

INTERIM DIVIDEND

The board of directors has resolved not to declare any interim dividend (2000: Nil). Accordingly, no closure of Register of Members of the Company is proposed.

REVIEW OF RESULTS

For the six months ended 30th September 2001, the Group recorded a turnover of HK\$48.0 million, representing an increase of 179% as compared with HK\$17.2 million of the corresponding period in 2000. The net profit of the Group for the period was HK\$2.7 million (2000: HK\$6.9 million loss). The interim results of the Group are unaudited but have been reviewed by the Audit Committee of the Company.

BUSINESS REVIEW AND PROSPECTS

The high growth in turnover in the six months ended 30th September 2001 was mainly contributed by the newly acquired snap off blade cutter business, which accounts for 54.8% of the turnover of the Group in the period. The other businesses (mainly consumer electronics) of the Group also recorded considerable growth with improved profit margin in the same period. The administrative cost of the Group, however, increased only slightly by 0.4% compared to the corresponding period last year, evidencing the large cost savings achieved after the acquisition of snap off blade cutter business.

Growth in turnover is observed in all major export markets in the first half of this financial year because of the contribution from the snap off blade cutter business, which has a very diversified client base all over the world. The exceptional high growth in exports to Europe and Latin America can be attributed to the surge in sales of consumer electronics to these markets during the period.

For the second half of this financial year, the snap off blade cutter business is likely to develop steadily. For the consumer electronics business, there will be more focus on electronic health and beauty care products, as well as some newly developed ODM products, which will be ready for mass manufacturing soon. It is hoped that the sales of these products will help to raise the turnover of the consumer electronics business in the second half of this financial year despite the gloomy economic sentiment. The management will continue to make efforts in developing new ODM products and diversifying the Group's client base. With its familiarity with the business environment and established business relationship in Mainland China, the Group will continue to explore new business opportunities there after the accession of China to the WTO.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2001, the current and non-current liabilities of the Group amounted to HK\$56 million and HK\$4 million, approximately the same as at 31st March 2001. The management has taken several steps to improve the liquidity position and financial structure of the Group since April 2001. Some obsolete production equipment was disposed of at fair market price. Substantial progress has been made in recovery of doubtful debts. A share placement was successfully completed in July 2001. As a result, the gearing ratio (defined as the percentage of total borrowings to shareholders' funds) improved from 46% to 43% in the six months ended 30th September 2001.

In view that the production capacity of the Group's plant in Panyu will not be fully utilized in the near future, the management has started seeking suitable tenants to rent parts of the plant. The rapid urbanization and infrastructure development in the Panyu area of Guangzhou city will help the Group to secure good tenants and favourable lease terms.

As anticipated, the Group has not encountered any difficulties in extending the revolving short-term loans from several banks in Mainland China. The Group has achieved initial success in its negotiations for lower interest rates with these banks.

The Group's exposure to fluctuations in exchange rates is very limited because it does not have significant investment position in foreign currencies. Trade and financing of the Group are mostly denominated in Hong Kong dollar, US dollar and Renminbi, which are relatively stable currencies. The Group also does not have significant investment position in equities, bonds and other financial derivatives.

CHARGES ON GROUP'S ASSETS

The Group's investment properties are situated in Hong Kong and are rented out. They have been pledged to a bank to secure credit facilities granted to the Group.

Approximately 82% of the Group's land and buildings in Panyu, PRC have been pledged to banks to secure credit facilities granted to the Group.

SHARE CAPITAL

During the six months ended 30th September 2001, the following changes in the share capital of the Company took place:

A placing agreement was entered into on 14th June 2001 between the Company and NSC Securities (Asia) Limited ("NSC") pursuant to which the Company will place through NSC, a total of 300,000,000 ordinary shares of HK\$0.01 each to independent investors, being independent third parties at a price of HK\$0.029 per placing share, on a best effort basis. The 300,000,000 placing shares of HK\$0.01 each at HK\$0.029 were allotted and issued to the subscribers on 5th July 2001.

In June, July and August 2001, an aggregate of 8,400,000 ordinary shares of HK\$0.01 each in the Company were issued resulting from the exercise of share options by certain directors and employees.

CONTINGENT LIABILITIES

The Group's contingent liabilities as at 30th September 2001 were HK\$609,063 (31st March 2001: HK\$1,019,484) in relation to bills discounted with recourse.

As at 30th September 2001, the Company has given corporate guarantees to the extent of HK\$17,900,000 (31st March 2001: HK\$20,500,000) to help its subsidiaries to secure credit facilities from banks.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no material acquisitions and disposals of subsidiaries and associated companies during the interim period.

EMPLOYEES

The Group has approximately 640 employees. Most of the employees are working in the Group's manufacturing plant in Panyu, PRC. The Group recognizes the importance of its employees and offers remuneration package in line with industry practice. Share option scheme is adopted to encourage personal commitment of employees to achieve our business goals.

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

During the six months ended 30th September 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September 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 (Note a)	1,612,731,047 (Note b)	—
Chong Chun Man	1,830,000	—	—	—
Chu Kiu Fat	40,000	—	—	—
Chin Pak Hing	2,700,000	—	—	—

Notes:

- Ms. Cheng Man Shan, the spouse of Mr. Chong Sing Yuen, beneficially owns 1,200,000 shares in the Company.
- Greatest Win Investment Limited, which beneficially owns 412,731,047 shares in the Company, and Twin Base Limited, 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 30th September 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 HK\$	Number of share options			Outstanding at 30th September 2001
			Outstanding at 1st April 2001	Granted during the period	Exercised during the period	
Chong Sing Yuen	25th June 1999 to 10th September 2002	0.050	50,000,000	–	–	50,000,000
	18th June 2001 to 10th September 2002	0.027	–	27,000,000	–	27,000,000
	<i>Note</i> 18th June 2001 to 10th September 2002	0.027	–	1,150,000	–	1,150,000
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	–	1,400,000	48,600,000
	18th June 2001 to 10th September 2002	0.027	–	6,000,000	–	6,000,000
Chong Chun Man	25th November 2000 to 10th September 2002	0.027	8,500,000	–	–	8,500,000
	18th June 2001 to 10th September 2002	0.027	–	7,000,000	–	7,000,000
Chu Kiu Fat	25th November 2000 to 10th September 2002	0.027	7,500,000	–	–	7,500,000
	18th June 2001 to 10th September 2002	0.027	–	6,000,000	–	6,000,000
Wong Siu Keung, Joe	25th November 2000 to 10th September 2002	0.027	10,000,000	–	–	10,000,000
	18th June 2001 to 10th September 2002	0.027	–	6,000,000	–	6,000,000
Chong Chun Kwok, Piggy	18th June 2001 to 10th September 2002	0.027	–	6,000,000	–	6,000,000
Chu Bu Yang, Alexander	18th June 2001 to 10th September 2002	0.027	–	6,000,000	–	6,000,000

Name of director	Exercisable period	Exercise price per share HK\$	Outstanding at 1st April 2001	Number of share options		Outstanding at 30th September 2001
				Granted during the period	Exercised during the period	
Chin Pak Hing	18th June 2001 to 10th September 2002	0.027	–	6,000,000	6,000,000	–
Chong Chun Hing	18th June 2001 to 10th September 2002	0.027	–	6,000,000	–	6,000,000
Wong, Bingley	18th June 2001 to 10th September 2002	0.027	–	6,000,000	–	6,000,000
Ma Wah Yan	18th June 2001 to 10th September 2002	0.027	–	6,000,000	–	6,000,000

Note: Ms. Cheng Man Shan, the spouse of Mr. Chong Sing Yuen, has personal interest in share option to subscribe for 1,150,000 shares in the Company.

Save as disclosed above, at no time during the period 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 period.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 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 30th September 2001 representing 10% or more of the issued share capital of the Company.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Board
Chong Sing Yuen
Chairman

Hong Kong, 9th November 2001