United Pacific Industries

United Pacific Industries Limited

(Incorporated in Bermuda with limited liability)

(stock code : 00176)

Financial Highlights

- Turnover increased by 18% to HK$216.8 million
- Earnings before interest, taxation, depreciation and amortization rose by 14% to HK$17.0 million
- Profit before taxation increased by 12% to HK$9.4 million
- Net profit for the period was HK$7.9 million increased by 15%
- Earnings per share was 1.42 HK cents up by 15%
- Net Cash of HK$15.8 million

Business Review and Prospects

The following sets out the highlights of the financial results of United Pacific Industries Limited (the "Company") and its subsidiaries (the "Group") for the six-month period ended 30th September, 2005 with the comparative figures for the corresponding period in 2004.

	2005	2004	Change	
	HK$ million	HK$ million	HK$ million	%
Turnover	**216.8**	183.9	32.9	18%
Earnings before interest, taxation, depreciation & amortization	**17.0**	14.9	2.1	14%
Depreciation & amortization	**(5.9)**	(6.0)	0.1	2%
Net interest expenses	**(0.5)**	(0.5)	0.0	0%
Adjusted operating profit	**10.6**	8.4	2.2	26%
Redundancy payment	**(1.9)**	0	(1.9)	N/A
Goodwill written off	**(0.6)**	0	(0.6)	N/A
Profit on disposal and changes in fair value of investment properties	**1.3**	0	1.3	N/A
Profit before taxation	**9.4**	8.4	1.0	12%
Taxation				
Tax provision for the period	**(1.5)**	(1.5)	0.0	0%
Net profit for the period	**7.9**	6.9	1.0	15%

Group Overview

Group Results

For the six months ended 30th September 2005, the group achieved a turnover of HK$216.8 million, which represents an increase of 18% as compared with the turnover of HK$183.9 million for the corresponding period in last year. This is also an improvement of net profit from HK$6.9 million to HK$7.9 million which represented an increase of 15%.

As regards the electronic/electrical manufacturing services (EMS) industry while there is overcapacity and growing competition in the electronics industry, the Group continued to perform well:

- The Group's earnings before interest, taxation, depreciation and amortization (EBITDA) under review amounted to HK$17.0 million, an increase of 14% or HK$2.1 million.
- Consistent with the increase in EBITDA, the Group's adjusted operating profit ("earning before other non-operating items and taxation") also increased to HK$10.6 million in current period, up by HK$2.2 million or 26%.

In the interests of efficiency, certain employees were made redundant during the current period which entailed redundancy payments in the amount of HK$1.9 million.

Liquidity and Financial Resources

As at the balance sheet date, the Group had a bank and cash balance of HK$47.8 million with certain bank borrowings amounting to HK$32.0 million (the net cash balance was HK$15.8 million). The Group's net asset value was HK$164.7 million, with a current ratio of 260% and a gearing ratio of nil (ratio of net bank debt to net assets value). The Group has maintained a high level of liquidity to meet its expected future working capital requirements to take advantage of growth opportunities for the business.

During the period, there was no material change in the Group's funding and treasury policy. On 30th September, 2005, the Group had sufficient level of banking facilities from our major bankers to finance the working capital requirements. For exchange risk management, the Group adopted cautious financial measures to manage and minimize the exchange risk exposure, and in this regard, the Group endeavored to match the currencies of sales with those of purchase in order to neutralize the effect of currency exposure. Furthermore, the Group also took appropriate financial actions to ensure that the Group borrowings were primarily denominated in Hong Kong dollars, while the non-Hong Kong dollar loans were directly tied in with the Group's business transactions which are denominated in the relevant foreign currencies, or such loans were balanced by assets in the same foreign currencies.

Financial and Operations Review

Voltage Converter and Rechargeable Battery Business Segment

Due to the intensely competitive nature of electronics industry, the business environment relating to voltage converters, coils, and components and rechargeable battery segments was generally affected by the following factors during the period under review:

- Rise in materials cost, particularly of plastics, metal and electronics components;
- Upward revaluation of the RMB which reduces our margins;
- Severe downward pricing pressure from customers; and
- Change in the ordering pattern of customers, resulting in shorter product life cycle.

The Group acted swiftly to identify and address the problems so that the situation can be brought under control. Comprehensive measures were taken to improve production efficiency, streamline operations, and optimize the financial resources through on-going cost cutting and financial control measures. More specifically, we reduced our manufacturing overheads in order to bring them in line with the sales level.

In the first six months of the financial year, the Group's revenue growth momentum continued to be strong. Sales increased by 18% to HK$216.8 million.

Progress was also made in development new markets. We successfully re-opened our North America office and set up Hangzhou office to serve our customers' needs.

In response to a competitive environment, we need to step ahead to improve our R&D production technology to remain relevant and competitive in order to adapt to the changing trends in product demand in the electronics and telecommunications industry. We are progressively enhancing our competitiveness in the field of switch-mode power supply products, expanding our manufacturing scope from OEM (original equipment manufacturer) manufacturing of electrical or electronic appliances and components to ODM (original design manufacturer) and OBM (own brand manufacturer) products while increasing the sales volume of our power-tools products, chargers and related products (i.e. components, tooling and finished products). We remain optimistic that we can effectively compete with the main suppliers of power supply products, both for the high-end and the low-end market segments.

We continue to expand our customer base, maintain a close working relationship with our customers and be highly responsive to customers' requirements. This will let us to fulfill our mission of providing broad-based solutions to our customers and creating a "one-stop shop" to our customers. We continue to strengthen the management team and further build up our undoubted strengths in tooling, molding, plastic injection and coil winding. We are well-equipped to offer our customers a one-stop, complete manufacturing package that would enable our customers to have all components of their electrical/electronic products designed, manufactured, assembled, quality-checked and packaged at our facilities, and then shipped directly to them or to their designated delivery locations.

The Year Forward

Barring unforeseen circumstances, we expect our results for the year to exceed the previous year and we are confident that our Group will continue its profitable growth in the medium term.

We will continue to move to being an ODM and OBM manufacturer, without compromising our competitive pricing, and high standards of service and quality to our customers.

To succeed in a competitive environment, our management is focusing on improving our operational efficiencies and financial control measures while investing prudently in R&D and production technology to remain competitive in the long term.

By order of the Board
United Pacific Industries Limited
Brian C Beazer
Executive Chairman

Hong Kong, 21st December, 2005

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Independent Review Report

TO THE BOARD OF DIRECTORS OF UNITED PACIFIC INDUSTRIES LIMITED

Introduction

We have been instructed by the directors of the Company to review the interim financial report set out on pages 9 to 27.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21st December, 2005

Condensed Consolidated Income Statement

For the six months ended 30th September, 2005

	NOTES	**1.4.2005 to 30.9.2005 HK$ (unaudited)**	1.4.2004 to 30.9.2004 HK$ (unaudited)
Turnover	4	**216,775,679**	183,853,227
Cost of sales		**(183,031,810)**	(156,899,667)
Gross profit		**33,743,869**	26,953,560
Other income		**1,672,198**	980,092
Gains arising from changes in fair value of Investment properties		**1,000,000**	—
Distribution costs		**(2,007,067)**	(1,576,724)
Administrative expenses		**(24,102,799)**	(17,495,435)
Finance costs		**(908,167)**	(470,905)
Profit before taxation	5	**9,398,034**	8,390,588
Taxation	6	**(1,495,929)**	(1,535,539)
Profit for the period		**7,902,105**	6,855,049
Earnings per share — Basic	7	**1.42 cents**	1.23 cents

Condensed Consolidated Balance Sheet

At 30th September, 2005

	NOTES	30.9.2005 HK$ (unaudited)	31.3.2005 HK$ (restated)
Non-current assets			
Goodwill		—	628,931
Investment properties	8	—	6,500,000
Property, plant and equipment	8	39,080,773	48,435,858
Prepaid lease payments		676,611	685,308
		39,757,384	56,250,097
Current assets			
Inventories		65,592,134	71,584,518
Debtors and prepayments	9	95,070,974	91,177,057
Taxation recoverable		—	3,820
Bank balances and cash		47,810,238	35,272,848
		208,473,346	198,038,243
Assets classified as held for sale	10	7,500,000	—
		215,973,346	198,038,243
Current liabilities			
Creditors and accrued charges	11	56,987,904	65,803,417
Secured bank loans — amount due within one year		23,543,502	27,848,892
Obligations under finance leases — amount due within one year		1,302,711	90,433
Taxation payable		1,104,109	—
		82,938,226	93,742,742
Net current assets		133,035,120	104,295,501
Total assets less current liabilities		172,792,504	160,545,598
Non-current liabilities			
Secured bank loans — amount due after one year		4,624,513	3,289,710
Obligations under finance leases — amount due after one year		2,496,862	—
Deferred tax liabilities		946,508	558,508
		8,067,883	3,848,218
Net assets		164,724,621	156,697,380
Capital and reserves			
Share capital	12	55,705,840	55,705,840
Reserves		109,018,781	100,991,540
Total equity		164,724,621	156,697,380

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2005

	Share capital HK$	Share premium HK$	Share option reserve HK$	Capital redemption reserve HK$	Capital reserve HK$	Translation reserve HK$	Accumulated profits HK$	Dividend reserve HK$	Total HK$
At 1st April, 2004	55,705,840	13,526,924	–	1,442,200	19,870,430	1,031,567	52,138,671	11,141,168	154,856,800
Profit for the period, representing total recognised income for the period	–	–	–	–	–	–	6,855,049	–	6,855,049
Dividend paid/payable	–	–	–	–	–	–	–	(11,141,168)	(11,141,168)
At 1st October, 2004	55,705,840	13,526,924	–	1,442,200	19,870,430	1,031,567	58,993,720	–	150,570,681
Profit for the period, representing total recognised income for the period	–	–	–	–	–	–	6,024,341	–	6,024,341
Recognition of equity - settled share based payments	–	–	102,358	–	–	–	–	–	102,358
At 31st March, 2005, as restated	55,705,840	13,526,924	102,358	1,442,200	19,870,430	1,031,567	65,018,061	–	156,697,380
Profit for the period, representing total recognised income for the period	–	–	–	–	–	–	7,902,105	–	7,902,105
Recognition of equity - settled share based payments	–	–	125,136	–	–	–	–	–	125,136
At 30th September, 2005	55,705,840	13,526,924	227,494	1,442,200	19,870,430	1,031,567	72,920,166	–	164,724,621

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2005

	1.4.2005 to 30.9.2005 HK$ (unaudited)	1.4.2004 to 30.9.2004 HK$ (unaudited)
Net cash from operating activities	**8,536,860**	8,007,922
Net cash from (used in) investing activities:		
Purchase of property, plant and equipment	**(3,843,662)**	(4,589,688)
Proceeds from disposal of property, plant and equipment	**11,511,212**	—
Other investing cash flows	**405,266**	84,631
	8,072,816	(4,505,057)
Net cash used in financing activities:		
Dividend paid	**—**	(9,747,368)
Net cash (outflow) inflow from secured bank loans	**(2,970,587)**	305,136
Repayments for obligations under finance leases	**(193,532)**	(71,906)
Other financing cash flows	**(908,167)**	—
	(4,072,286)	(9,514,138)
Net increase (decrease) in cash and cash equivalents	**12,537,390**	(6,011,273)
Cash and cash equivalents at beginning of the period	**35,272,848**	45,993,854
Cash and cash equivalents at end of the period	**47,810,238**	39,982,581

Notes to the Condensed Financial Statements

For the six months ended 30th September, 2005

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and financial instruments, which are measured at fair values.

The accounting policies adopted are consistent with those followed in the preparation of the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2005, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005. The application of these new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

2. Principal Accounting Policies *(Continued)*

Business combination

In the current period, the Group has applied the transitional provisions of HKFRS 3, "Business Combinations" to goodwill acquired in business combinations for which the agreement date was before 1st January, 2005. The principal effects of the application of the transitional provisions of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisition after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures have not been restated. There has had no material impact on the financial results of the Group.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. Under HKAS 17 "Leases", the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. The consideration paid is allocated reliably between the land and buildings elements unless impracticable. The leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. (See note 3 for the financial impact).

2. Principal Accounting Policies *(Continued)*

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40, "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st April, 2005 onwards. The adoption has had no impact on the Group's accumulated profits on 1st April, 2005 and the results for the current period.

2. Principal Accounting Policies *(Continued)*

Share-based payments

In the current period, the Group has applied HKFRS 2, "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st April, 2005. In relation to share options granted before 1st April, 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November, 2002 and share options that were granted after 7th November, 2002 and had vested before 1st April, 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st April, 2005. Comparative figures have been restated (see Note 3 for the financial impact).

3. Effects of Changes in Accounting Policies

The effects of the changes in the accounting policies described in Note 2 above on the profit for the current and prior period are as follows:

For the six months ended 30th September

	1.4.2005 to 30.9.2005 HK$	1.4.2004 to 30.9.2004 HK$
Expenses recognised in respect of share options granted (included in administrative expenses)	**125,136**	—

The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 are summarised below:

	As at 31st March, 2005 (originally stated) HK$	Adjustments HK$	As at 31st March, 2005 (restated) HK$
Property, plant and equipment	49,121,166	(685,308)	48,435,858
Prepaid lease payment	—	685,308	685,308
Total effects on assets and liabilities	49,121,166	—	49,121,166
Share option reserve	—	102,358	102,358
Accumulated profits	65,120,419	(102,358)	65,018,061
Total effects on equity	65,120,419	—	65,120,419

4. Segment Information

Business Segments

The Group's principal activities are manufacture and trading of voltage converters, coils and components for electrical/electronic/mechanical products and rechargeable battery products. These two business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

	Voltage converters, coils and components for electrical/ electronic/ mechanical products	Rechargeable battery products	Elimination	Consolidated
	HK$	HK$	HK$	HK$
For the six months ended 30th September, 2005				
Turnover				
External sales	192,455,145	24,320,534	—	216,775,679
Inter-segment sales	17,641,256	—	(17,641,256)	—
	210,096,401	24,320,534	(17,641,256)	216,775,679

Inter-segment sales are charged at prevailing market rates.

4. Segment Information *(Continued)*

Business Segments *(Continued)*

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK$	Rechargeable battery products HK$	Consolidated HK$
For the six months ended 30th September, 2005			
Result			
Segment result	10,173,534	(1,218)	10,172,316
Unallocated corporate expenses			(1,271,381)
Gains arising from changes in fair value of investment properties			1,000,000
Interest income			405,266
Finance costs			(908,167)
Profit before taxation			9,398,034
Taxation			(1,495,929)
Profit for the period			7,902,105

4. Segment Information *(Continued)*

Business Segments *(Continued)*

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK$	Rechargeable battery products HK$	Elimination HK$	Consolidated HK$
For the six months ended 30th September, 2004				
Turnover				
External sales	162,677,234	21,175,993	—	183,853,227
Inter-segment sales	14,181,691	—	(14,181,691)	—
	176,858,925	21,175,993	(14,181,691)	183,853,227

Inter-segment sales are charged at prevailing market rates.

4. Segment Information *(Continued)*

Business Segments *(Continued)*

	Voltage converters, coils and components for electrical/ electronic/ mechanical products HK$	Rechargeable battery products HK$	Consolidated HK$
For the six months ended 30th September, 2004			
Result			
Segment result	7,075,381	1,839,880	8,915,261
Unallocated corporate expenses			(138,399)
Interest income			84,631
Finance costs			(470,905)
Profit before taxation			8,390,588
Taxation			(1,535,539)
Profit for the period			6,855,049

4. Segment Information *(Continued)*

Geographical Segments

The Group's operations are located in the Mainland China and Hong Kong of the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	1.4.2005 to 30.9.2005	1.4.2004 to 30.9.2004
	HK$	HK$
The PRC		
Hong Kong	**37,427,844**	33,235,774
Mainland China	**24,175,069**	18,787,043
	61,602,913	52,022,817
United States of America, South America and Canada	**93,843,824**	67,676,581
Europe	**45,125,465**	43,996,279
Asia Pacific (excluding the PRC and Malaysia)	**15,003,805**	14,348,073
Malaysia	**1,199,672**	5,809,477
	216,775,679	183,853,227

5. Profit Before Taxation

For the six months ended 30th September, 2005:

	1.4.2005 to 30.9.2005 HK$	1.4.2004 to 30.9.2004 HK$
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**5,922,621**	5,952,324
Amortisation of goodwill (included in administrative expenses)	**—**	94,421
Loss on disposal of property, plant and equipment	**—**	1,026,125
Amortisation of prepaid lease payments (included in administrative expenses)	**8,697**	8,697
Expenses recognised in respect of share options granted	**125,136**	—
Impairment loss recognised in respect of goodwill	**628,931**	—
and after crediting:		
Interest income	**405,266**	84,631
Gain on disposal of property, plant and equipment	**332,000**	—

6. Taxation

	1.4.2005 to 30.9.2005 HK$	1.4.2004 to 30.9.2004 HK$
The charge comprises:		
The Company and its subsidiaries:		
Hong Kong Profits Tax	1,107,929	1,535,539
Deferred taxation	388,000	—
	1,495,929	1,535,539

Hong Kong Profits Tax is calculated at 17.5% (1.4.2004 to 30.9.2004: 17.5%) of the estimated profit for the period.

7. Earnings Per Share

The calculation of the basic and diluted earnings per share for each of the six-month periods ended 30th September, 2005 and 2004 is computed based on the following data:

	1.4.2005 to 30.9.2005 HK$	1.4.2004 to 30.9.2004 HK$
Earnings:		
Profit for the period and earnings for the purposes of basic earnings per share	7,902,105	6,855,049
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	557,058,400	557,058,400

No diluted earnings per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for both period.

8. Investment Properties and Property, Plant and Equipment

During the period, the Group spent approximately HK$7,746,000 (HK$4,590,000 for the six months ended 30th September, 2004) on property, plant and equipment to expand its existing manufacturing capacity. The Group also entered into sale and purchase agreement with independent third parties to dispose of leasehold properties in Hong Kong at consideration of HK$11,480,000 during the period.

The Group's investment properties were fair-valued by the directors and reclassified as assets held for sale during the period. The resulting increase in fair value of investment properties of HK$1,000,000 has been recognised directly in the income statement.

9. Debtors and Prepayments

At 30th September, 2005, the balance of debtors and prepayments included trade debtors of HK$86,283,640 (HK$84,322,085 at 31st March, 2005). The aged analysis of trade debtors at the reporting date is as follows:

	30.9.2005 HK$	31.3.2005 HK$
0 - 60 days	59,713,584	54,291,375
61 - 90 days	10,880,154	14,442,600
91 - 120 days	7,105,596	8,468,304
>120 days	8,584,306	7,119,806
	86,283,640	84,322,085

The Group allows credit periods ranging from 90 to 120 days to its trade customers.

10. Assets Classified as Held for Sale

During the period, the directors resolved to dispose of the Group's investment properties. Negotiations with interested parties have taken place and on 5th October, 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of the properties at consideration of HK$8,000,000.

11. Creditors and Accrued Charges

At 30th September, 2005, the balance of creditors and accrued charges included trade creditors of HK$46,085,119 (HK$54,052,030 at 31st March, 2005). The aged analysis of trade creditors at the reporting date is as follows:

	30.9.2005	31.3.2005
	HK$	HK$
0 - 60 days	**43,912,937**	45,824,694
61 - 90 days	**636,208**	5,198,648
> 90 days	**1,535,974**	3,028,688
	46,085,119	54,052,030

12. Share Capital

	Number of shares	Amount
		HK$
Ordinary shares of HK$0.10 each		
Authorised:		
At 31st March, 2005 and 30th September, 2005	1,000,000,000	100,000,000
Issued and fully paid:		
At 31st March, 2005 and 30th September, 2005	557,058,400	55,705,840

13. Related Party Transactions

The remuneration of directors and other members of key management during the period was as follows:

	1.4.2005 to 30.9.2005 HK$	1.4.2004 to 30.9.2004 HK$
Short-term benefits	**6,193,901**	5,050,749
Mandatory provident fund contribution	**73,000**	43,000
Share-based payments	**125,136**	—
	6,392,037	5,093,749

The remuneration of directors and key management is determined by the compensation committee having regard to the performance of individuals and market trends.

14. Post Balance Sheet Event

On 5th October, 2005, the Group entered into a sale and purchase agreement with an independent third party to dispose of investment properties held under long leases in Hong Kong with carrying value of HK$7,500,000 at 30th September, 2005. The aggregate consideration amounted to HK$8,000,000.

Interim Dividend

The directors of the Company have not recommended the payment of an interim dividend for the six months ended 30th September, 2005.

Employees

At 30th September 2005, the Group employed 530 executive and clerical staff and 1941 factory workers. The remuneration of such staff and workers are determined by overall guidelines for each category of employees, commensurate with qualification and experience. The Group has adopted a discretionary bonus program, share option scheme, medical insurance and personal accident insurance for certain categories of employees. Incentive awards for certain categories of employees are determined annually based on various criteria, including the performance of the Group as a whole and the careful assessment of the performance of each participating employee individually.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labor disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with employees.

Directors' Interests in Securities of the Company and its Associated Corporations

As at 30th September, 2005, the interests of the directors of the Company and their associates in the shares, underlying shares comprised in options and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and The SEHK pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are 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 referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and The SEHK were as follows:

Long Positions

(a) Ordinary shares of HK$0.10 each of the Company

Name	Capacity	Number of ordinary shares	Percentage interest in the company's issued share capital
Mr Brian C Beazer	Interest of a controlled corporation (Note 1)	136,827,775	24.56%
Mr David H Clarke	Interest of a controlled corporation (Note 2)	90,707,025	16.28%
Mr Simon N Hsu	Interest of a controlled corporation (Note 3)	3,787,158	0.68%

Note:

1. Mr Beazer is the beneficial owner of 400,000 shares held through a nominee bank. These are aggregated with the shares held by B C Beazer Asia Pte Ltd in which Mr Beazer has a controlling interest.

2. Mr Clarke has a controlling interest in Great South Beach Improvement Co., which has a beneficial interest in the entire issued share capital of GSB Holdings, Inc. ("GSBH"). All the 90,707,025 shares in the company are held by GSBH.

3. These shares are owned by Strategic Planning Assets Limited, a company in which Mr Simon N Hsu has 100% equity interest.

(b) Share options

Name of directors	Capacity	Number of options held	Number of underlying shares
Mr Simon N Hsu	Beneficial Owner	9,062,106	9,062,106
Mr Brian C Beazer	Beneficial Owner	5,031,053	5,031,053
Mr David H Clarke	Beneficial Owner	1,515,527	1,515,527
		15,608,686	15,608,686

Other than as disclosed above, and except for nominee shares in certain subsidiaries held in trust for the Group at 30th September, 2005, neither the directors nor chief executive, nor any of their associates, had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Shareholders with Notifiable Interests

As at 30th September 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long Positions

Ordinary shares of HK$0.10 each of the Company

Shareholder	Nature of Interest	No. of Shares Held	Percentage of issued shares (approx.)
Brian C Beazer[(1)]	Interest in controlled corporation	136,827,775	24.56%
B C Beazer Asia Pte. Ltd.	Beneficial owner	136,427,775	24.49%
David H Clarke[(2)]	Interest in controlled corporation	90,707,025	16.28%
Great South Beach Improvement Co.[(2)]	Interest in controlled corporation	90,707,025	16.28%
GSB Holdings, Inc.	Beneficial owner	90,707,025	16.28%
Investor AB[(3)]	Interest in controlled corporation	74,836,000	13.43%
Investor (Guernsey) II Ltd	Beneficial owner	74,836,000	13.43%
Asian Corporate Finance Fund, L.P.[(4)]	Interest in controlled corporation	65,000,400	11.67%
Payawal Capital Limited	Beneficial owner	65,000,400	11.67%
General Electric Capital Corporation (NY)	Beneficial owner	36,732,698	6.59%

Note:

1. Mr Beazer is the beneficial owner of 400,000 shares held through a nominee bank. These are aggregated with the shares held by B C Beazer Asia Pte. Ltd. in which Mr Beazer has a controlling interest.

2. Mr Clarke has a controlling interest in Great South Beach Improvement Co., which has a beneficial interest in the entire issued share capital of GSB Holdings, Inc.

3. The shares are held by Investor AB through its beneficial interest in the entire issued share capital of Investor (Guernsey) II Ltd.

4. The shares are held by Asian Corporate Finance through its beneficial interest in the entire issued share capital of Payawal Capital Limited.

All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 30th September, 2005, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

Significant changes subsequent to 30th September 2005

According to the announcement of the Company dated 13th October 2005, on 10th October 2005, General Electric Capital Corporation (NY) entered into an agreement to sell its entire 6.59% shareholding in the Company to GSB Holding Inc. After the transactions, the percentage of issued shares of the Company were amended as follows:

Long Positions

Ordinary shares of HK$0.10 each of the Company

Shareholder	Nature of Interest	No. of Shares Held	Percentage of issued shares (approx.)
Brian C Beazer[(1)]	Interest in controlled corporation	136,827,775	24.56%
B C Beazer Asia Pte. Ltd.	Beneficial owner	136,427,775	24.49%
David H Clarke[(2)]	Interest in controlled corporation	127,439,723	22.88%
Great South Beach Improvement Co.[(2)]	Interest in controlled corporation	127,439,723	22.88%
GSB Holdings, Inc.	Beneficial owner	127,439,723	22.88%
Investor AB[(3)]	Interest in controlled corporation	74,836,000	13.43%
Investor (Guernsey) II Ltd	Beneficial owner	74,836,000	13.43%
Asian Corporate Finance Fund, L.P.[(4)]	Interest in controlled corporation	65,000,400	11.67%
Payawal Capital Limited	Beneficial owner	65,000,400	11.67%

Note:

1. Mr Beazer is the beneficial owner of 400,000 shares held through a nominee bank. These are aggregated with the shares held by B C Beazer Asia Pte. Ltd. in which Mr Beazer has a controlling interest.

2. Mr Clarke has a controlling interest in Great South Beach Improvement Co., which has a beneficial interest in the entire issued share capital of GSB Holdings, Inc.

3. The shares are held by Investor AB through its beneficial interest in the entire issued share capital of Investor (Guernsey) II Ltd.

4. The shares are held by Asian Corporate Finance through its beneficial interest in the entire issued share capital of Payawal Capital Limited.

All interests disclosed above represent long positions in the shares of the Company.

Share Options and Directors' Rights to Acquire Shares or Debentures

(a) Pursuant to a special general meeting of the Company held in April, 1994, the Company adopted an executives' share option scheme (the "1994 Scheme") for the primary purpose of providing incentives to the executive directors and eligible employees of the Company and its subsidiaries. According to the 1994 Scheme, the Board of Directors of the Company is authorised, at any time within ten years after the adoption date of the 1994 Scheme, to grant options to eligible participants to subscribe for shares in the Company at a subscription price equal to the higher of the nominal value of the shares and an amount, to be determined by a committee administering the 1994 Scheme, which is not less than 80% of the average of the closing prices of the shares on The SEHK on the five trading days immediately preceding the date of the options are offered to the participant.

The movements in the number of options outstanding during the year which have been granted to the directors of the Company and employees of the Group under the 1994 Scheme were as follows:

			Number of option shares		
Name of director	Date of grant	Exercise price HK$	Outstanding at 1.4.2005	Lapsed during the period	Outstanding at 30.9.2005
Mr Brian C Beazer	23.7.2003	0.36	2,000,000	–	2,000,000
Mr Simon N Hsu	23.7.2003	0.36	3,000,000	–	3,000,000
Mr Wong Hei Pui, Andy (resigned on 31.7.05)	23.7.2003	0.36	1,000,000	(1,000,000)	–
			6,000,000	(1,000,000)	5,000,000

(b) At a special general meeting of the Company held on 30th August, 2004, a new share option scheme was adopted (the "2004 Scheme"). The Board is authorised to grant options to eligible executive directors and employees of the Company and its subsidiaries (the "Group"), to subscribe for shares in the Company. The number of underlying shares available under the 2004 Scheme shall not, in aggregate, exceed 5% of the issued shares as at 30th August, 2004. The exercise price of the options shall be determined by a committee administering the 2004 Scheme, and shall fall within the following prescribed parameters: they should not be less than (i) the par value of the shares, (ii) the closing price of the shares on the date of grant which must be a business day, and (iii) the average closing price of the shares over 5 consecutive trading days immediately preceding the date of grant. As at the date of this report, 8,683,554 options at an exercise price of 0.242 and 7,381,022 options at HK$0.250 have been granted under the 2004 Scheme, which, subject to vesting, can be exercised at any time until 2014.

The movements in the number of share options under the 2004 Scheme during the current financial period are as follows:

			Number of option shares		
Name of director	Date of grant	Exercise price HK$	Outstanding at 1.4.2005	Lapsed during the period	Outstanding at 30.9.2005
Mr Brian C Beazer	28.9.2004	0.242	1,638,407	–	1,638,407
	20.12.2004	0.250	1,392,646	–	1,392,646
Mr David H Clarke	28.9.2004	0.242	819,204	–	819,204
	20.12.2004	0.250	696,323	–	696,323
Mr Simon N Hsu	28.9.2004	0.242	3,276,814	–	3,276,814
	20.12.2004	0.250	2,785,292	–	2,785,292
Mr Wong Hei Pui, Andy	28.9.2004	0.242	327,681	(327,681)	–
(resigned on 31.7.05)	20.12.2004	0.250	278,529	(278,529)	–
			11,214,896	(606,210)	10,608,686
Other employees	28.9.2004	0.242	2,621,448	–	2,621,448
	20.12.2004	0.250	2,228,232	–	2,228,232
			16,064,576	(606,210)	15,458,366

The closing price of the Company's shares immediately before 28th September, 2004 and 20th December, 2004, the date options were granted under the 2004 Scheme during the year under review, was HK$0.240 and HK$0.245 respectively.

The directors of the Company consider that it is not appropriate to disclose the value of the outstanding options as at balance sheet, since any valuation of the options would be subject to a number of assumptions that would be subjective and uncertain. The directors of the Company believe that the evaluation of options based on speculative assumptions would not be meaningful and would be misleading to shareholders.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other than as disclosed above, none of the directors, or their spouses and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Convertible Securities, Options, Warrants or Similar Rights

Other than the outstanding share options as set out above, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 30th September, 2005 and there had been no exercise of convertible securities, options, warrants or similar rights during the period.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

Audit Committee

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

The members of the Audit Committee comprise Mr Henry W Lim (Chairman) and Dr Wong Ho Ching, Chris, both independent non-executive directors, and Mr Ng Ching Wo, a non-executive director. Mr Brian C Beazer, the Executive Chairman, is the non-voting secretary of the Audit Committee.

Code on Corporate Governance Practices

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th September 2005, with the exception of the following deviations:

Under the code provision A4.1, non-executive directors should be appointed for a specific term. Under A.4.2, every director should be subject to retirement by rotation at least once every three years. Currently, non-executive Directors are not appointed for a specific term. This constitutes a deviation from code provision A4.1. However, they are subject to retirement by rotation, at least once every three years, at each annual general meeting under the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the Code.

Model Code for Securities Transactions

The Company has adopted its own Code for Securities Transactions by Officers (the "Code") on terms no less than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Listing Rules of The Stock Exchange. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code during the period under review.