is a son of Mr. Yam Cheong Hung.

Non-executive directors

Dr. Chu Shu Ho, David, JP, aged 52, has been a director of the Company since 1991. He has over 30 years of experience in the paper packaging industry. He is the Honorary Chairman of the Hong Kong Corrugated Paper Manufacturers Association Limited and a member of the National Committee of the Chinese People's Political Consultative Conference. He is well known in the Chinese sports society. Dr. Chu is the Chairman of the Mission Hills Group and Mission Hills Golf Club.

Report of the Directors

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (continued)

Non-executive directors (continued)

Ms. Yum Pui Ming, Anna, aged 42, has been a director of the Company since 1992. She has 12 years of experience in administration and finance. She holds a diploma in secretarial and business studies from St. Godric's College, London. She is a daughter of Mr. Yam Cheong Hung.

Mr. Wong Siu Ping, aged 54, is the Deputy General Manager, Finance Department of China Resources (Holdings) Company Limited. He is an associate member of the Hong Kong Society of Accountants. He has over 15 years of experience in general and financial management of a diversified business group in Hong Kong.

Independent non-executive directors

Dr. Wu Shu Chih, Alex, CBE, LLD, JP, aged 83, has been a director of the Company since 1992. He was a former member of the Legislative Council, and former Vice Chairman of the Stock Exchange. He is presently the Chairman of Fidelity Management Ltd., Vice Chairman of Dai Nippon Printing (HK) Co., Ltd. and a non-executive director of a number of listed companies including Hong Kong Aircraft Engineering Co., Ltd., Hong Kong Ferry (Holdings) Co., Ltd., K. Wah International Holdings Ltd. and Paliburg Holdings Ltd.. Dr. Wu is also the Life Honorary President of the Hong Kong Printers Association.

Mr. Yip Yu Bun, MH, aged 76, has been a director of the Company since 1994. He is the Managing Director of The Green Pagoda Press Limited. He is the Honorary President of the Hong Kong Printers Association, the former Chairman of the Printing, Publishing & Newspaper Industries Occupational, Safety & Health Committee and the former Chairman of the Printing Industry Training Board of the Vocational Training Council. He has over 40 years of experience in the printing industry.

Senior management

Mr. Man Lim Huen, aged 69, is a director and co-founder of the Group's subsidiary, Tai Hing Paper Products Company, Limited. He is responsible for the general management of the Group's subsidiary, Hung Hing Printing (Shenzhen) Company Limited. He has over 30 years of experience in production and factory management in the corrugated carton industry. He has been with the Group since 1966.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (continued)

Senior management (continued)

Mr. Chan Siu Man, Alvin, aged 45, is the executive director of the Group's subsidiary, Hung Hing Off-Set Printing Company, Limited and is responsible for sales and marketing. He holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Toronto. He has been with the Group since 1990. He is a son-in-law of Mr. Yam Cheong Hung.

Mr. Sung Chee Keung, aged 44, is the General Manager of the Group's subsidiary, Zhongshan Hung Hing Printing & Packaging Company Limited and is responsible for its general management. He holds a Bachelor of Science degree in Printing Engineering from Rochester Institute of Technology, U.S.A.. He has 18 years of experience in the printing industry and has been with the Group since 1986.

Mr. Chan Tai Ho, aged 54, is the Deputy General Manager of the Group's subsidiary, Tai Hing Paper Products Company, Limited and is responsible for sales and marketing. He has over 30 years of experience in the corrugated carton industry and has been with the Group since 1969.

Mr. Song Zhi Yi, aged 42, is the General Manager of the Group's subsidiary, Hung Hing Printing (Shenzhen) Company Limited. He is responsible for the administration and production management of the Fu Yong plant. He holds a Bachelor's degree in Forestry from the Southern China University, the People's Republic of China. He has been with the Group since 1990.

Ms. Chong Wai Kan, Winky, aged 33, is the General Manager of the Group's subsidiary, Sun Hing Paper Company, Limited and is responsible for its general management. She has over 10 years of experience in sales and marketing in paper trading. She has been with the Group since 1992.

Mr. Tung Yu Biu, aged 54, is the Financial Controller and Company Secretary of the Company and is responsible for the financial and secretarial affairs of the Group. He is a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, he had 5 years of experience with a major international accounting firm in Hong Kong and 11 years of experience in financial management with a multinational company in Hong Kong. He has been with the Group since 1992.

Mr. Sung Wei Han, Henry, aged 70, is the Group's representative in the management of the Group's associate, Zhongshan Rengo Hung Hing Paper Manufacturing Company Limited, working in the capacity of Deputy General Manager. He is responsible for sales, finance and administration. He has over 30 years of experience in administration and general management with a shipping company in Hong Kong. He has been with the Group since 1996.

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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

Save as disclosed in note 30 to the financial statements, 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 March 2003, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Director	Notes	Number of shares held and nature of interests			
		Personal interest	Family interest	Corporate interest	Other interest
Yam Cheong Hung	(a) & (b)	—	1,246,411	265,275,681	2,000,000
Yum Chak Ming, Matthew	(a)	7,911,834	—	265,275,681	—
Yam Ho Ming, Michael	(a)	—	—	265,275,681	—
Yam Hon Ming, Tommy	(a)	—	—	265,275,681	—
Yum Pui Ming, Anna	(a)	1,150,000	877,759	265,275,681	—

Notes:

(a) Corporate interest

Yam Cheong Hung, Yum Chak Ming, Matthew, Yam Ho Ming, Michael, Yam Hon Ming, Tommy and Yum Pui Ming, Anna are beneficial shareholders of approximately 9.15%, 14.08%, 14.08%, 14.08% and 9.86%, respectively, of the issued share capital of C.H. Yam International Limited, which directly holds 88,574,532 shares of the Company and indirectly holds 176,701,149 shares of the Company through its subsidiary, Hung Tai Industrial Company Limited.

(b) Other interest

Yam Cheong Hung's spouse is a director of Oberon Worldwide Limited which holds 2,000,000 shares of the Company.

DIRECTORS' INTERESTS IN SHARES (continued)

Save as disclosed above, none of the directors and chief executives or their associates had any personal, family, corporate or other interest in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debt securities of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interest of 10% or more of the issued 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	Notes	Number of shares	Percentage of the Company's issued capital
C.H. Yam International Limited	(a)	265,275,681	46.37
Hung Tai Industrial Company Limited		176,701,149	30.89
J.P. Morgan Chase & Co.	(b)	73,444,000	12.84
The Capital Group Companies, Inc.	(c)	62,976,300	11.01

Notes:

- (a) There is a duplication of interests of 176,701,149 shares in the Company between C.H. Yam International Limited and Hung Tai Industrial Company Limited.
- (b) J.P. Morgan Chase & Co. was deemed to have a beneficial interest in 73,444,000 shares of the Company by virtue of its indirect interests in J.P. Morgan Chase Bank, J.P. Morgan Fleming Asset Management (UK) Limited, JF Asset Management Limited, JF Asset Management (Taiwan) Limited and JF International Management Inc., which holds 21,922,000, 522,000, 41,150,000, 8,500,000 and 1,350,000 shares of the Company, respectively.

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SUBSTANTIAL SHAREHOLDERS (continued)

- (c) The Capital Group Companies, Inc. was deemed to have a beneficial interest in 62,976,300 shares of the Company by virtue of its indirect interests in Capital Research and Management Company, Capital Guardian Trust Company and Capital International, Inc., which holds 45,749,000, 16,685,300 and 542,000 shares of the Company, respectively.

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.

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 of the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's articles of association.

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 comprises one non-executive director and two independent non-executive directors of the Company.

AUDITORS

The name of Charles Mar Fan & Co., one of the Company's auditors, was changed to Nexia Charles Mar Fan & Co. with effect from 1 July 2003. Ernst & Young and Nexia Charles Mar Fan & Co. retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yam Cheong Hung

Chairman

Hong Kong, 8 July 2003