

INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend (2004: Nil). Accordingly, no closure of register of members of the Company is proposed.

REVIEW OF RESULTS

The interim results of the Group are unaudited but have been reviewed by the audit committee of the Company (the "Audit Committee"). For the six months ended 30 September 2005 (the "Interim Period"), the Group's turnover was HK\$60.8 million (2004: HK\$33.9 million), representing an increase of 79% over the same period of last year. Gross profit margin slightly decreased to 7% (2004: 8%) due to increase in material prices and production cost. Net loss of the Group was HK\$8.5 million (2004: HK\$8.9 million) and loss per share was HK3.25 cents (2004: HK3.67 cents as restated).

BUSINESS REVIEW AND PROSPECTS

Consumer electronics business

The turnover of the Group's electronics business was HK\$37.9 million (2004: HK\$10.7 million) in the Interim Period, a 254% increase over the same period in the previous financial year. Adversely affected by an overall increase in material prices and production cost, the business segment only managed to narrow the negative contribution to HK\$3.6 million (2004: HK\$3.8 million). The management will focus more on cutting production overhead of the business segment to enhance its flexibility. The business segment will also attempt to increase its sales in original design manufacturing significantly to seek higher profit margin.

Snap off blade cutter business

The turnover of the Group's cutter business was HK\$21.4 million (2004: HK\$21.5 million). As expected, the profit margin was improved because of the introduction of the newly developed models, and the result of the business segment turned around to a positive contribution of HK\$0.4 million (2004: negative contribution of HK\$0.7 million) in the Interim Period. The business segment has continued to develop new products and add them to the existing product mix. Moderate growth in turnover and continuous improvement in the result of the business segment are expected.

Geographical segment analysis

The Group's client base is quite well diversified in terms of geographical locations. There was a high concentration in the Hong Kong market since sales were classified according to the location of direct clients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the current and non-current liabilities of the Group amounted to HK\$79.0 million (31 March 2005: HK\$66.4 million) and HK\$20.2 million (31 March 2005: HK\$18.8 million as restated), respectively. The amount of net current liabilities narrowed further to HK\$22.7 million (31 March 2005: HK\$26.6 million) mainly due to a subscription of new shares completed in July 2005. The Group has also reached preliminary agreements with some banks in the PRC for some loan facilities to be secured by the Group's property holdings. This, if successfully concluded, is expected to help improve the Group's liquidity.

During the Interim Period, the Group recorded an operating cash outflow of HK\$2.9 million (2004: 8.5 million outflow) and the gearing ratio, defined as the percentage of total borrowings to shareholders' funds, fell to 115% (31 March 2005: 129% as restated).

From the management's point of view, the amount of financial resources available to the Group is adequate. The Group may consider disposing of its assets if additional financial resources are required for operation.

INVESTMENT POSITION AND PLANNING

All of the Group's investment properties are situated in Northern Industrial Complex, Panyu, Guangdong Province of the PRC. These investment properties have been rented out for manufacturing, storage and office purposes and have continued to generate a stable stream of income for the Group.

The Group spent about HK\$1.6 million in upgrading plant and machinery during the Interim Period. The total spending in upgrading plant and machinery for this financial year is likely to be contained at HK\$2.0 million as budgeted.

The Group does not have any significant investment position in stocks, bonds and other financial derivatives. The Group's exposure to fluctuations in exchange rates is very limited because its assets and liabilities have been well matched in terms of denominations.

SHARE CAPITAL AND OPTION

During the Interim Period, the share capital and the option of the Company have the following changes:

Consolidation of shares and adjustment to options

A proposal to consolidate 20 issued and un-issued shares of HK\$0.01 each into 1 share of HK\$0.20 each (the "New Share(s)") (the "Consolidation") was approved by the shareholders of the Company on 4 May 2005. The Consolidation and change in board lot size for trading in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 50,000 shares to 5,000 New Shares became effective on 5 May 2005. Immediately after the Consolidation, the Company had 243,497,885.25 issued New Shares and 1,256,502,114.75 un-issued New Shares.

Before the Consolidation, the Company had outstanding options granted under the share option scheme of the Company to subscribe for a total of 19,300,000 shares at the price of HK\$0.01 per share. Immediately after the Consolidation, the number of shares issuable under each outstanding option granted was reduced by 95%, and the exercise price per share was increased from HK\$0.01 to HK\$0.20. Accordingly, after the Consolidation became effective, the Company had outstanding options to subscribe for a total of 965,000 New Shares at the exercise price of HK\$0.20 per New Share.

Subscription of new shares

On 14 July 2005, the Company entered into a conditional subscription agreement with a subscriber, a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules) (the "Subscriber"), for the subscription of 48 million New Shares at a price of HK\$0.26 per New Share under the general mandate granted to the directors of the Company pursuant to the resolutions of the shareholders of the Company passed at its annual general meeting held on 27 August 2004 (the "Subscription").

All conditions of the agreement for the Subscription were fulfilled and the 48 million New Shares were issued to the Subscriber on 29 July 2005.

TERMINATION OF AN OPEN OFFER

As stated in the Company's announcement dated 18 April 2005, the underwriter of an open offer announced by the Company on 28 January 2005 (the "Open Offer") purported to terminate the relevant underwriting agreement and failed to take up the underwritten shares, the Open Offer was therefore terminated. The Company is seeking legal advice on the necessary actions to be taken against the relevant underwriter.

CHARGES ON GROUP'S ASSETS

The Group's investment properties situated in Panyu, PRC are all rented out. As at 30 September 2005, all (31 March 2005: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

As at 30 September 2005, approximately 64% (31 March 2005: 64% as restated) of the Group's land and buildings were pledged to banks to secure credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group

The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$276,000 (31 March 2005: HK\$275,000) as at 30 September 2005.

The Company

As at 30 September 2005, the Company had given guarantees to banks in connection with banking facilities granted to certain subsidiaries amounting to HK\$55,201,866 (31 March 2005: HK\$55,201,866).

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no acquisition and disposal of subsidiaries and associated companies during the Interim Period.

EMPLOYEES

At 30 September 2005, the Group had approximately 1,000 employees. Most of the employees were working in Northern Industrial Complex, the Group's manufacturing plant in Panyu, Guangdong Province, the PRC. Employees are remunerated on a performance basis with reference to market practices. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees to achieve the Group's business goals.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN 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 (the "Model Code"), were as follows:

Long position in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Chong Sing Yuen (<i>Note</i>)	1,294,052	117,500	–	1,411,552	0.48%
Chu Kiu Fat	2,000	–	–	2,000	0.00%
	<u>1,296,052</u>	<u>117,500</u>	<u>–</u>	<u>1,413,552</u>	<u>0.48%</u>

The interests of the directors in the share options of the Company are separately disclosed under the heading "Share option".

Note: The family interest of Mr. Chong Sing Yuen in the shares of the Company was beneficially owned by Mrs. Chong.

Save as disclosed above, as at 30 September 2005, none of the directors had registered an interest or short position in the shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares" above, and the heading "Share option" below, at no time during the Interim Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.