

DIRECTORS' REPORT

The directors (the "Directors") of Warderly International Holdings Limited (the "Company") present their annual report and the audited financial statements of the Company together with its subsidiaries (the "Group") for the year ended 30th April 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 32 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th April 2004 are set out in the consolidated income statement on page 18.

An interim dividend of HK1.2 cents per share amounting to HK\$5,064,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK4 cents per share to the shareholders whose names appear on the register of members on 23rd September 2004, amounting to HK\$16,880,000, and the retention of the remaining profit for the year of HK\$51,003,000. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the proposed final dividend will be payable on 7th October 2004.

DISTRIBUTABLE RESERVES

At 30th April 2004, the Company's reserves available for cash distribution amounted to HK\$201,486,000. Under the Companies Law (2003 Revision) of the Cayman Islands, the share premium account and the contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

During the year, the construction in progress amounting to HK\$38,888,000 was completed and reclassified to moulds and leasehold land and buildings.

The Group continued its plant replacement policy and expended HK\$8,326,000 on new plant, machinery and equipment during the year.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 21 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' REPORT**MAJOR CUSTOMERS AND SUPPLIERS**

Since the Group has a wide customer base, the aggregate sales attributable to the Group's five largest customers were less than 15% of the Group's total turnover for the year.

The Group's five largest suppliers together accounted for 53% of the total purchases for the year. The largest supplier accounted for 19% of the total purchases for the year.

At no time during the year did a director, an associate of a director or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers.

DIRECTORS

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

Executive directors:

Yeung Kui Wong (*Chairman*)
Hung Kwok Wa
Lai Wing Chuen

Non-executive directors:

Paul Steven Wolansky	(appointed on 23rd December 2003)
Leung Ping Chung, Hermann	(appointed on 23rd December 2003 as an alternate to Paul Steven Wolansky)

Independent non-executive directors:

Luo Ben Jin
Lau Tai Chim

In accordance with the provisions of the Company's Articles of Association, Lai Wing Chuen retires by rotation and, being eligible, offers himself for re-election.

Paul Steven Wolansky who was appointed during the year by the Directors retires in accordance with the Articles of Association, being eligible, offers himself for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES

At 30th April 2004, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions:

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeung Kui Wong	Held by controlled corporation	199,800,000 (<i>note 1</i>)	47.35%
Yeung Kui Wong	Held by controlled corporation	30,250,000 (<i>note 2</i>)	7.17%
		230,050,000	54.52%
Hung Kwok Wa	Held by controlled corporation	15,000,000 (<i>note 3</i>)	3.55%

Notes:

- (1) The ordinary shares of the Company are held in the name of Imperial Profit Enterprises Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yeung Kui Wong. Under the SFO, Mr. Yeung Kui Wong is deemed to be interested in all the shares registered in the name of Imperial Profit Enterprises Limited.
- (2) The ordinary shares of the Company are held in the name of Primer Capital Investments Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yeung Kui Wong. Under the SFO, Mr. Yeung Kui Wong is deemed to be interested in all the shares registered in the name of Primer Capital Investments Limited.
- (3) The ordinary shares of the Company are held in the name of Top Network Profits Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Hung Kwok Wa. Under the SFO, Mr. Hung Kwok Wa is deemed to be interested in all the shares registered in the name of Top Network Profits Limited.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations as at 30th April 2004.

SHARE OPTION

Particulars of the Company's share option scheme are set out in note 23 to the financial statements.

No option has been granted under the Company's share option scheme since its adoption.

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ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme disclosed in the section "Share Option" above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, any of 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th April 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of shareholders	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Imperial Profit Enterprises Limited	Beneficial owner	199,800,000	47.35%
Primer Capital Investments Limited	Beneficial owner	30,250,000	7.17%
The Cathay Investment Fund, Limited	Beneficial owner	42,200,000	10.00%
New China Management Corp.	Others (<i>Note</i>)	42,200,000	10.00%

Note: New China Managements Corp. is the investment manager of The Cathay Investment Fund, Limited and is deemed to be interested in the same 42,200,000 shares under the SFO.

Subsequent to the year end date, The Cathay Investment Fund, Limited had acquired further shares of the Company from the Stock Exchange and as at the date of this report, it is holding 43,987,500 shares.

All the interests stated above represent long positions, and other than as described above, the Company has not been notified of any other relevant interests or short positions in the issued capital of the Company as at 30th April 2004.

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CORPORATE GOVERNANCE

The Company has complied throughout the year ended 30th April 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's Articles of Association.

The Directors have complied throughout the year ended 30th April 2004 the Model Code for Securities Transacted by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

PRE-EMPTIVE RIGHTS

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

POST BALANCE SHEET EVENT

Details of the significant event occurring after the balance sheet date are set out in note 31 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Yeung Kui Wong

Chairman

9th August 2004