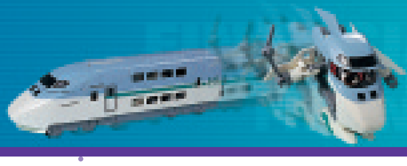
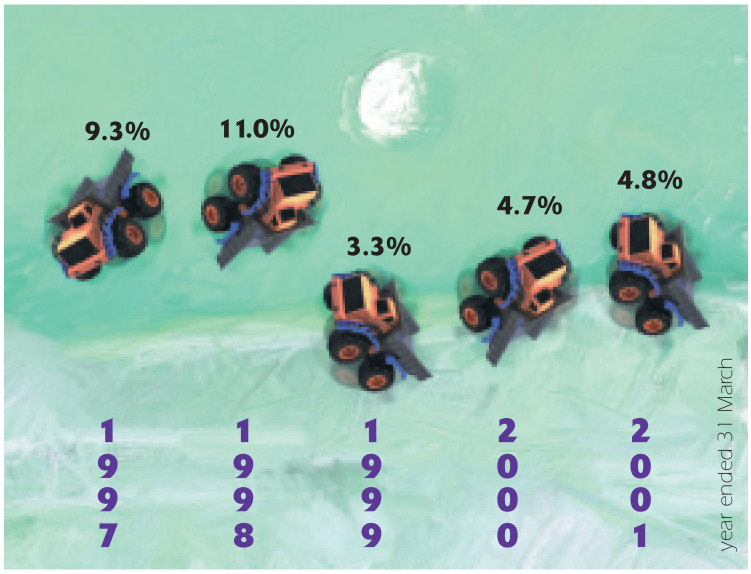


Financial Analysis

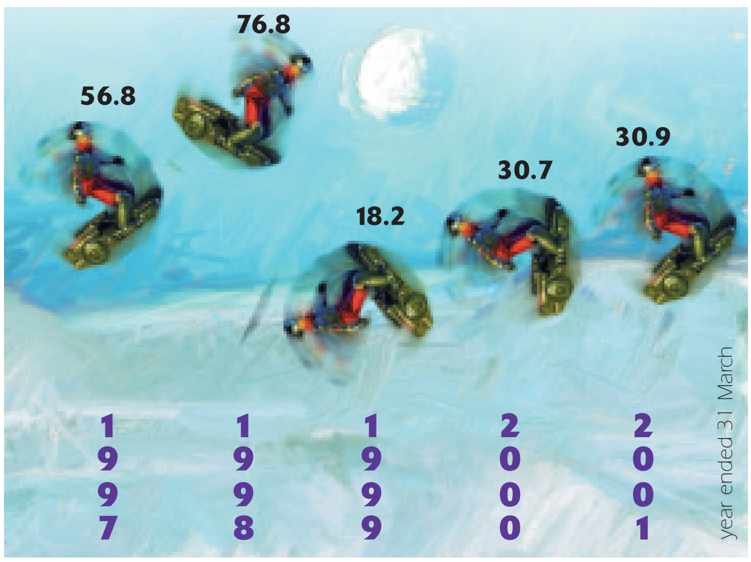
For the year ended 31 March 2001, the Group's turnover has been adjusted to include the tooling revenue from STP. Overall, the Group recorded a mere drop in sales by 2% from HK$660 million in 1999/2000 to HK$647 million in 2000/01. Management attributes the decrement in sales to the staggered US economy and irresponsive interactive segment thus resulted in lower than expected sales for the Group.

Previous year alike, the Group's ODM business contributed strongly to the overall result. ODM products tend to command a higher than normal OEM production margin due to the Group's ownership of the products' design and development. Mainland sales contributed positively towards the Group's results. The consignment and wholesaling business enjoys higher gross margin than manufacturing business due to the fact that the Group sells more directly to the market than its OEM business.

PROFIT MARGIN BEFORE TAX *



PROFIT BEFORE TAX * (HK$ million)



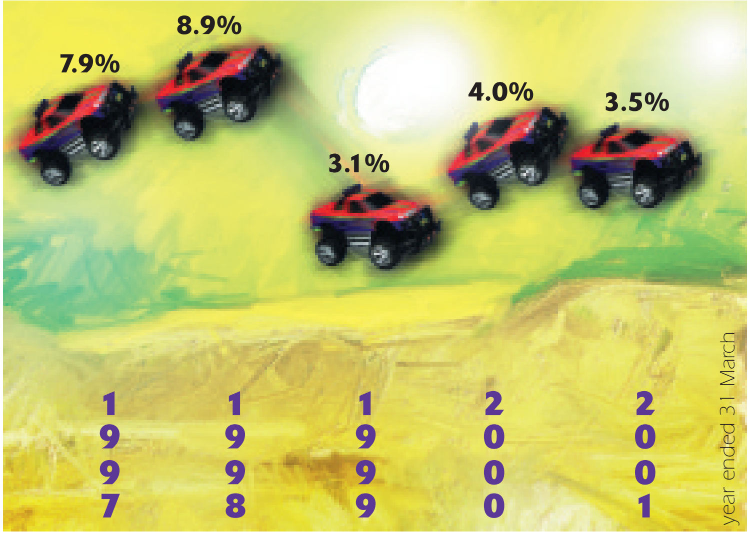
The acquisition of STP also had an impact on the financial results of the Group for the year ended 31 March 2001. For the five months since 1 November 2000 STP contributed positively towards the Group's sales. In addition since the mould manufacturing, concept development and product engineering businesses yield higher gross margins than the OEM manufacturing, the acquisition was partly responsible for the increase in the Group's margin to 27.9% for the year ended 31 March 2001.

* excluding revaluation deficit on leasehold land and buildings charged to the profit and loss account

Operating expenses including selling and administrative expenses totaled HK$138.5 million in the year ended 31 March 2001 compared to HK$122.6 million in the previous year. Operating expenses as a percent of sales increased to 21.4% from 18.6% in the previous year. The increase in the operating expense ratio reflects the impact of the Group's lower sales and one off relocation and excessive costs incurred in consolidating STP's operation within the Group. The increase in selling expenses is associated with extraordinary promotional costs incurred in Mainland in boosting sales during festive seasons.

The Group has a policy of revaluing its interests in leasehold land and buildings on a periodical basis. The last valuation was completed three years ago in 31 March 1998. The recent appraisal as at 31 March 2001 has resulted in revaluation deficit in value of certain leasehold properties belonging to the Group amounting to HK$3.6 million. The Group's operating profit before taxation was lower at HK$27.2 million compared to HK$30.7 million for the previous period.

NET PROFIT MARGIN



Despite increase in borrowings for the acquisition of STP, the Group's financing expense remained fairly stable at HK$18.1 million given the lowering of interest rate during the year.

The net profits attributable to the shareholders of the Group were HK$22.9 million compared to HK$26.6 million in the previous year.

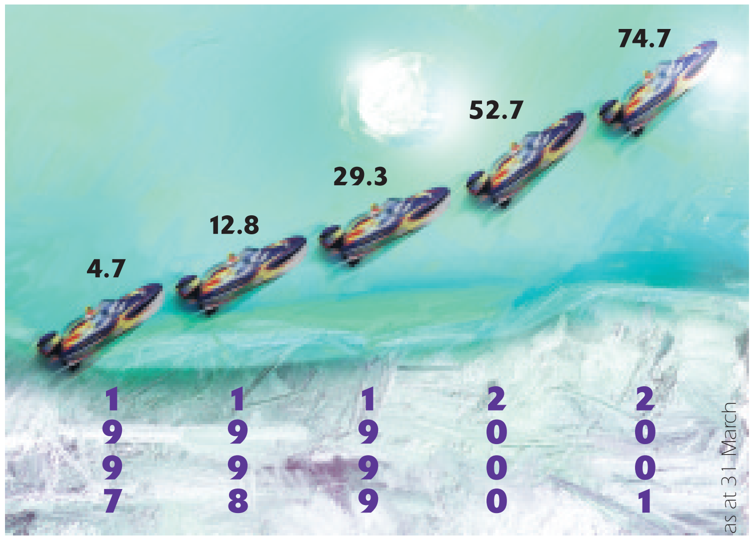
Net profit margin decreased to 3.5% as compared with the previous year's 4.0%. The basic earnings per share were HK5.2 cents for the year ended 31 March 2001 compared to HK6.4 cents for the year ended 31 March 2000. The diluted earnings per share for the year ended 31 March 2001 was HK4.7 cents (2000: HK5.9 cents)

Liquidity and capital resources

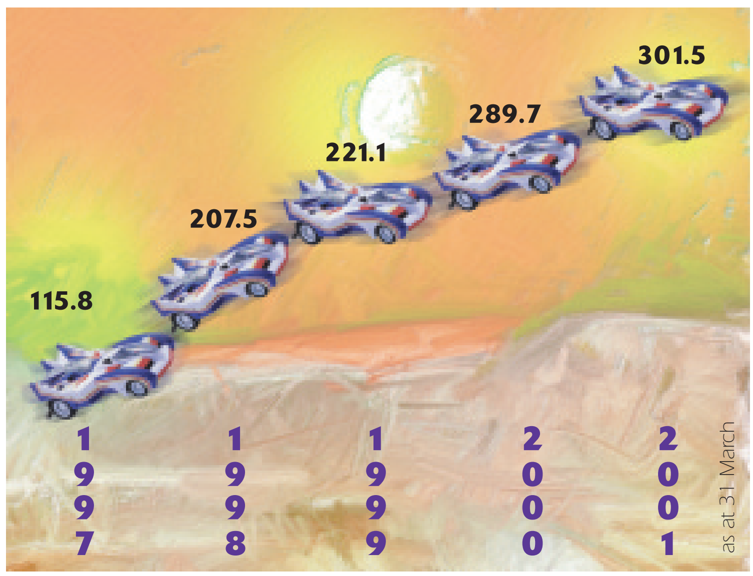
The Group's current assets increased from HK$268.7 million to HK$340.8 million as at 31 March 2001. The principal contribution was the increase in inventories, trade receivables and bank balances. Cash and bank balances including those that were pledged as deposits to certain financial institutions increased to HK$74.7 million compared to HK$52.7 million as at 31 March 2000. As at the date of this report, banks have released deposits previously pledged as collateral for financing facilities.

The increase in cash used in operating activities was largely due to higher investment in inventories and trade receivables. The higher stock values were mainly due to the seasonality of the STP's moulding business. During that part of the year, STP has the peak level of new OEM products' moulds under development or production. Since the acquisition, the Group consolidated all investment of ODM product development and R&D including tooling within STP.

CASH AND BALANCE AT BANK (HK$million)



SHAREHOLDERS' FUND (HK$million)



As at year-end date, most newly designed products were either under development or in the process of moulding.

The usual practice of stocking common parts as well as building up of finished goods in preparation for the release of Mado King Granzort to the Mainland market also contributed to the inventory list. Thus, resulting in an increase in inventory turnover from 68 days in 1999/2000 to 77 days in 2000/01.

US dollar is the main transaction currency of the Group. Since the Hong Kong dollar is pegged to the US currency, the Group's exposure in terms of currency risk is minimal. Due to the foreseeable increase in Mainland sales, the Group expects to generate revenue in the form of Renminbi ("Rmb") which are fully expensed in the Mainland in form of material purchases, salaries and other expenditures.

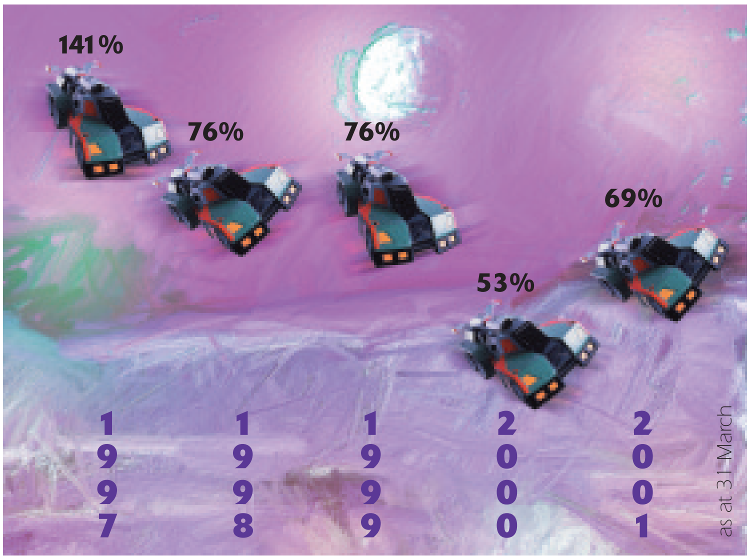
Trade receivables at 31 March 2001 increased to HK$81.3 million compared to HK$49.2 million in the previous year. Management attributes the increase to STP's business and extension of credits terms to certain customers of the Group. Receivable turnover rate increased from 28 days in 1999/2000 to 37 days in 2000/01. The Group has a policy of constantly reviewing its customer's financial position through publicly available resources in order to assess appropriate payment terms. Certain customers of the Group are covered by export credit insurance.

Net asset value of the Group shown a growth to HK$301.5 million compared to HK$289.7 million at the previous balance sheet date. In addition to profit for the year, the slight increment is highlighted by the net gain of HK$7.8 million from revaluation of the Group's leasehold land and buildings. The Group has taken the initiative to charge all goodwill relating to the acquisition of STP against reserve totaling HK$14.9 million.

The acquisition of STP was facilitated by a three-year term loan offered by one of the Group's financiers. This additional funding was reflected in the increase of long-term liabilities from HK$16.7 million to HK$25.1 million at 31 March 2001.

The Group's working capital needs have been typically financed from internally generated cash flow and credit facilities granted by banks. At 31 March 2001, the Group had in place general banking facilities with various financial institutions of which HK$182.9 million were utilized. The increase in short-term bank borrowings have resulted in the Group's higher gearing ratio (total borrowings to shareholders' equity) of approximately 69% compared to 53% in the previous year.

GEARING RATIO



In June 26, 2001, the Group entered into a transferable term loan agreement whereby an aggregate amount of HK$150 million was granted to the Group by a group of banks. Part of this loan will be used to repay existing secured loan and reduce short-term borrowings and the remaining will be used as working capital. The Group needs maintain a tight lit on overall financial status in order to comply with certain covenants of the Group's banking facilities.