

*NOTES:***1. BASIS OF PREPARATION**

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004/05 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005/06 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004/05 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The interim financial reports is unaudited, but has been reviewed by CCIF CPA Limited in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. CCIF CPA Limited’s independent review report to the Board of Directors is included on page 14.

The financial information relating to the financial year ended 31 March 2005 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2005 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 July 2005.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 March 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore, the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this unaudited interim financial report.

The following sets out further information on changes to the Group's accounting policies for annual accounting period beginning on 1 April 2005 which have been reflected in this interim financial report in the following area:

(a) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the fixed assets revaluation reserve.

With the adoption of HKAS 17 as from 1 April 2005, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later. In case the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at revalued amounts less accumulated depreciation and accumulated impairment losses.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1 April 2005, the buildings are also stated at revaluated amount less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

2. CHANGES IN ACCOUNTING POLICIES (Continued)**(a) Leasehold land and buildings held for own use (HKAS 17, Leases) (continued)**

The new accounting policies have been adopted retrospectively, with the opening balance of retained profits and the land and buildings revaluation reserve and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity. In respect of the six months ended 30 September 2005, it is not practicable to estimate the extent to which the loss for that period, or the income or expenses taken directly to equity, are higher or lower than they would have been had the previous policy still been applied in the interim period.

(b) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognised the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained earnings.

The new accounting policy is required to be applied retrospectively with comparatives restated in accordance with HKFRS2.

The change in policy had no effect on the unaudited interim financial report as there were no options existed at 1 April 2004 or granted during the six month periods ended 30 September 2004 and 2005.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(c) Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 April 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the Company.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

3. SEGMENT INFORMATION

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

(a) Business segments

The Group has two business segments, namely the design and manufacture of electrical appliances and the trading of merchandise. An analysis of sales and profit by business segment is as follows:

	Segment revenue (unaudited) Sale to external customer Six months ended 30 September		Segment result (unaudited and restated) (Loss)/profit from operating activities Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Design and manufacture of electrical appliances	83,317	143,161	(19,061)	1,781
Trading of merchandise	2,498	15,934	(50)	605
	85,815	159,095	(19,111)	2,386

3. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

The following tables present revenue for the Group's geographical segments:

	Segment revenue (unaudited) Sales to external customers Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
By geographical area:		
Europe	36,637	91,028
North America	22,080	22,637
South America	7,209	7,509
Asia Pacific	10,710	33,927
Middle East	6,860	1,187
Oceania	2,319	2,731
Africa	–	76
	85,815	159,095

4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is arrived at after charging:

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
(a) Finance costs		
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,045	910
Interest on finance leases	56	33
	1,101	943
(b) Other items		
Cost of inventories*	81,489	127,423
Staff costs (including directors' remuneration)	16,203	20,283
Depreciation	5,475	5,664
Loss on disposal of fixed assets	25	–
Minimum lease payments under operating leases for land and building	628	633

* Cost of inventories included staff costs of approximately HK\$7,710,000 (2004 (restated): HK\$11,799,000) and depreciation expenses of approximately HK\$4,065,000 (2004 (restated): HK\$4,242,000) that have also been included in the respective total amounts disclosed separately above.

5. INCOME TAX

(a) Taxation in the condensed consolidated income statements represent:

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Group:		
Current – elsewhere	215	50

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during both periods. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred taxation has been recognised for the period ended 30 September 2005 as there has been no material temporary difference for tax purpose. (2004: nil).

(b) Taxation in the consolidated balance sheet represents:

	At 30 September 2005	At 31 March 2005
	HK\$'000	HK\$'000
	(unaudited)	(audited and restated)
Provision for income tax elsewhere	48	–

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the net loss attributable to equity holders of the Company for the period of HK\$20,075,000 (2004 (restated): net profit of HK\$1,473,000) and on the weighted average of 459,050,000 (2004: weighted average of 457,525,000) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 September 2005 and 2004 have not been disclosed as no diluting events existed during these periods.

7. FIXED ASSETS

During the period, the Group spent approximately HK\$3,160,000 (Six months ended 30 September 2004: HK\$6,548,000) on additions to plant and equipment to upgrade its manufacturing capabilities.

8. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit and letter of credit, except for new customers, where payment in advance and cash on delivery are normally required. Invoices are normally payable between 30 and 60 days after issuance, except for certain well-established customers, where the terms are extended to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

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

	At 30 September 2005 HK\$'000 (unaudited)	At 31 March 2005 HK\$'000 (audited and restated)
0-30 days	17,850	16,322
31-60 days	3,679	1,759
61-90 days	1,574	588
More than 90 days	347	4,577
	<u>23,450</u>	<u>23,246</u>

9. TRADE PAYABLES

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

	At 30 September 2005 HK\$'000 (unaudited)	At 31 March 2005 HK\$'000 (audited and restated)
0-30 days	10,412	6,789
31-60 days	6,435	5,252
61-90 days	7,454	6,727
More than 90 days	14,462	23,020
	<u>38,763</u>	<u>41,788</u>

10. SHARE OPTIONS

During the period, no share option has been granted under the share option scheme.

11. CAPITAL AND RESERVES

	Attributable to equity holders of the Company							Minority interests	Total
	Issue ordinary share capital	Capital reserve	Distributable reserve	Fixed assets revaluation reserve	Exchange fluctuation reserve	Retained profits/ losses (accumulated)	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	45,752	2,789	4,995	29,301	587	66,877	150,301	275	150,576
Prior period adjustments arising from changes in accounting policies									
- effect of adopting HKAS 17 (note 2(a))	-	-	-	(9,677)	-	599	(9,078)	-	(9,078)
At 1 April 2005 as restated	45,752	2,789	4,995	19,624	587	67,476	141,223	275	141,498
Net loss for the period	-	-	-	-	-	(20,075)	(20,075)	10	(20,065)
Issuance of shares under a placement	9,151	-	-	-	-	-	9,151	-	9,151
Transfer	-	-	-	(417)	-	417	-	-	-
Exchange realignments	-	-	-	-	(387)	-	(387)	(20)	(407)
At 30 September 2005	54,903	2,789	4,995	19,207	200	47,818	129,912	265	130,177
At 1 April 2004	45,752	2,789	4,995	19,856	263	66,525	140,180	176	140,356
Prior period adjustments arising from changes in accounting policies									
- effect of adopting HKAS17 (note 2(a))	-	-	-	-	-	559	559	-	559
At 1 April 2004 as restated	45,752	2,789	4,995	19,856	263	67,084	140,739	176	140,915
Net profit for the period	-	-	-	-	-	1,395	1,395	223	1,618
Effect of adopting HKAS17 (note 2(a))	-	-	-	-	-	78	78	-	78
Exchange realignments	-	-	-	-	9	-	9	1	10
At 30 September 2004	45,752	2,789	4,995	19,856	272	68,557	142,221	400	142,621

12. COMMITMENTS

- (a) Capital commitments outstanding at 30 September 2005 not provide for in the financial statements were as follows:

	At 30 September 2005 HK\$'000	At 30 March 2005 HK\$'000
Authorised and contracted for	284	557

- (b) At the balance sheet date, the total minimum lease payments under non-cancellable operating leases in respect of premises are payable as follows:

	At 30 September 2005 HK\$'000	At 30 March 2005 HK\$'000
Within one year	243	502

13. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transaction with related parties:

		Six months ended 30 September 2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Nature of transaction			
Interest expenses paid to an associate	(i)	—	5

NOTE:

- (i) The interest expenses related to advance from an associate at interest rates of 0.125% per annum during the six months ended 30 September 2004.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to comply with the new and revised HKFRSs requirements and conform with current period's presentation.