K & P International Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2005

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of K & P International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with the comparative figures for the previous period. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

	Notes	**For the six months ended 30 June 2005 (Unaudited)** *HK$*	2004 (Unaudited) (Restated) *HK$*
REVENUE			
Sale of good	*3*	**172,059,775**	153,500,997
Cost of sales		**(134,095,629)**	(115,833,033)
Gross profit		**37,964,146**	37,667,964
Other income and gains	*4*	**2,990,745**	7,796,219
Selling and distribution costs		**(17,510,064)**	(14,877,042)
Administrative expenses		**(17,162,417)**	(10,375,962)
Other expenses	*5*	**(785,664)**	(3,398,117)
Finance costs	*6*	**(2,937,583)**	(3,267,275)
Share of loss of an associate		**(4,398,020)**	(2,348,713)
PROFIT/(LOSS) BEFORE TAX	*7*	**(1,838,857)**	11,197,074
Tax	*8*	**(1,068,000)**	(1,216,192)
PROFIT/(LOSS) FOR THE PERIOD		**(2,906,857)**	9,980,882
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(2,906,857)**	9,980,882
EARNINGS/(LOSS) PER SHARE	*9*		
Basic		**(1.09) cents**	3.96 cents
Diluted		**Nil**	3.89 cents
DIVIDEND PER SHARE	*10*	**0.5 cent**	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2005

	Notes	30 June 2005 (Unaudited) HK$	31 December 2004 (Unaudited) (Restated) HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**75,720,844**	71,653,982
Prepaid land premiums/land lease payments		**21,651,548**	21,857,676
Intangible assets		**8,945,000**	8,052,500
Investment in an associate		**21,905,402**	26,303,422
Long term investments		**3,180,000**	3,180,000
Total non-current assets		**131,402,794**	131,047,580
CURRENT ASSETS			
Inventories		**53,486,600**	40,701,912
Prepayments, deposits and other receivables		**18,234,278**	15,970,398
Trade and bills receivables	*11*	**74,017,882**	79,020,008
Pledged time deposits		**8,257,045**	8,183,896
Cash and cash equivalents		**23,110,914**	19,117,426
Total current assets		**177,106,719**	162,993,640
CURRENT LIABILITIES			
Interest-bearing bank and other loans		**86,322,272**	59,778,516
Trade payables	*12*	**48,813,813**	62,207,706
Accrued liabilities and other payables		**32,750,865**	28,608,577
Convertible loan notes	*13*	**–**	6,450,346
Tax payable		**1,448,842**	1,697,979
Dividend payable		**3,982,572**	–
Total current liabilities		**173,318,364**	158,743,124
NET CURRENT ASSETS		**3,788,355**	4,250,516
TOTAL ASSETS LESS CURRENT LIABILITIES		**135,191,149**	135,298,096
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans		**6,735,942**	729,887
Long term portion of finance lease payables		**5,075,060**	4,400,628
Deferred tax liabilities		**3,611,481**	3,611,481
Total non-current liabilities		**15,422,483**	8,741,996
		119,768,666	126,556,100
CAPITAL AND RESERVES			
Equity attributable to equity holders			
Share capital		**26,550,480**	26,550,480
Reserves		**93,218,186**	97,350,572
Proposed final dividend		**–**	2,655,048
		119,768,666	126,556,100

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Issued share capital (Unaudited) *HK$*	Share premium account (Unaudited) *HK$*	Other reserves (Unaudited) *HK$*	Contributed surplus (Unaudited) *HK$*	Fixed asset revaluation reserve (Unaudited) *HK$*	Exchange fluctuation reserve (Unaudited) *HK$*	Retained profits (Unaudited) *HK$*	Proposed final dividend (Unaudited) *HK$*	Total (Unaudited) *HK$*
Total equity at 1 January 2005:									
As previously reported as equity	26,550,480	50,541,281	–	660,651	9,205,746	(1,729,403)	39,106,717	2,655,048	126,990,520
Prior period adjustments *(note 1,2)*	–	–	492,383	–	(5,814,383)	–	4,887,580	–	(434,420)
At 1 January 2005 (as restated)	26,550,480	50,541,281	492,383	660,651	3,391,363	(1,729,403)	43,994,297	2,655,048	126,556,100
Exchange realignment	–	–	–	–	–	70,502	–	–	70,502
Net income and expense recognized directly in equity	–	–	–	–	–	70,502	–	–	70,502
Loss for the period	–	–	–	–	–	–	(2,906,857)	–	(2,906,857)
Total recognized income and expense for the period	–	–	–	–	–	70,502	(2,906,857)	–	(2,836,355)
Dividend	–	–	–	–	–	–	(1,327,524)	(2,655,048)	(3,982,572)
Equity share option issued	–	–	31,493	–	–	–	–	–	31,493
At 30 June 2005	26,550,480	50,541,281	523,876	660,651	3,391,363	(1,658,901)	39,759,916	–	119,768,666

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 June 2005

	Issued share capital (Unaudited) (Restated) *HK$*	Share premium account (Unaudited) (Restated) *HK$*	Other reserves (Unaudited) (Restated) *HK$*	Contributed surplus (Unaudited) (Restated) *HK$*	Fixed asset revaluation reserve (Unaudited) (Restated) *HK$*	Exchange fluctuation reserve (Unaudited) (Restated) *HK$*	Retained profits (Unaudited) (Restated) *HK$*	Proposed final dividend (Unaudited) (Restated) *HK$*	Total (Unaudited) (Restated) *HK$*
Total equity at 1 January 2004:									
As previously reported as equity	25,250,480	49,761,281	–	660,651	6,178,574	(920,411)	23,741,849	–	104,672,424
Prior period adjustments *(note 1,2)*	–	–	492,383	–	(3,052,550)	–	5,571,636	–	3,011,469
At 1 January 2004 (as restated)	25,250,480	49,761,281	492,383	660,651	3,126,024	(920,411)	29,313,485	–	107,683,893
Exchange realignment	–	–	–	–	–	53,143	–	–	53,143
Revaluation reserve released on disposal (restated)	–	–	–	–	(48,724)	–	–	–	(48,724)
Net income and expense recognized directly in equity (restated)	–	–	–	–	(48,724)	53,143	–	–	4,419
Profit for the period (restated)	–	–	–	–	–	–	9,980,882	–	9,980,882
Total recognized income and expense for the period	–	–	–	–	(48,724)	53,143	9,980,882	–	9,985,301
Dividend	–	–	–	–	–	–	–	–	–
Equity share option issued	–	–	–	–	–	–	–	–	–
At 30 June 2004	25,250,480	49,761,281	492,383	660,651	3,077,300	(867,268)	39,294,367	–	117,669,194

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$	*HK$*
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**(5,634,415)**	3,646,414
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(17,229,320)**	(10,454,301)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**26,766,702**	1,170,748
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,902,967**	(5,637,139)
Cash and cash equivalents at beginning of period	**19,117,426**	20,714,066
Effect of foreign exchange rate changes, net	**70,502**	14,858
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**23,090,895**	15,091,785
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**15,103,211**	10,299,770
Time deposits	**8,007,703**	8,000,215
	23,110,914	18,299,985
Bank overdrafts	**(20,019)**	(3,208,200)
	23,090,895	15,091,785

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 1, 2, 8, 12, 16, 18, 19, 21, 23, 24, 27, 28, 33 and 38 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/ land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortized on the straight–line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

1. ACCOUNTING POLICIES *(Continued)*

(a) *HKAS 17 – Leases (Continued)*

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(b) *HKAS 32 and HKAS 39 – Financial Instruments*

Convertible loan notes

In prior periods, convertible loan notes were stated at amortised cost. Upon the adoption of HKASs 32 and 39, convertible loan notes issued are split into liability and equity components.

On the issue of the convertible loan notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible loan note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible loan notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with HKAS 32, comparative amounts have been restated.

(c) *HKFRS 2 – Share-based Payment*

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

1. ACCOUNTING POLICIES *(Continued)*

(c) HKFRS 2 – Share-based Payment (Continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

As the Group does not have share options granted to employees after 7 November 2002 but had not vested by 1 January 2005, comparative amounts have not been restated in accordance with the transitional provision of HKFRS 2.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments are summarized as follows:

(a) Effect on opening balance of total equity at 1 January 2005

Effect of new policies (Increase/(decrease))	*Notes*	**Capital reserve (Unaudited)** ***HK$***	**Equity component of convertible loan note (Unaudited)** ***HK$***	**Fixed asset revaluation reserve (Unaudited)** ***HK$***	**Retained earnings (Unaudited)** ***HK$***	**Total (Unaudited)** ***HK$***
Prior period adjustments:						
HKAS 17						
Reclassification of prepaid land premiums/land lease payments	*1(a)*	**–**	**–**	**(5,814,383)**	**5,393,059**	**(421,324)**
HKAS 32 and 39						
Convertible loan notes	*1(b)*	**–**	**492,383**	**–**	**(505,479)**	**(13,096)**
Total effect at 1 January 2005		**–**	**492.383**	**(5,814,383)**	**4,887,580**	**(434,420)**

(b) Effect on opening balance of total equity at 1 January 2004

Effect of new policies (Increase/(decrease))	*Notes*	Capital reserve (Unaudited) *HK$*	Equity component of convertible loan note (Unaudited) *HK$*	Fixed asset revaluation reserve (Unaudited) *HK$*	Retained earnings (Unaudited) *HK$*	Total (Unaudited) *HK$*
Prior period adjustments:						
HKAS 17						
Reclassification of prepaid land premiums/land lease payments	*1(a)*	–	–	(3,052,550)	5,844,812	2,792,262
HKAS 32 and 39						
Convertible loan notes	*1(b)*	–	492,383	–	(273,176)	219,207
Total effect at 1 January 2004		–	492,383	(3,052,550)	5,571,636	3,011,469

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

The following tables summarise the impact on profit/(loss) after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month periods ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs.

(c) Effect on profit/(loss) after tax for the six months ended 30 June 2005 and 2004

Effect of new policies (Increase/(decrease))	*Notes*	**For the six months ended 2005 (Unaudited) *HK$***	2004 (Unaudited) *HK$*
Effect on profit/(loss) after tax:			
HKAS 17			
Reclassification of prepaid land premiums/land l ease payments	*1(a)*	**(92,156)**	9,144
HKAS 32 and 39			
Convertible loan notes	*1(b)*	**13,096**	(219,762)
HKFRS 2			
Equity share option scheme	*1(c)*	**(31,493)**	–
Total effect for the period		**(110,553)**	(210,618)
Effect on earnings/(loss) per share:			
Basic		**(0.04) cent**	(0.08) cent
Diluted		**Nil**	(0.08) cent

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 June 2005 and 2004

Effect of new policies (Increase/(decrease))	Notes	For the six months ended 2005 (Unaudited) HK$	2004 (Unaudited) HK$
HKAS 17			
Reclassification of prepaid land premiums/land lease payments	*1(a)*	–	112,560
HKFRS 2			
Employee share option scheme	*1(c)*	**31,493**	–
Total effect for the period		**31,493**	112,560

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the precision parts and components segment comprise the manufacture and sale of precision parts and components comprising keypads, synthetic rubber and plastic components and parts, and liquid crystal displays;

(b) the consumer electronic products segment comprise the design, manufacture and sale of consumer electronic products comprising time, weather forecasting and other products; and

(c) the corporate and others segment comprises the Group's property holding activity, together with corporate income and expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the cost of sales.

3. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following table presents revenue, profit/(loss) and certain expenditure information for the Group's business segments.

For the six months ended 30 June

Group

	Precision parts and components		Consumer electronic products		Corporate and others		Eliminations		Consolidated	
	2005 (Unaudited)	2004 (Unaudited) (Restated)	**2005 (Unaudited)**	2004 (Unaudited) (Restated)	**2005 (Unaudited)**	2004 (Unaudited) (Restated)	**2005 (Unaudited)**	2004 (Unaudited) (Restated)	**2005 (Unaudited)**	2004 (Unaudited) (Restated)
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:										
Sales to external customers	**108,391,527**	85,405,065	**63,668,248**	68,095,932	**–**	–	**–**	–	**172,059,775**	153,500,997
Intersegment sales	**4,570,591**	2,538,311	**–**	–	**–**	–	**(4,570,591)**	(2,538,311)	**–**	–
Other income and gains	**2,791,036**	2,557,231	**89,247**	92,509	**1,878**	1,400	**–**	–	**2,882,161**	2,651,140
Total	**115,753,154**	90,500,607	**63,757,495**	68,188,441	**1,878**	1,400	**(4,570,591)**	(2,538,311)	**174,941,936**	156,152,137
Segment results	**9,323,579**	8,038,218	**(3,407,910)**	4,126,471	**(527,507)**	(496,706)			**5,388,162**	11,667,983
Interest income									**108,584**	31,243
Gain on disposal of a long term investment									**–**	5,113,836
Finance costs									**(2,937,583)**	(3,267,275)
Share of loss of an associate	**(4,398,020)**	(2,348,713)	**–**	–	**–**	–	**–**	–	**(4,398,020)**	(2,348,713)
Profit/(loss) before tax									**(1,838,857)**	11,197,074
Tax									**(1,068,000)**	(1,216,192)
Profit/(loss) for the period									**(2,906,857)**	9,980,882
Other segment information:										
Depreciation and amortisation	**8,753,742**	7,905,905	**3,381,724**	3,302,984	**266,087**	388,027	**–**	–	**12,401,553**	11,596,916
Capital expenditure	**11,330,798**	6,186,847	**5,753,399**	6,694,026	**79,546**	97,485	**–**	–	**17,163,743**	12,978,358

3. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue, and certain expenditure information for the Group's geographical segments:

Group	Segment revenue Sales to external customers		Other segment information Capital expenditure	
	For the six months ended 30 June			
	2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*	**2005 (Unaudited) *HK$***	2004 (Unaudited) *HK$*
Hong Kong	**74,877,959**	53,774,733	**4,610,897**	3,019,638
Mainland China	**8,753,259**	7,461,727	**11,805,038**	8,372,217
Total in the People's Republic of China ("PRC")	**83,631,218**	61,236,460	**16,415,935**	11,391,855
Japan	**14,567,120**	16,375,004	**–**	–
Other Asian countries*	**8,851,508**	8,926,876	**267,459**	26,503
Total in Asia	**107,049,846**	86,538,340	**16,683,394**	11,418,358
Germany	**16,220,342**	30,844,219	**–**	–
Other European countries**	**34,039,754**	25,771,308	**–**	–
Total in Europe	**50,260,096**	56,615,527	**–**	–
North America	**7,636,908**	6,570,070	**480,350**	1,560,000
Others***	**7,112,925**	3,777,060	**–**	–
Consolidated	**172,059,775**	153,500,997	**17,163,744**	12,978,358

* *Other Asian countries mainly comprise Taiwan, Singapore, Malaysia, Thailand, Indonesia and Korea.*

** *Other European countries mainly comprise Italy, the United Kingdom, France, the Netherlands, Austria, Sweden and Spain.*

*** *Others mainly comprise South America, Australia and New Zealand.*

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
		(Restated)
	HK$	*HK$*
Interest income	**108,584**	31,243
Tooling charge income	**1,416,690**	224,516
Sale of scrap	**88,078**	63,125
Sale commissions	**776,528**	1,484,069
Gain on disposal of a long term investment	**–**	5,113,836
Sub-contracting fee income	**254,800**	565,132
Others	**346,065**	314,298
	2,990,745	7,796,219

5. OTHER EXPENSES

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
		(Restated)
	HK$	*HK$*
Provision for doubtful debts	**–**	975,681
Loss on disposal of fixed assets	**383**	1,763,661
Others	**785,281**	658,775
	785,664	3,398,117

6. FINANCE COSTS

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
		(Restated
	HK$	*HK$*
Interest expenses on bank loans and overdrafts wholly repayable within five years	**2,244,927**	1,294,970
Interest on finance leases	**482,694**	568,298
Interest on convertible loan notes and fixed rate loan notes	**32,674**	203,906
Accrued premium on redemption of convertible loan notes and fixed rate loan notes	**177,288**	1,200,101
	2,937,583	3,267,275

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	For the six months ended 30 June 2005 (Unaudited) *HK$*	2004 (Unaudited) (Restated) *HK$*
Depreciation:		
Owned fixed assets	**10,492,340**	8,612,363
Leased fixed assets	**496,585**	2,275,638
	10,988,925	10,888,001
Amortisation of intangible assets	**1,207,500**	561,809
Amortisation of prepaid land lease premiums/land lease payments	**205,128**	147,106
Foreign exchange losses, net	**471,942**	–
and after crediting:		
Interest income	**108,584**	31,243
Foreign exchange gains, net	**–**	91,560

8. TAX

	For the six months ended 30 June 2005 (Unaudited) *HK$*	2004 (Unaudited) *HK$*
Group:		
Current – Hong Kong		
Charge for the period	**1,068,000**	826,986
Deferred	**–**	389,206
Total tax charge for the period	**1,068,000**	1,216,192

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the loss attributable to equity holders for the period of HK$2,906,857 (six months ended 30 June 2004: profit HK$9,980,882 (as restated)), and on the weighted average of 265,504,800 (2004: 252,504,800) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2004 is based on the profit attributable to equity holders for that period of HK$9,980,882 (as restated). The weighted average number of ordinary shares used in the calculation is the 252,504,800 ordinary shares in issue during that period, as used in the basic earnings per share calculation; and the weighted average of 3,952,588 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during that period. In the calculations of the diluted earnings per share, the effect of the convertible loan notes outstanding during that period was not taken into account as they had an anti-dilutive effect on the basic earnings per share for that period.

Diluted loss per share for the period ended 30 June 2005 has not been shown as the share options and convertible loan notes outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

10. DIVIDEND

At a meeting of the board of directors held on 27 September 2005, the directors resolved to pay an interim dividend HK0.5 cent per share (2004: Nil) to shareholders.

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are largely on credit. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended from 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are regularly reviewed by senior management.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	30 June 2005 (Unaudited) ***HK$***	31 December 2004 (Unaudited) *HK$*
Within 90 days	**58,831,248**	64,691,297
Between 91 to 180 days	**9,505,939**	10,980,902
Over 180 days	**5,680,695**	3,347,809
	74,017,882	79,020,008

12. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2005 (Unaudited) ***HK$***	31 December 2004 (Unaudited) *HK$*
Within 90 days	**46,018,087**	45,726,426
Between 91 to 180 days	**2,679,231**	14,964,564
Over 180 days	**116,495**	1,516,716
	48,813,813	62,207,706

13. CONVERTIBLE LOAN NOTES

	30 June 2005 (Unaudited) ***HK$***	31 December 2004 (Unaudited) (Restated) *HK$*
Convertible loan notes	**–**	6,450,346

During the period, on 17 June 2005, the convertible loan notes with an aggregate principal amount of US$641,250 (equivalent to approximately HK$5,001,750) were redeemed by the Company at US$848,053 (equivalent to approximately HK$6,614,814) at the request of the holders of the convertible loan notes .

14. SHARE OPTION SCHEME

On 4 December 1996, the Company adopted a share option scheme (the "Old Scheme"), which was the first share option scheme of the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Old Scheme was terminated and replaced by a new share option scheme at the annual general meeting of the Company held on 27 May 2002 (the "New Scheme"). Upon termination of the Old Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force and any options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The maximum number of unexercised share options currently permitted to be granted under the Old Scheme and the New Scheme must not in aggregate exceed 30% of the shares of the Company in issue at any time.

On 26 January 2005, a total of 2,500,000 share options were granted under the New Scheme to certain of employees of the Group in respect of their services to the Group in the forthcoming year with a consideration of HK$1.00 payable by each grantee. These share options was granted on 26 January 2005 and have an exercise price of HK$0.26 per share. The price of the Company's shares at the date of offer to grant was HK$0.26 per share.

The expenses recognized in the condensed consolidated income statement for employee services received during the period is HK$31,493 (2004:Nil).

15. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Short term employee benefits	**6,204,889**	5,761,276
Post-employment benefits	**105,001**	105,001
Share-based payment	**31,493**	–
Total compensation paid to key management personnel	**6,341,383**	5,866,277

(b) Outstanding balances with related parties

	30 June 2005	31 December 2004
	(Unaudited)	(Unaudited)
	HK$	*HK$*
Amounts due from senior management personnel of subsidiary companies	**664,338**	677,095

The amounts due from senior management personnel of subsidiary companies are unsecured, interest-free and have no fixed terms of repayment and are presented in the condensed balance sheet as other receivables.

16. POST BALANCE SHEET EVENTS

(a) *Disposal of interest in an associate*

On 14 July 2005, Technology Trends International Limited ("TTI") a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement in relation to the sale by TTI of its 41% equity interest in an associate company Youeal TTI Limited ("YTTI") and the assignment and sale of a loan of US$615,000 (equivalent to approximately HK$4,797,000) due from YTTI (the "Disposal") to the Youeal Electronics Co. Ltd. for an aggregated cash consideration of US$4,715,000 (equivalent to approximately HK$36,777,000). The Disposal was completed on 20 September 2005.

(b) *Litigation*

A United States company (the "Complainant") filed a patent infringement complaint with the United States District Court (the "USDC") against the Company and two of the Company's subsidiaries on 18 February 2005 and then filed the same patent infringement complaint with the United States International Trade Commission (the "ITC") against the Company and the same subsidiaries on 15 March 2005. The Complainant claimed that certain features of the Group's weather forecasting products imported into the United States infringed certain of the Complainant's patents. On 9 August 2005, the Complainant has motioned to withdraw its complaint, without prejudice, filed with the ITC. Moreover, on 11 August 2005, the Complainant voluntarily dismissed its complaint, without prejudice, filed with the USDC. Since the said complaints were withdrawn on a "without prejudice" basis, the Company has received legal advice that it is possible that the Complainant may take action again in the future. The Group has sought legal and licensed patent counsel's opinions on the patent infringement as claimed by the Complainant and has been advised that the features of the Group's weather forecasting products do not infringe the patent rights held by the Complainant.

17. CONTINGENT LIABILITIES

	30 June 2005 (Unaudited) ***HK$***	31 December 2004 (Unaudited) *HK$*
Bills discounted with recourse	**44,000**	3,915,244

18. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 27 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the period ended 30 June 2005, the Group's sales turnover reached HK$172.0 million, representing a 12% increase over the previous period. Despite of the 12% increase in sales turnover, overall gross profit increased slightly from approximately HK$37.7 million last period to approximately HK$38.0 million this period. Loss attributable to equity holders was approximately HK$2.9 million (2004: profit HK$10.0 million). Basic loss per share for the period ended 30 June 2005 amounted to HK1.09 cents (2004: basic earnings per share HK3.96 cents) per share.

Business Review and Future Plan

In the period under review, the sales turnover of the precision parts and components segment increased by 26.9% from approximately HK$85.4 million of last period to approximately HK$108.4 million this period. The improvement in sales turnover is attributable mainly to the increased sales of new products with value added features during the period.

On the other hand, the sales turnover of the consumer electronic products segment reduced by approximately 6.5% from approximately HK$68.1 million of last period to approximately HK$63.7 million. Despite of the drop in sales turnover in the current period from the last period, the orders from customers of this segment remain strong. It is expected that the sales turnover of this segment would achieve a double digit growth in the current financial year.

The operating results of both consumer electronic segment and precision parts and components segment for the current period have been affected by the escalated raw material costs and production costs including increased workers' wages. Rising raw material costs and production costs have always been challenges to us. We would continue our efforts to improve our production efficiency and implement effective cost control and reduction measures so as to mitigate the impact arising from increased costs.

The operating results of consumer electronic products segment are further lessen by the operating losses related to our US office which is partly attributable to certain complaints filed by a third party against the Group in the United States.

During the period, a United States company (the "Complainant") filed a patent infringement complaint with the United States District Court (the "USDC") against the Company and two of the Company's subsidiaries on 18 February 2005 and then filed the same patent infringement complaint with the United States International Trade Commission (the "ITC") against the Company and the same subsidiaries on 15 March 2005. The Complainant claimed that certain features of the Group's weather forecasting products imported into the United States infringed certain of the Complainant's patents. Because of the legal actions initiated by the Complainant during the period under review, our planned expansion of sales into the North American market in particular the sales of weather forecasting products had been disrupted and hence had not achieved the level as initially planned by the Company.

Business Review and Future Plan *(Continued)*

Subsequent to the period end date on 9 August 2005, the Complainant has motioned to withdraw its complaint, without prejudice, filed with the ITC. Moreover, on 11 August 2005, the Complainant voluntarily dismissed its complaint, without prejudice, filed with the USDC. Since the said complaints were withdrawn on a "without prejudice" basis, the Company has received legal advice that it is possible that the Complainant may take action again in the future. The Group has sought legal and licensed patent counsel's opinions on the patent infringement as claimed by the Complainant and has been advised that the features of the Group's weather forecasting products do not infringe the patent rights held by the Complainant.

With the withdrawal of the complaints by the Complainant, we expect the distribution and sales of the Group's consumer electronic products including those under the licensed trademark "HONEYWELL" in the North American market would be increasing and hence would achieve our strategy of expanding our sales into the North American market.

After the period end date, we acquired the license right of an ERP system. We anticipate that our resources planning, operational efficiency and cost controls would further be strengthened after the implementation of the newly acquired ERP system. The new ERP system is planned to be implemented around the end of year 2005.

Disposal of Investment in an associate YOUEAL TTI Limited ("YTTI")

YTTI was established with the principal business of manufacture and sale of mobile phone keypads. Though the customers of YTTI are global renowned cellular phone manufacturers, YTTI had incurred substantial operating losses since its incorporation in late 2002. In the period under review, the Company and YTTI's major shareholder also hold different views regarding the future plan for the operation and expansion of YTTI.

Accordingly, subsequent to the period end date on 14 July 2005, the Company and YTTI's major shareholder after negotiation entered into an agreement in relation to the sale of the Group's 41% equity interest in YTTI and of its loan of US$615,000 due from YTTI (the "Shareholder's Loan") to YTTI's major shareholder (the "Disposal") at an aggregate cash consideration of US$4,715,000 (approximately HK$36,777,000) (the "Consideration") . The Consideration is equal to the aggregate value of the Company's total investment cost in and the Shareholder's Loan to YTTI. The Disposal was subsequently approved by the Company's shareholders at the special general meeting held on 14 September 2005 and was completed on 20 September 2005.

Based on YTTI's audited losses for the previous years and its unaudited loss for the six months ended 30 June 2005 and the net asset value as recorded in the Company's financial statements, it is expected that the Company would record a gain on the Disposal in the current financial year.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The Group currently has aggregate composite banking facilities of approximately HK$156.5 million with various banks and financial institutions. The total borrowings from banks and financial institutions include long term loans, finance leases, overdrafts, import and export loans, amounted to approximately HK$98.1 million as at 30 June 2005, of which HK$86.3 million is repayable within one year.

The Group's financial position remains healthy. At the balance sheet date, the aggregate balance of cash, cash equivalents and pledged deposits of the Group amounted to approximately HK$31.4 million.

The Group's borrowings are mainly on a floating rate basis and are mainly denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts its business. Therefore, the Group does not have any significant foreign exchange risk.

The gearing ratio on the basis of total debts to total assets as at 30 June 2005 is 61.2% (31 December 2004: 56.9%)

Charge on the Group Assets

Certain bank borrowings are secured by fixed charges over the Group's medium term leasehold land and buildings with aggregate net book value of HK$25.99 million and bank deposit amounting to approximately HK$8.3 million.

Contingent Liabilities

Except for corporate guarantee given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company and the Group had no other contingent liabilities as at the balance sheet date.

Capital Structure

As at 30 June 2005, the Company had approximately 265.5 million shares in issue with total shareholders' funds of the Group amounting to approximately HK$119.8 million.

Pursuant to the share option scheme of the Company, the Board of Directors granted share options to certain senior executives and employees of the Group. The exercise in full of those share options granted but remaining not exercised would result in the issue of 2.5 million additional shares and proceeds of approximately HK$0.65 million.

Fund Raising

General

Other than obtaining additional general banking facilities to finance the Group's trading requirements, we did not have special fund raising exercise during the period ended 30 June 2005.

Convertible loan notes

During the period on 17 June 2005 when the convertible loan notes matured, all the holders of the convertible loan noted requested the Company to redeem all the outstanding convertible loan notes as at the maturity date. The convertible loan notes were redeemed by the Company at US$848,053 (equivalent to approximately HK$6,614,814).

Employees

As at 30 June 2005, the Group had a total workforce of approximately 3,600 of which approximately 85 were based in Hong Kong, approximately 25 were based in overseas and approximately 3,490 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor laws. Since December 1996, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to the employees of the Group.

Moreover, under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

INTERIM DIVIDEND

At the meeting of the board of directors held on 27 September 2005, the Directors resolved to pay an interim dividend of HK0.5 cent per share (2004: Nil) to shareholders whose names appear on the Register of Members of the Company on 20 October 2005. It is expected that the interim dividend warrants will be despatched to the shareholders on or about 31 October 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 17 October 2005 to 20 October 2005, both dates inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 14 October 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Furtures 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 Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			Percentage
Name of director	Directly beneficially owned	Through controlled corporation	Total	of the Company's issued share capital
Lai Pei Wor	2,500,000	97,242,000*	99,742,000	37.57
Chan Yau Wah	7,700,000	–	7,700,000	2.90
Chung Yik Cheung, Raymond	2,652,000	–	2,652,000	1.00
	12,852,000	97,242,000	110,094,000	41.47

* *Details of Lai Pei Wor's other interests are set out in the section headed "Substantial shareholders' and other persons' interest and short positions in shares and underlying shares" below.*

Save as disclosed above, as at 30 June 2005, none of the directors had registered an interest or short position in the shares and underlying 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests in shares and underlying shares" above, at no time during the period 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.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme, the following share options were outstanding during the period:

Name or category of participant	Number of share options					Price of Company's shares	
	At 1 January 2005	Granted during the period	At 30 June 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options** *HK$*	At grant date of options *HK$*
Other employees							
In aggregate	–	500,000	500,000	26-01-2005	01-01-2006 to 31-12-2012	0.26	0.26
	–	300,000	300,000	26-01-2005	01-04-2006 to 31-12-2012	0.26	0.26
	–	500,000	500,000	26-01-2005	01-01-2007 to 31-12-2012	0.26	0.26
	–	300,000	300,000	26-01-2005	01-04-2007 to 31-12-2012	0.26	0.26
	–	500,000	500,000	26-01-2005	01-01-2008 to 31-12-2012	0.26	0.26
	–	400,000	400,000	26-01-2005	01-04-2008 to 31-12-2012	0.26	0.26
	–	2,500,000	2,500,000				

* *The vesting period of the share options is from the date of the grant until the commencement of the exercise period.*

** *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.*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

At 30 June, 2005, 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:

Long positions in the ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name	Directly beneficially owned	Through spouse or minor children	Beneficiary of a trust	Total	Percentage of the Company's issued share capital
Chan Yuk Lin *(Notes a and b)*	–	2,500,000	97,242,000	99,742,000	37.57
Celaya Limited *(Note b)*	–	–	97,242,000	97,242,000	36.63
Trident Corporate Services (B.V.I.) Limited (formerly Ansbacher (BVI) Limited) *(Note c)*	–	–	97,242,000	97,242,000	36.63
Lai Yiu Chun *(Note d)*	1,866,000	21,450,000	–	23,316,000	8.78
Lam Lin Chu, Winnie *(Note d)*	23,116,000	200,000	–	23,316,000	8.78

Notes:

(a) Chan Yuk Lin, sponse of Lai Pei Wor, was deemed to be interested in the shares of the Company held by Lai Pei Wor.

(b) Celaya Limited held 97,242,000 shares in its capacity as trustee of The Lai Family Unit Trust, of which all units were held by Trident Corporate Services (B.V.I.) Limited (formerly Ansbacher (BVI) Limited) in its capacity as trustee of The Lai Family Trust, a discretionary trust of which Lai Pak Hung (son of Lai Pei Wor) and Lai Yee Man (daughter of Lai Pei Wor and under the age of 18) and Chan Yuk Lin (wife of Lai Pei Wor) are discretionary objects.

(c) The shares referred to herein relate to the same parcel of shares referred to in note (a) above.

(d) Lam Lin Chu, Winnie is the wife of Lai Yiu Chun, who is a brother of Lai Pei Wor. Both Lam Lin Chu, Winnie and Lai Yiu Chun are declaring interests in the same parcel of shares.

Save as disclosed above, as at 30 June 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had any interests or short position in the shares or underlying shares of the Company as to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions of the Code of Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting period covered by the interim report, except for the following deviations:

1. Under Code Provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be cleared established and set out in writing.

   The roles of the chairman and the chief executive officer are not separate and are performed by Mr. Lai Pei Wor. Since the Board will meet regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and believes that this structure will enable the Company to make and implement decisions promptly and efficiently.

2. Under Code Provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and be subject to re-election.

   One of the independent non-executive directors has not been appointed for a specific term, but is subject to retirement and re-election in accordance with the Bye-law 87 of the Company's Bye-laws. As such, the Board considers to revise the employment contract with a specific term of appointment for such independent non-executive director.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, all directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee of the Company comprise all the three independent non-executive directors, namely, Mr. Kung Fan Cheong, Mr. Leung Man Kay and Mr. Li Yuen Kwan, Joseph.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee in accordance with the relevant requirements of the Code for the purpose of formulating and evaluating the remuneration policy and structure for the directors and senior management of the Company and providing advice and recommendation of the Board.

By Order of the Board
Lai Pei Wor
Chairman

Hong Kong, 27 September 2005