

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 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its 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 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 75.

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 76. 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.

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

DISTRIBUTABLE RESERVES

At 31 March 2005, the Company had no reserves available for distribution, calculated in accordance with the provisions of the Bermuda Company Act 1981 (as amended). The Company's share premium account, in the amount of HK\$24,062,750, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$11,000 (2004: HK\$148,452).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 34% of the total sales for the year and sales to the largest customer included therein amounted to 18%. Purchases from the Group's five largest suppliers accounted for 37% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

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 (*Resigned on 25 October 2004*)
Chong Chun Hing
Chong Chun Man (*Resigned on 25 October 2004*)
Chu Kiu Fat
Wong Siu Keung, Joe
Chong Chun Kwok, Piggy

Non-executive director:

Chu Bu Yang, Alexander (*Resigned on 18 January 2005*)

Independent non-executive directors:

Wong, Bingley (*Resigned on 28 September 2004*)
Ma Wah Yan (*Resigned on 28 September 2004*)
Chan Ping Yim (*Appointed on 28 September 2004*)
Chan Shun (*Appointed on 28 September 2004*)
Cheng Kwok Hing, Andy (*Appointed on 28 September 2004*)

Mr. Chu Kiu Fat, the director retiring by rotation in accordance with Bye-law 87 of the Company's Bye-laws, and Messrs. Chan Ping Yim, Cheng Kwok Hing, Andy, the directors appointed by the board on 28 September 2004 pursuant to Bye-law 86(2) of the Company's Bye-laws, being eligible, have offered themselves for re-election at the forthcoming annual general meeting; and Mr. Chan Shun, the director appointed by the board on 28 September 2004 pursuant to Bye-law 86(2) of the Company's Bye-laws, has not offered himself for re-election at the forthcoming annual general meeting. Each of the independent non-executive directors has fixed term of office for three years from the day of appointment and will be subject to the general requirement of retirement by rotation under the Bye-laws of the Company.

Report of the Directors

DIRECTORS' BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

Mr. Chong Sing Yuen has entered into a service contract with the Company for a term of 5 years from 1 September 1999 which shall continue thereafter unless and until terminated by either party giving not less than three years' written notice.

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 31 to the financial statements.

Save as disclosed above, no director had interests in any contract of significance subsisting during or at the financial year ended 31 March 2005 in relation to the business of the Group taken as a whole.

Report of the Directors

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

At 31 March 2005, 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 share capital (Note 1)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Chong Sing Yuen (Notes 2 & 3)	51,762,094	4,700,000	–	56,462,094	0.58%
Chu Kiu Fat (Note 4)	80,000	–	–	80,000	0.00%
Wong Siu Keung, Joe (Note 5)	16,000,000	–	–	16,000,000	0.16%
	<u>67,842,094</u>	<u>4,700,000</u>	<u>–</u>	<u>72,542,094</u>	<u>0.74%</u>

The interests of the directors in the share options of the Company are separately disclosed in note 28 to the financial statements.

Note 1: The number of shares of 9,739,915,410, which represents a 100% increase of 4,869,957,705 issued shares of the Company as at 31 March 2005 expected from the Open Offer, is adopted in calculating the percentage of the Company's share capital since all the above directors had included their respective entitlement to new shares in accordance with the terms stated in the prospectus of the Open Offer dated 23 March 2005 in their notices served under the SFO.

Note 2: 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.

Report of the Directors

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES (continued)

Note 3: The total number of shares held by the Mr. Chong Sing Yuen represents 25,881,047 issued shares of the Company held by him and 2,350,000 issued shares of the Company held by his spouse, Mrs. Chong Cheng Man Shan and their entitlement to further acquire 28,231,047 new shares in accordance with the terms stated in the prospectus of the Open Offer dated 23 March 2005.

Note 4: The total number of shares held by the Mr. Chu Kiu Fat represents 40,000 issued shares of the Company held by him and his entitlement to further acquire 40,000 new shares in accordance with the terms stated in the prospectus of the Open Offer dated 23 March 2005.

Note 5: The total number of shares held by the Mr. Wong Siu Keung, Joe represents 8,000,000 issued shares of the Company held by him and his entitlement to further acquire 8,000,000 new shares in accordance with the terms stated in the prospectus of the Open Offer dated 23 March 2005.

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 Listing Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares" above, and 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 31 March 2005, the following interests of 5% or more in 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 interest held	Percentage of the Company's share capital (Note 1)
Win Channel Investments Limited (Note 2)	Directly beneficially owned	2,600,000,000	26.69%
Chim Pui Chung (Note 2)	Through a controlled corporation	2,600,000,000	26.69%
Kingston Securities Limited (Note 3)	Other	3,589,257,705	36.85%
Chu Yuet Wah (Note 3)	Through a controlled corporation	3,589,257,705	36.85%
Ma Siu Fong (Note 3)	Through a controlled corporation	3,589,257,705	36.85%
Tsoi Man Chi	Directly beneficially owned	<u>243,500,000</u>	<u>5.00%</u>

Note 1: The number of shares of 9,739,915,410, which represents a 100% increase of 4,869,957,705 issued shares of the Company as at 31 March 2005 expected from the Open Offer, is adopted in calculating the percentage of the Company's share capital for Win Channel Investments Limited, Mr. Chim Pui Chung, Kingston Securities Limited, Ms. Chu Yuet Wah and Ms. Ma Siu Fong, since all the mentioned substantial shareholders had included their respective undertaking and obligation to acquire new shares in their notices served under the SFO.

The number of shares of 4,869,957,705, which represents the total number of issued shares of the Company as at 31 March 2005, is adopted in calculating the percentage of the Company's share capital for Mr. Tsoi Man Chi since there was no information from his notice served under the SFO showing that he was entitled to acquire new shares in accordance with the terms stated in the prospectus of the Open Offer dated 23 March 2005.

Note 2: The interest was held by Win Channel Investments Limited, a company wholly owned by Mr. Chim Pui Chung, which represented 1,300,000,000 issued shares of the Company held by Win Channel Investments Limited and its undertaking to further acquire 1,300,000,000 new shares under the Open Offer which was provided on 20 January 2005.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES (continued)

Note 3: The interest was held by Kingston Securities Limited (the "Underwriter"), a company controlled by Ms. Chu Yuet Wah and Ms. Ma Siu Fong, which represented a maximum of 3,589,257,705 new shares of the Company underwritten by the Underwriter pursuant to an underwriting agreement entered into between the Company and the Underwriter on 20 January 2005.

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.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 March 2004 (the "Latest Practicable Date"), to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	<i>HK\$</i>
Non-current assets	2,293,074
Current assets	9,045,425
Current liabilities	<u>(41,099,382)</u>
	<u>(29,760,883)</u>
Share capital	2,000,031
Accumulated losses	<u>(31,760,914)</u>
	<u>(29,760,883)</u>

At the Latest Practicable Date, the Group's consolidated attributable interest in these affiliated companies amounted to HK\$19,025,387 and provision for impairment of HK\$16,025,387 had been made.

Report of the Directors

CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions with Twin Base Limited (“Twin Base”), a company in which Mr. Chong Sing Yuen had a beneficial interest:
- (i) During the year, the Group made rental payment of approximately HK\$474,000 (2004: HK\$474,000) to Twin Base for a motor vehicle with cross border license. The rentals were charged in accordance with a motor vehicle rental agreement. Details of the operating lease commitments at the balance sheet date are set out in note 33(b) to the financial statements.
 - (ii) As at 31 March 2005, Twin Base pledged certain of its property interests to a bank to secure credit facilities to the extent of HK\$12,899,980 (2004: HK\$12,899,980) granted to the Group.
- (b) During the year, Mr. Chong Sing Yuen and Mr. Chong Chun Kwok, Piggy, a son of Mr. Chong Sing Yuen, gave a joint and several guarantee to a financial institution to secure the credit facilities to the extent of HK\$1,500,000 (2004: HK\$1,500,000) granted to the Company. In May 2004, the Company repaid the credit facilities and the guarantees were released.
- (c) During the year, Mrs. Chong Cheng Man Shan, the spouse of Mr. Chong Sing Yuen, granted a credit facility of HK\$8,000,000 and a loan of HK\$5,660,000 to the Group, the details of which are set out in note 23 to the financial statements. In addition, Mrs. Chong advanced HK\$610,547 (2004: HK\$1,471,698) to the Group. The advances were unsecured, interest free and without fixed terms of repayment.
- (d) During the year, Mr. Chong Chun Kwok, Piggy, a director of the Company and a son of Mr. Chong Sing Yuen advanced HK\$3,650,000 (2004: NIL) to the Group. The advances were unsecured, interest free and without fixed terms of repayment.
- (e) During the year ended 31 March 2004, Mr. Chong Chun Chung, a son of Mr. Chong Sing Yuen advanced HK\$250,000 to the Group. The advances were unsecured, interest free and repayable on demand. During the year ended 31 March 2005, the Group repaid HK\$250,000 to Mr. Chong Chun Chung.

Report of the Directors

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year ended 31 March 2005, in compliance with the Code of Best Practice as previously set out in Appendix 14 to the Listing Rules prior to 1 January 2005, which remain applicable to disclosure in annual reports in respect of accounting periods commencing before 1 January 2005 under the transitional arrangement.

The Company has received from each of its independent non-executive directors his respective annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and therefore considers the independent non-executive directors of the Company to be independent.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive directors, namely Messrs. Chan Ping Yim, Chan Shun and Cheng Kwok Hing, Andy (the "Audit Committee"). The primary duties of the Audit Committee are to review the accounting principles and practices adopted by the Group, the financial reporting process and the internal control system of the Group. The annual results of the Group for the year ended 31 March 2005 have been reviewed by the Audit Committee.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of directors of the Company, the Company maintained a sufficient public float throughout the year ended 31 March 2005.

Report of the Directors

AUDITORS

The financial statements for the year ended 31 March 2003 and 2004 were audited by Ernst & Young. At the annual general meeting held on 27 August 2004, Ernst & Young retired and CCIF CPA Limited were appointed as auditors of the Company. A resolution for re-appointment of CCIF CPA Limited 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 2005