

Report of the Directors

The Directors submit their report together with the audited accounts for the year ended 31 March 2004.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are trading and marketing of paper products as set out in note 28 to the accounts. The Group's customers are mainly based in Hong Kong. The Group also sells its paper products directly to customers based in the Mainland China.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 26.

The Directors have declared an interim dividend of HK 1 cent per ordinary share, totalling HK\$4,293,000, which was paid on 16 January 2004.

The Directors recommend the payment of a final dividend of HK3 cents per ordinary share, totalling HK\$12,878,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 20 to the accounts.

Donations

Charitable and other donations made by the Group during the year amounted to HK\$223,000.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 11 to the accounts.

Share Capital

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

Distributable Reserves

Distributable reserves of the Company at 31 March 2004, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK\$266,183,000 (2003: HK\$261,633,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Five Year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2,379,132	2,538,064	2,117,592	2,512,363	2,644,619
Profit attributable to shareholders	62,403	21,509	23,870	39,823*	52,781
Total assets	1,417,921	1,345,776	1,272,354	1,571,705*	1,810,687
Total liabilities	957,434	853,142	757,996	1,033,725*	1,233,502
Net assets	460,487	492,634	514,358	537,980	577,185

* The comparative figures for the year ended 31 March 2003 have been restated to reflect the adoption of Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("HKSA") which is effective for accounting periods commencing on or after 1 January 2003. The comparative figures for each of the three years ended 31 March 2002, 2001, 2000 have not been restated as the Directors are of the opinion that it would involve extra costs and time to do so.

Purchase, Sale or Redemption of Securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Share Options

At the Special General Meeting of the Company held on 26 February 2004, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the termination of the operation of the existing share option scheme (the "Old Scheme") which was approved on 8 November 1995. No share option was granted under the Old Scheme since 8 November 1995 and up to the date of the termination or was outstanding as at the date of the termination. As at 31 March 2004, no option has been granted under the New Scheme. Terms and conditions of the New Scheme are set out below.

(1) Purpose

The purpose of the New Scheme is to provide incentives to Participants (as defined below) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(2) Participants

All directors and employees of the Group and suppliers, consultants, advisors, agents, customers, service providers, contractors, any member of or any holder of any securities issued by any member of the Group or any Invested Entity.

(3) Maximum number of shares

The number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme(s) of the Company must not exceed 10% in the nominal amount of the issued share capital of the Company as at the date of adoption of the New Scheme. The maximum number of share available for issue under the New Scheme is 42,925,803 as at the date of this report.



Share Options (continued)

(4) Maximum entitlement of each Participant

The maximum number of shares issued and to be issued upon exercise of the options granted to any one Participant (including both exercised and unexercised options) in any 12-month period shall not exceed one percent of the shares in issue as at the date of grant.

(5) Time of exercise of option

An option may be exercised in accordance with the terms of the New Scheme at any time during the period to be notified by the Board to each grantee of the option at the date of grant provided that such period shall not exceed the period of ten years from the date of grant but subject to the provisions for early termination of the option as contained in the terms of the New Scheme.

(6) Exercise price

The option price per share payable on the exercise of an option is determined by the Board and shall not be less than the highest of

- a) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant;
- b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- c) the nominal value of a share on the date of grant.

(7) Remaining life of the New Scheme

The New Scheme will remain in force until 26 February 2014.



Directors

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

Executive Directors

Mr. SHAM Kit Ying (Chairman) (alias SHAM Kit)

Mr. LEE Seng Jin (Deputy Chairman)

Mr. CHOW Wing Yuen

Ms. SHAM Yee Lan, Peggy

Mr. LEE Yue Kong, Albert

Non-executive Directors

Mr. PANG Wing Kin, Patrick (note)

Mr. LAU Wang Yip, Eric (note)

Mr. YEO Choon Tat (resigned on 5 September 2003)

Note: Independent non-executive Director

Mr. CHOW Wing Yuen, Mr. LEE Yue Kong, Albert and Mr. LAU Wang Yip, Eric retire in accordance with clause 99 of the Company's Bye-laws and, being eligible, offer themselves for re-election.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years from the date of their respective contract and each of such service contracts will continue thereafter until terminated by either party concerned with not less than three month's notice in writing.

Apart from the above, none of the Directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than under statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, its holding company or its subsidiaries was a party and in which a Director of the Company 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 Directors and Senior Management

Brief biographical details of the directors and senior management of the Group are set out as follows:

Executive Directors

Mr. SHAM Kit Ying (alias SHAM Kit), aged 78, is the founder and Chairman of the Group. Mr. Sham is responsible for the Group's corporate vision and corporate development. He has over 45 years of experience in the paper distribution industry in Hong Kong.

Mr. LEE Seng Jin, aged 47, is the Deputy Chairman and Chief Executive Officer of the Group. Mr. Lee is responsible for the formulation of the Group's corporate strategies and development. He joined the Group in 1997. He is the husband of Ms. Sham Yee Lan, Peggy and the son-in-law of Mr. Sham Kit Ying.

Mr. CHOW Wing Yuen, aged 45, is the Chief Operating Officer of the Group. Mr. Chow joined the Group in 1978 and is responsible for the overall management of the Group's operation in Hong Kong and Mainland China. Mr. Chow has over 26 years of experience in the paper distribution industry in Hong Kong.

Ms. SHAM Yee Lan, Peggy, aged 38, is a Director of the Group. Ms. Sham joined the Group in 1989 and is responsible for the Group's overall credit administrative management. Ms. Sham is the wife of Mr. Lee Seng Jin and a daughter of Mr. Sham Kit Ying.

Mr. LEE Yue Kong, Albert, aged 48, is the Chief Financial Officer of the Group and the Company Secretary of the Company. Mr. Lee is responsible for the Group's financial and accounting management. He has over 21 years of experience in finance, auditing and accounting fields. Prior to joining the Group in June 1997, Mr. Lee was an independent non-executive Director of the Company. He is an associate member of the Institute of Chartered Accountants in Australia and the Hong Kong Society of Accountants.



Biographical Details of Directors and Senior Management (continued)

Independent Non-executive Directors

Mr. PANG Wing Kin, Patrick, aged 48, is a qualified accountant and has over 21 years of working experience in the auditing, finance and general management areas. Mr. Pang was appointed independent non-executive Director of the Company in 1995 and is currently the Finance Manager of an international corporation. He is a member of the Australian Society of Certified Practising Accountants, the Hong Kong Society of Accountants and the Institute of Internal Auditors of the United Kingdom.

Mr. LAU Wang Yip, Eric, aged 37, is a solicitor practising in Hong Kong. He was appointed independent non-executive Director of the Company in 1997 and is currently a partner of a local law firm. Mr. Lau holds a Bachelor's degree in Laws and has been admitted as a solicitor in England and Wales. He has also been admitted as a legal practitioner in Tasmania, Australia.

Senior Management

Mr. CHU Wai Kwong, aged 47, is a Sales Director, Southern China of Samson Paper (China) Company Limited. Mr. Chu joined the Group in 1976. Mr. Chu has over 18 years of sales experience in the paper distribution industry and is responsible for the purchases of packaging boards and overseeing the general operations in Southern China.

Mr. HOI Tin On, Joseph, aged 42, is the General Manager of Samson Paper Company Limited. He joined the Group in 1990. He has over 18 years of working experience in the paper distribution industry.

Mr. CHAN Kwok Keung, aged 44, is a Sales Director, Northern China of Samson Paper (China) Company Limited. Mr. Chan joined the Group in 1990 and has over 17 years of working experience in the paper distribution industry and is responsible for the purchases of printing paper and overseeing the general operations in Northern China.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 March 2004, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) Long Position in Ordinary Shares of HK\$0.10 each in the Company

	Number of ordinary shares beneficially held				Total	Percentage
	Personal interest	Corporate interest	Family interest	Other interest		
Mr. LEE Seng Jin	11,624,000	–	–	268,340,000 (note 1)	279,964,000	65.22%
Ms. SHAM Yee Lan, Peggy	572,556	–	–	284,480,000 (notes 1 and 2)	285,052,556	66.41%
Mr. CHOW Wing Yuen	540,000	–	–	–	540,000	0.13%

Notes:

- (1) Of the 284,480,000 shares, 268,340,000 shares were held by Quinselle Holdings Limited, acting in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust. The objects of the family trust include Mr. Lee Seng Jin and Ms. Sham Yee Lan, Peggy.
- (2) Of the 284,480,000 shares, 16,140,000 shares were held by Cashstar Investments Limited, acting in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust. The objects of the family trust include Ms. Sham Yee Lan, Peggy.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation (continued)

Save as disclosed above, as at 31 March 2004, none of the Directors and chief executives had any interests or short positions in the shares or underlying shares or debentures of, or had been granted, or exercised any rights to subscribe for shares (or warrants or debentures, if applicable) of, the Company and any of its associated corporations (within the meaning of Part XV of the SFO) 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 which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

- (b) Other than those interests disclosed above, the Directors and chief executives also hold shares of certain subsidiaries solely for the purpose of ensuring that the relevant subsidiary has more than one member:

At no time during the year was the Company, its holding company, its subsidiaries or its associated companies a party to any arrangement to enable any Director or chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company and its associated corporations as defined in the SFO.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company

At 31 March 2004, the interests and short positions of the shareholders other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register which were required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position in Ordinary Shares of HK\$0.10 each in the Company

Name of shareholder	Number of ordinary shares	Percentage
Quinselle Holdings Limited	268,340,000	62.51%
HSBC International Trustee Limited (note)	284,480,000	66.27%

Note:

Of the 284,480,000 shares, 268,340,000 shares are held by Quinselle Holdings Limited and 16,140,000 shares are held by Cashstar Investments Limited.

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company (continued)

Quinselle Holdings Limited holds the 268,340,000 shares in its capacity as trustee of a private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of a family trust holds the majority units in the private unit trust.

Cashstar Investments Limited holds the 16,140,000 shares in its capacity as trustee of another private unit trust. HSBC International Trustee Limited, acting in its capacity as trustee of another family trust holds the majority units in the private unit trust.

Save as disclosed above, the register which was required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 March 2004.

Management Contracts

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

Major Customers and Suppliers

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases

– the largest supplier	12%
– five largest suppliers combined	39%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers.

During the year, the Group sold less than 30% of its goods and services to its five largest customers and therefore no additional disclosure with regard to major customers is made.



Compliance with the Code of Best Practice of the Listing Rules

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not during the year, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that the independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.



Audit Committee

The audit committee of the Company (the "Committee") comprises two independent non-executive directors of the Company, namely Mr. Pang Wing Kin, Patrick and Mr. Lau Wang Yip, Eric. The principal activities of the Committee include the review and supervision of the Group's financial reporting process and internal controls. During the year, the Committee has met twice to review with senior management of the Company and the Company's external auditors the interim and annual financial statements before recommending them to the Board for approval.



Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment

On behalf of the Board

SHAM Kit Ying
Chairman

Hong Kong, 19 July 2004