SUGA International Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2005

CORPORATE INFORMATION

Board of Directors

Executive

Mr. Ng Chi Ho *(Chairman)*
Mr. Ma Fung On *(Deputy Chairman)*
Mr. Wong Wai Lik, Lamson

Non-executive

Mr. Kyle Arnold Shaw, Jr.
(Resigned on 31 October 2005)

Independent Non-executive

Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi
Mr. Leung Yu Ming, Steven

Company Secretary

Ms. Chan Kwan Hei, Anthea

Audit Committee

Professor Wong Sook Leung, Joshua
Mr. Murase Hiroshi
Mr. Leung Yu Ming, Steven

Auditors

PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers

Mallesons Stephen Jaques

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
UFJ Bank Limited
KBC Bank
Industrial and Commercial Bank of China (Asia) Limited
Bank of America (Asia) Ltd.
Standard Chartered Bank (HK) Ltd.
Wing Hang Bank, Ltd.

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Units 1904-7
19th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay
Kowloon
Hong Kong

Bermuda Principal Share Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Public Relations Consultant

Strategic Financial Relations Limited

Contacts

Telephone: (852) 2953 0383
Facsimile: (852) 2953 1523
Website: www.suga.com.hk
Stock code: 912

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CHAIRMAN'S STATEMENT

During the period under review, the business environment remained challenging for most of the manufacturers. SUGA International Holdings Limited (the "Company") and its subsidiaries ("SUGA" or the "Group") managed to increase sales turnover to HK$380 million, a 30.2% increase compared with the corresponding period last year. Nevertheless, increase in labour cost and raw material cost affected the Group's profitability. Gross profit was HK$48.6 million (2004: HK$42.8 million) while gross profit margin was 12.8% (2004: 14.7%). In addition, the rising interest rate increased the Group's finance costs, affecting the Group's net profit as a result. Profit attributable to equity holders was HK$11.5 million (2004: HK$16.7 million).

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.5 cents per share (2004: HK3.0 cents) for the six months ended 30 September 2005 to shareholders whose names appear on the register of members of the Company on 30 December 2005. The interim dividend will be paid on or before 6 January 2006. This dividend represents approximately 30% of the first half net profit for the fiscal year, which is consistent with SUGA's dividend payout policy.

BUSINESS OVERVIEW

Telecommunication Products

With turnover up by 21.4% to HK$180 million, telecommunication business accounted for 47.3% of the Group's total turnover. The increase was mainly driven by the higher demands for key telephone systems and voice-over-internet-protocol ("VoIP") phones.

In the previous fiscal year, SUGA identified VoIP phones as a potential growth driver. Thereafter, the Group captured orders for key telephone systems and VoIP phones from a major customer in Japan, and sales of telephone products recorded significant growth in the period under review. As an early mover in providing EMS ("electronic manufacturing services") services for VoIP phones, we have established solid relationship with our existing clients. We will continue to explore business opportunities with potential clients.

The market of networking products consolidated in the second half of last fiscal year, however, sales has gradually picked up during the period under review. The recurrent order from our largest networking client recorded a satisfactory growth compared with the second half of last fiscal year.

Consumer Electronics Appliances

Sales from this business segment grew 38.0%% to HK$175 million, accounting for 46.0% of the Group's total sales.

The major income contributor of the segment, the pet training devices business maintained healthy organic growth and satisfactory gross margins. In addition, new OEM customers also contributed to the growth in sales turnover for the segment. SUGA continued to lead the market in developing and manufacturing unique pet training devices. We are confident of sustaining the growth momentum of this business and ensuring the consumer electronics appliances segment will continue to provide us with stable income.

To increase the production efficiency of pet training devices, the Group strategically relocated part of the production line for moulds and plastic components from our Huizhou factory to the Buji factory, to further capture the benefits of vertical integration of our manufacturing processes and improve the logistic.

Digital Audio-Visual ("A/V") Products

The sales turnover from Digital A/V products surged 129.0% to HK$20 million in the review period. The Group launched a newly developed digital product, a digital photo album, and the first shipment to a leading US retailer started in September 2005.

We undertook a carefully planned two-pronged approach in developing our digital A/V products. We develop digital A/V products and markets them on ODM basis to overseas customers to gain better margins and will also market those potential products under our own "Nachus" brand. For the future growth of "Nachus", we are building a sales and distribution network across Hong Kong, Singapore and China. However, we will be prudent to safeguard against over investment.

Environment Protection Measures

Apart from developing the Group's core business, the management has also been pursuing environmentally conscious business management strategies to prevent environmental pollution. The new stringent environmental requirements for electronic products, such as the Waste Electrical & Electronic Equipment (WEEE) Directives and the Restriction of the use of certain Hazardous Substances (RoHS) Directives, imposed by the European Union will be effective from 2006. SUGA has set up a Green Product Management System ("GPMS") as early as a year ago. The system was audited by SGS-CSTC Standards Technical Services Co., Ltd. and certified to have met all required standards. This gives us a competitive advantage for securing more European clients, who see green manufacturing as a prerequisite in selecting their manufacturers.

LOOKING AHEAD

Orders have overall picked up in the first half of the fiscal year. The management is confident that sales orders for all segments will have a stable growth in the second half and the coming year.

The management anticipates tremendous potential in the VoIP phones business. The Group believes the worldwide shift to using VoIP phones will continue as indicated by corresponding industrial figures. According to IDC's forecast, US subscribers of residential VoIP services will grow from 3 million in 2005 to 27 million by the end of 2009. Against such promising developments, we expect our cooperation with business partners to generate lucrative revenues in years to come. We will allocate more resources to develop our VoIP phones business to fully capture the huge market potential.

CHAIRMAN'S STATEMENT

The digital A/V business is still at its initial stage of growth. Riding on the satisfactory sales of our latest product, the digital photo album, we will seek further business opportunities with potential clients in addition to those from US. Furthermore, we will look for partnership opportunities and target to team up with more sophisticated players in the fast changing market. With our solid foundation in developing innovative digital A/V products, we remain positive on the prospects of this segment.

We expect the market condition will remain difficult for the second half of the fiscal year, and therefore will continue to implement stringent cost controls to maintain reasonable margins. The Group will also continue to explore business opportunities with new clients and strive to build a more balanced client portfolio, thus, achieving a diversified turnover breakdown.

APPRECIATION

On behalf of the Group, I would like to extend my sincere gratitude to our business associates, customers and shareholders for their continuous support. I would also like to thank our dedicated management team and committed staff for their hard work and continuous efforts over the years.

By Order of the Board,
Ng Chi Ho
Chairman

Hong Kong, 13 December 2005

FINANCIAL REVIEW

Turnover

During the six months ended 30 September 2005, the Group recorded a turnover of HK$380 million, representing an increase of 30.2% from the same period last year. The increase in the turnover was mainly attributable to the increase in orders for key telephone systems, VoIP phones and pet training devices and also the inception of plastic division which was acquired by the Group in the second half of fiscal year 2005.

Geographically, Mainland China remained as the major market of the Group during the period. Sales to Mainland China for the period amounted to HK$142.6 million, representing 37.5% of the Group's total turnover, down from 47.8% last year. Sales to United States of America increased by 40.5% to HK$114.7 million, representing 30.2% of the Group's total turnover, up from 28.0% last year.

Profit Attributable to Equity Holders of the Company

The Group's gross profit for the period was HK$48.6 million, an increase of 13.5% from the same period last year. Gross profit margin was 12.8% decreased from 14.7% last year. Such decrease was mainly attributable to (1) the rise in material cost; (2) the rise in labour overhead in Mainland China and (3) the decreased profit margin for digital A/V products due to fierce market competition.

Profit from operations for the period was HK$17.5 million, as compared to HK$19.1 million last year. Total operating expenses increased by 30.8% to HK$31.2 million from HK$23.9 million last year. Research and development costs increased from HK$1.4 million to HK$3.9 million, representing approximately 1.0% of the Group's sales, up from 0.5% last year. Such increase was mainly due to the increase in the number of engineers in product development for digital A/V products and pet training devices. The Group's selling, general and administration expenses were HK$27.3 million, an increase of HK$4.8 million, from HK$22.5 million for the same period last year. The increase was primarily due to the Group employed more sales and marketing personnel during the period and the consolidation of the expenses of the plastic division.

Finance costs for the period increased to HK$3.8 million from HK$1.7 million last year. The increase was mainly attributable to the continuous rise in interest rates and the increase in bank borrowings during the period.

As a result of the aforementioned factors, the Group's profit attributable to equity holders for the period was approximately HK$11.5 million, a decrease of HK$5.2 million from HK$16.7 million for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group's cash and bank balances and net current assets were HK$54 million and HK$170 million respectively. The Group's net borrowings as at 30 September 2005 increased to HK$132 million from HK$67 million at 31 March 2005. The increase in bank borrowings was mainly for capital expenditure and temporary increased working capital requirement in networking division. The Group's net gearing as at 30 September 2005 was 57.8% as compared to 30.6% (as restated) as at 31 March 2005.

The Group generally finances its business operations by internal generated resources and banking facilities provided by its principal bankers in Hong Kong. Banking facilities include overdrafts, leasing, term loans, revolving loans and trust receipt loans which are principally on the floating interest rates. As at 30 September 2005, the Group's aggregate banking facilities was approximately HK$396 million with an unused balance of approximately HK$148 million.

CAPITAL EXPENDITURES

The Group's total capital expenditures for the period was HK$30.3 million which mainly comprised investment in property and machineries & equipment in Huizhou factory for plastic business of HK$13.6 million and purchase of machineries and equipment for the expansion in consumer electronics business of HK$14.5 million. The investment in Huizhou factory included the acquisition of land and buildings situated at District 8-6, LG East Road, Zhongkai Hi-Tech Development Zone, Huizhou at a consideration of RMB10.3 million. The land and buildings acquired are currently used by the Group's subsidiary engaged in plastic and mold manufacturing as its production plant.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions are denominated in Hong Kong dollars, US dollars or Renminbi. The exchange rate of Renminbi has been relatively stable in recent years. As such, the Group's foreign exchange exposure is minimal.

PLEDGE OF ASSETS

As at 30 September 2005, the Group did not pledge any of its assets (2004: nil) as securities for generating banking facilities granted to the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2005, the Group had an outstanding capital commitment of approximately HK$10.5 million in respect of capital injection in Precise Plastic Injection (Shenzhen) Co., Limited, a wholly owned subsidiary of the Group. Corporate guarantees given to banks to secure the borrowings granted to subsidiaries as at 30 September 2005 amounted to HK$221 million and the Group did not have any other contingent liabilities.

HUMAN RESOURCES

As at 30 September 2005, the Group had approximately 2,000 employees, of which 103 were based in Hong Kong, 4 in Singapore and the rest were mainly in Mainland China. Competitive remuneration packages are structured to commensurate employees with reference to their individual job duties, qualification, performance and years of experience. In addition to salaries and other usual benefits like annual leave, medical insurance and provident fund, the Group also provides educational sponsorship subsidies, discretionary performance bonus and share options. A share option scheme was adopted on 17 September 2002 which is valid and effective for a period of 10 years from the adoption date. The principal terms of the share option scheme are as disclosed in the Company's 2004/5 Annual Report.

OTHER INFORMATION

CLOSURE OF REGISTER

The register of members of the Company will be closed from 29 December 2005 to 30 December 2005 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificate must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:00 p.m. on Thursday, 28 December 2005 for registration.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2005, the interests of the Directors and the Company's chief executive in the shares or underlying shares of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in shares of the Company

	Number of ordinary share of HK$0.10 each						
Name of Director	Personal interests	Corporate interests	Family interests	Trust/ similar interests	Persons acting in concert	Other interests	Total interests
Mr. Ng Chi Ho	2,000,000	31,650,000 *(Note 1)*	100,000,000 *(Note 2)*	–	–	–	133,650,000
Mr. Ma Fung On	730,000	9,000,000 *(Note 3)*	–	–	–	–	9,730,000
Mr. Wong Wai Lik, Lamson	500,000	–	–	–	–	–	500,000
Mr. Kyle Arnold Shaw, Jr. *(Note 6)*	–	500,000 *(Note 4)*	50,000 *(Note 5)*	–	–	–	550,000

Notes:

1. 31,650,000 shares are held by Billion Linkage Limited, the entire issued share capital of which is held by Mr. Ng Chi Ho and his spouse in equal share.

2. 100,000,000 shares are held by Superior View Inc., the entire issued share capital of which is ultimately held by Fidelitycorp Limited as the trustee of the C.H. Family Trust, the beneficiaries of which are the family members of Mr. Ng Chi Ho.

3. 9,000,000 shares are held by Global Class Enterprises Limited, the entire issued share capital of which is held by Mr. Ma Fung On.

4. 500,000 shares are held by Shaw, Kwei & Partners (Asia) Limited, the entire issued share capital of which is held by Mr. Kyle Arnold Shaw, Jr..

5. 50,000 shares are held by the spouse of Mr. Kyle Arnold Shaw, Jr..

6. Mr. Kyle Arnold Shaw, Jr. resigned as director of the Company on 31 October 2005.

(ii) Interests in share options

Details of the Directors' interest in share options granted by the Company are set out under the heading "Share Option Scheme" of this report.

(iii) Interests in associated corporation

As at 30 September 2005, each of Mr. Ng Chi Ho and Mr. Ma Fung On held the following interests in the 4,000,000 non-voting deferred shares of HK$1 each in Suga Electronics Limited, a wholly-owned subsidiary of the Company:

Name of Director	Number of non-voting deferred shares
Mr. Ng Chi Ho	3,680,000
Mr. Ma Fung On	240,000

Notes:

1. The 4,000,000 non-voting deferred shares in Suga Electronics Limited are held as to 80% by Essential Mix Enterprises Limited and 20% by Broadway Business Limited. Mr. Ng Chi Ho and Mr. Ma Fung On held 92% and 6% interests in each of Essential Mix Enterprises Limited and Broadway Business Limited respectively.

2. These non-voting deferred shares have no voting rights, are not entitled to dividends, and are not entitled to any distributions upon winding up unless a sum of HK$10,000,000,000 per ordinary shares has been distributed to the holders of ordinary shares.

Save as disclosed above and under the "Share Option Scheme", none of the Directors of the Company have any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations as defined in the SFO as at 30 September 2005.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has a share option scheme adopted on 17 September 2002 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to eligible participants as incentives and rewards for their contributions to the Group. The principal terms of the Share Option Scheme are as disclosed in the Company's 2004/5 Annual Report.

The following tables summarised movements of the Share Option Scheme during the period.

Participants	Outstanding at 1 April 2005	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2005	Exercise price *(HK$)*	Date of grant	Exercisable period
	Number of share options							
Directors								
Mr. Ng Chi Ho	2,000,000	–	–	–	2,000,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Mr. Ma Fung On	1,070,000	–	–	–	1,070,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000		–	–	1,000,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Mr. Wong Wai Lik, Lamson	1,300,000	–	–	–	1,300,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
	1,000,000	–	–	–	1,000,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Mr. Kyle Arnold Shaw, Jr. *(Note 1)*	500,000	–	–	–	500,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Professor Wong Sook Leung Joshua	500,000	–	–	–	500,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Mr. Murase Hiroshi	500,000	–	–	–	500,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Employees	3,940,000	–	–	680,000	3,260,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
	800,000	–	–	–	800,000	1.23	7 May 2004	7 May 2004 – 6 May 2009
Others *(Note 2)*	1,800,000	–	–	–	1,800,000	1.23	5 May 2003	5 May 2003 – 4 May 2008
	14,410,000	–	–	680,000	13,730,000			

Notes:

1. Mr. Kyle Arnold Shaw, Jr. resigned as director of the Company on 31 October 2005.

2. The 1,800,000 share options are held by Mr. Fung Chi Leung, Mark who is an ex-director of the Company and has resigned on 31 October 2004.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which disclosure to the Company was required under the provisions of Divisions 2 and 3 of Part XV of the SFO and which record had been entered in the register kept by the Company pursuant to the section 336 of the SFO.

Name	Number of ordinary shares	Percentage
Superior View Inc. *(Note 1)*	100,000,000	43.87%
Billion Linkage Limited *(Note 2)*	31,650,000	13.89%
Shaw, Kwei & Partners (Asia) Ltd *(Note 3)*	12,000,000	5.26%

Notes:

1. The entire issued share capital of Superior View Inc. is ultimately held by Fidelitycorp Limited as trustee of the C.H. Family Trust, the beneficiaries of which are the family members of Mr. Ng Chi Ho.

2. The entire issued share capital of Billion Linkage Limited is held by Mr. Ng Chi Ho and his spouse in equal share and, as such, Mr. Ng Chi Ho is deemed to be interested in all the shares held by Billion Linkage Limited under the SFO.

3. The interests in the 11,500,000 shares are held by Shaw, Kwei & Partners (Asia) Limited as a general partner of the Asian Value Investment Fund L.P. The entire issued share capital of Shaw, Kwei & Partners (Asia) Limited is held by Mr. Kyle Arnold Shaw, Jr..

Save as disclosed above, so far as is known to the Directors, there is no other person, other than the Directors and chief executives of the Company, who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 September 2005.

CONTINUING OBLIGATION UNDER THE LISTING RULES

Advance to Entity pursuant to Rules 13.13, 13.15 and 13.20

As at 30 September 2005, trade receivables due to the Group from Beijing Harbour Networks Limited amounted to approximately HK$101 million which represented 51.3% of the Company's market capitalisation at 30 September 2005. The trade receivables due from Beijing Harbour Networks Limited were unsecured, interest free, with credit terms of approximately 105 days and resulted from the ordinary and normal course of business of the Group.

In addition, trade receivables due from NEC Infrontia (H.K.) Company Limited as at 30 September 2005, which was unsecured, interest-free and with credit terms of 75 days and resulted from the ordinary and normal course of business of the Group, amounted to HK$23.7 million, representing approximately 12.1% of the Company's market capitalisation as at 30 September 2005.

OTHER INFORMATION

Loan Agreement with covenants relating to specific performance of the controlling shareholder pursuant to Rule 13.18

On 24 September 2004, the Company entered into a facility agreement with a syndicate of banks for an unsecured loan facility of up to HK$120 million (the "Facility Agreement"). Under the Facility Agreement, it will be an event of default if Mr. Ng Chi Ho ("Mr. Ng"), his family members and/or C.H. Family Trust (collectively the Controlling Shareholders (as defined in the Listing Rules) of the Company) together cease to be the single largest shareholder of the Company, to beneficially own (directly or indirectly) at least 45% (in aggregate) of the issued share capital of the Company or to maintain management control of the Company. It will also be an event of default if Mr. Ng ceases to be the Chairman of the Company or to be actively involved In the management and business of the Group. If any of the above events occurs, the Facility may become due and payable on demand.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its shares during the period. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code of provisions as set out in the Appendix 14 "Code of Corporate Governance Practices" to the Listing Rules (the "Code") throughout the period, except the deviation from the code provision A.2.1. According to the 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. Up to the date of this interim report, the Company does not have a separate Chairman and Chief Executive Officer and Mr. Ng Chi Ho currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. Going forward, the Group will periodically review the effectiveness of this arrangement and considers appointing an individual as Chief Executive Officer when it thinks appropriate.

COMPLIANCE WITH THE MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 September 2005.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, all are Independent Non-executive Directors. The responsibility of the Remuneration Committee is to formulate transparent procedures for developing remuneration policies and packages for directors. Terms of reference of the Remuneration Committee which have been adopted by the Board have been written according the requirements set out in the Appendix 14 of the Listing Rules.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed, among other things, the internal control and financial reporting matters, including the review of the unaudited interim consolidated financial statements for the six months ended 30 September 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) Six months ended 30 September 2005 HK$'000	2004 HK$'000
Turnover	3	**379,990**	291,918
Cost of sales		**(331,380)**	(249,088)
Gross profit		**48,610**	42,830
Interest income		**138**	141
Research and development costs		**(3,943)**	(1,365)
Distribution and selling expenses		**(8,884)**	(6,989)
General and administrative expenses		**(18,384)**	(15,537)
Operating profit	4	**17,537**	19,080
Finance costs	5	**(3,832)**	(1,667)
Share of loss of an associate		**(486)**	–
Profit before taxation		**13,219**	17,413
Taxation	6	**(1,695)**	(687)
Profit for the period attributable to equity holders of the Company		**11,524**	16,726
Interim dividend	7	**3,419**	6,778
Earnings per share for profit attributable to equity holders of the Company during the period			
– Basic (HK cents)	8	**5.1**	7.4
– Diluted (HK cents)	8	**5.1**	7.4

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 September 2005 HK$'000 (Unaudited)	As at 31 March 2005 HK$'000 (Audited) (As restated)
Non-current assets			
Property, plant and equipment	9	**97,849**	77,382
Land use rights	9	**4,536**	2,987
Goodwill	10	**1,059**	1,059
Deferred development cost	10	**–**	1,226
Interest in an associate		**1,774**	2,260
Deferred tax assets		**4,672**	2,515
		109,890	87,429
Current assets			
Inventories		**169,323**	140,391
Trade receivables	11	**212,388**	165,472
Prepayments, deposits and other receivables		**7,291**	9,570
Unlisted investments		**–**	3,810
Financial assets at fair value through profit or loss		**4,044**	–
Cash and bank deposits		**53,782**	70,407
		446,828	389,650
Current liabilities			
Short-term bank borrowings	12	**59,251**	1,523
Current portion of long-term bank loans	12	**78,194**	53,333
Trade payables	13	**110,078**	95,119
Accruals and other payables		**13,578**	10,619
Obligations under finance leases, current portion	12	**2,174**	3,926
Tax payable		**13,152**	10,526
		276,427	175,046
Net current assets		**170,401**	214,604
Total assets less current liabilities		**280,291**	302,033
Financed by:			
Share capital	14	**22,794**	22,794
Other reserves		**66,542**	66,559
Retained profit		**136,359**	128,254
Proposed dividend		**3,419**	798
Shareholders' funds		**229,114**	218,405
Non-current liabilities			
Long-term bank loans	13	**46,320**	77,292
Deferred tax liabilities		**4,620**	5,191
Obligations under finance leases, non-current portion	13	**237**	1,145
		51,177	83,628
		280,291	302,033

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 30 September 2005 HK$'000	2004 HK$'000
Net cash outflow from operating activities	**(30,773)**	(38,598)
Net cash outflow from investing activities	**(30,165)**	(6,802)
Net cash inflow from financing activities	**44,327**	24,722
Net decrease in cash and cash equivalents	**(16,611)**	(20,678)
Effect of foreign exchange rate changes	**(14)**	–
Cash and cash equivalents, beginning of period	**70,407**	66,150
Cash and cash equivalents, end of period	**53,782**	45,472
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**53,782**	51,242
Bank overdrafts	**–**	(5,770)
	53,782	45,472

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited) Six months ended 30 September 2005					
	Share Capital *HK$'000*	**Share Premium** *HK$'000*	**Exchange Reserves** *HK$'000*	**Capital Reserves** *HK$'000*	**Retained Earning** *HK$'000*	**Total** *HK$'000*
As at 1 April, 2005, as previously reported as equity	22,794	53,515	2,453	10,591	118,450	207,803
Adjustment arising from adoption of HKFRS 3	–	–	–	–	10,602	10,602
As at 1 April 2005, as restated	22,794	53,515	2,453	10,591	129,052	218,405
Exchange difference arising on translation of the accounts of a foreign subsidiary	–	–	(17)	–	–	(17)
Profit attributable to the equity holders of the Company	–	–	–	–	11,524	11,524
Dividends paid	–	–	–	–	(798)	(798)
As at 30 September, 2005	**22,794**	**53,515**	**2,436**	**10,591**	**139,778**	**229,114**
Representing:						
Proposed dividend					3,419	
Others					136,359	
					139,778	

	(Unaudited) Six months ended 30 September 2004					
	Share Capital *HK$'000*	Share Premium *HK$'000*	Exchange Reserves *HK$'000*	Capital Reserves *HK$'000*	Retained Earnings *HK$'000*	Total *HK$'000*
As at 1 April, 2004	22,594	51,175	2,428	10,591	112,840	199,628
Profit attributable to the equity holders of the Company	–	–	–	–	16,726	16,726
Dividends paid	–	–	–	–	(6,778)	(6,778)
As at 30 September, 2004	22,594	51,175	2,428	10,591	122,788	209,756
Representing:						
Proposed dividend					6,778	
Others					116,010	
					122,788	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"). These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 April 2005 and relevant to its operations. The changes to the accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

(a) *Effect of adopting new HKFRS*

On 1 April 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
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	Investment 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 Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28 and 33 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28 and 33 had no material effect on the Group's policies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group's entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where, there is impairment, the impairment is expensed in the income statement. In prior years, the land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the measurement and classification of short-term investments. As a result, short-term unlisted investments is now reclassified as "Financial Assets at Fair Value through Profit or Loss". Gains and losses arising from change in fair value of "Financial Assets at Fair Value through Profit or Loss" are charged to income statement.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. It applies to grants of shares, share options or other equity instruments that were granted after 7 November 2002 and had not yet vested at the effective date of the HKFRS. Until 31 March 2005, the provision of share options to employees did not result in an expense in the income statement. Effective from 1 April 2005, the Group expenses the cost of share options granted to employees in the income statement. The Group had no share options granted after 7 November 2002 and had not yet vested at the effective date of the HKFRS and on 1 April 2005 respectively, and accordingly, no retrospective restatement is required.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill/negative goodwill. Until 31 March 2005, goodwill arising from acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life of nineteen years and was subject to impairment testing when there was indication of impairment. Negative goodwill arising from acquisitions was capitalised and amortised on a straight-line basis over its estimated useful life of 20 years. In accordance with the provisions of HKFRS 3, goodwill arising on acquisitions is no longer amortised but subject to annual impairment review and any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously refer to as "negative goodwill") is recognised immediately in the income statement. Any impairment loss recognised for goodwill is not reversed in subsequent period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(i) The adoption of revised HKAS 17 resulted in:

	As at 30 September 2005 HK$'000	As at 31 March 2005 HK$'000
Decrease in property, plant and equipment	**(4,536)**	(2,987)
Increase in land use rights	**4,536**	2,987

(ii) The adoption of HKAS 39 resulted in:

	As at 30 September 2005 HK$'000	As at 31 March 2005 HK$'000
Decrease in unlisted investments	**(4,044)**	–
Increase in financial assets at fair value through profit or loss	**4,044**	–

(iii) The adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in:

	As at 31 March 2005 HK$'000
Increase in intangible assets	10,602
Increase in retained earnings	10,602

	Six months ended 30 September 2005 HK$'000
Increase in general and administrative expenses	295
Decrease in basic earnings per share (HK cents)	0.13
Decrease in diluted earnings per share (HK cents)	0.13

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental information

a. *Business segments*

The Group has categorised its business segment by products types into consumer electronics appliances, telecommunication products, digital products and others.

	Six months ended 30 September 2005					
	Consumer electronics appliances *HK$'000*	**Telecom-munication products** *HK$'000*	**Digital A/V products** *HK$'000*	**Others** *HK$'000*	**Eliminations** *HK$'000*	**Total** *HK$'000*
TURNOVER						
External sales	174,746	179,590	19,608	6,046	–	379,990
Inter-segment sales	9,866	–	–	–	(9,866)	–
	184,612	179,590	19,608	6,046	(9,866)	379,990
OPERATING RESULTS						
Operating profit/(loss)	20,768	5,453	(7,840)	(192)	(790)	17,399
Interest income						138
Finance costs						(3,832)
Share of loss of an associate						(486)
Taxation						(1,695)
Profit attributable to the equity holders of the Company						11,524

	Six months ended 30 September 2004					
	Consumer electronics appliances *HK$'000*	Telecom-munication products *HK$'000*	Digital A/V products *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
TURNOVER						
External sales	126,639	147,951	8,564	8,764	–	291,918
OPERATING RESULTS						
Operating profit/(loss)	15,466	6,840	(4,204)	837	–	18,939
Interest income						141
Finance costs						(1,667)
Taxation						(687)
Profit attributable to the equity holders of the Company						16,726

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

b. *Geographical segments*

	(Unaudited) Six months ended 30 September			
	2005		2004	
	Turnover	**Segment results**	Turnover	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
The United States of America	**114,735**	**16,691**	81,651	10,024
Europe	**6,576**	**39**	309	10
Mainland China	**142,615**	**3,292**	139,517	8,137
Asian Pacific region (excluding Mainland China)	**116,064**	**(2,623)**	70,441	768
	379,990	**17,399**	291,918	18,939

4. Operating profit

Operating profit is stated after charging the following:

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment		
– owned assets	**6,922**	3,209
– assets held under finance leases	**1,304**	1,193
Amortisation of land use rights	**46**	40
Amortisation of deferred development costs (included in research and development costs)	**1,226**	–
Provision for obsolete and slow moving inventories	**700**	300
Staff costs	**26,561**	17,077

5. Finance costs

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Interest on:		
– bank loans wholly repayable within five years	**3,762**	1,540
– obligations under finance leases	**70**	127
	3,832	1,667

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Taxation

	Six months ended 30 September 2005 HK$'000	2004 HK$'000
Current income tax:		
– Hong Kong profits tax	**4,083**	851
– Taxation outside Hong Kong	**340**	40
	4,423	891
Deferred income tax	**(2,728)**	(204)
	1,695	687

Hong Kong profit tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been calculated on the estimated assessable profit for the period at the rate of taxation prevailing in the countries in which the Group operates.

7. Interim dividend

The Board has resolved to declare an interim dividend of HK1.5 cents per share (2004: HK3.0 cents) for the six months ended 30 September 2005 to shareholders whose names appear on the register of members of the Company on 30 December 2005. The interim dividend will be paid on or before 6 January 2006.

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30 September 2005 are based on the profit attributable to the equity holders of the Company of HK$11,524,000 (2004: HK$16,726,000) and the weighted average number of 227,940,000 (2004: 225,940,000) ordinary shares in issue during the period.

No information in respect of diluted earnings per share is presented for the six months ended 30 September 2005 as the Company had no potential dilutive ordinary shares in existence during the period ended 30 September 2005.

The diluted earnings per share for the six months ended 30 September 2004 was based on the profit attributable to shareholders of HK$16,726,000 and the weighted average number of 226,256,000 ordinary shares which was the weighted average number of ordinary shares in issue during the period plus the weighted average of 316,000 deemed to be issued at no consideration if all outstanding shares options had been exercised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Capital expenditure

	Land use rights	Property, plant and equipment
	HK$'000	*HK$'000*
Opening net book amount as at 1 April 2005	2,987	77,382
Additions	1,595	28,716
Disposals	–	(20)
Exchange differences	–	(3)
Depreciation	(46)	(8,226)
Closing net book amount as at 30 September 2005	4,536	97,849

10. Intangible assets

	Negative Goodwill	Goodwill	Deferred development costs
	HK$'000	*HK$'000*	*HK$'000*
Net book value at 1 April 2005, as previously reported	(10,602)	1,059	1,226
Derecognition pursuant to transitional arrangement of HKFRS 3	10,602	–	–
Net book value at 1 April 2005, as restated	–	1,059	1,226
Amortisation	–	–	(1,226)
Net book value at 30 September 2005	–	1,059	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Trade receivables

The Group generally grants credit terms to its customers ranging from 30 to 105 days. Ageing analysis of trade receivables is as follows:

	As at 30 September 2005 *HK$'000*	As at 31 March 2005 *HK$'000*
0 to 30 days	**196,597**	133,187
31 to 60 days	**6,644**	17,475
61 to 90 days	**4,399**	8,697
91 to 180 days	**1,632**	5,662
Over 180 days	**7,361**	4,696
	216,633	169,717
Less: Provision for impairment of receivables	**(4,245)**	(4,245)
	212,388	165,472

12. Bank borrowings

	As at 30 September 2005 *HK$'000*	As at 31 March 2005 *HK$'000*
Short term bank borrowings	**59,251**	1,523
Obligations under finances leases	**2,411**	5,071
Long-term bank loans	**124,514**	130,625
	186,176	137,219
The maturity of borrowings is as follows:		
Within one year	**139,619**	58,782
In the second year	**46,395**	56,015
In the third to fifth years	**162**	22,422
	186,176	137,219

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Trade payables

	As at 30 September 2005 HK$'000	As at 31 March 2005 HK$'000
0 to 30 days	**89,518**	77,386
31 to 60 days	**9,547**	9,230
61 to 90 days	**2,670**	3,197
91 to 180 days	**3,156**	4,854
Over 180 days	**5,187**	452
	110,078	95,119

14. Share capital

	Authorised ordinary shares of HK$0.10 each	
	Number of shares '000	Nominal value HK$'000
As at 1 April and 30 September 2005	2,000,000	200,000

	Issued and fully paid ordinary shares of HK$0.10 each	
	Number of shares '000	Nominal value HK$'000
At 1 April and 30 September 2005	227,940	22,794

Share Options Scheme

Details of the share option scheme are set out in the 2004/5 Annual Report. As at 30 September 2005, details of the outstanding options and their related exercise prices are as follows:

Date of grant	Exercise period	Exercise price (HK$)	Number of options outstanding
5 May 2003	5 May 2003 to 4 May 2008	1.23	7,430,000
7 May 2004	7 May 2004 to 6 May 2009	1.23	6,300,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Contingent liabilities

	As at 30 September 2005	As at 31 March 2005
	HK$'000	*HK$'000*
Guarantees provided by the Company in respect of bank facilities of certain subsidiaries	**221,350**	143,310

16. Commitments

(a) *Capital commitments*

	As at 30 September 2005	As at 31 March 2005
	HK$'000	*HK$'000*
Capital injection in Precise Plastic Injection (Shenzhen) Co., Limited, a wholly-owned subsidiary of the Group	**10,500**	–

(b) *Operating lease commitments*

The Group had future aggregate minimum lease payments in respect of rented premium under non-cancellable operating leases as follows:

	As at 30 September 2005	As at 31 March 2005
	HK$'000	*HK$'000*
Not later than one year	**362**	907
Later than one year and not later than five years	**1,782**	583
	2,144	1,490

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Related party transactions

(a) During the period, the Company has the following related party transactions :

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Technical consultancy fee paid to Micom Tech Limited *(Note i)*	**229**	783
License fee paid to Micom Tech Limited *(Note i)*	**206**	69
Sales of electronics products to an associated company	**120**	–

Notes:

(i) Mr. Ng Chi Ho, a director of the Company, holds interests and is a director of Micom Tech Limited;

(ii) In the opinion of the Company's Directors, the above transactions were carried out in the normal course of the Group's business, and conducted at terms mutually agreed by the respective parties.

(b) Key management compensation

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**3,577**	2,398
Termination benefits	**–**	–
Post-employment benefits	**242**	178
Share-based payments	**–**	–
	3,819	2,576