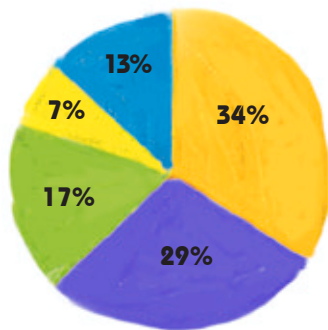


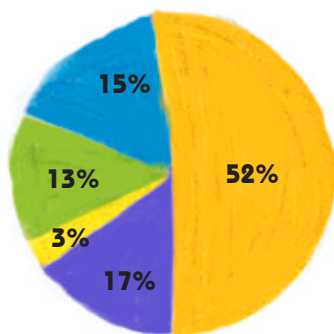


Mr. Leung Chung Ming
 Managing Director of the Group

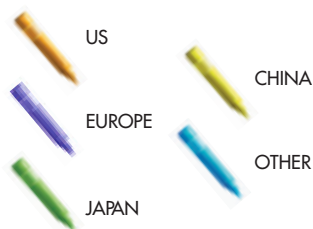
**TURNOVER BY
 GEOGRAPHICAL AREA**



2000/2001



1999/2000



Markets

Despite the weakness of the US economy, it remained the Group's largest export market. In addition, the unsuccessful launch and cessation of gaming platforms had also reflected on the result of the Group. For the year ended 31 March 2001, sales to the US dropped from 52% to 34%. However, the diversification of the Group's customers into Europe and Japan filled a large percentage of the export gap left by the US. In addition, the Group's expansion into the Mainland market further occupied the gap.

Exports to Europe increased to 29% of the Group's turnover from last year's figure of 17%, signifying a healthy diversification, which reduce the Group's previous reliance on US. Reason for this exceptional growth was mainly due to the successful launch of certain ODM products such as digital cameras in that market. Sales to Japan consist of a mixture of radio control, electronic and plastic toys which accounted for 17% of the Group's turnover.

Sales in Mainland more than doubled from 3% to 7% of the Group's total turnover for the year ended 31 March 2001. The growth on the Mainland market was mainly attributable to the Group's active development of the market and continuous success of the licensed Hikarian toys. In China, intensive marketing campaigns were launched throughout the country and distribution network was significantly expanded during the year in order to support this growth in business.



Radio control toys

The radio control and wireless segment performed consistently for the year under review. The Group's commitment in the development and continuous introduction of new models of radio control cars, boats and planes contributed strongly towards the Group's performance. This segment accounted for 45% of the Group's turnover this year compared to 50% in the previous period.

Sales of the wireless motor cycles and canned packaged radio control cars led this segment of the market. The radio control motor cycle was well received by the market with more than a million units shipped since production commenced. The licensing of a popular Japanese animated character onto this product is expected to extend the excellent sales run for this motorcycle.

Certain radio control cars produced by the Group did not reach targeted figure and the delayed production and launch of new wireless model planes for a leading model rocketry company also contributed to the shortfall. Sales of radio control toys amounted to HK\$293 million against HK\$325 million of the previous year, recording a drop of approximately 10%.



Electronic and plastic toys

Electronic and plastic toys accounted for 37% of the Group's turnover. This business segment reported an increase in turnover, which was mainly due to the market acceptance of certain ODM products of the Group. Persistent sales of the licensed Japanese toy Hikarian in Mainland which have exceeded 2 million units since production started also contributed significantly to the favourable performance.

Consumer and electronic products

The introduction of ODM baby monitors in Europe contributed to this segment. A series of baby monitors have been developed and introduced to Europe and the market showed positive response. Sales for the year amounted to HK\$18.9 million, representing only 3% of total turnover. This line of products is expected to generate counter seasonal income for the Group.

Interactive products

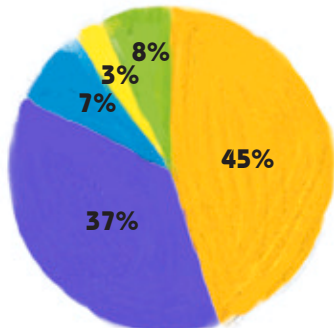
The successful introduction of a range of ODM digital cameras defended this business segment, making an important contribution to the Group. Various new sophisticated models were developed and launched. A substantial portion of sales was derived from the European and Japanese markets.



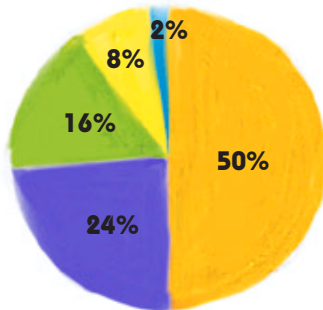


TURNOVER BY PRODUCT

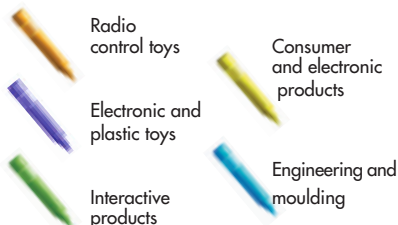
10



2000/2001



1999/2000



The entire video game industry suffered from the initial shortage of the PS2 consoles and the sudden conclusion of the DC platform. Unfortunately, the staggered introduction and negative pronouncement caused customers to delay and cancel orders for compatible accessory products manufactured by the Group. Utilizing experience gained, the Group expanded product range to include PC compatible accessories. Sales of interactive products for the year amounted to HK\$52.5 million, representing 8% of total turnover.

Engineering and Moulding

In order to enhance our R&D and tooling capability, the Group took up 100% stake in STP in October 2000. STP was principally engaged in the design, manufacture and sale of moulds. This move both strengthens our moulding operations in China and satisfies our own need for mould design and development.

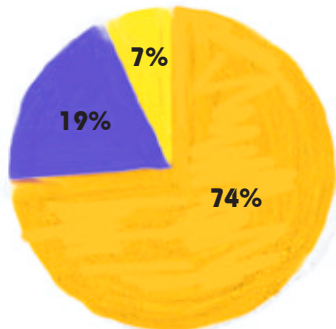
Merging with the Group's engineering and R&D team, STP would more effectively design, develop, and engineer products; and produce moulds that in return provide a "one-stop-shop" service both for the Group and our customers. Since being a subsidiary of the Group, STP has proven itself to becoming another profit centre that had generated income for the Group. During the year under review, STP generated approximately 7% of the Group's revenue.

Business

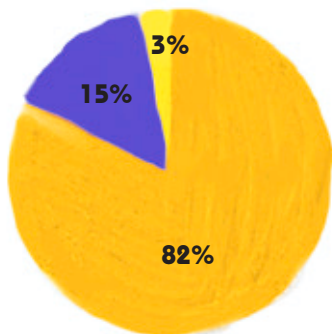
For the year under review, OEM remained the Group's major source of income accounting for 74% of turnover. However, the success of Hikarian on the Mainland and investment into STP has altered the business contribution towards the turnover for the Group. ODM and licensed toys both showed healthy improvement to account for 19% and 7% of turnover respectively.



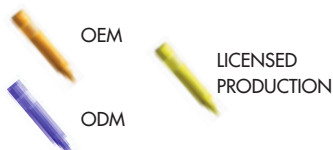
TURNOVER BY BUSINESS SEGMENT



2000/2001



1999/2000



The Group operates different remuneration schemes for different employees. Apart from pension funds and year-end bonuses, in-house training programmes are offered. Details of share option schemes granted to the Group employees are same as those disclosed in the 1999/2000 annual report.

Appreciation

I am grateful to our customers, licensors, suppliers and other business partners for the loyal support and to our management and staff for their dedication, commitment and diligence.

Leung Chung Ming

Managing Director

17 July 2001

Major Customers

The Group maintains close cooperation with well-known international toy and gaming accessory companies in order to strengthen mutual relationship and reduce its reliance on any single customer. Sales to the five largest customers accounted for 72% of turnover compared to 74% in the previous year. Taiyo Kogyo Co. Ltd., a world leading radio control brand remained the Group's primary buyer but accounted for 34% of turnover compared with 46% in the previous year.

Indonesia

The Indonesian operation contributed minimally towards the Group's overall result as the production capacity remained fairly under utilised during the year. The political instability of the country did not affect our production in the Indonesian plant. It continued to operate throughout the year and did benefit from lower production costs as a result of weakness of the local currency. For the year under review, the Indonesian operation accounted for 1% of the Group's turnover.

Employee Schemes

As at 31 March 2001, the Group had 4,928 employees of which 69, 4554 and 305 employees were based in Hong Kong, the Dongguan factories and the Indonesian factory respectively. The number of workers employed by the Group varies from time to time depending on production needs and are remunerated based on industry practice.

