LETTER TO SHAREHOLDERS & MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

General Information

For the year ended 31st March, 2002, the Group recorded a turnover of HK$434.7 million, representing an increase of approximately 7% compared with HK$404.5 million in the previous year. Operating profit grew by 12 times from HK$2.3 million to HK$28.0 million. Net profit attributable to shareholders was HK$15.7 million, up 175% from HK$5.7 million during the same period last year. The Group's basic earnings per share was HK1.81 cents and diluted earnings per share was HK1.35 cents.

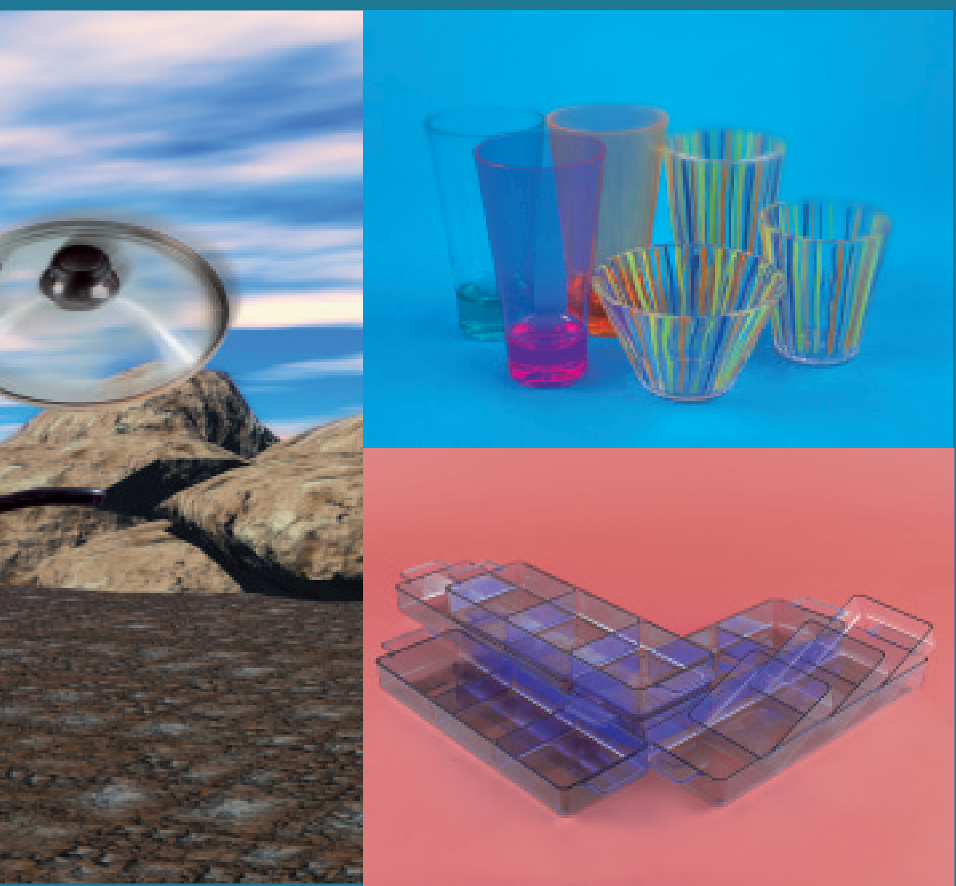
No principal subsidiaries or associated companies were acquired or disposed of during the year. Investments held have not been materially changed from those disclosed in last year's annual report.

Liquidity and Financial Resources

As at 31st March, 2002, the Group's net assets increased to HK$254.0 million rendering net assets value per share to HK29 cents. The Group's total assets at that date were valued at HK$564.4 million, including cash and bank deposits totaling approximately HK$55.9 million. Its consolidated borrowings amounted to HK$234.5 million. The Group's debt-to-equity ratio has been further reduced from 114% at 31st March, 2001 to 92% at 31st March, 2002. Improvements over last year's figures were primarily due to successful compliance by the Group of its obligations under the debt-restructuring program, coupled with a decrease in bank borrowings and cuts in interest rates.

Capital Structure of the Group

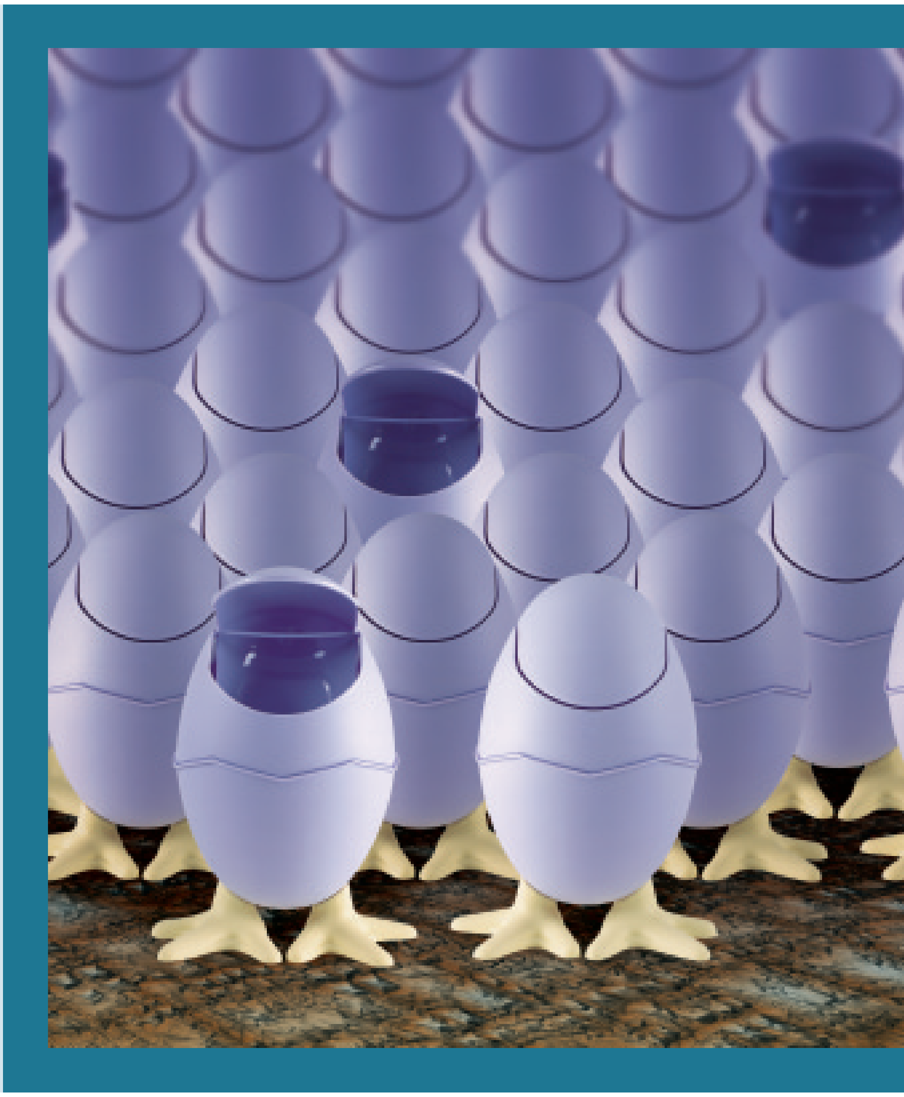
The Group's major borrowings included a 5-year term loan, which had an outstanding balance of HK$87.6 million after having fulfilled its commitment to repay the first two installments totaling HK$22.0 million during the year. The term loan, bearing a floating interest rate, is scheduled to be repaid completely in another four years.



Under the Debt Restructuring Deed dated 10th November, 2000, the Group also issued two convertible bonds, one being zero coupon secured convertible bonds and the other being 4% coupon secured convertible bonds, both to mature at the end of 2005, for discharge of bank indebtedness to the extent of HK$174.0 million. After the completion of a share offer in early 2001, the balance for zero coupon secured convertible bonds and 4% coupon secured convertible bonds were HK$30.0 million and HK$57.1 million respectively.

With the exception of a revolving bank loan of RMB10.0 million, all of the

Group's borrowings are denominated in Hong Kong dollars. In addition, all the borrowings of the Group are made on a floating rate basis, except for the 4% coupon secured convertible bonds which have a fixed interest rate. As a result of consecutive cuts in market interest rate and gradual repayment of debts, the Group's financial burden has been greatly alleviated; and the finance costs for the year have dropped by 60%. The Group, therefore, is in sound financial position and has sufficient credit facilities to support its operations.



Charges on Group Assets

As at 31st March, 2002, the Group's bank borrowings were secured by the Group's assets.

Details of Future Plans for Material Investments or Capital Assets

The Group does not have any future plans for material investments. There will, however, be a reasonable amount of expenditures in capital assets, including in particular additional and new machines and moulds to cope with production and market demands. It is expected that sources of funding will come primarily from trading profits that the Group will generate, coupled with banking facilities that it currently has.

Exposure on Foreign Exchange Fluctuations

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollars, Chinese Renminbi and U.S. dollars. Inasmuch as the Hong Kong dollars is pegged to the U.S. dollars, and that there has been minimal fluctuation in exchange rate between Hong Kong dollars and Chinese Renminbi, the Group's exposure to currency exchange risk was minimal.

Segment Information

The sales distribution by geographical area has not changed materially. The Group's biggest market was still North America. The sales distribution for North America, Mainland China, Hong Kong, Europe and others were 61%, 21%, 10%, 5% and 3% respectively.

Contingent Liabilities

The contingent liabilities of the Group have not changed materially from those disclosed in last year's annual report.

Employee Information

As at 31st March, 2002, the Group employed a workforce of 4,500 employees in its various offices and factories located in Hong Kong and Mainland China. Competitive remuneration packages were structured, commensurate with individual responsibilities, qualification, experience and performance. The Group provided on-the-job training and safety training programs to employees.

There was a share option scheme in force but no share option was granted during the period under review. No bonus has been paid other than sums, each equivalent to one additional month's salary, paid to individual staff members in December 2001 as part of agreed salary package, which applied to most of the employees.

REVIEW OF OPERATIONS

Mainland China Sales

The PRC's continuous growth has resulted in its GNP (Gross National Product) increasing by 7.3% in the year under review, pushing consumer confidence to a new high. For the Group, its sales to Mainland China market recorded a turnover of HK$90.4 million, representing an increase of 8% from last year's HK$83.7 million.

The growth of sales in Mainland China also signifies the success of our expansion of regional direct sales offices to large cities such as Zhongshan, Changchun, Qingdao, Shenyang and Shijiazhuang. Currently, our direct sales network covers 29 major cities across the country, which helped in advancing our overall number of customers in Mainland China by a total number of over 200 during the year under review.

In order to ensure that prices for goods sold in the Mainland China market are swiftly and efficiently collected, we have spent more efforts in order to achieve closer cooperation with cross-regional outlets and chain stores, whose sales account for more than 70% of our Mainland China market turnover.

HK Sales

Hong Kong sales picked up momentum during the year under review, rising to HK$42.3 million, an increase of 4% compared with the figures of last year. This is attributable to consumers' aspiration for quality living and their ever increasing taste for better home furnishings, which we have been able to provide. Despite the economic downturn and an increased unemployment rate, expenditures in home improvements and housewares have been maintained steadily.

PRODUCTION

During the year under review, the Group expanded its production capacity with two types of additional production lines, namely, melamine production lines and iron wire soldering production lines. These additions will be of vital importance to the Group in its future growth. The melamine production machines help upgrade the quality of plastic products for high-end market; whereas iron wire soldering production facilities enable the Group to manufacture whole sets of iron wire products that are new to the Group's product portfolio.

International Sales

For the year ended 31st March, 2002, the growth in international sales has been particularly encouraging for the Group, achieving an increase of 8% over last year's HK$280.2 million, reaching an overall figure of approximately HK$302.0 million. This was largely due to the rebound of the U.S. market, which has led to a rise in sales of over 5% to HK$235.4 million, as compared with only HK$222.6 million in the previous year. Canada's market performance was extraordinarily good, with sales at a record high of HK$31.8 million, soaring 36% over HK$23.4 million for the same period last year. The European market also fared better during the year under review with sales up over 6%, to reach HK$21.3 million from the previous year's total of HK$20.0 million.

On the whole, the impressive leap in international sales reflected our successful marketing and sales strategies for products catered for various overseas markets.

The combined efforts of our R&D specialists and design team have resulted in the introduction of hundreds of new products to the market during the year under review.

PROSPECTS

In Mainland China market, the Group has opened a new office in Kunming, the capital city of Yunnan Province. Yunnan has experienced strong economic growth in recent years, due largely to advancements made in tourism and cross-border trade. The Group's entry into the Xinjiang region, on the other hand, is expected to boost local sales for HK$1.2 million. On the whole, the Group anticipates Mainland China sales to increase by 5% in the coming year.

To reach this goal, the Group plans to restructure some of its product lines, to conduct focused marketing, to increase controls on accounts receivable and inventory, and also to enhance brand names promotion through television commercials and billboard advertisements.

The Group anticipates that China's accession to the World Trade Organization will be advantageous to the Group's development. With the influx of big foreign home improvement stores, small local outlets will gradually be phased out. The Group expects to see foreign companies taking up larger market shares, while upgrading level of service in the industry as a whole.

The momentum of growth in Hong Kong is expected to continue as there are signs that the territory may be able to turn its economic situation around in the near future.

As for international markets, given the encouraging results recorded this year, the Group is also optimistic about overseas sales performance in the coming year.

To build a better foundation for the Group's growth in the medium to long term, information technologies will be employed on a larger scale throughout different parts of the Group's operations. The Group has plans to implement a web-based inventory control system to monitor sales and payment status. This system will link up Shenzhen headquarters with all sales offices in the PRC, with the ability to retrieve sales information on a daily basis. The information thus gathered will be useful for the analysis of material sourcing and purchasing, for production line management and for inventory control, thereby increasing production efficacy as a whole. The enhancement of information technology will enable the Group to further its policy of centralized production control alongside the consolidation of its production facilities in Shatou, Shenzhen.

Looking ahead, the Group is confident that with an improved operating performance and a declining financial burden, it will perform well on its way towards recovery and prosperity.