

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in (i) manufacturing and trading of toy products, (ii) property development and investment, (iii) strategic investment in design, development and production of automation and control system business and broadband network system business.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 5 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2001, the aggregate turnover attributable to the Group's five largest customers were less than 30% of its total turnover. The aggregate purchases attributable to the Group's five largest suppliers for the year ended 31 March 2001 accounted for about 33% of its total purchases. The percentage of purchases attributable to the Group's largest supplier for the same period was about 8%.

Save as disclosed herein, none of the directors, their associates, or any shareholders whom to the knowledge of the directors own more than 5% of the Company's share capital had any interest in the five largest suppliers.

RESULTS

The results of the Group for the year ended 31 March 2001 are set out in the consolidated income statement on page 22.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2001 (2000: nil).

RESERVES

Details of movement in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

POST BALANCE SHEET EVENTS

Details of significant post balance events are set out in note 37 to the financial statements.

FINANCIAL SUMMARY

A financial summary of the Group is set out on page 61.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired approximately HK\$32.9 million of property, plant and equipment for its business. The Group also carried out a review of the commercial value of its existing property, plant and equipment and made a provision for impairment and wrote off certain property, plant and equipment with net book values of approximately HK\$68.4 million and HK\$25.7 million respectively. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2001 are set out in note 38 to the financial statements.

BORROWINGS

Bank and other borrowings of the Group and the Company which are repayable within one year or on demand are classified as current liabilities. The repayment analyses of the obligations under finance leases and bank borrowings are set out in notes 25 and 26 to the financial statements. No interest has been capitalised during the year.

DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year and up to the date of this report were :

Executive directors :

LIU Xue Lin	
KWOK Lin	
CHIM Kim Lun, Ricky	(re-designated as executive director on 29 April 2000)
LEE Tiong Hock	(re-designated as executive director on 1 September 2000)
Karajan KWOK	(resigned on 29 April 2000)

Non-executive directors :

LIU Kwok Fai, Alvan *	(appointed on 29 April 2000)
LIN Gongshi *	(appointed on 29 April 2000)
Jordan Z. DENG *	(appointed on 5 March 2001)
George CHAN Yee Lee	(resigned on 6 April 2000)
HO Che Kong	(resigned on 6 April 2000)
KO Hay Yin	(resigned on 6 April 2000)
CHU Kim Ho	(resigned on 6 April 2000)
Lawrence OEI Liang Chung	(ceased to act as alternate director to CHU Kim Ho on 6 April 2000)
Floyd CHAN Tsoi Yin *	(resigned on 6 April 2000)

* *Independent non-executive directors*

In accordance with Section 99(A) of the Company's Bye-laws, Messrs. KWOK Lin and LIU Kwok Fai, Alvan retire and, being eligible, offer themselves for re-election.

The non-executive directors are subject to retirement by rotation as required by the Company's Bye-Laws.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2001, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows :

	Number of shares held			
	Personal interests	Family interests	Corporate interests	Other interests
LIU Xue Lin	—	—	250,036,000 *	—

Note:

* These shares are held through Open Mission Assets Limited, which are beneficially owned as to 50% by Mr. LIU Xue Lin, 32.5% by Mr. CHIM Kim Lun, Ricky, 15% by Mr. KWOK Lin through Cyber Ocean Limited and 2.5% by Mr. LEE Tiong Hock. All of them are existing directors of the Company.

Save as disclosed above, none of the directors nor their associates had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance at 31 March 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or associates of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

- (a) A loan facility letter dated 15 March 1999 was entered into by the Company and United Pacific Industries Limited ("UPI"), the former ultimate parent enterprise, pursuant to which a loan facility of up to HK\$20 million was granted by UPI to the Group. The loan was unsecured and with an interest rate of 3% over the prime lending rate quoted by Standard Chartered Bank and was repayable on demand. Pursuant to an agreement entered into between Open Mission Assets Limited ("OMA"), a major shareholder of the Company, and UPI on 31 January 2000, the outstanding portion of the loan amounting to HK\$17 million as at that date has been assigned to OMA. Total interest payable to UPI accrued during the year ended 31 March 2000 amounted HK\$1,228,445.

As described above, OMA granted the shareholder's loan of HK\$17 million to the Group, with the same terms and conditions under the facility letter from UPI dated 15 March 1999. On 28 February 2000 and 3 March 2000, OMA further advanced shareholder's loan of HK\$2.3 million and HK\$2.7 million to the Group respectively. During the year ended 31 March 2001, OMA further granted a loan facility of up to HK\$14 million to the Group. The loan facilities are unsecured, bearing interest at 3% per annum over the Hong Kong prime lending rate quoted by Standard Chartered Bank and OMA has agreed not to demand the Group for repayment until it is financially capable to do so. Total interest accrued to OMA during the year ended 31 March 2001 amounted to HK\$3,833,144 (2000: HK\$382,592).

- (b) During the year, the Group made sales and paid sub-contracting charges amounting to HK\$nil (2000: HK\$2,090,380) and HK\$1,355,841 (2000: HK\$2,860,258) to Asina respectively.
- (c) During the year, the Company has paid HK\$36,390 to Alvan Liu & Partners for the professional independent director's services rendered by Mr. LIU Kwok Fai, Alvan, an independent non-executive director of the Company, in respect of the period from 1 May 2000 to 30 October 2000.

Other than disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or any time during the period.

DIRECTORS' REPORT

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2001 and there had been no exercise of convertible securities, options, warrants or similar rights during the year. The Company's employee share option scheme which became effective on 20 June 1990 was expired on 19 June 2000 and no new scheme has been adopted since then.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2001, save for the interests of the Directors and the chief executive of the Company disclosed above, according to the register maintained by the Company under Section 16(1) of the SDI Ordinance and so far as is known to any Director or chief executive of the Company, the following parties were directly or indirectly interested in 10% or more of the Company's issued share capital.

<i>Name of shareholder</i>	<i>Number of ordinary shares held</i>	<i>Approximate Shareholding</i>
Open Mission Assets Limited	250,036,000	41.05%
SIU Ting	84,000,000	13.79%

Saved as disclosed above, the Directors are not aware of any person having a direct or indirect interest of 10% or more in the issued share capital of the Company as at 31 March 2001.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there are no restrictions against such rights under the laws in Bermuda.

DIRECTORS' REPORT

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied during the year ended 31 March 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except that (i) the audit committee has only one member until 6 April 2000 when the committee was dissolved with the resignation of such member as director of the Company (the new audit committee, which was formed on 29 April 2000, now comprises three independent non-executive directors, namely Messrs. LIU Kwok Fai, Alvan, LIN Gongshi and Jordan Z. DENG); and (ii) the independent non-executive directors of the Company have not been appointed for a specific term of office but retire from office on a rotational basis in accordance with the Company's Bye-Laws.

AUDITORS

In the preceding three years, Messrs. Deloitte Touche Tohmatsu has been the auditors of the Company for the financial period from 1 January 1998 to 31 March 1999 and the financial year ended 31 March 2000. On 1 March 2001, Messrs. Deloitte Touche Tohmatsu resigned as the auditors of the Company and Charles Chan, Ip & Fung CPA Ltd. was appointed to fill the vacancy and has remained as the Company's auditors since then.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Charles Chan, Ip & Fung CPA Ltd. as auditors of the Company.

On behalf of the Board

LIU Xue Lin

Chairman

Hong Kong, 24 July 2001