

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the six months ending 30 September 2006, the Group's sales turnover increased by 25% to HK\$524,766,000 (2005: HK\$418,328,000) and the consolidated net profit increased to HK\$28,180,000 (2005: HK\$13,788,000). Basis earnings per share of the Group increased to HK8.4 cents (2005: HK4.1 cents). The Board of directors have resolved that an interim dividend of HK3 cents (2005: HK2 cents) per share to be paid in January 2007.

The Group manufactures a wide range of household electrical appliances. Geographically, turnover to Europe increased by 41% to HK\$288,753,000 representing 55% of the Group's turnover. Turnover to America decreased by 2% to HK\$114,051,000 representing 22% of the Group's turnover. Turnover to Asia increased by 24% to HK\$104,795,000 representing 20% of the Group's turnover. Turnover to other markets increased by 38% to HK\$17,167,000 representing 3% of the Group's turnover.

The past few years had been extremely difficult for the manufacturing industry. Oil prices kept increasing and recorded historical high. Raw material prices had been volatile and remained at high levels. Manufacturers in the PRC were faced with inadequate supply of electricity and shortage of labour. With all these adverse factors, the Group strived on and concentrated persistently in cost control, improvements in production efficiency and new product development. Our persistent efforts have paid off with positive results. Our new product ranges with higher average selling price contributed to the increase in sales turnover and our focus in cost control and production efficiency has allowed us to maintain our gross margin at 17% of turnover.

During the period under review, distribution costs were maintained at 3% of turnover while administrative expenses improved by 1 percentage point to 9% of turnover. Comparing the same period of the previous year, net profit margin improved from 3% to 5% of turnover

PROSPECTS

Looking ahead, we expect the overall business environment would continue to be tough and competitive. We would continue to focus in cost control, production efficiency, new product design and development and providing superior value-added service to our customers.

In December 2006, our manufacturing facility in the PRC has successfully completed the audit for the Environment Management System ISO14001:2004 and is now waiting for the official accreditation documents. We would continue to adhere stringently to all legal requirements and regulations on environmental protection.

The Group has paid for the land use rights for 2 parcels of land in Huizhou, Guangdong Province in the PRC at consideration of approximately RMB10,479,000 and RMB10,800,000 respectively for future expansion of our manufacturing base. The development is expected to be made in several phases. Currently, we are working on the plan for the first phase of development. We expect the construction for first phase, with a budget of approximately HK\$70 million, would begin at the beginning of fiscal 2007/08. With our strong financial position and available bank facilities, we are confident that we can meet the capital requirement for the expansion.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2006, the Group had total assets of HK\$704,978,000 (31 March 2006: HK\$611,658,000) which was financed by current liabilities of HK\$221,503,000 (31 March 2006: HK\$132,812,000), long-term liabilities and deferred taxation of HK\$19,394,000 (31 March 2006: HK\$24,463,000) and shareholders' equity of HK\$464,081,000 (31 March 2006: HK\$454,383,000).

The Group continued to maintain a strong balance sheet and a healthy liquidity position. As at 30 September 2006, the group held HK\$181,347,000 (31 March 2006: HK\$187,160,000) in cash and bank deposits. They were mainly placed in US dollar short-term deposits except for temporary balances held in such non-US currencies as required pending specific payments. For the six months ending 30 September 2006, the Group generated net cash inflow from operating activities of HK\$43,644,000. As at 30 September 2006, total borrowings were HK\$12,931,000 (31 March 2006: HK\$15,829,000) and the gearing ratio (ratio of total borrowings to shareholders' equity) remained low at 3% (31 March 2006: 3%).

Funding for operational working capital and capital expenditures are financed by internal cash flow. With our strong financial position and available banking facilities, we are confident that sufficient financial resources can be provided for our current commitments, working capital requirements, further expansions of the Group's business operations and future investment opportunities, as and when required.

Most of the Group's transactions were conducted in US dollars, Hong Kong dollars and Renminbi. Although the Group was not exposed to material foreign exchange rate risk, we will closely monitor the exposure and will consider hedging should the need arise.

PLEDGE OF ASSETS

The Group has pledged certain prepaid lease payments and buildings having a net book value of approximately HK\$9,681,000 to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2006, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employed approximately 4,300 employees. The majority of our employees work in the PRC. The Group remunerated our employees based on their performances, experiences and prevailing market rates while performances bonus are granted on a discretionary basis. Share options may also be granted to employees based on individual performance and attainment of certain set targets.