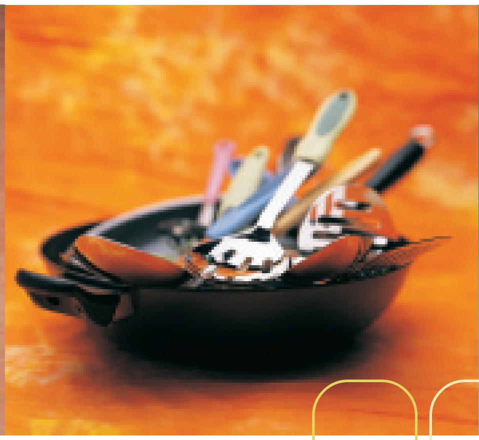

FINANCIAL RESULTS SUMMARY

With the completion of the debt restructure agreement and a series of cost-control measures, the Company is on track for a full recovery. Though financial year 2000-2001 reflected, in general, the negative impact of a slow economy, the Group was able to revert operating loss back to profit and moderately reduced accumulated losses during the past years.

For the year ended 31st March, 2001, the Group's turnover was HK$404.5 million, representing a decrease of approximately 18% compared with the continuing operations of last year. Operating profit of continuing operations has jumped from a loss of HK$85.6 million to a profit of HK$2.3 million. The Group also reported a net profit of HK$5.7 million attributable to shareholders, a significant improvement compared with a net loss of HK$118.5 million last year.

The decrease in turnover was primarily due to the slow economy worldwide and weak Euro currency. The depreciation of the Euro against the US dollar has affected the performance of the European market. Moreover, the rise in oil prices during the first half of the year resulted the increase of raw material costs, thus raising the Group's production costs. Market rumors concerning the previous unsatisfactory financial condition of the Group also attributed to the drop in sales. In addition, the Group had to pay out approximately HK$12.5 million of legal and professional fees, which were incurred during negotiations with its bank creditors in the formulation of the self-rescue debt restructuring program.

As a result of the five-year self-rescue debt restructuring agreement, which was completed on 15th December, 2000, the net current liabilities of the Group towards its 18 bank creditors have been significantly reduced from HK$337 million to HK$196.7 million. This agreement not only confirms the bankers' confidence in the Group, but also helps to reinstate and retain the confidence of customers and suppliers. Since its financial situation has been largely placed under control, the Group is now able to focus on business development. Under the management's leadership and hard work, substantial administrative and production costs have been saved, leading to a higher profit margin and an overall healthier operating environment.

REVIEW OF OPERATIONS

Mainland China Sales

China's strong economy, fueled by its upcoming accession to the World Trade Organization, and the implementation of both the 10th Five-Year Plan and the

West China Development Plan, has boosted the presence of Magician's "N'n" brand in the Mainland China. During the year under review, the Mainland China market performed quite well, recording a turnover of over HK$83.7 million, a growth of close to 5% compared with the HK$79.7 million was achieved last year.

During the year, the Group introduced approximately 190 innovative and new products to the market. Of these items, the kitchen ware product series were the most popular.

The satisfying performance in Mainland China is also attributed to the setup of three more sales offices. These new establishments in Lanzhou, Guiyang and Changchun have brought the total number of sales offices to 28. Renowned chain stores, supermarkets and convenience stores including Wal-Mart, Carrefour, Park'N Shop, Metro, Trust-Mart, Beijing Hualian, Ningbo Sanjiang, Parkson and The Shanghai Agriculture, Industrial and Commercial Supermarket all carry products of the Group.

HK Sales

The recovering economy continued to adversely affect the Group's domestic sales in Hong Kong, which were down by 17% to HK$40.7 million. While waiting for the economic environment to improve, the Group has secured new customers, such as Price-rite and Mannings, strengthening the base for future direct sales.

International Sales

Facing keen competition in the US market, the Group recorded a drop in turnover to HK$222.6 million during the year under review. The Group also experienced unsatisfactory conditions in European market, which was severely affected by the weak Euro. As such, the turnover for international sales for the year ended 31 March, 2001 was HK$280.2 million, representing a decrease of 24% compared with that of last year.

As there was an oversupply of cheap products in both markets, profit margins were reduced to an almost unacceptable level. Instead of bluntly turning away customers who have come to ask for lower prices, the management has acceded to their requests, but only insofar as it was possible to do so without incurring substantial losses, taking into consideration profits on other items sold to the same purchaser at the same time which would make up for losses otherwise incurred. Also, in order to meet with competitive prices, efforts were made to streamline product range, improve supply-chain management, source reasonably-priced good quality raw materials and cut overheads. The Group has at the same time turned its attention to other quality products which are more profitable, and will try to open up other potential high-end markets. The switch to more high-end markets is expected to be time-consuming. The Group is also offering tailor-made outsourcing items for a number of major brand customers who have their own worldwide distribution network.

Production

With the relocation of the metal factory to our main factory compound at Shatou, Shenzhen, all production lines, except those for electroplating and a satellite factory for manufacture of paper carton products, are now housed on a single piece of land measuring close to 100,000 square metres. In consequence, there have been considerable savings in rent, manpower, factory overheads and transportation charges, a centralized and more cost-effective inventory storage system has been put in place, factory security has been enhanced, and the overall management has been rendered more efficient. The centralization policy will be further implemented in the years to come and will undoubtedly be of tremendous benefits to the Group in the long run.

The database system set up last year has also proven effective in monitoring costs and calculating profit margins. In addition, the company website records show that there have been numerous visitors who were able to obtain our product information quickly and efficiently. Although there are yet no official statistics directly denoting the relationship between sales and the website traffic, use of the Internet by the Group so far has undeniably shown that it is an inexpensive and effective marketing tool.

Supported by the research and hard work of the New Product Development Committee, which was set up in the year under review, the Group has introduced approximately 240 new plastic products and over 100 new metal products for its overseas market.

LIQUIDITY AND FINANCIAL RESOURCES

Debt Restructuring Plan

In the year under review, the Group's financial burden was greatly alleviated due to the completion of a five-year self-rescue debt-restructuring program in relation to its debts owed to 18 bank creditors (the "bank indebtedness") which was reduced in writing and evidenced, in part, by a Debt Restructuring Deed (the "DRD") executed on 10th November, 2000. The details of the program are as follows.

Debt Compromise

HK$53.4 million of the bank indebtedness was repaid with HK$10.8 million in full and final settlement, with funds generated internally by the Group. An extraordinary gain (after restructuring costs) of HK$30.1 million was recorded in the profit and loss account.

Convertible Bonds

Following completion of the debt restructuring, the Company issued two different convertible bonds to bank creditors to discharge the bank indebtedness to the extent of HK$174 million, of which HK$116.9 million was in Zero Coupon Secured Convertible Bonds and HK$57.1 million was in 4% Coupon Secured Convertible Bonds. The DRD requires the bank creditors to convert HK$86.9 million of the bonds at a conversion price of HK$0.2 per share to 434,336,720 shares of the Company, and offer to sell these shares to existing qualifying shareholders of the Company at HK$0.05 per share.

Share Offer

On 22nd January, 2001, the Company made a Share Offer pursuant to the DRD on behalf of all the residual bank creditors to the qualifying shareholders of the Company, in relation to the 434,336,720 shares converted as aforesaid. All these shares have been duly taken up and paid for.

New Term Loan

The balance of the bank indebtedness of approximately HK$109.6 million was replaced by a new secured five-year term loan bearing interest at three-month HIBOR (Hong Kong Inter Bank Offer Rate) plus 1%, payable quarterly. The principal repayment, by installments of HK$11 million each, will commence from 30th August, 2001 and continue thereafter semi-annually for five years until the whole of the principal and interest have been repaid. The Group has benefited from the lower finance charges on reduced loans and consecutive interest rate cuts.

Liability

Immediately before taking into account the reduction in residual indebtedness, the Group owed its creditors approximately HK$344.8 million, comprising secured indebtedness of approximately HK$7.8 million and residual indebtedness of approximately HK$337 million.

After the deduction of debts totaling approximately HK$53.4 million under the Debt Compromise and HK$86.9 million under the Share Offer, the residual debts stand at HK$196.7 million, in other words, liability to bank creditors has dropped by approximately HK$140.3 million. The debt to equity ratio for the financial year under review has significantly improved from 3.37 to 1.43.

PROSPECTS

Supported by the success of the debt restructuring program and improved business performance this year, it is believed that the Group has overcome its main difficulties in avoiding a total collapse and is heading in the right direction for full recovery and better prospects.

The Group is optimistic about the development of the PRC market and plans to set up sales offices in Shijiazhuang in Hebei Province and Zhongshan in Guangdong Province, which are expected to generate over HK$4 million in sales revenues over the next year. With the strong market demand resulting from the booming PRC economy, total sales revenue is expected to meet a targeted growth for the next year.

More efforts will be put in the promotion of sales in Hong Kong, such that the performance there, which has already begun to recover, will show steady improvement.

For international markets, with the Group's strategies of cutting costs, expanding in sales, and teaming up with branded manufacturers, it is expected that both the orders and profit margin will increase, resulting in an overall growth.

Looking forward, with a gradually improving economic environment on the outside, high morale and stronger management on the inside, the Group is confident of being able to meet the targets and schedules set out in the debt restructuring plan. After having undergone a number of very difficult years, the Group is now back on track for renewed growth, and is committed to maintaining a pragmatic business philosophy in both financial investment and expansion strategy.