INTERIM DIVIDEND

The directors of the Company (the “Directors”) do not recommend the payment of any interim dividend for the period (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group’s sales turnover had been impacted by an unexpected order deferral of approximately HK$15 million from a beauty care customer in United States due to change of scheduling in promotion. Sales contribution from the Germany subsidiary had been significantly decreased due to fierce market competition, with record of a cancelled order valued of approximately HK$4 million during the period. With the continuous increase in cost of major raw materials, the gross profit of the period was adversely affected.

The Group’s gearing ratio expressed as a percentage of total liabilities over capital and reserves attributable to the Company equity holders, rose from 60.9% at the beginning of the period to 68.9% as at 30 September 2005. The increase was mainly due to the increase in bank loans and other borrowings while the reserves of the Group has been reduced by the loss incurred during the period.

Working capital decreased to HK$24.3 million from HK$32.1 million at beginning of the period as the increase in bank balances and pledged deposits was more than offset by the decrease in inventories and the increase in bank loans and other borrowings during the period.

On 28 September 2005, the Company successfully placed 91.5 million of shares with Get Nice Investment Limited as the placing agent. The total net proceeds from this exercise amounting to approximately HK$8.2 million help improve the liquidity position of the Group. At 30 September 2005, the Group’s cash and bank balances and pledged deposits increased to approximately HK$16.5 million from HK$9.8 million at beginning of the period.

PROSPECT

The outlook for electrical appliances manufacturing industry continued to be extremely challenging. The price hike in raw material prices had been accelerated by the new environmental regulation set by the Euro legislature. Supply of labor force in mainland is increasingly unstable, resulting gradual raise in wages and human capital expenditures. In the second half financial year, we will continue to minimize non-production related costs with aggressive cut in administrative expenditures, simplifying operating cycle with the implementation of new ERP (Enterprise Resource Planning) system in late 2006.

For manufacturing base in Dongguan we will upgrade and replace electric generators which will sufficiently resolve the electric supply instability problems manufacturers in most part of Guangdong region are facing. In order to meet with tightening production schedule and complexity of products, we plan to procure additional machinery to generate larger cost effectiveness and minimizing labor intensiveness in the manufacturing process.

In second half of the year, a new series of automotive accessories will be launched. Targeting for the United States automotive aftermarket, we expect contributions of this new series will expand sales turnover and margin. Moreover, we have received repeat orders for two OEM hair care products with patented design and sole-manufacturing rights, along with three additional hair crimper projects with advanced features in the pipeline. With the addition of innovative lifestyle products and continuous improvement of product quality, the directors expect improvement in result in year 2006.

CHARGE ON ASSETS

Certain properties of the Group situated in Hong Kong were pledged to secure general banking facilities granted to the Group. These properties comprised leasehold land and buildings at a total net book value amounting to HK$17.2 million (at 31 March 2005: HK$19.8 million) at end of the period.

COMMITMENTS AND CONTINGENT LIABILITIES

At 30 September 2005, the Group had total outstanding capital commitments and operating lease commitments of approximately HK$0.5 million (at 31 March 2005: HK$1.1 million).

The Group had no significant contingent liabilities at 30 September 2005.

EXPOSURE TO EXCHANGE RISK

The Group has little foreign exchange exposure as its sales revenue and accounts payable was principally denominated in Hong Kong dollars or in U.S. dollars and its borrowings are in Hong Kong dollars.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Group had neither foreign currency hedging activities nor any financial instruments for hedging purposes during the period.

EMPLOYEES AND REMUNERATION POLICY

The Group employs an average total of 1,622 (Year ended 31 March 2005: 2,164) employees in Hong Kong and elsewhere in the People's Republic of China during the period. The Group regularly reviews its employees' pay levels and its performance bonus system to ensure that the remuneration policy is competitive within the relevant industries.

POST BALANCE SHEET EVENT

Rights Issue

The Company announced a rights issue of approximately 220 million shares on the basis of two rights shares issued for every five existing shares of the Company in October 2005. The rights issue was completed in early December 2005 and the net proceeds from rights issue amounted to approximately HK$21 million. The company uses part of the net proceeds of about HK$6 million for purchasing new machinery and upgrading existing production facilities of the Group; approximately HK$3 million for procuring enterprise resource planning system and expansion of electronic networking system; approximately HK$4 million for repayment of certain borrowings and the remaining balance in the amount of about HK$8 million is used as general capital of the Group.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2005, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	*Notes*	**Directly beneficially owned**	**Beneficiary of a trust**	**Total**	**Percentage of the Company's issued share capital**
Kwok Hon Ching	(a)	8,900,000	75,000,000	83,900,000	15.28%
Kwok Hon Lam	(c)	8,900,000	75,000,000	83,900,000	15.28%
Chau Kwok Wai		1,000,000	-	1,000,000	0.18%

Notes (a) and (c) above are detailed in the explanatory notes in the section headed "Substantial shareholders' and other persons' interests in shares and underlying shares" below.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.