

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services.

The principal activities of the subsidiaries comprise the manufacture and sale of plastic injection moulding machines and related products. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity is not provided because profit from operating activities was derived predominantly from the manufacture and sale of plastic injection moulding machines and related products.

An analysis of the Group's turnover and contribution to profit from operating activities by geographical area of principal markets for the years ended 31 March 2001 and 2000 is as follows:

	<i>Turnover</i>		<i>Contribution to profit from operating activities</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China	571,181	447,822	101,450	71,188
Hong Kong SAR	236,151	203,342	27,469	18,536
Taiwan	286,282	293,962	54,375	16,397
Other Asian Countries	66,904	48,413	8,522	3,993
The Middle East and Africa	35,361	55,056	4,505	4,259
Others	43,395	53,601	5,169	4,580
	<u>1,239,274</u>	<u>1,102,196</u>	201,490	118,953
Finance costs			(12,186)	(5,867)
Share of profits of a jointly-controlled entity and associates			7,322	2,855
Profit before tax			<u>196,626</u>	<u>115,941</u>

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 33 to 64.

An interim dividend of HK\$0.04 per ordinary share was paid on 31 January 2001. The directors recommend the payment of a final dividend of HK\$0.06 per ordinary share, which, together with the interim dividend paid, makes a total dividend of HK\$0.10 per ordinary share in respect of the year, to shareholders on the register of members on 31 August 2001. This recommendation has been incorporated in the financial statements.

FIVE YEAR FINANCIAL SUMMARY

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 respective audited financial statements, is set out on page 69.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group are set out in note 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements and on pages 65 to 68.

JOINTLY-CONTROLLED ENTITY AND ASSOCIATES

Particulars of the Group's interests in a jointly-controlled entity and associates are set out in notes 15 and 16 to the financial statements, respectively.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in note 23 to the financial statements.

INTEREST CAPITALISED

Interest of approximately HK\$1,746,000 (2000: HK\$1,115,000) was capitalised during the year in respect of the Group's leasehold land and buildings.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and its share option scheme are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION 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 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$198,667,000. In addition, the Company's share premium and capital redemption reserve, in the amount of HK\$477,050,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$1,416,000 (2000: HK\$440,000).

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers of the Group accounted for less than 30% of the total Group turnover for the current year.

The purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the total Group purchases for the current year.

DIRECTORS

The directors of the Company during the year and at the balance sheet date were:

Executive directors:

Chen CHIANG, OBE

(Chairman and Chief Executive Officer)

Lai Yuen CHIANG

(Appointed on 1 September 2000)

(Deputy Chief Executive Officer)

Lily CHIANG

(Resigned on 1 September 2000)

Kwok Ping PAU

(Resigned on 20 October 2000)

Non-executive directors:

Ann Lai Wan CHIANG +

Selwyn MAR* +

Heinrich WEISS

Steven Ng Sheong CHEUNG* +

(Appointed on 1 April 2000)

Hans Georg Ludwig MENGES* +

(Resigned on 1 April 2000)

* Independent non-executive directors

+ Members of Audit Committee

In accordance with article 189(viii) of the Company's bye-laws, Ms. Ann Lai Wan CHIANG and Mr. Heinrich WEISS will retire by rotation. Ms. Ann Lai Wan CHIANG, being eligible, will offer herself for re-election at the forthcoming annual general meeting. However, Mr. Heinrich WEISS had informed the Company that he would not offer himself for re-election due to other increasing business commitments.

In accordance with article 100 of the Company's bye-laws, Ms. Lai Yuen CHIANG will retire and, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group as at the date of this report are set out on pages 15 to 18.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the directors and of the five highest paid employees in the Group are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting have 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

Other than disclosed in note 30 to the financial statements, no director had a material beneficial interest in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2001, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Director	Corporate interests
Heinrich WEISS	38,040,380

Note: Mr. Heinrich WEISS is deemed to be interested in 38,040,380 shares of the Company held by Battenfeld Capital Corporation, in which he has a controlling interest.

The beneficial personal interests of the directors, chief executives and their associates in Chen Hsong Investments Limited (“CH Investments”), the immediate holding company of the Company, at 31 March 2001 are set out below:

<i>Director</i>	<i>Number of shares held</i>	<i>Percentage of shareholding</i>
Kwok Ping PAU ⁺	3,862,000	4.9
Lily CHIANG [*]	1,217,000	1.6
Ann Lai Wan CHIANG	1,217,000	1.6
Lai Yuen CHIANG	1,216,000	1.6

⁺ Resigned on 20 October 2000

^{*} Resigned on 1 September 2000

At 31 March 2001, CH Investments held 410,001,620 shares, which represented approximately a 67.35% equity interest in the Company, and all of the non-voting deferred shares of the subsidiaries set out on pages 65 to 68.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests 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

During the year, an option to subscribe for 1,000,000 shares of the Company was granted to Ms. Lai Yuen CHIANG, an executive director of the Company, at the subscription price of HK\$1.008 per share pursuant to the terms of the share option scheme adopted by the Company on 30 August 1996. The option shall be exercisable during the period from 10 July 2002 to 9 January 2006 (both days inclusive). The option remained outstanding as at 31 March 2001. Details of the share option scheme are set out in note 25 to the financial statements.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, the only persons recorded in the register required to be kept under Section 16(1) of the SDI Ordinance as having interests in 10% or more of the share capital of the Company were CH Investments and Cititrust (Bahamas) Limited, which were both interested in the same parcel of 410,001,620 shares, representing approximately a 67.35% equity interest in the Company.

Cititrust (Bahamas) Limited owns an aggregate of approximately 84.42% of the issued share capital of CH Investments in its capacity as the trustee of The Chiangs' Industrial Foundation and The Chiangs' Family Foundation.

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.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.

AUDIT COMMITTEE

In compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, the Audit Committee of the Company was established in November 1998 with reference to "The Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. Members of the Audit Committee currently comprise two independent non-executive directors, namely Mr. Selwyn MAR and Prof. Steven Ng Sheong CHEUNG, and a non-executive director, Ms. Ann Lai Wan CHIANG. Two meetings of the Audit Committee were held during the year, during which the interim report and annual financial statements of the Group for the financial year were reviewed and discussed prior to recommending them to the board of directors of the Company for approval.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the financial year covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDITORS

Ernst & Young 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

Chen CHIANG

Chairman

Hong Kong, 17 July 2001