



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 2001.

Principal activities

The Group's principal activities have not changed during the year and consisted of the manufacturing and trading of plastic products. The principal activity of the Company is investment holding.

Segmental information

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover		Contribution to loss from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Manufacture and sale of:				
PVC sheets	296,417	417,091	(262,557)	(10,878)
PVC floor coverings	50,159	94,012	(4,536)	(8,279)
PVC raw materials	–	12,016	–	(67,962)
	346,576	523,119	(267,093)	(87,119)
By geographical area:				
People's Republic of China:				
Hong Kong, SAR	241,583	317,126	(72,207)	(73,394)
Elsewhere	104,993	205,993	(194,886)	(13,725)
	346,576	523,119	(267,093)	(87,119)



Report of the Directors (cont'd)

Results and dividends

The Group's loss 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 27 to 71.

The directors do not recommend the payment of any dividend in respect of the year.

Summary financial information

The following is a summary of the published results and of the assets and liabilities of the Group for the last five financial years:

Results

	Year ended 31 March				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	346,576	523,119	1,152,964	1,326,504	1,210,993
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(267,093)	(87,119)	(67,721)	61,628	124,769
Finance costs	(27,968)	(32,659)	(43,571)	(35,659)	(33,111)
Share of profits less losses of jointly-controlled entities	(129)	(131)	(202)	189	(411)
PROFIT/(LOSS) BEFORE TAX	(295,190)	(119,909)	(111,494)	26,158	91,247
Tax	(9,099)	88	(2,551)	(3,615)	(10,071)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(304,289)	(119,821)	(114,045)	22,543	81,176
Minority interests	(84)	(583)	–	–	(9)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	(304,373)	(120,404)	(114,045)	22,543	81,167



Report of the Directors (cont'd)

Assets and Liabilities

	31 March				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FIXED ASSETS	205,900	350,832	356,129	426,444	348,114
INVESTMENT					
PROPERTIES	19,040	26,000	26,765	33,300	41,900
INTERESTS IN					
JOINTLY-					
CONTROLLED					
ENTITIES	19,025	26,081	47,556	3,290	18,752
LONG TERM					
INVESTMENTS	3,400	9,689	20,444	10,350	-
PREPAID RENTALS	13,244	-	-	-	-
DEFERRED					
PRE-OPERATING					
EXPENSES	-	-	703	1,578	2,473
CURRENT ASSETS	111,869	222,198	409,515	556,379	560,699
TOTAL ASSETS	372,478	634,800	861,112	1,031,341	971,938
CURRENT LIABILITIES	(315,100)	(286,667)	(392,700)	(523,949)	(502,196)
LONG TERM PORTION					
OF FINANCE LEASE					
AND HIRE PURCHASE					
CONTRACT PAYABLES	-	(7,356)	(16,660)	(13,509)	(10,164)
LONG TERM BANK					
LOANS AND OTHER					
BORROWINGS	(20,202)	(75,433)	(90,654)	(31,050)	(81,989)
TOTAL LIABILITIES	(335,302)	(369,456)	(500,014)	(568,508)	(594,349)
MINORITY INTERESTS	(15,985)	(17,332)	(32,972)	(53,755)	(55,239)
NET ASSETS	21,191	248,012	328,126	409,078	322,350



Report of the Directors (cont'd)

Fixed assets and investment properties

Details of movements in the fixed assets and the investment properties of the Group are set out in notes 11 and 12 to the financial statements, respectively.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 13 to the financial statements.

Jointly-controlled entities

Particulars of the Group's interests in its jointly-controlled entities are set out in note 14 to the financial statements.

Bank loans, overdrafts and other borrowings

Details of the bank loans, overdrafts and other borrowings of the Group are set out in notes 21 and 22 to the financial statements.

Interest capitalised

Interest of approximately HK\$751,000 (2000: Nil) was capitalised during the year in respect of the Group's construction of plant and production line.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 24 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, sales 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.



Report of the Directors (cont'd)

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 25 to the financial statements.

Distributable reserves

At 31 March 2001, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of HK\$159,393,000 is currently not available for distribution. The Company's share premium account, in the amount of HK\$131,062,000, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

33% of the Group's turnover was attributable to the Group's five largest customers. Sales to the Group's largest customer accounted for 10% of the Group's turnover for the year.

40% of the Group's total purchases was attributable to the Group's five largest suppliers. Purchases from the Group's largest supplier accounted for 23% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders, which to the knowledge of the directors own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and/or five largest suppliers.



Report of the Directors (cont'd)

Directors

The directors and the alternate director of the Company during the year were:

Executive directors

Tang Kuan Chien

Yiu Wing Ngok, Steve

Wong Chak Ming, William

Hui Lap Chun

Chan Ying Kay, Keith

Wong Lap Wai

(appointed on 15 January 2001, as alternate director to Wong Chak Ming, William)

Independent non-executive directors

Wong Man Shi

Tsui Che Yin, Frank

In accordance with clause 87 of the Company's bye-laws, Mr. Yiu Wing Ngok, Steve and Mr. Tsui Che Yin, Frank will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 other than statutory compensation.

Directors' interests in contracts

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.



Report of the Directors (cont'd)

Directors' interests in shares

At 31 March 2001, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Director	Notes	Number of ordinary shares held and nature of interest	
		Personal	Corporate
Tang Kuan Chien	(a)	3,598,000	235,065,000
Wong Chak Ming, William	(b)	–	48,300,000
Hui Lap Chun	(b)	–	48,300,000
Yiu Wing Ngok, Steve		30,000,000	–

(a) *The corporate interest shares are held by Bestway Development Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Tang Kuan Chien.*

(b) *These shares are held by Zurich Inc., a company incorporated in the British Virgin Islands and beneficially owned as to 65% by Mr. Wong Chak Ming, William and 35% by Mr. Hui Lap Chun.*

Save as disclosed above, none of the directors, or their respective spouse, or children under 18 years of age had any personal, family, corporate or other interest in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.



Report of the Directors (cont'd)

Directors' rights to acquire shares

Pursuant to the Company's share option scheme approved on 13 September 1995, the board of directors may, on or before 12 September 2005, grant options to employees and executive directors of the Company or any of its subsidiaries to subscribe for shares in the Company. The subscription price is the higher of 80% of the average of the closing share price on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. The maximum number of shares which can be granted under the scheme may not exceed 10% of the issued share capital of the Company from time to time. Under the scheme, options granted to the following directors which remained outstanding at 31 March 2001 were as follows:

Name of director	Number of share options at 31 March 2000	Lapsed during the year	Number of share options outstanding at end of year	Exercise period of share options	Exercise price of share options HK\$
Tang Kuan Chien	7,500,000 6,000,000 10,000,000	7,500,000 6,000,000 –	– – 10,000,000	– – 27-2-00 to 26-2-03	– – 0.1
Yiu Wing Ngok, Steve	7,500,000 6,000,000 10,000,000	7,500,000 6,000,000 –	– – 10,000,000	– – 27-2-00 to 26-2-03	– – 0.1
Wong Chak Ming, William	7,500,000 6,000,000	7,500,000 6,000,000	– –	– –	– –
Hui Lap Chun	7,500,000 6,000,000	7,500,000 6,000,000	– –	– –	– –
Chan Ying Kay, Keith	6,000,000 10,000,000	6,000,000 –	– 10,000,000	– 27-2-00 to 26-2-03	– 0.1
	90,000,000	60,000,000	30,000,000		



Report of the Directors (cont'd)

Further details of the Company's share option scheme are set out in note 24 to the financial statements. No options have been exercised since their date of grant.

Apart from the foregoing, 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 or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

At 31 March 2001, the following interest of 10% or more of the issued share capital of the Company was recorded in the register of interests that was required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Shareholder	Number of ordinary shares held	Percentage
Bestway Development Limited	235,065,000	16.49%

This interest is also included as a corporate interest of Mr. Tang Kuan Chien, as disclosed under "Directors' interests in shares" above.

Save as disclosed above, no persons, 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.

Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 29 to the financial statements.

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 3 and 5 to the financial statements, respectively.



Report of the Directors (cont'd)

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the accounting year covered by the annual report.

Independent non-executive directors of the Company are not appointed for specific terms because all of the directors, without limitation to independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best of Practice throughout the accounting year covered by the annual report, for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Committee comprises two independent non-executive directors and meets at least twice annually to perform its duties.

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

Tang Kuan Chien
Chairman

Hong Kong
14 September 2001