

The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group continues to be engaged in the manufacture and sales of electronic products, toys and home appliances. Pursuant to an agreement (the "Cutters Business Agreement") dated 19th September, 2000 entered into amongst the Company, Twin Base Limited ("Twin Base") and Mr. Chong Sing Yuen, the Company acquired from Twin Base the business for the manufacture and sales of snap off blade cutters. The acquisition of the cutters business was completed on 31st December, 2000. Details of the transactions disclosed in connection with the Cutters Business Agreement are set out under the paragraph headed "Directors' interests in contracts and connected transactions".

An analysis of the Group's turnover and loss from operations by business and geographical segments for the year ended 31st March, 2001 are set out in note 4 to the financial statements.

RESULTS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 20 of the annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 55 of the annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company during the year are set out in notes 22 and 23 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties and land and buildings were revalued at 31st March, 2001. These and other movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 12 and 13 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Chong Sing Yuen (*Chairman*)

Sun Tak Yan, Desmond

Chong Chun Man

Chu Kiu Fat

Wong Siu Keung, Joe

Chong Chun Kwok, Piggy (appointed on 5th February, 2001)

Non-executive directors:

Chu Bu Yang, Alexander

Chin Pak Hing

Chong Chun Hing

Independent non-executive directors:

Wong, Bingley

Ma Wah Yan

In accordance with Clauses 86(2), 87(1) and 87(2) of the Company's Bye-laws, Messrs. Chong Chun Kwok, Piggy, Chu Bu Yang, Alexander, Wong, Bingley and Ma Wah Yan retire and, being eligible, offer themselves for re-election.

Mr. Chong Sing Yuen has entered into a service agreement with the Company for a term of five years commencing on 1st September, 1999 and shall continue thereafter unless and until terminated by either the Company or the director giving to the other party three years' notice in writing to determine the same.

The term of office of each of the non-executive directors is the period up to his retirement as required by the Company's Bye-laws.

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

DIRECTORS' INTERESTS IN SECURITIES

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

Name of director	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Chong Sing Yuen	25,850,000	1,200,000 <i>(Note a)</i>	1,612,731,047 <i>(Note b)</i>	–
Chong Chun Man	1,830,000	–	–	–
Chu Kiu Fat	2,290,000	–	–	–

Note:

- a. Ms. Cheng Man Shan, the spouse of Mr. Chong Sing Yuen, beneficially owns 1,200,000 shares in the Company.
- b. Greatest Win Investment Limited, which beneficially owns 412,731,047 shares in the Company, and Twin Base, which beneficially owns 1,200,000,000 shares in the Company, are companies in which Mr. Chong Sing Yuen has a controlling interest.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Mr. Chong Sing Yuen in trust for the Group, none of the directors nor any of their associates had any interest as at 31st March, 2001 in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the Company's share option scheme, certain directors of the Company have personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Exercisable period	Exercise price per share <i>HK\$</i>	Outstanding at 1st April, 2000	Number of share options		Outstanding at 31st March, 2001
				Granted during the year	Exercised during the year	
Chong Sing Yuen	25th June, 1999 to 10th September, 2002	0.050	50,000,000	–	–	50,000,000
	25th November, 2000 to 10th September, 2002	0.027	–	25,000,000	(25,000,000)	–
Sun Tak Yan, Desmond	25th June, 1999 to 10th September, 2002	0.050	20,000,000	–	–	20,000,000
	25th November, 2000 to 10th September, 2002	0.027	–	50,000,000	–	50,000,000
Chong Chun Man	25th November, 2000 to 10th September, 2002	0.027	–	10,000,000	(1,500,000)	8,500,000
Chu Kiu Fat	25th November, 2000 to 10th September, 2002	0.027	–	10,000,000	(2,500,000)	7,500,000
Wong Siu Keung, Joe	25th November, 2000 to 10th September, 2002	0.027	–	10,000,000	–	10,000,000

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate. Similarly, none of the spouses or children under the age of 18 of the directors had any rights to subscribe for securities of the Company or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the heading "Directors' interests in securities", the Company has not been notified of any other interests as at 31st March, 2001 representing 10% or more of the issued share capital of the Company.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with Twin Base, a company in which a shareholder and director of the Company, Mr. Chong Sing Yuen, has a beneficial interest:

(a) Acquisition of the snap off blade cutters business

Pursuant to the Cutters Business Agreement, the Company acquired from Twin Base the business for the manufacture and sales of snap off blade cutters comprising, in terms of separable net assets, the office premises with two carparks, certain property, plant and equipment and all of the inventories of Twin Base as well as the net assets of Twin Base's subsidiary, Tung Hing Plastic (Panyu) Co., Ltd. (the "Cutters Business"). The consideration was satisfied by issuing 1,200,000,000 new shares of HK\$0.01 each in the Company. In accordance with the terms of the Cutters Business Agreement, Twin Base guaranteed the amount of net tangible assets value of the Cutters Business would at least be HK\$12,152,000 at the completion date of the Cutters Business Agreement. The acquisition of the Cutters Business was completed on 31st December, 2000 with a net tangible assets value of the Cutters Business amounting to approximately HK\$9,163,000. The shortfall of approximately HK\$2,989,000, being the difference between the net tangible assets value of the Cutters Business as at the completion date of the Cutters Business Agreement and the guaranteed amount of HK\$12,152,000, had been recorded as an amount receivable from Twin Base in the balance sheet at 31st March, 2001.

Pursuant to the Cutters Business Agreement, Twin Base has guaranteed the audited profit after taxation but before extraordinary items of the Cutters Business for the year ending 31st December, 2001 (the "Guaranteed Period") will not be less than HK\$10,000,000 (the "Guaranteed Profit"). In the event that the audited profit after taxation but before extraordinary items of the Cutters Business for the Guaranteed Period falls short of the Guaranteed Profit, Twin Base will pay to the Company the liquidated damages calculated on the basis of 4.5 times the shortfall of the Guaranteed Profit.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS
(continued)

(b) Leasing of land and buildings

The Group entered into a lease with Twin Base for the leasing of the land and buildings to Twin Base for a period of 9 years from 1st June, 1999 to 31st May, 2008 for a rental of HK\$50,000 per month. The lease was terminated on 31st December, 2000. During the period from 1st April, 2000 to 31st December, 2000, the Group's rental income amounted to HK\$450,000. The land and buildings were used by Twin Base for the manufacturing of snap off blade cutters products prior to the Group's acquisition of the Cutters Business from Twin Base. The rentals were agreed between the parties based on arm's length negotiations with reference to the size of the premises and the market rate for a similar factory premises in the Mainland China. In addition, under the said lease, Twin Base shall reimburse the Group miscellaneous fees incurred for the land and buildings of approximately HK\$28,000 per month before the termination of the lease. During the year, the Group received approximately HK\$254,000 for such miscellaneous fees.

(c) Secondment of management staff

Twin Base has seconded certain management staff in the injection moulding department and the finance department to assist the Group. In return, the Group reimburses Twin Base based on the staff cost for such management staff. The amount incurred for the year amounted to approximately HK\$401,000.

(d) Rentals paid on land and buildings

During the year, the Group paid rentals on land and buildings amounting to approximately HK\$263,000 to Twin Base. The rentals were charged in accordance with the tenancy agreements and the prevailing rent approximate to the open market rentals estimated by the directors when the tenancy agreements were contracted.

(e) During the year, Twin Base advanced approximately HK\$5,338,000 to the Group. The advance was unsecured, interest-free and was repayable on demand. Approximately HK\$3,000,000 was repaid to Twin Base in April 2001 and the remaining balance was fully repaid in June 2001.

In addition, during the year, the Group paid legal and professional fees totalling approximately HK\$260,000 for services rendered by a firm of solicitors, P.H. Chin & Company, in which a director of the Company, Mr. Chin Pak Hing, is the sole proprietor of the firm.

In the opinion of the directors who do not have any interest in the above transactions, the above transactions were carried out on normal commercial terms, in the ordinary and usual course of business of the Group, on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS (continued)

Save as disclosed above:

- (i) no other contracts of significance subsisted at any time during the year 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; and
- (ii) there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers was approximately 60% of the Group's total sales and the sales attributable to the Group's largest customer was approximately 17% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 31% of the Group's total purchases and the purchases attributable to the Group's largest supplier was approximately 9% of the Group's total purchases.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the Group's five largest customers and suppliers.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 34 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Chong Sing Yuen

Chairman

24th July, 2001