

## 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 2002.

### Principal activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consisted of the manufacturing and trading of plastic products. There were no significant changes in the nature of the Group's principal activities during the year.

### Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 6 to the financial statements.

### Results

The Group's loss for the year ended 31 March 2002 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 77.

## Report of the Directors (cont'd)

### Summary financial information

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

#### Results

	Year ended 31 March				
	2002 HK\$'000	2001 HK\$'000 (Restated)	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
TURNOVER	<b>267,752</b>	346,576	523,119	1,152,964	1,326,504
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	<b>(65,795)</b>	(282,804)	(87,119)	(67,721)	61,628
Finance costs	<b>(30,188)</b>	(27,968)	(32,659)	(43,571)	(35,659)
Share of profits less losses of jointly-controlled entities	<b>(237)</b>	(129)	(131)	(202)	189
PROFIT/(LOSS) BEFORE TAX	<b>(96,220)</b>	(310,901)	(119,909)	(111,494)	26,158
Tax	-	(9,099)	88	(2,551)	(3,615)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<b>(96,220)</b>	(320,000)	(119,821)	(114,045)	22,543
Minority interests	<b>13</b>	(84)	(583)	-	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<b>(96,207)</b>	(320,084)	(120,404)	(114,045)	22,543

## Report of the Directors (cont'd)

### ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 March				
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000
Fixed assets	<b>170,607</b>	205,900	350,832	356,129	426,444
Investment properties	<b>2,180</b>	19,040	26,000	26,765	33,300
Interests in jointly-controlled entities	<b>10,848</b>	18,052	26,081	47,556	3,290
Long term investments	<b>3,150</b>	3,400	9,689	20,444	10,350
Prepaid rentals	<b>10,849</b>	13,244	-	-	-
Deferred pre-operating expenses	-	-	-	703	1,578
Current assets	<b>85,903</b>	112,842	222,198	409,515	556,379
<b>Total assets</b>	<b>283,537</b>	372,478	634,800	861,112	1,031,341
Current liabilities	<b>(311,980)</b>	(315,100)	(286,667)	(392,700)	(523,949)
Long term portion of finance lease payables	<b>(3,683)</b>	-	(7,356)	(16,660)	(13,509)
Long term bank and other borrowings	<b>(28,996)</b>	(20,202)	(75,433)	(90,654)	(31,050)
<b>Total liabilities</b>	<b>(344,659)</b>	(335,302)	(369,456)	(500,014)	(568,508)
Minority interests	<b>(14,505)</b>	(15,985)	(17,332)	(32,972)	(53,755)
	<b>(75,627)</b>	21,191	248,012	328,126	409,078

### Fixed assets and investment properties

Details of movements in the fixed assets and the investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

### 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 27 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.

## Report of the Directors (cont'd)

### 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 28 to the financial statements.

### Distributable reserves

At 31 March 2002, 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

48% of the Group's turnover for the year was attributable to the Group's five largest customers. Sales to the Group's largest customer accounted for 24% of the Group's turnover for the year.

56% of the Group's purchases for the year were attributable to the Group's five largest suppliers. Purchases from the Group's largest supplier accounted for 30% 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.

### Directors

The directors of the Company during the year were:

#### Executive directors:

Tang Kuan Chien

Wong Chak Ming, William

Chan Ying Kay, Keith

Wong Lap Wai

(alternate director to Wong Chak Ming, William)

Chang Bin Lin

(appointed on 10 January 2002)

Hui Lap Chun

(resigned on 7 January 2002)

Yiu Wing Ngok, Steve

(resigned on 31 March 2002)

## Report of the Directors (cont'd)

### Independent non-executive directors:

Tsui Che Yin, Frank

Hung, Shean-I

Wong Man Shi

(appointed on 26 September 2001)

(resigned on 1 October 2001)

Subsequent to the balance sheet date, on 2 July 2002, Wong Chak Ming, William resigned as a director of the Company, and Wong Lap Wai ceased to be the alternate director to Wong Chak Ming, William.

In accordance with clauses 86 (2) and 87 of Company's bye-laws, Chang Bin Lin and Tsui Che Yin, Frank will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

### Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 12 of the Annual Report.

### 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

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 2002, 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 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

## Report of the Directors (cont'd)

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

*Notes:*

- (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.

Save as disclosed above, none of the directors 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 or debentures

Save as disclosed under the heading "Share option scheme" below, 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 directors 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.

### Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the executive directors of the Company and any of its subsidiaries, and other employees of the Group. The Scheme became effective on 13 September 1995 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2002, the number of shares issuable under share options granted under the Scheme was 38,200,000, which represented approximately 2.7% of the Company's shares in issue as at that date.

No option may be granted to any eligible participant which, if exercised in full, would result in such eligible participant being entitled to subscribe for such number of the shares of the Company as, when aggregated with the total number of the Company's shares already issued and issuable to him/her under the Scheme, would exceed 25% of the aggregate number of the Company's shares in issue and issuable under the Scheme.

An option may not be transferred, charged, mortgaged or assigned and is personal to the grantee.

## Report of the Directors (cont'd)

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and in any event not later than three years commencing on the expiry of six months after the date on which the share options are accepted or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "HKSE") for the five trading days immediately preceding the date of the offer of the option; and (ii) the nominal value of the shares.

The following share options were outstanding under the Scheme during the year:

Name or category of participants	Number of share options			Date of grant**	Exercise period of share options	Exercise price of share options *** HK\$	Share price of the Company at grant date **** HK\$
	At 1 April 2001	Cancelled during the year	At 31 March 2002				
<b>Executive directors</b>							
Tang Kuan Chien	10,000,000	-	10,000,000	27 August 1999	27 February 2000 to 26 February 2003	0.10	0.105
Chan Ying Kay, Keith	10,000,000	-	10,000,000	27 August 1999	27 February 2000 to 26 February 2003	0.10	0.105
Chang Bin Lin*	18,200,000	-	18,200,000	29 September 1999	29 March 2000 to 28 March 2003	0.10	0.119
Yiu Wing Ngok, Steve (resigned)	10,000,000	(10,000,000)	-	27 August 1999	27 February 2000 to 26 February 2003	0.10	0.105
	48,200,000	(10,000,000)	38,200,000				
<b>Other employees</b>							
In aggregate	400,000	(400,000)	-	27 August 1999	27 February 2000 to 26 February 2003	0.10	0.105
	48,600,000	(10,400,000)	38,200,000				

## Report of the Directors (cont'd)

- \* The share options granted to Mr. Chang Bin Lin were reclassified from the "Other employees" category to "Executive directors" pursuant to his appointment as a director of the Company during the year.
- \*\* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- \*\*\* The exercise price of the share options is subjected to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the HKSE closing price on the trading day immediately prior to the date of the grant of the options.

Summary details of the Company's share option scheme are also set out in note 27 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

### Substantial shareholders

At 31 March 2002, 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 of the Company's share capital
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 the heading "Directors' interests in shares" above.

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.

### Post balance sheet events

Details of the significant post balance sheet events of the Group are set out in note 33 to the financial statements.



## Report of the Directors (cont'd)

### Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the HKSE throughout the accounting year 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 bye-laws.

### Audit committee

The Company has established an audit committee in accordance with the requirements under paragraph 14 of the Code, for the purpose of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises the 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

11 July 2002