



Peaktop International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 925)

2006 Interim Report



CONTENTS

Corporate Information	2
Condensed Consolidated Income Statement	3
Condensed Consolidated Balance Sheet	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Cash Flow Statement	7
Notes to the Unaudited Condensed Consolidated Interim Report	8
Management Discussion and Analysis	16
Other Information	20

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. LIN Chun Kuei
(Chairman and Chief Executive Officer)
Mr. Andree HALIM (Co-vice Chairman)
Mr. NG Kin Nam (Co-vice Chairman)
Mr. LI Chien Kuan
Mr. LIN Chun Fu
Ms. LIN HUANG Su Feng
Mr. Daniel HALIM
Mr. CHEUNG Kwok Ping

Independent Non-executive Directors

The Hon. Bernard Charnwut CHAN
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew

Audit Committee

Mr. MA Chiu Cheung, Andrew (Chairman)
The Hon. Bernard Charnwut CHAN
Mr. GOH Gen Cheung

Nomination Committee

The Hon. Bernard Charnwut CHAN (Chairman)
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. LIN Chun Kuei
Mr. LI Chien Kuan

Remuneration Committee

Mr. GOH Gen Cheung (Chairman)
The Hon. Bernard Charnwut CHAN
Mr. MA Chiu Cheung, Andrew
Mr. LIN Chun Kuei
Mr. LI Chien Kuan

Qualified Accountant and Company Secretary

Mr. TONG Chak Wai, Wilson

Auditors

Ernst & Young
Certified Public Accountants

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit 1603-1605, 16th Floor
Tower III, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

Principal Bankers

Bangkok Bank Public Company Limited
Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China
(Asia) Limited
Indover Bank (Asia) Limited
Public Bank (Hong Kong) Limited
Standard Chartered Bank

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited
(Stock code: 925)

RESULTS

The Board of Directors (the "Board") of Peaktop International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006, together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006

	Notes	Six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
REVENUE	3	735,087	669,736
Cost of sales		(464,305)	(435,252)
Gross profit		270,782	234,484
Other income and gains		6,440	2,834
Selling and distribution costs		(179,237)	(139,703)
Administrative expenses		(68,402)	(70,601)
Other expenses		(652)	(425)
Finance costs	5	(16,566)	(13,537)
PROFIT BEFORE TAX	4	12,365	13,052
Tax	6	(1,424)	(942)
PROFIT FOR THE PERIOD		10,941	12,110
Attributable to:			
Equity holders of the parent		10,525	12,122
Minority interests		416	(12)
		10,941	12,110
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		HK1.2 cents	HK1.7 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Notes	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		194,693	196,829
Investment properties		32,000	32,000
Prepaid land lease payments		49,688	49,683
Goodwill		3,916	3,916
Other intangible assets		1,230	2,124
Interests in associates		(47)	(49)
Available-for-sale equity investments		4,287	4,287
		<hr/>	<hr/>
Total non-current assets		285,767	288,790
CURRENT ASSETS			
Inventories		143,176	170,321
Accounts and bills receivable	9	83,857	119,777
Prepayments, deposits and other receivables		54,719	34,337
Amount due from a disposal group		47,337	53,808
Financial assets at fair value through profit and loss		936	-
Pledged deposits		5,976	968
Cash and cash equivalents		37,435	44,917
		<hr/>	<hr/>
Non-current asset classified as held for sale		373,436 21,511	424,128 21,511
		<hr/>	<hr/>
Total current assets		394,947	445,639
		<hr/>	<hr/>
Assets of a disposal group classified as held for sale		177,158	199,201
		<hr/>	<hr/>
Total assets		857,872	933,630
CURRENT LIABILITIES			
Accounts and bills payables	11	133,723	133,827
Other payables and accruals		48,848	50,043
Interest-bearing bank and other borrowings	10	273,387	320,044
Tax payable		1,029	114
Loans from directors		-	2,340
		<hr/>	<hr/>
Total current liabilities		456,987	506,368
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(62,040)	(60,729)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		400,885	427,262
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)**As at 30 June 2006*

	<i>Notes</i>	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	10	7,989	10,970
Deferred tax liabilities		1,000	1,155
Total non-current liabilities		8,989	12,125
Liabilities directly associated with the assets classified as held for sale		140,031	177,582
Total liabilities		606,007	696,075
Net assets		251,865	237,555
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	12	85,720	85,720
Reserves		164,420	150,574
		250,140	236,294
Minority interests		1,725	1,261
Total equity		251,865	237,555

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the parent									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2006	85,720	99,260	18,528	722	3,986	22,779	5,299	236,294	1,261	237,555
Exchange differences on translation of the financial statements of foreign entities and net gains not recognised in the consolidated income statement	-	-	-	3,321	-	-	-	3,321	48	3,369
Profit for the period	-	-	-	-	-	-	10,525	10,525	416	10,941
At 30 June 2006 (unaudited)	85,720	99,260	18,528	4,043	3,986	22,779	15,824	250,140	1,725	251,865
	Attributable to equity holders of the parent									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2005										
As previously reported	73,094	94,478	18,528	4,265	11,682	21,496	23,245	246,788	2,253	249,041
Prior period adjustment: - leasehold land and buildings held for own use	-	-	-	-	(2,115)	-	-	(2,115)	-	(2,115)
As restated, before opening balance adjustments	73,094	94,478	18,528	4,265	9,567	21,496	23,245	244,673	2,253	246,926
Opening balance adjustments: - available-for-sale investments	-	-	-	-	-	-	1,387	1,387	-	1,387
- negative goodwill	-	-	-	-	-	-	61	61	-	61
As restated	73,094	94,478	18,528	4,265	9,567	21,496	24,693	246,121	2,253	248,374
Exchange differences on translation of the financial statements of foreign entities and net gains/(losses) not recognised in the consolidated income statement	-	-	-	(5,996)	-	-	-	(5,996)	5	(5,991)
Profit/(loss) for the period	-	-	-	-	-	-	12,122	12,122	(12)	12,110
At 30 June 2005 (unaudited)	73,094	94,478	18,528	(1,731)	9,567	21,496	36,815	252,247	2,246	254,493

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2006*

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	87,953	(11,237)
Net cash outflow from investing activities	(28,588)	(33,912)
Net cash inflow/(outflow) from financing activities	(67,660)	13,019
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(8,295)	(32,130)
Cash and cash equivalents at beginning of period	32,367	63,681
Effect of foreign exchange rate change, net	2,331	6,158
	<hr/>	<hr/>
Cash and cash equivalents at end of period	26,403	37,709
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	37,435	48,119
Bank overdrafts	(12,281)	(10,410)
Cash and cash equivalents attributable to a disposal group	1,249	-
	<hr/>	<hr/>
	26,403	37,709
	<hr/>	<hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 June 2006

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the requirements of the Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Main Board), including compliance with the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005, except for the adoption of the following amendments mandatory for accounting periods beginning on or after 1 January 2006:

- HKAS 39 & HKFRS 4 Amendment "Financial Guarantee Contracts"

The amendment amended the scope of HKAS 39 to include financial guarantee contracts issued. These contracts are recognized initially at fair value and generally re-measured at the higher of the amount determined in accordance with HKAS 37 and the amount initially recognized less cumulative amortization.

The adoption of the amendments had no material impact on the unaudited condensed consolidated financial statements as prepared and presented.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture and sales of home, garden and plastic decorative products.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT *(continued)*

For the six months ended 30 June 2006

3. SEGMENTAL INFORMATION

An analysis of the Group's turnover and results for the period ended 30 June 2006 by geographical segments is as follows:

Geographical segments by location of customers

	Six months ended 30 June 2006 (Unaudited)				
	United States of America HK\$'000	Europe HK\$'000	Asia Pacific HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover	484,200	205,059	45,643	185	735,087
Segment results	25,077	25,202	3,015	8	53,302
Unallocated costs					(24,371)
Profit from operating activities					28,931
Finance costs					(16,566)
Profit before tax					12,365
Tax					(1,424)
Profit for the period					10,941

	Six months ended 30 June 2005 (Unaudited)				
	United States of America HK\$'000	Europe HK\$'000	Asia Pacific HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover	397,693	214,381	57,027	635	669,736
Segment results	25,441	30,949	2,668	84	59,142
Unallocated costs					(32,553)
Profit from operating activities					26,589
Finance costs					(13,537)
Profit before tax					13,052
Tax					(942)
Profit for the period					12,110

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT *(continued)*

For the six months ended 30 June 2006

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	464,305	435,252
Depreciation	17,547	17,392
Amortisation of intangible assets	8,891	10,043
Amortisation of land lease payment	367	557
Provision for doubtful debts	431	262
Loss on disposal of property, plant and equipment	221	163

5. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable		
Within five years	16,266	13,017
Over five years	88	296
Interest on finance leases	212	224
Total finance costs	16,566	13,537

6. TAX

No Hong Kong profits tax has been provided as the Group does not derive any assessable profit arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been 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.

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period provision:		
Elsewhere	2,144	924
Under/(over) provision in prior years:		
Elsewhere	(556)	18
Deferred taxation:		
Elsewhere	(164)	–
	1,424	942

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT *(continued)*

For the six months ended 30 June 2006

6. TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the major of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax	12,365	13,052
Tax at domestic rates applicable to profits in the countries concerned	9,499	9,082
Lower tax rate for specific provinces in Mainland China	(5,239)	(3,363)
Income tax at concessionary rate	(1,447)	(595)
Adjustment in respect of current tax of previous periods	-	18
Income not subject to tax	(48,711)	(59,630)
Expenses not deductible for tax	53,149	62,602
Unrecognised tax losses	2,147	2,193
Tax losses from previous years utilised	(7,810)	(9,365)
Deferred tax asset from previous year recognised	(164)	-
Tax charge at effective rate	1,424	942

In accordance with the relevant approval documents issued by the People's Republic of China (the "PRC") tax authorities, certain subsidiaries of the Group operating in the PRC are exempted from the PRC corporate income tax for the first two profitable calendar years of operation and thereafter are eligible for a 50% relief from the PRC corporate income tax for the following three years.

7. INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period (six months ended 30 June 2005: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

Diluted earning per share amounts for the six months ended 30 June 2006 and 2005 have not been disclosed as no diluting events existed during these periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT *(continued)*

For the six months ended 30 June 2006

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

The calculations of basic earnings per share are based on:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	10,525	12,122
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	857,196,000	730,938,000

9. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 45 to 90 days, extending up to 120 days for major customers. Each customer has a maximum credit limit. 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. In view of the aforementioned and the fact that the Group's accounts and bills receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts and bills receivable are non-interest-bearing.

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on the payment due date and net of provisions, is as follows:

	30 June	31 December
	2006	2005
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current	61,612	93,446
30 – 60 days	10,283	8,556
61 – 90 days	7,751	9,101
Over 90 days	4,211	8,674
	83,857	119,777

At 30 June 2006, accounts and bills receivable of the Group of approximately HK\$1,403,000 (31 December 2005: HK\$1,901,000) were pledged to the Group's bankers to secure banking facilities granted to the Group.

As at 30 June 2006, the Group has transferred certain bills of exchange amounting to HK\$10,737,000 (31 December 2005: HK\$14,709,000) to banks with recourse in exchange for cash. The proceeds from transferring the bills receivable of HK\$7,282,000 (31 December 2005: HK\$12,591,000) are accounted for as collateralised bank advances until the bills are collected or the Group makes good of any losses incurred by the banks.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT *(continued)*

For the six months ended 30 June 2006

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Current				
Finance lease payables	Prime+1.5%	2006	1,434	2,134
Bank overdrafts – secured	Prime/HIBOR +0.5-2.75%	On demand	12,281	13,624
Collateralised bank advances – secured	Prime	2006	7,282	12,591
Trust receipt loans	Prime/HIBOR +0.25-2.75%	2006	146,010	180,137
Bank loans – secured	Prime/HIBOR/ SIBOR+0-2.75%	2006	106,380	111,558
			273,387	320,044
Non-current				
Finance lease payables	Prime+1.5%	2007-2008	944	1,515
Bank loans – secured	Prime+0.5%	2007-2008	7,045	9,455
			7,989	10,970
			281,376	331,014
Analysed into:				
Interest-bearing bank and other borrowings repayable:				
Within one year or on demand			273,387	320,044
In the second year			5,907	10,287
In the third to fifth years, inclusive			2,082	683
			281,376	331,014

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT *(continued)*

For the six months ended 30 June 2006

11. ACCOUNTS AND BILLS PAYABLES

An aged analysis of the accounts and bills payable as at the balance sheet date, based on payment due date, is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Current	94,477	76,354
30 – 60 days	20,499	14,552
61 – 90 days	10,327	16,654
Over 90 days	8,420	26,267
	133,723	133,827

The accounts payable are non-interest-bearing and are normally settled on 60-day terms.

12. SHARE CAPITAL

	Number of shares 30 June 2006 (Unaudited) '000	Nominal value 30 June 2006 (Unaudited) HK\$'000	Number of shares 31 December 2005 (Audited) '000	Nominal value 31 December 2005 (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	857,196	85,720	857,196	85,720

13. CONTINGENT LIABILITIES

	Group		Company	
	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Standby letter of credit to an independent party	7,785	7,800	–	–
Guarantees of banking facilities granted to subsidiaries	–	–	405,555	399,845
Guarantees of finance leases granted to subsidiaries	–	–	15,000	47,400

At the balance sheet date, banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$215,788,000 (31 December 2005: HK\$291,721,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT *(continued)*

For the six months ended 30 June 2006

14. RELATED PARTY TRANSACTIONS

During the period, the Group charged to the income statement amounted to HK\$77,762,000 (six months ended 30 June 2005: HK\$54,686,000) in the form of sales commission payable to Geoglobal Partners LLC, a company which holds 49% equity interests of the subsidiaries of the Group. As at 30 June 2006, the accrued sales commission payable to Geoglobal Partners LLC amounted to HK\$11,692,000 (31 December 2005: HK\$5,333,000).

Except for the above, the Group had no other material related party transaction during the period.

15. POST BALANCE SHEET EVENTS

- (i) On 15 September 2005, the Company entered into a sales and purchase agreement with an independent third party to sell the office premises in Hong Kong. The aggregate consideration was HK\$43,000,000, and the transaction was approved in the Group's special general meeting held on 15 November 2005. The transaction was completed on 17 August 2006, and the Group recorded a gain on disposal and a net cash proceed of approximately HK\$19,500,000 and HK\$28,000,000, respectively.
- (ii) On 28 March 2006, the Group signed the Sales and Purchase Agreement and other relevant agreements with a German investment company. It was agreed that 81% of the shares of Heissner AG would be transferred to the investment company after the shareholders' approval is obtained. The transaction was completed on 21 August 2006. Based on the management's estimation and the forecasted performance of Heissner AG, the consideration for the 81% shares is likely to be between Euro2,000,000 and Euro2,500,000. The Group has suffered an impairment loss of HK\$1,800,000, and the loss was provided in 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2006, the Group's unaudited turnover was HK\$735,100,000, representing an increase of 9.8% when compared with the corresponding period in the previous year of HK\$669,700,000. The increase in turnover was mainly attributed to the continuing growth in the U.S. market as compared with the corresponding period in the previous year, with the continuing of the successfulness of marketing new garden and water gardening products since 2004.

During the period under review, profit for the six months ended 30 June 2006 decreased by 9.9% to HK\$10,900,000 (six months ended 30 June 2005: HK\$12,100,000), which is mainly due to rising material costs and increase in commission payments.

During the period under review, the U.S. and Europe remained the Group's largest selling markets and accounted for 65.9% (six months ended 30 June 2005: 59.4%) and 27.9% (six months ended 30 June 2005: 32.0%) of the Group's turnover respectively.

Selling, Administrative and Other Expenses

During the period under review, the Group incurred selling expenses for a total amount of HK\$179,200,000 (six months ended 30 June 2005: HK\$139,700,000), representing 24.4% (six months ended 30 June 2005: 20.9%) of the total turnover and an increase of 28.3% when compared to the corresponding period last year. The increase in total selling expenses was mainly due to an increase of sales commission expenses for the U.S. market.

During the period under review, the Group incurred administrative expenses for a total amount of HK\$68,400,000 (six months ended 30 June 2005: HK\$70,600,000), representing 9.3% (six months ended 30 June 2005: 10.5%) of total turnover and a slight decrease of 3.1% when compared to the corresponding period last year. The slight decrease is mainly due to the saving from salary expenses for administrative staff.

During the period under review, the Group incurred other expenses for HK\$700,000 (six months ended 30 June 2005: HK\$400,000), representing less than 0.1% (six months ended 30 June 2005: 0.1%) of total turnover.

Liquidity, Financial Resources and Finance Costs

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 30 June 2006, the Group had aggregate available banking facilities, excluding amount reclassified to a disposal group classified as held for sale, of HK\$396,000,000 (31 December 2005: HK\$403,600,000), of which HK\$281,400,000 (31 December 2005: HK\$317,300,000) was utilized and subject to floating market rates. The Group's cash and bank balance at that date, excluding amount reclassified to a disposal group classified as held for sale, amounted to HK\$37,400,000 (31 December 2005: HK\$44,900,000), denominated in United States dollar, Hong Kong dollar, Euro and Renminbi. This together with unutilized banking facilities will enable the Group to fund its operational needs.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity, Financial Resources and Finance Costs *(continued)*

As at 30 June 2006, the Group's current ratio and quick ratio were 86% (31 December 2005: 88%) and 55% (31 December 2005: 54%) respectively. At that date, the Group's total borrowing, excluding amount reclassified to a disposal group classified as held for sale, amounted to HK\$281,400,000 (31 December 2005: HK\$333,400,000), which included short-term borrowing and long-term borrowing of HK\$273,400,000 (31 December 2005: HK\$322,400,000) and HK\$8,000,000 (31 December 2005: HK\$11,000,000) respectively. The decrease in total borrowing amount was accompanied by the decreases in accounts and bills receivable and inventories. As at 30 June 2006, the Group's gearing ratio, defined as total borrowing as percentage of total assets, was 33% (31 December 2005: 36%).

Total finance costs incurred by the Group for the six months ended 30 June 2006 was HK\$16,600,000 (six months ended 30 June 2005: HK\$13,500,000). The increase was due to the increase of trade financing activities and interest rates. The Group continues to implement prudent financing policy to reduce short-term borrowing as much as possible in order to ensure that the Group will not be affected by short-term uncertainties and exchange rate fluctuation.

Capital Expenditure

The Group incurred a total capital expenditure of HK\$25,100,000 (six months ended 30 June 2005: HK\$34,000,000) for the six months ended 30 June 2006, which included HK\$1,500,000 (six months ended 30 June 2005: HK\$8,000,000) for expanding the manufacturing plants in the PRC, HK\$5,800,000 (six months ended 30 June 2005: HK\$1,100,000) and HK\$2,400,000 (six months ended 30 June 2005: HK\$6,600,000) for acquiring moulds; machinery and equipment in the PRC and Vietnam, respectively, and HK\$15,400,000 (six months ended 30 June 2005: HK\$18,300,000) for acquiring other fixed assets and intangible assets.

Foreign Exchange Exposure

During the period under review, the Group's major revenue was denominated in United States dollars and Euros, while banking facilities repayment and purchase were made essentially in the corresponding currencies and Renminbi, thus establishing a natural hedge. During the period under review, the Group was exposed to low risks of exchange fluctuations. To further reduce exchange risks, the Group has utilized foreign exchange hedging tools and will continue to closely monitor exchange rate movements.

Impact of the Revaluation of Renminbi

All of the Group's sales are denominated in either United States dollars or Euros or Australian dollars while some of the Group's purchases are denominated in Renminbi. During the period under review, the appreciation of Renminbi has caused slightly adverse effect on the current operating results and financial position of the Group. To reduce the possible impact in the future, the Group has negotiated to reduce the bank borrowing facilities and purchases denominated in Renminbi and incorporate the exchange risk in all quotations.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Contingent Liabilities

As at 30 June 2006, the Group had contingent liabilities of HK\$7,800,000 (31 December 2005: HK\$7,800,000) for the standby letter of credit.

Charges on Assets

As at 30 June 2006, certain assets of the Group with aggregate carrying value of HK\$185,600,000 (31 December 2005: HK\$182,800,000), excluding amount of HK\$147,100,000 (31 December 2005: HK\$127,200,000) reclassified to a disposal group classified as held for sale, were pledged to secure loan facilities utilized by the Group.

Employees

As at 30 June 2006, the Group had a total of 6,712 (six months ended 30 June 2005: 7,607) employees. Total staff costs incurred during the six months ended 30 June 2006 amounted to HK\$83,800,000 (six months ended 30 June 2005: HK\$85,600,000). The Group offers a comprehensive remuneration policies which are reviewed by the management on a regular basis.

The company adopts a share option scheme which complies with the requirements of the new rules of Chapter 17 of the Listing Rules.

Disposal of the Office Premises

On 17 August 2006, the Group sold the office premises to an independent third party for a consideration of HK\$43,000,000 in Hong Kong. Consequently, the Group recorded a gain on disposal of approximately HK\$19,500,000 in August 2006. The cash proceeds have been used to reduce the bank borrowing and enhance the liquidity of the Group.

Heissner AG (Germany)

On 21 August 2006, the Group sold 81% of the shares of Heissner AG to a German investment company. The consideration is estimated to be between Euro2,000,000 and Euro2,500,000. The Group has suffered an impairment loss of HK\$1,800,000, and the loss has been provided in 2005.

Business Review

During the period under review, the Group recorded a high gross profit margin of 36.8% due to the price adjustments of the products in the markets. Through the continuous product development, the products have maintained a leadership position in the markets.

Pursuant to the agreement entered on 24 October 2005, the Group has paid sales commission to the business partner in the United States. The details of the transactions are disclosed in the note 14 to the Unaudited Condensed Consolidated Interim Report and the shareholders' circular dated 27 March 2006.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review *(continued)*

Through the continuous re-structuring of operations, the Group has maintained a reasonable fixed overhead of administrative expenses. In fact, the raising of interest rates has increased the finance costs.

Business Prospects and Outlook

In the year ahead, we continue to foresee challenges. First, the continuing raising of materials costs has reduced the profitability of certain products. Second, the labor shortage and raising labor cost in the areas have limited our production capacity in PRC. Third, the appreciation of Renminbi and increase of the interest rates have created burdens on the financing.

To overcome the uncertainties, the Group has taken certain measures. First, the Group has continuously focused on higher margin new products. Second, the Group has relocated some of the manufacturing operations in the low cost areas to reduce costs. Third, the Group has disposed the majority share of the high gearing subsidiary, Heissner AG, in Germany. Fourth, the Group has disposed some of the office premises to reduce bank borrowing and increase liquidity in Hong Kong. Fifth, the Group continues to re-structure the bank borrowing and minimize the bank borrowing of volatile currencies.

By taking the above measures effectively, the management is confident that the Group will be able to achieve the profitability and overcome the business uncertainties.

OTHER INFORMATION

Directors' and Chief Executive's Interests in the Company

As at 30 June 2006, the interests or short positions of the directors (the "Directors") and chief executive of the Company in the shares (the "Shares"), underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in ordinary Shares of the Company:

Name of Director	Notes	Number of ordinary Shares held, capacity and nature of interest			Total	Approximate percentage of the Company's issued share capital
		Personal	Family	Corporate		
Mr. LIN Chun Kuei		116,959,200	–	–	116,959,200	13.64
Ms. LIN HUANG Su Feng	1	–	116,959,200	–	116,959,200	13.64
Mr. LIN Chun Fu		33,690,800	–	–	33,690,800	3.93
Mr. Andree HALIM	2	42,086,000	–	102,300,000	144,386,000	16.84
Mr. Daniel HALIM	2	–	–	102,300,000	102,300,000	11.93
Mr. NG Kin Nam	3	66,243,200	7,601,000	88,359,800	162,204,000	18.92

Notes:

- Ms. LIN HUANG Su Feng is the spouse of Mr. LIN Chun Kuei. Accordingly, she is deemed to be interested in 116,959,200 Shares which are beneficially owned by Mr. LIN Chun Kuei.
- Tian Wan Pte. Ltd. is the beneficial owner of 102,300,000 Shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree HALIM and Mr. Daniel HALIM, the son of Mr. Andree HALIM. Accordingly, both Mr. Andree HALIM and Mr. Daniel HALIM are deemed to be interested in 102,300,000 Shares beneficially owned by Tian Wan Pte. Ltd..
- Jade Investment Limited is the beneficial owner of 88,359,800 Shares. The entire issued share capital of Jade Investment Limited is beneficially owned as to 50% each by Mr. NG Kin Nam and Ms. Jocelyn O. Angeleslao, the spouse of Mr. NG Kin Nam. Accordingly, Mr. NG Kin Nam is deemed to be interested in 88,359,800 Shares beneficially owned by Jade Investment Limited. Mr. NG Kin Nam is also deemed to be interested in 7,601,000 Shares beneficially owned by Ms. Jocelyn O. Angeleslao.

OTHER INFORMATION *(continued)*

Directors' and Chief Executive's Interests in the Company *(continued)*

In addition to the above, certain directors hold shares in certain subsidiaries of the Company, in a non-beneficial capacity, solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at 30 June 2006, so far as known to, or can be ascertained after reasonable enquiry by the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) 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 were taken or deemed to have under such provisions of the SFO); and (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Apart from as disclosed under the headings "Directors' and Chief Executive's Interests in the Company" and "Share Option Scheme", at no time during the six months ended 30 June 2006 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.

Share Option Scheme

The Company adopts a share option scheme which complies with the requirements of Chapter 17 of the Listing Rules.

During the six months ended 30 June 2006, no options were granted or exercised under the share option scheme.

OTHER INFORMATION *(continued)*

Substantial Shareholders

As at 30 June 2006, so far as is known to the Directors and the chief executive of the Company, the following person (not being Directors and chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 and Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

- (i) Long positions in ordinary Shares of the Company:

Name	Notes	Capacity and nature of interest	Number of ordinary Shares held	Approximate percentage of the Company's issued share capital
Ms. Jocelyn O. Angeleslao	1	Through a controlled corporation	88,359,800	10.31
	1	Directly beneficially owned	7,601,000	0.88
	1	Through the spouse	66,243,200	7.73
			162,204,000	18.92
Tian Wan Pte. Ltd.	2	Directly beneficially owned	102,300,000	11.93
Jade Investment Limited	3	Directly beneficially owned	88,359,800	10.31

Notes:

- Ms. Jocelyn O. Angeleslao is the spouse of Mr. NG Kin Nam, an executive Director, and the beneficially owner of 50% of the existing issued share capital of Jade Investment Limited. Accordingly, she is deemed to be interested in 66,243,200 Shares beneficially owned by Mr. NG Kin Nam and 88,359,800 Shares beneficially owned by Jade Investment Limited. She is also the beneficial owner of 7,601,000 Shares. The interests of Mr. NG Kin Nam are disclosed under the heading "Directors' and Chief Executive's Interests in the Company".
- Tian Wan Pte. Ltd. is the beneficial owner of 102,300,000 Shares. The entire issued share capital of Tian Wan Pte. Ltd. is beneficially owned as to 50% each by Mr. Andree HALIM and Mr. Daniel HALIM, the son of Mr. Andree HALIM. Accordingly, both Mr. Andree HALIM and Mr. Daniel HALIM are deemed to be interested in 102,300,000 Shares beneficially owned by Tian Wan Pte. Ltd..
- Jade Investment Limited is the beneficial owner of 88,359,800 Shares. The entire issued share capital of Jade Investment Limited is beneficially owned as to 50% each by Mr. NG Kin Nam and Ms. Jocelyn O. Angeleslao, the spouse of Mr. NG Kin Nam. Accordingly, Mr. NG Kin Nam is deemed to be interested in 88,359,800 Shares beneficially owned by Jade Investment Limited. Mr. NG Kin Nam is also deemed to be interested in 7,601,000 Shares beneficially owned by Ms. Jocelyn O. Angeleslao.

OTHER INFORMATION *(continued)*

Substantial Shareholders *(continued)*

(ii) Long positions in ordinary Shares of subsidiaries of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of shareholding
Peaktop Technologies (USA) Hong Kong Limited	Geoglobal Partners LLC	49
Waterwerks Pty. Ltd.	Infiniti Marketing Group Pty. Ltd.	10

Save as disclosed above, as at 30 June 2006, so far as is known to the Directors and chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 15 to the Unaudited Condensed Consolidated Interim Report.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2006.

Corporate Governance

The Company has complied with the code provisions of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006, with deviations from code provisions A.2.1 and A.4.1 of the CG Code in respect of the separates roles of the Chairman and Chief Executive Officer ("CEO") and the appointment of Independent Non-executive Directors for a specific terms.

Code A.2.1 of the CG Code provides that the roles of Chairman and CEO should be separate and should not be performed by the same individual. The Chairman and CEO of the Company is Mr. Lin Chun Kuei. He is one of the founders of the Group and is primarily responsible for leadership of the Board, ensuring the effectiveness on all aspects of its role and setting its agenda, whereas clearly established executive responsibilities for running of the business operations of the Group lie with different designated senior executives. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a professional and independent non-executive element on the Board and a clear division of responsibility for running of the business of the Group.

OTHER INFORMATION *(continued)*

Corporate Governance *(continued)*

Code A.4.1 of the CG Code provides that Non-executive Directors should be appointed for a specific term, subject to re-election. Currently, the three Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the By-laws of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2006.

Audit Committee

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2006.

Appreciation

The Board would like to express its sincere appreciation to the bankers, suppliers, customers, shareholders and staff for their continued support to the Group.

On behalf of the Board

LIN Chun Kuei

Chairman

Hong Kong, 31 August 2006