

12 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 2006.

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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 109.

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Company and property, plant and equipment, and investment properties of the Group during the year are set out in notes 16 and 17 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 32 and 33 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.

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

DISTRIBUTABLE RESERVES

At 31 March 2006, 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\$26,743,438, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$30,000 (2005: HK\$11,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 49% of the total sales for the year and sales to the largest customer included therein amounted to 28%. 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 14%.

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*)
Au Tat On (*Appointed on 12 May 2006*)
Chong Chun Hing (*Resigned on 12 May 2006*)
Chu Kiu Fat (*Resigned on 20 April 2006*)
Chong Chun Kwok, Piggy (*Resigned on 12 May 2006*)
Lu Xiao Dong (*Appointed on 12 May 2006*)
Wong Siu Keung, Joe

Independent non-executive directors:

Chan Ping Yim (*Resigned on 26 May 2006*)
Chan Shun (*Resigned on 18 August 2005*)
Cheng Kwok Hing, Andy
Yeung King Wah (*Appointed on 26 May 2006*)
Yeung Yuen Hei (*Appointed on 18 August 2005*)

Mr Chong Sing Yuen, the director retiring by rotation in accordance with Bye-law 87 of the Company's Bye-laws, and Mr Au Tat On and Mr Lu Xiao Dong appointed by the Board on 12 May 2006, and Mr Yeung King Wah, the director appointed by the board on 26 May 2006 pursuant to Bye-law 86(2) of the Company's By-laws being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

The Directors of the Company are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws. 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.

The Company has received the annual confirmations of independence from Mr Yeung King Wah, Mr Yeung Yuen Hei and Mr Cheung Kwok Hing, Andy, and as at the date of this report still considers them to be independent. The Company also received the annual confirmation of independence from Mr Chan Ping Yim, and as at the date of his resignation still considers him to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of directors of the Company are set out on pages 5 and 6 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

Ms Cheng Man Shan, the spouse of 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 37 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 2006 in relation to the business of the Group taken as a whole.

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DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

At 31 March 2006, 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 position in the Company's ordinary shares

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>)	<u>1,294,052</u>	<u>117,500</u>	<u>–</u>	<u>1,411,552</u>	<u>0.48%</u>

Note: The family interest of Mr Chong Sing Yuen in the shares of the Company was beneficially owned by his spouse, Ms Chong Cheng Man Shan.

The interests of the directors in the share options of the Company are separately disclosed in note 33 to the financial statements.

Save as disclosed above, as at 31 March 2006, none of 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' interest and short positions in shares" above, and the share option scheme in note 33 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 2006, 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:

		Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Win Channel Investments Limited (<i>Note 1</i>)		Directly beneficially owned	65,000,000	22.30%
Chim Pui Chung		Through a controlled corporation	65,000,000	22.30%
Easy Huge Holdings Limited (<i>Note 2</i>)		Directly beneficially owned	48,000,000	16.47%
Ng Kin Wah (<i>Note 2</i>)		Through a controlled corporation	48,000,000	16.47%

Note 1: The interest was held by Win Channel Investments Limited, a company wholly owned by Mr Chim Pui Chung.

Note 2: The interest was held by Easy Huge Holdings Limited, a company wholly owned by Mr Ng Kin Wah.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interest 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.

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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.

CONNECTED TRANSACTIONS

- (a) During the year, the Group had the following transactions with Twin Base Limited (“Twin Base”), a company in which Ms Cheng Man Shan, the spouse of Mr Chong Sing Yuen had a beneficial interest:
- (i) During the year, the Group made rental payment of approximately HK\$474,000 (2005: 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 37(a)(i) to the financial statements.
 - (ii) As at 31 March 2006, Twin Base pledged certain of its property interests to a bank to secure credit facilities to the extent of HK\$12,899,980 (2005: HK\$12,899,980) granted to the Group.

- (b) During the year, Ms Cheng, the spouse of Mr Chong Sing Yuen, granted a credit facility of HK\$13,660,000 (2005: HK\$8,000,000) and a loan of HK\$ Nil (2005: HK\$5,660,000) to the Group, the details of which are set out in note 27 to the financial statements, In addition, Ms Cheng advance HK\$436,893 (2005: HK\$610,547) to the Group. The advances were unsecured, interest-free and with fixed terms of repayment.
- (c) During the year ended 31 May 2005, Mr Chong Chun Kwok, Piggy, a director of the Company and a son of Mr. Chong Sing Yuen advanced HK\$3,650,000 to the Group. The advances were unsecured, interest free and without fixed terms of repayment on demand. During the year ended 31 March 2006, the Group repaid HK\$3,650,000 to Mr Chong Chun Kwok, Piggy.
- (d) The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11 to the financial statements.

Material related party transactions entered into by the Group during the year ended 31 March 2006, which do not constitute connected transactions under the Listing Rules, are disclosed in note 37 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 39 to the financial statements.

CORPORATE GOVERNANCE

Information on the Company's compliance of the Code of Corporate Governance Practice ("CG Code") as set out in Appendix 14 to the Listing Rules and deviations from certain code provisions of the CG Code for the year is set out in the Corporate Governance Report in this annual report.

AUDIT COMMITTEE

During the year, the audit committee of the Company comprises three independent non-executive directors. As at the date of this report, they are Messrs. Yeung King Wah, Cheng Kwok Hing, Andy and Yeung Yuen Hei (the "Audit Committee").

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The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The principal activities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls.

The Audit Committee met twice during the year in conjunction with auditors to review the internal controls, interim results and final accounts of the Group prior to recommending them to the Board for approval.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

None of the directors have an interest in any business constituting a competing business to the Group.

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 2006.

AUDITORS

The financial statements for the year ended 31 March 2006 were audited by CCIF CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint CCIF CPA Limited as auditors of the Company.

ON BEHALF OF THE BOARD

CHONG SING YUEN

CHAIRMAN

Hong Kong, 25 July 2006