

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 2004.

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, which include 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 loss for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 71.

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

SUMMARY 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 72. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets of the Company and fixed assets and investment properties of 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 27 and 28 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.

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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 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981 (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\$148,452 (2003: HK\$24,585).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 42% of the total sales for the year and sales to the largest customer included therein amounted to 23%. 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.

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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

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. Chong Chun Kwok, Piggy, Wong, Bingley and Ma Wah Yan 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 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 7 to 8 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.

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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"), was interested in a contract for the lease of a motor vehicle to the Group during the year. Further details of the transaction undertaken in connection therewith are included in note 36 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, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

At 31 March 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Chong Sing Yuen (<i>Note</i>)	25,881,047	1,200,000	–	27,081,047	0.56%
Sun Tak Yan, Desmond	3,150,000	–	–	3,150,000	0.07%
Chong Chun Kwok, Piggy	45,000,000	–	–	45,000,000	0.94%
Chong Chun Man	46,830,000	–	–	46,830,000	0.97%
Chu Kiu Fat	45,040,000	–	–	45,040,000	0.94%
Chong Chun Hing	4,500,000	–	–	4,500,000	0.09%
Wong, Bingley	4,500,000	–	–	4,500,000	0.09%
	<u>174,901,047</u>	<u>1,200,000</u>	<u>–</u>	<u>176,101,047</u>	<u>3.66%</u>

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The interests of the directors in the share options of the Company are separately disclosed in note 28 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, Mrs. Chong Cheng Man Shan.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares" above, and in the share option scheme in note 28 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 minor children, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 March 2004, the following interests of 5% 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 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Win Channel Investments Limited (<i>Note</i>)	Directly beneficially owned	1,300,000,000	27.06
Chim Pui Chung (<i>Note</i>)	Through a controlled corporation	<u>1,300,000,000</u>	<u>27.06</u>

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Note: The ordinary shares are held by Win Channel Investments Limited, which is wholly-owned by Mr. Chim Pui Chung

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section “Directors’ interests and short positions in shares” above, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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\$474,000 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.
 - (b) As at 31 March 2004, 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 granted to the Group.
- (2) During the year, Mr. Chong Sing Yuen and Mr. Chong Chun Kwok, Piggy, gave a joint and several guarantee to a financial institution to secure the credit facilities to the extent of HK\$1,500,000 granted to the Company.
- (3) During the year, Mrs. Chong Cheng Man Shan, the spouse of Mr. Chong Sing Yuen, and Mr. Chong Chun Chung, a son of Mr. Chong Sing Yuen, advanced approximately HK\$1,722,000 in aggregate to the Group. The advances are unsecured, interest-free and are repayable on demand.
- (4) During the year, Mr. Chong Sing Yuen advanced shareholder’s loans of approximately HK\$5,992,000 in aggregate to the Group. These shareholder’s loans were unsecured, interest-free and were fully repaid during the year.

POST BALANCE SHEET EVENTS

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

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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 Hong Kong Stock Exchange 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 specific terms 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

Ernst & Young will retire as auditors of the Company at the forthcoming annual general meeting of the Company. A resolution for the appointment of Charles Chan, Ip and Fung CPA Limited as the auditors of the Company will be proposed at the forthcoming annual general meeting.

Deloitte Touche Tohmatsu were the auditors of the Company for the year ended 31 March 2002. Ernst & Young were the auditors of the Company for the years ended 31 March 2003 and 2004. Save as the foregoing, there were no other changes of auditors in the past three years.

ON BEHALF OF THE BOARD

CHONG SING YUEN

CHAIRMAN

Hong Kong, 28 July 2004