

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries consisted of the manufacture and marketing of clocks and lighting products, the trading of metals and the provision of electroplating services. There were no significant changes in the nature of the Group's activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 March 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 67.

The directors do not recommend the payment of any dividend in respect of the year.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities, and minority interests of the Group for the last five financial years, as extracted from the audited financial statements is set out on page 68 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the Company's share capital, share options and warrants are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2002, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda, the Company's contributed surplus of HK\$128,013,000 may be distributed under certain circumstances. In addition, the Company's share premium account with a balance of HK\$26,262,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 56% of the total sales for the year and sales to the largest customer included therein amounted to 40%. Purchases from the Group's five largest suppliers accounted for 68% of the total purchases for the year and purchases from the largest supplier included therein amounted to 60%.

As far as the directors are aware, neither the directors, their associates, nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. LIANG Jin You

Ms. LI Kwo Yuk

Mr. LEUNG Kin Yau

Mr. OU Jian Sheng

Mr. DENG Ju Neng

Mr. LO Wah Wai

(resigned on 15 May 2001)

Mr. YUE Yuk Wah

(resigned on 1 March 2002)

Non-executive director:

Mr. LO Wah Wai

(appointed on 15 May 2001)

Independent non-executive directors:

Mr. LO Ming Chi, Charles

Mr. CHEUNG Doi Shu

In accordance with Articles 86(2) and 87 of the Company's bye-laws, Mr. LEUNG Kin Yau and Mr. LO Ming Chi, Charles will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACTS

During the year ended 31 March 2002, certain executive directors provided management services to the Group under the following contracts:

Directors	Terms of service	Expiry date
Ms. LI Kwo Yuk	2 years	30 April 2002
Mr. OU Jian Sheng	2 years	4 August 2001
Mr. YUE Yuk Wah (resigned on 1 March 2002)	2 years	28 February 2002

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

None of the above service contracts which expired during the year or subsequent to the balance sheet date are renewed.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31 March 2002, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as required to be recorded in the Register of Directors' Interests maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Ordinary shares of the Company	Number of issued ordinary shares of HK\$0.10 each in the Company
Director	Corporate interest
Mr. LIANG Jin You*	119,184,300

Note:

* 119,184,300 shares are owned by Golden Glory Group Limited ("GG"). GG is a company incorporated in the British Virgin Islands. The entire issued share capital of GG is beneficially owned by General Line International Holdings Limited, which is in turn 100% beneficially owned by Mr. LIANG Jin You.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(Cont'd)*

The interests of the directors in the share options of the Company are separately disclosed in the section "Share option scheme" below.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests in shares and share options" above and "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The principal purpose of the share option scheme (the "Scheme") is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

Eligible participants of the Scheme are the directors and employees of the Group. The Scheme became effective on 21 March 1995 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 31 March 2002, the total number of shares issuable under share options granted under the Scheme was 10,908,000, which represented approximately 4.5% of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 2.5% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer, with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date of grant of the share options and ends on a date which is not later than six years from the date of the commencement of the exercise period of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of the nominal value of the shares of the Company or 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days immediately preceding the date of the grant of the share options.

SHARE OPTION SCHEME (Cont'd)

Pursuant to the amendments (the “New Rules”) to Chapter 17 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, any options granted after 1 September 2001 must comply with the provisions of the New Rules. If the Company wishes to grant options to its directors or other eligible participants in future, a new share option scheme in compliance with the New Rules is to be approved and adopted by the shareholders of the Company in a general meeting.

The following share options were outstanding under the Scheme during the year:

Name or category of participants	Number of share options					At 31 March 2002	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$
	At 1 April 2001	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year				
Directors									
Mr. LIANG Jin You	2,306,000	-	-	-	-	2,306,000	6 October 1999	6 October 1999 to 20 March 2005	0.2608
Ms. LI Kwo Yuk	2,836,000	-	-	-	-	2,836,000	27 January 2000	27 January 2000 to 20 March 2005	0.6464
Mr. OU Jian Sheng	5,766,000	-	-	-	-	5,766,000	6 October 1999	6 October 1999 to 20 March 2005	0.2608
	<u>10,908,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,908,000</u>			

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued will be recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares will be recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, no person other than Mr. LIANG Jin You, as set out in the section “Directors' interests in shares and share options” above, had registered an interest in 10% or more of the issued share capital of the Company in the register of interests that is required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

CODE OF BEST PRACTICE

All of the recommendations and guidelines of the Code of Best Practice issued by the Stock Exchange (the “Code”) have been complied with by the Company, except that independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code as set out in Appendix 14 of the Listing Rules. According to the bye-laws of the Company, one-third of the directors of the Company will retire by rotation every year and their appointments will be reviewed when they are due for re-election which, in the opinion of the directors, meets the same objective.

AUDIT COMMITTEE

An Audit Committee (the “Committee”) has been established since 1999. The Committee meets regularly with senior management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters. The members of the Committee are Mr. LO Ming Chi, Charles and Mr. CHEUNG Doi Shu, both of whom are the independent non-executive directors of the Company.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board
LIANG Jin You
Chairman

Hong Kong, 23 July 2002