

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the manufacture and sale of snap off blade cutters and electronic consumer products, including toys and home appliances, and property investment. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 67.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 68. 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 Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 26 and 27 to the financial statements.

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.

Report of the Directors

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 28 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 March 2003, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended). The Company's share premium account, in the amount of HK\$24,482,848, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$24,585 (2002: HK\$10,346).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 64% of the total sales for the year and sales to the largest customer included therein amounted to 49%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors of the Company or any of their associates or 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.

Report of the Directors

DIRECTORS

The directors of the Company during the year 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

Chong Chun Hing

(changed capacity from non-executive director to executive director on 30 December 2002)

Non-executive director:

Chu Bu Yang, Alexander

Independent non-executive directors:

Wong, Bingley

Ma Wah Yan

In accordance with clauses 87(1) and 87(2) of the Company's Bye-laws, Messrs. Chu Bu Yang, Alexander, Wong Siu Keung, Joe and Chong Chun Hing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The term of office of each of the remaining non-executive and independent non-executive directors is the period up to his retirement as required by the Company's Bye-laws.

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 10 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Chong Sing Yuen has a service contract with the Company for a term of five years commencing on 1 September 1999 and shall continue thereafter unless and until terminated by either party giving not less than three years' written notice to the other.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS (Continued)

Apart from the foregoing, 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 of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Chong Sing Yuen, being a beneficial and controlling shareholder of Twin Base Limited ("Twin Base"), had interests in contracts for the leases of office premises and motor vehicles to the Group and an agreement for the disposal of certain properties to the Group during the year. Further details of the transactions undertaken in connection therewith are included in note 35 to the financial statements. Save as disclosed above, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, 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 (the "SDI Ordinance"), were as follows:

Ordinary shares of the Company

Name of director	Number of shares held and nature of interest			
	Personal	Family	Corporate	Other
Chong Sing Yuen (<i>Note</i>)	451,931,047	1,200,000	1,200,000,000	—
Chong Chun Man	1,830,000	—	—	—
Chu Kiu Fat	5,040,000	—	—	—

The interests of the directors in the share options of the Company are separately disclosed in note 27 to the financial statements.

Note: The family interest of Mr. Chong Sing Yuen in the shares of the Company is beneficially owned by his spouse, Ms. Cheng Man Shan, and the corporate interest of Mr. Chong Sing Yuen in 1,200,000,000 shares of the Company is held by Twin Base.

Save as disclosed above, none of the directors 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.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option scheme disclosures in note 27 to the financial statements, 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

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 27 to the financial statements.

Concerning the share options granted during the year to the directors and employees as detailed in note 27 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options granted because a number of factors crucial for the valuation cannot be determined. Accordingly, any valuation of the options based on various speculative assumptions might not be meaningful, and could be misleading to the shareholders of the Company.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2003, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's issued share capital
Twin Base Limited (<i>Note</i>)	<u>1,200,000,000</u>	<u>26.4</u>

Note: These interests of shares are duplicated with the interests disclosed in the section "Directors' interests in shares" above.

Report of the Directors

CONNECTED TRANSACTIONS

- (1) During the year, the Group had the following transactions with Twin Base:
 - (a) During the year, the Group paid rentals of approximately HK\$152,000 (2002: HK\$406,000) to Twin Base for land and buildings. The rentals were charged in accordance with the tenancy agreements and the prevailing rent approximate to the open market rate estimated by the directors when the tenancy agreements were contracted.
 - (b) During the year, the Group paid rentals of approximately HK\$474,000 (2002: HK\$277,000) to Twin Base for a motor vehicle. The rentals were charged in accordance with a motor vehicle rental agreement and the prevailing rent approximate to the open market rate estimated by the directors when the motor vehicle rental agreement was contracted.
 - (c) During the year, the Group entered into an agreement to acquire certain properties from Twin Base for a cash consideration of HK\$3,600,000, which was determined with reference to a valuation report dated 31 May 2002 prepared by Castores Magi Surveyors Limited, an independent firm of professional valuers.
 - (d) As at 31 March 2003, Twin Base had pledged certain of its property interests to a bank to secure the credit facilities to the extent of HK\$12,899,980 (2002: HK\$5,400,000) granted to the Group.
- (2) During the year, Mr. Chong Sing Yuen and a subsidiary of the Group gave a joint and several guarantee to a financial institution to secure the credit facilities to the extent of HK\$2,000,000 (2002: HK\$2,000,000) granted to the Company. The credit facilities terminated on 31 January 2003.
- (3) During the year, the Group paid nil (2002: HK\$53,000) product design service fees, and sold finished goods of approximately HK\$3,000 (2002: HK\$9,000) to RC Lab Ltd., a company in which an executive director of the Company, Mr. Chong Chun Hing, has a beneficial interest.
- (4) During the year, the Group paid nil (2002: HK\$20,000) legal and professional fees for services rendered by a firm of solicitors, P.H. Chin & Company, in which a former non-executive director of the Company, Mr. Chin Pak Hing, is the sole proprietor.

Report of the Directors

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, throughout the accounting period covered by the annual report, except that the non-executive and independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company’s Bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

AUDITORS

At the 2002 annual general meeting, Ernst & Young were appointed as auditors of the Company in place of the retiring auditors, Deloitte Touche Tohmatsu, to hold office until the conclusion of the forthcoming annual general meeting. There were no other changes in auditors in the past three years.

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

CHONG SING YUEN

CHAIRMAN

Hong Kong, 22 July 2003