

## REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2004.

### 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.

### RESULTS

The Group's loss for the year ended 31 March 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 21 to 60.

### 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				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
TURNOVER	<b>283,601</b>	313,820	267,752	346,576	523,119
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	<b>(711)</b>	27,004	(65,795)	(282,804)	(87,119)
Finance costs	<b>(8,726)</b>	(18,179)	(30,188)	(27,968)	(32,659)
Share of profits and losses of jointly-controlled entities	<b>78</b>	2,070	(237)	(129)	(131)
PROFIT/(LOSS) BEFORE TAX	<b>(9,359)</b>	10,895	(96,220)	(310,901)	(119,909)
Tax	<b>2,440</b>	(248)	-	(9,099)	88
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<b>(6,919)</b>	10,647	(96,220)	(320,000)	(119,821)
Minority interests	<b>(43)</b>	(8)	13	(84)	(583)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<b>(6,962)</b>	10,639	(96,207)	(320,084)	(120,404)

## REPORT OF THE DIRECTORS

**SUMMARY FINANCIAL INFORMATION****Assets, liabilities and minority interests**

	<b>2004</b>	<b>31 March</b>			
		2003	2002	2001	2000
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	<b>140,434</b>	159,088	170,607	205,900	350,832
Investment properties	<b>-</b>	-	2,180	19,040	26,000
Interests in jointly-controlled entities	<b>15,272</b>	15,112	10,848	18,052	26,081
Long term investments	<b>3,150</b>	3,150	3,150	3,400	9,689
Prepaid rentals	<b>6,410</b>	8,606	10,849	13,244	-
Current assets	<b>91,687</b>	97,498	85,903	112,842	222,198
<b>Total assets</b>	<b>256,953</b>	283,454	283,537	372,478	634,800
Current liabilities	<b>(118,316)</b>	(132,203)	(311,980)	(315,100)	(286,667)
Long term portion of bank and other borrowings	<b>(70,934)</b>	(75,433)	(28,996)	(20,202)	(75,433)
Long term portion of finance lease payables	<b>(1,345)</b>	(2,694)	(3,683)	-	(7,356)
Convertible bonds	<b>(90,415)</b>	(90,415)	-	-	-
<b>Total liabilities</b>	<b>(281,010)</b>	(300,745)	(344,659)	(335,302)	(369,456)
Minority interests	<b>(11,984)</b>	(13,216)	(14,505)	(15,985)	(17,332)
	<b>(36,041)</b>	(30,507)	(75,627)	21,191	248,012

# REPORT OF THE DIRECTORS

## **FIXED ASSETS**

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

There were no movements in either the Company's authorised or issued share capital during the year. Details of the share option scheme of the Company are set out in note 29 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, 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 of the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

At 31 March 2004, 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\$146,585,000, may be distributed in the form of fully paid bonus shares.

## **MAJOR CUSTOMERS AND SUPPLIERS**

In the year under review, sales to the Group's five largest customers accounted for 38% of the total sales for the year and sales to the largest customer included therein amounted to 14%. Purchases from the Group's five largest suppliers accounted for 47% of the total purchases for the year and purchases from the largest supplier included therein amounted to 26%.

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) had any beneficial interest in the Group's five largest customers and/or five largest suppliers.

## REPORT OF THE DIRECTORS

### DIRECTORS

The directors of the Company during the year were:

*Executive directors:*

Tang Kuan Chien

Chang Bin Lin

Wong Chi Chung

*Independent non-executive directors:*

Hung, Shean-I

Wong Nai Ping

(appointed on 2 March 2004)

Tsui Che Yin, Frank

(resigned on 1 March 2004)

In accordance with clauses 86(2) and 87 of the Company's bye-laws, Mr. Chang Bin Lin and Mr. Wong Nai Ping 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 9 to 11 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, either directly or indirectly, 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

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 March 2004, the interests of the directors in the share capital of the Company or 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies, were as follows:

#### Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Tang Kuan Chien	3,598,000	788,135,092*	791,733,092	27.77
Wong Nai Ping	5,182,000	-	5,182,000	0.18

\* The corporate interest shares are held as to 265,965,000 by Bestway Development Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Tang Kuan Chien, and as to 522,170,092 shares by Best Online Limited, a company incorporated in the British Virgin Islands and wholly-owned by Ms. Wang Ya Chin, the spouse of Mr. Tang.

In addition to the above, Mr. Tang Kuan Chien has non-beneficial personal equity interests in certain subsidiaries held in trust for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to 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.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 minor children, 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.

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS

At 31 March 2004, the following interests of 5% 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 336 of the SFO:

Name	<i>Notes</i>	Number of ordinary shares held	Percentage of the Company's issued share capital
Ms. Wang Ya Chin	(a)	791,733,092	27.77
Best Online Limited	(b)	522,170,092	18.31
Bestway Development Limited	(b)	265,965,000	9.33
HSBC Holdings Plc	(c)	383,016,645	13.43
Mr. Tseng An-Wen		219,289,091	7.69
Standard Chartered Bank		200,751,380	7.04
Mr. Lee Eng Chhong		152,984,644	5.37

*Notes:*

- (a) The interests of Ms. Wang Ya Chin include the 522,170,092 shares held by Best Online Limited, and the personal and corporate interests of Mr. Tang Kuan Chien as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.
- (b) These interests are also included as a corporate interest of Mr. Tang Kuan Chien as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above.
- (c) The interests of HSBC Holdings plc are held via its chain of wholly-owned subsidiaries namely HSBC Finance (Netherlands), HSBC Holdings BV, HSBC Asia Holdings (UK), HSBC Asia Holdings BV and The Hongkong and Shanghai Banking Corporation Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares, underlying shares or debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 35 to the financial statements.

### 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 bye-laws.

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### **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 the two independent non-executive directors of the Company, 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

28 July 2004