

# 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 2005.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries consisted of the manufacturing and trading of plastic products, including PVC films and PVC floor coverings. During the year, the Group discontinued its business of manufacturing and trading of PVC floor coverings. Other than the foregoing, 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 2005 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 22 to 70.



# Report of the Directors

## 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				
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER					
Continuing operations	292,020	240,754	266,107	220,139	296,417
Discontinued operations	39,775	42,847	47,713	47,613	50,159
	<b>331,795</b>	283,601	313,820	267,752	346,576
PROFIT/(LOSS) FROM OPERATING ACTIVITIES					
Continuing operations	(5,769)	5,112	30,510	(58,104)	(278,052)
Discontinued operations	(13,973)	(5,823)	(3,506)	(7,691)	(4,752)
	<b>(19,742)</b>	(711)	27,004	(65,795)	(282,804)
Finance costs	(7,877)	(8,726)	(18,179)	(30,188)	(27,968)
Share of profits and losses of jointly-controlled entities	483	78	2,070	(237)	(129)
PROFIT/(LOSS) BEFORE TAX	<b>(27,136)</b>	(9,359)	10,895	(96,220)	(310,901)
Tax	(105)	2,440	(248)	–	(9,099)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	<b>(27,241)</b>	(6,919)	10,647	(96,220)	(320,000)
Minority interests	110	(43)	(8)	13	(84)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<b>(27,131)</b>	(6,962)	10,639	(96,207)	(320,084)



# Report of the Directors

## SUMMARY FINANCIAL INFORMATION (Cont'd) ASSETS, LIABILITIES AND MINORITY INTERESTS

	<b>2005</b>	2004	<b>31 March</b>		
	<b>HK\$'000</b>	HK\$'000	2003	2002	2001
			HK\$'000	HK\$'000	HK\$'000
Fixed assets	<b>90,582</b>	140,434	159,088	170,607	205,900
Investment properties	–	–	–	2,180	19,040
Interests in jointly-controlled entities	<b>8,491</b>	15,272	15,112	10,848	18,052
Long term investment	<b>2,866</b>	3,150	3,150	3,150	3,400
Prepaid rentals	<b>4,254</b>	6,410	8,606	10,849	13,244
Current assets	<b>88,822</b>	91,687	97,498	85,903	112,842
<b>Total assets</b>	<b>195,015</b>	256,953	283,454	283,537	372,478
Current liabilities	<b>(96,231)</b>	(118,316)	(132,203)	(311,980)	(315,100)
Long term portion of bank and other borrowings	<b>(31,084)</b>	(70,934)	(75,433)	(28,996)	(20,202)
Long term portion of loan from a shareholder	<b>(22,500)</b>	–	–	–	–
Long term portion of finance lease payables	–	(1,345)	(2,694)	(3,683)	–
Convertible bonds	<b>(50,415)</b>	(90,415)	(90,415)	–	–
<b>Total liabilities</b>	<b>(200,230)</b>	(281,010)	(300,745)	(344,659)	(335,302)
Minority interests	<b>(4,431)</b>	(11,984)	(13,216)	(14,505)	(15,985)
	<b>(9,646)</b>	(36,041)	(30,507)	(75,627)	21,191

### FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Movements in the share capital of the Company during the year together with the reasons therefor, and details of the share option scheme of the Company, are set out in notes 30 and 31 to the financial statements, respectively.



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## **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 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

At 31 March 2005, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Bermuda Companies Act 1981, 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\$186,340,000 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 47% of the total sales for the year and sales to the largest customer included therein amounted to 21%. Purchases from the Group's five largest suppliers accounted for 37% of the total purchases for the year and purchases from the largest supplier included therein amounted to 17%.

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 or suppliers.

## **DIRECTORS**

The directors of the Company during the year were:

### *Executive directors:*

Tang Kuan Chien

Chang Bin Lin

Yang Ting

(appointed on 1 September 2004)

Cheung Ming Leung, Denver

(appointed on 1 September 2004)

Tang Wei Lun

(appointed on 1 September 2004)

Wong Chi Chung

(resigned on 31 August 2004)

### *Independent non-executive directors:*

Hung, Shean-I

Wong Nai Ping

Au Kwok Yee, Benjamin

(appointed on 30 September 2004)



# Report of the Directors

## DIRECTORS (Cont'd)

In accordance with clauses 86(2) and 87 of the Company's bye-laws, Mr. Tang Wei Lun, Mr. Yang Ting, Mr. Cheung Wing Leung, Denver, Mr. Hung Shean-I and Mr. Au Kwok Yee, Benjamin 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 10 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, 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.

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

At 31 March 2005, 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 Listed Issuers (the "Model Code"), 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 <sup>#</sup>	791,733,092	18.80
Yang Ting	8,000,000	1,052,073,520 <sup>##</sup>	1,060,073,520	25.17
Wong Nai Ping	5,182,000	–	5,182,000	0.12
Cheung Ming Leung, Denver	84,000,000	–	84,000,000	1.99
Hung, Shean-I	6,000,000	–	6,000,000	0.14
Tang Wei Lun	30,000,000	–	30,000,000	0.71



# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

# 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 Kuan Chien.

## Wealthguard Investment Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yang Ting, is deemed to have interest in 1,052,073,520 shares of the Company, assuming that the convertible bonds of approximately HK\$50,414,704 as at 31 March 2005 will be converted into 252,073,520 shares of the Company at a conversion price of HK\$0.20 per share.

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, as at 31 March 2005, 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.

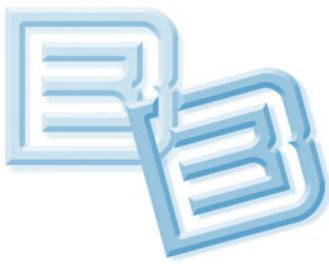
## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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.

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2005, 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	Notes	Number of ordinary shares held	Percentage of the Company's issued share capital
Ms. Wang Ya Chin	(a)	791,733,092	18.80
Best Online Limited	(b)	522,170,092	12.40
Bestway Development Limited	(b)	265,965,000	6.32
Wealthguard Investment Limited	(c)	1,052,073,520	24.98



# Report of the Directors

## **SUBSTANTIAL SHAREHOLDERS (Cont'd)**

*Notes:*

- (a) The interests of Ms. Wang Ya Chin include the 522,170,092 shares held by Best Online Limited, being 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, underlying shares and debentures" above.
- (c) These interests are also included as a corporate interest of Mr. Yang Ting as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above.

Save as disclosed above, as at 31 March 2005, no person other than the directors of the Company whose interests are set out under the heading "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.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## **POST BALANCE SHEET EVENTS**

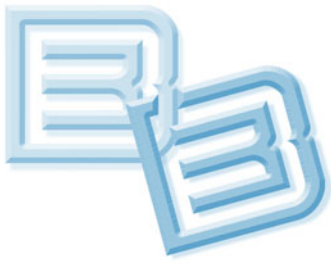
Details of the significant post balance sheet events of the Group are set out in note 38 to the financial statements.

## **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 which was in force prior to the accounting period commencing on 1 January 2005, throughout the accounting year covered by the annual report, except that there are two independent 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors' securities transactions (the "Own Code") on terms no less exacting than the required standard set out in the Model Code as in force. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code and the Own Code, throughout the accounting period covered by the annual report.



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## **AUDIT COMMITTEE**

The Company has an audit committee comprising the three independent non-executive directors, Mr. Hung Shean-I, Mr. Wong Nai Ping and Mr. Au Kwok Yee, Benjamin, which was established in compliance with 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 three independent non-executive directors of the Company, and meets at least twice annually to perform its duties.

## **REMUNERATION COMMITTEE**

The Company's Remuneration Committee was established on 25 July 2005 with specific terms of reference that specify its authorities and duties. The current members of the committee are Mr. Wong Nai Ping, Mr. Hung, Shean-I and Mr. Tang Wei Lun. The Remuneration Committee is responsible for the review of the Company's policies for the remuneration of its directors and senior management and the making of any recommendation in relation to such policies to the board.

## **NOMINATION COMMITTEE**

The Company's Nomination Committee was established on 25 July 2005 with specific terms of reference that specify its authorities and duties. The current members of the committee are Mr. Wong Nai Ping, Mr. Hung, Shean-I and Mr. Tang Wei Lun. The Nomination Committee is responsible for the review of the Company's board composition and identifying suitable members to the board.

## **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  
25 July 2005