

The directors of the Company (the “Directors”) present their annual report and the audited financial statements for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 30 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group’s five largest suppliers accounted for 30% of the Group’s total purchases. The largest supplier accounted for 11% of the Group’s total purchases.

During the year, the Group’s five largest customers accounted for 51% of the Group’s total sales. The largest customer accounted for 22% of the Group’s total sales.

None of the Directors, their associates or any shareholders of the Company, which to the knowledge of the Directors own more than 5% of the Company’s issued share capital, has a beneficial interest in any of the Group’s five largest suppliers or customers.

RESULTS

The results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 18. The directors do not recommend the payment of a dividend in respect of the year ended 31st March, 2005.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 52.

SHARE CAPITAL

Details of movements in the Company’s share capital are set out in note 19 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group’s property, plant and equipment during the year are set out in note 10 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

KAN Shiu Cheong, Frederick, *Chairman*
 CHAN Hoi Lam
 YAU Kang Nam
 JIANG Hai Qing

Independent non-executive Directors:

LIU Ngai Wing
 NG Sui Keung
 LAI Kin Keung (appointed on 28th September, 2004)

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all of the independent non-executive Directors are independent.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Professor Lai Kin Keung will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Liu Ngai Wing will retire by rotation at the forthcoming annual general meeting but does not offer himself for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office for each of the independent non-executive Directors is the period up to his retirement by rotation pursuant to the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transaction", there were no contracts of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st March 2005, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under 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 Listed Companies (the "Model Code") were as follows:

Name of Director	Nature of interest	Beneficial interest in shares (Note 1)	Beneficial interest in underlying shares (Notes 1 & 2)	Total interests	Aggregate percentage of the issued share capital
Kan Shiu Cheong, Frederick	Personal	180,774,321	–	180,774,321	4.59%
Chan Hoi Lam	Personal	106,140,321	28,000,000	134,140,321	3.40%
Yau Kang Nam	Personal	28,000,000	6,000,000	34,000,000	0.86%
Jiang Hai Qing	Personal	–	10,000,000	10,000,000	0.25%

Notes:

- The interests stated above represent long positions.
- These include the interests of Directors in the underlying shares of the Company in respect of the share options granted to them pursuant to the share option scheme adopted by the Company on 29th August, 2002.

Saved as disclosed above, as at 31st March, 2005, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31st March, 2005, the following person (other than Directors) had interests and short position in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity	Direct interest in shares held (Note 1)	Percentage of the issued share capital
First Century Holdings Limited	Beneficial Owner	2,058,869,889	52.23%

REPORT OF THE DIRECTORS

Notes:

1. The interest stated above represented long position.
2. Mr. Kan Shiu Cheong, Frederick and Mr. Chan Hoi Lam, who are both directors of the Company, are also directors of First Century Holdings Limited.

Save as disclosed above, as at 31st March, 2005, the Company had not been notified of any other persons who had interests or short positions in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEMES

On 29th August, 2002, the Company adopted a share option scheme (the "New Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the New Scheme the Directors may, at their discretion, offer any eligible participant (including any director of the Company or any of its subsidiaries) options to subscribe for shares in the Company subject to the terms and conditions stipulated in the New Scheme. During the year ended 31st March, 2005, no options were granted under the New Scheme.

Details of the movements in the number of options outstanding during the year which have been granted under the New Scheme are as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Exercise price per share <i>HK\$</i>	Number of share options			Outstanding at 31.3.2005	Weighted average closing price (Note 3) <i>HK\$</i>
				Outstanding at 1.4.2004	Exercised during the year	Lapsed during the year		
Directors								
Chan Hoi Lam	3.4.2003	3.4.2003 to 2.4.2006	0.018	28,000,000	-	-	28,000,000	-
Yau Kang Nam	3.4.2003	3.4.2003 to 2.4.2006	0.018	6,000,000	-	-	6,000,000	-
Jiang Hai Qing	3.4.2003	3.4.2003 to 2.4.2006	0.018	10,000,000	-	-	10,000,000	-
				44,000,000	-	-	44,000,000	
Employees/Consultants								
In aggregate	3.4.2003	3.4.2003 to 2.4.2006	0.018	62,900,000	(28,900,000)	(7,100,000)	26,900,000	0.027
Total				106,900,000	(28,900,000)	(7,100,000)	70,900,000	

SHARE OPTION SCHEMES (Continued)

The Company had also adopted a share option scheme (the "Old Scheme") on 19th February, 1992. The Old Scheme expired on 18th February, 2002 and no further options could be granted under the Old Scheme thereafter. However, the options granted under the Old Scheme which have not been fully exercised remain valid until such time when such options are fully exercised or have lapsed and will continue to be administered under the rules of the Old Scheme. Details of the Old Scheme are set out in note 20 to the financial statements. During the year, all the outstanding options under the Old Scheme were exercised or lapsed.

Details of the movements in the number of options outstanding during the year which have been granted under the Old Scheme are as follows:

Name or category of participant	Date of grant (Notes 1 & 2)	Exercise period (Note 1)	Exercise price per share HK\$	Number of share options			Outstanding at 31.3.2005	Weighted average closing price (Note 3) HK\$
				Outstanding at 1.4.2004	Exercised during the year	Lapsed during the year		
Directors								
Chan Hoi Lam	31.8.2001	31.8.2001 to 30.8.2004	0.01344	11,182,000	(11,182,000)	-	-	0.028
Jiang Hai Qing	18.2.2002	18.2.2002 to 17.2.2005	0.02400	10,000,000	-	(10,000,000)	-	-
				21,182,000	(11,182,000)	(10,000,000)	-	
Employees								
In aggregate	18.2.2002	1.6.2002 to 31.5.2005	0.02400	4,000,000	-	(4,000,000)	-	-
Total				25,182,000	(11,820,000)	(14,000,000)	-	

Notes:

- All dates are shown day/month/year.
- The vesting period of the options is from the date of grant until the commencement of the exercise period.
- The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION

On 31st March, 2005, Easyfil Supplies Company Limited (“Easyfil BVI”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement as the vendor with Vevion Hong Kong Limited (“Vevion”), a company wholly owned by Mr. Chan Hoi Lam (“Mr. Chan”), an executive Director, as the purchaser in relation to the (i) sale of the entire issued voting share capital of Easyfil (Hong Kong) Company Limited (“Easyfil HK”) and assignment of the trademarks in respect of the “Easyfil” brand business to Vevion (or its nominees); (ii) writing off of all inter-company outstanding balances between the Company and its subsidiaries and Easyfil HK; (iii) the transfer by Climax Paper Products Manufacturing (Dongguan) Co., Ltd. of the operation and business of Climax Paper Products Manufacturing (Dongguan) Co., Ltd. Beijing Branch (the “PRC Distribution Branch”) to Vevion; and (iv) the transfer of the one non-voting ordinary share in the issued share capital of Easyfil HK from Ms. Low, an independent third party to Vevion (collectively the “Disposal”).

The transaction was entered into by the Company for the purpose of realising value in Easyfil HK, having taken into account the minimal contribution of “Easyfil” brand business conducted by Easyfil HK and the PRC Distribution Branch to the Company in the preceding financial years.

The aggregate consideration for the Disposal is HK\$8,000,000, which is satisfied as to HK\$800,000 by way of initial cash deposit, with the balance to be paid by five equal monthly instalments of HK\$1,440,000 on the 15th of each of the months from May to September, 2005.

Mr. Chan is an executive director of the Company and is, therefore, a connected person of the Company under the Listing Rules. Vevion is wholly owned by Mr. Chan, and is therefore an associate and connected person of the Company for the purposes of the Listing Rules. As such, the Disposal constitutes a connected transaction of the Company.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.20 of the Listing Rules, the Directors report the following details in respect of the trade receivables (the “Receivables”) to a customer of the Group, UR1 International (“UR1”). As at 31st March, 2005, the Receivables due from UR1 to Climax Paper Converters, Limited, a subsidiary of the Company, were approximately HK\$9.9 million, which represented 8.34% of the total market capitalisation of the Company as at 31st March, 2005. The Receivables were unsecured and interest free, with credit terms of 60 days from the invoice date and arose from the sale by the Group to UR1 of products manufactured by the Group in the ordinary course of business. UR1 is not a connected person of the Company (as defined in the Listing Rules) and is independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

CORPORATE GOVERNANCE

Code of Best Practice

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Code of Conduct regarding Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the year.

AUDIT COMMITTEE

The Board has established an Audit Committee on 16th July, 1999. The function of the Audit Committee is to monitor the Group's financial reporting practices and internal control systems. The Committee currently comprises three independent non-executive Directors, Mr. Liu Ngai Wing, Mr. Ng Sui Keung and Professor Lai Kin Keung.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee on 14th May, 2002. The function of the Remuneration Committee is to consider and recommend to the Board the Group's remuneration policy and structure and to review and determine the remuneration of the executive Directors and senior management. The Committee currently comprises three independent non-executive Directors, Mr. Liu Ngai Wing, Mr. Ng Sui Keung and Professor Lai Kin Keung, and two executive Directors, Mr. Kan Shiu Cheong, Frederick and Mr. Chan Hoi Lam.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

REPORT OF THE DIRECTORS

AUDITORS

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

On behalf of the Board

Kan Shiu Cheong, Frederick
Chairman

Hong Kong
21st June, 2005