Allan International Holdings Limited

(Incorporated in Bermuda with Limited Liability)

Interim Report
2005/2006

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Mr. Cheung Lun *(Chairman)*
Mr. Cheung Shu Wan
(Managing Director)
Ms. Cheung Lai Chun, Maggie
Ms. Cheung Lai See, Sophie
Mr. Cheung Pui

Independent Non-Executive Directors
Ms. Chan How Chun
Mr. Lai Ah Ming, Leon
Professor Lo Chung Mau

COMPANY SECRETARY
Ms. Lui Pik Siu

QUALIFIED ACCOUNTANT
Ms. Suen Wai Mei

AUDIT COMMITTEE
Ms. Chan How Chun
Mr. Lai Ah Ming, Leon
Professor Lo Chung Mau

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS ON BERMUDA LAW
Conyers, Dill and Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS
The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
UBS AG
Liu Chong Hing Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE
The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE
Standard Registrars Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
12th Floor
Zung Fu Industrial Building
1067 King's Road
Quarry Bay
Hong Kong

STOCK CODE
684

RESULTS

The board of directors of Allan International Holdings Limited announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30 September 2005 together with the comparative figures for the six months ended 30 September 2004, as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

		Six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**418,328**	438,695
Cost of sales		**(348,776)**	(360,538)
Gross profit		**69,552**	78,157
Other income		**677**	1,297
Investment income		**2,134**	3,517
Distribution costs		**(12,139)**	(16,247)
Administrative expenses		**(43,552)**	(40,534)
Interest on borrowings		**(357)**	(246)
Profit before taxation	*3*	**16,315**	25,944
Taxation	*4*	**(2,527)**	(4,330)
Net profit for the period		**13,788**	21,614
Dividend proposed	*5*	**6,709**	6,709
Earnings per share	*6*		
Basic		**4.11 Cents**	6.44 Cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2005

	Notes	30 September 2005 (Unaudited) HK$'000	31 March 2005 (Audited and restated) HK$'000
Non-current assets			
Investment property	7	**2,750**	2,750
Property, plant and equipment	8	**152,977**	139,896
Investments in securities		**–**	54,079
Available-for-sale investments	9	**36,559**	–
Other investments		**2,820**	2,940
Deposits paid for the acquisition of property, plant and equipment		**–**	8,946
Prepaid lease payments		**11,125**	11,256
		206,231	219,867
Current assets			
Inventories		**95,510**	68,469
Investments in securities		**–**	11,700
Available-for-sale investments	9	**9,328**	–
Trade receivables and bills receivable	10	**163,083**	121,236
Other receivables		**4,817**	3,141
Mould deposits paid		**7,836**	8,856
Prepaid lease payments		**262**	262
Loans receivable – due within one year		**–**	669
Taxation recoverable		**33**	1,023
Time deposits and money fund held for investment		**65,426**	83,819
Bank balances and cash		**97,468**	87,774
		443,763	386,949
Current liabilities			
Trade payables and bills payable	11	**130,322**	84,676
Other payables		**38,788**	35,231
Mould deposits received		**6,405**	9,973
Taxation payable		**5,641**	1,948
Secured bank loans – due within one year		**3,230**	2,824
		184,386	134,652
Net current assets		**259,377**	252,297
Total assets less current liabilities		**465,608**	472,164
Non-current liabilities			
Deferred tax liabilities		**13,509**	16,118
Secured Bank loans – due after one year		**14,272**	6,021
		27,781	22,139
		437,827	450,025
Capital and reserves			
Share capital	12	**33,543**	33,543
Reserves		**404,284**	416,482
		437,827	450,025

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Investments revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 31 March 2004 and 1 April 2004									
– As originally stated	33,543	109,884	793	114	296	1,965	20,126	274,842	441,563
– Deferred tax on investment property revaluation reserve	–	–	–	–	–	(344)	–	–	(344)
– As restated	33,543	109,884	793	114	296	1,621	20,126	274,842	441,219
Surplus on revaluation of investments and net gain recognised directly in equity	–	–	–	–	120	–	–	–	120
Profit for the period	–	–	–	–	–	–	–	21,614	21,614
Total recognised income and expenses for the year	–	–	–	–	120	–	–	21,614	21,734
Dividends declared	–	–	–	–	–	–	6,709	(6,709)	–
Dividends paid	–	–	–	–	–	–	(20,126)	–	(20,126)
At 30 September 2004 and 1 October 2004 (as restated)	33,543	109,884	793	114	416	1,621	6,709	289,747	442,827
Surplus on revaluation of investments	–	–	–	–	80	–	–	–	80
Surplus on revaluation of investment property	–	–	–	–	–	140	–	–	140
Deferred tax on investment property revaluation reserve	–	–	–	–	–	(24)	–	–	(24)
Net gain recognised directly in equity	–	–	–	–	80	116	–	–	196
Profit for the period	–	–	–	–	–	–	–	13,711	13,711
Total recognised income and expenses for the year	–	–	–	–	80	116	–	13,711	13,907
Dividends declared	–	–	–	–	–	–	20,126	(20,126)	–
Dividends paid	–	–	–	–	–	–	(6,709)	–	(6,709)
At 31 March 2005 (as restated)	33,543	109,884	793	114	496	1,737	20,126	283,332	450,025
Fair value loss on available-for-sale investments	–	–	–	–	–	–	–	(5,732)	(5,732)
Transfer of investment property revaluation reserve	–	–	–	–	–	(1,737)	–	1,737	–
Derecognition of negative goodwill	–	–	–	(114)	–	–	–	114	–
At 1 April 2005 (as restated)	33,543	109,884	793	–	496	–	20,126	279,451	444,293
Fair value loss on other investments	–	–	–	–	(120)	–	–	–	(120)
Fair value loss on available-for-sale investments	–	–	–	–	(373)	–	–	–	(373)
Net loss recognised directly in equity	–	–	–	–	(493)	–	–	–	(493)
Release of fair value loss on investments upon disposal	–	–	–	–	–	–	–	365	365
Profit for the period	–	–	–	–	–	–	–	13,788	13,788
Total recognised income and expenses for the year	–	–	–	–	(493)	–	–	14,153	13,660
Dividends declared	–	–	–	–	–	–	6,709	(6,709)	–
Dividends paid	–	–	–	–	–	–	(20,126)	–	(20,126)
At 30 September 2005	33,543	109,884	793	–	3	–	6,709	286,895	437,827

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash from operating activities	**7,600**	34,121
Net cash from (used in) investing activities	**13,563**	(14,521)
Net cash used in financing activities	**(11,469)**	(20,579)
Net increase (decrease) in cash and cash equivalents	**9,694**	(979)
Cash and cash equivalents at beginning of the period	**87,774**	50,233
Cash and cash equivalents at end of the period, represented by bank balances and cash	**97,468**	49,254

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

1. GENERAL

(i) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

(ii) Significant accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

(a) Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note iii for the financial impact).

(b) Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HK(SIC) Interpretation 21 "Income taxes – Recovery of revalued non-depreciable assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see note iii for the financial impact).

(c) Financial instruments

In the current period, the Group has applied HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement". HKAS 32 requires retrospective application. The adoption of HKAS 32 has had no impact on the presentation of the financial instruments of the Group. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities". Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale investments", "loans and receivables", or "held-to-maturity investments". The classification depends on the purpose for which the assets are acquired.

"Financial assets at fair value through profit or loss" and "available-for-sale investments" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity investments" are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group designated all quoted debt investments, which were previously classified as held-to-maturity investments under SSAP 24, as available-for-sale investments. The carrying value of those investments under SSAP 24 as at 31 March 2005 is HK$60,047,000. As a result, a fair value loss of HK$5,732,000 has been recognised as at 1 April 2005, with a corresponding adjustment being recognised in the Group's accumulated profits (see note iii for the financial impact).

(d) *Investment properties*

In the current period, the Group has, for the first time, applied HKAS 40 "Investment property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under SSAP 13 "Accounting for investment properties" were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 April 2005 onwards. The amount held in investment property revaluation reserve at 1 April 2005 has been transferred to the Group's accumulated profits (see note iii for the financial impact).

(e) *Business combinations*

In the current year, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill").

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1 April 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill of HK$114,000 on 1 April 2005. A corresponding adjustment to the Group's accumulated profits has been made (see note iii for the financial impact).

(iii) Summary of the effects of the changes in accounting policies

The cumulative effects of changes in accounting policies described in Note ii as at 31 March 2005 and 1 April 2005 are summarised below:

	As at 31 March 2005 (originally stated)	Retrospective adjustments HKAS 17	HK(SIC) INT 21	As at 31 March 2005 (restated)	Adjustments on 1 April 2005 HKAS 39	HKAS 40	HKFRS 3	As at 1 April 2005 (restated)
	HK$'000	*HK$'000* *(Note iia)*	*HK$'000* *(Note iib)*	*HK$'000*	*HK$'000* *(Note iic)*	*HK$'000* *(Note iid)*	*HK$'000* *(Note iie)*	*HK$'000*
Balance sheet items								
Non-current assets								
Property, plant and equipment	151,414	(11,518)	–	139,896	–	–	–	139,896
Investment in securities	54,079	–	–	54,079	(54,079)	–	–	–
Available-for-sale investments	–	–	–	–	48,360	–	–	48,360
Prepaid lease payments	–	11,256	–	11,256	–	–	–	11,256
Current assets								
Investment in securities	11,700	–	–	11,700	(11,700)	–	–	–
Available-for-sale investments	–	–	–	–	11,687	–	–	11,687
Prepaid lease payments	–	262	–	262	–	–	–	262
Non-current liabilities								
Deferred tax liabilities	(15,750)	–	(368)	(16,118)	–	–	–	(16,118)
Other assets and liabilities	248,950	–	–	248,950	–	–	–	248,950
Total effects on assets and liabilities	450,393	–	(368)	450,025	(5,732)	–	–	444,293
Capital and reserves								
Share capital	33,543	–	–	33,543	–	–	–	33,543
Capital reserve	114	–	–	114	–	–	(114)	–
Investment property revaluation reserve	2,105	–	(368)	1,737	–	(1,737)	–	–
Accumulated profits	283,332	–	–	283,332	(5,732)	1,737	114	279,451
Other reserves	131,299	–	–	131,299	–	–	–	131,299
Total effects on equity	450,393	–	(368)	450,025	(5,732)	–	–	444,293

The financial effects of the application of the new HKFRSs to the Group's equity at 1 April 2004 are summarised below:

	As originally stated	HK(SIC) INT 21	As restated
	HK$'000	*HK$'000*	*HK$'000*
		(Note iib)	
Capital and reserves			
Share capital	33,543	–	33,543
Investments revaluation reserve	296	–	296
Investment property revaluation reserve	1,965	(344)	1,621
Accumulated profits	274,842	–	274,842
Other reserves	130,917	–	130,917
Total effects on equity	441,563	(344)	441,219

At the date of authorisation of these financial statements, the following new HKFRSs and Interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: disclosures[1]
HK(IFRIC) – Int 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – Int 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment[3]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2006
[3] Effective for annual periods beginning on or after 1 December 2005

The Group is not yet in a position to determine whether these standards and interpretations will have a significant impact on how the results of operations and financial position are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

2. SEGMENT INFORMATION

Geographical segments

For management purposes, the Group is currently organised into four major geographical segments based on the destination of shipment of products. These segments are the basis on which the Group reports its primary segment information.

Six months ended 30 September 2005

	Europe (Unaudited) *HK$'000*	**America (Unaudited)** *HK$'000*	**Asia (Unaudited)** *HK$'000*	**Others (Unaudited)** *HK$'000*	**Consolidated (Unaudited)** *HK$'000*
Turnover	**204,904**	**116,300**	**84,690**	**12,434**	**418,328**
Segment result	**8,623**	**2,318**	**3,211**	**386**	**14,538**
Investment income					**2,134**
Interest on borrowings					**(357)**
Profit before taxation					**16,315**
Taxation					**(2,527)**
Net profit for the period					**13,788**

Six months ended 30 September 2004

	Europe (Unaudited) *HK$'000*	America (Unaudited) *HK$'000*	Asia (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Turnover	198,296	135,120	93,464	11,815	438,695
Segment result	12,062	5,018	4,928	665	22,673
Investment income					3,517
Interest on borrowings and finance lease charges					(246)
Profit before taxation					25,944
Taxation					(4,330)
Net profit for the period					21,614

3. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of held-to-maturity securities netted off in investment income	**–**	30
Amortisation of prepaid lease payments	**131**	131
Depreciation on property, plant and equipment	**22,713**	20,859
Directors' remunertaion	**5,251**	6,215
and crediting:		
Gain on disposal of property, plant and equipment	**127**	564
Interest income	**1,970**	3,423

4. TAXATION

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit	**3,393**	4,933
– Income tax in other regions of the People's Republic of China calculated at prevailing rates	**1,744**	461
	5,137	5,394
Deferred tax		
– Current period	**(2,610)**	(1,064)
	2,527	4,330

5. DIVIDENDS

On 16 September 2005, a dividend of HK6 cents per share amounting to HK$20,126,000 in aggregate (2004 final dividend: HK6 cents per share amounting to HK$20,126,000 in aggregate) was paid to the shareholders for the year ended 31 March 2005.

The board of directors have determined that an interim dividend of HK2 cents per share amounting to HK$6,907,000 in aggregate (2004: HK2 cents per share amounting to HK$6,907,000 in aggregate) shall be paid on or before 23 January 2006 to the shareholders of the Company whose names appear on the Register of Members on 31 December 2005.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**13,788**	21,614

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	Number of shares	Number of shares
Number of ordinary shares for the purpose of basic earnings per share	**335,432,520**	335,432,520

7. INVESTMENT PROPERTY

The directors considered that the carrying amount of the Group's investment properties at 30 September 2005 did not differ significantly from the revalued amount at 31 March 2005. Consequently, no gain or loss arising from changes in fair value of investment property was recognised in the current period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$18,943,000 in upgrading its manufacturing capabilities.

9. AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group acquired available-for-sale investments of approximately HK$7,011,000. In addition, the Group disposed of available-for-sale investments with a carrying value of approximately HK$20,631,000, resulting in a gain of HK$70,000 on such disposals. Upon disposal of these investments, the corresponding cumulative fair value loss of HK$365,000, which was recognised in the Group's accumulated profits on the initial application of HKAS 39 on 1 April 2005, had been transferred to the income statement for the current period.

10. TRADE RECEIVABLES AND BILLS RECEIVABLE

The trade receivables and bills receivable at the reporting date are all within 90 days, which is also the Group's defined credit policy period.

11. TRADE CREDITORS AND BILLS PAYABLE

The trade creditors and bills payable at the reporting date are all within 90 days.

12. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorized:		
At 1 April 2005 and at 30 September 2005	600,000,000	60,000
Issued and fully paid:		
At 1 April 2005 and at 30 September 2005	335,432,520	33,543

13. CAPITAL COMMITMENTS

	2005	2004
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	**193**	271
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**383**	17,027
	576	17,298

14. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK$450,000 (30.9.2004: HK$450,000) and to Income Village Limited amounted to HK$102,000 (30.9.2004: HK$102,000) and to Fair Pacific Limited amounted to HK$170,000 (30.9.2004: HK$170,000).

Mr. Cheung Lun, Mr. Cheung Pui, Mr. Cheung Shu Wan, Ms. Cheung Lai Chun, Maggie and Ms. Cheung Lai See, Sophie, directors of the Company, were interested in these transactions as they are also directors and/or substantial shareholders of the above mentioned companies.

In addition, the Group also paid rentals of HK$45,000 (30.9.20004: Nil) to Mr. Cheung Pui.

The translations were carried out at terms agreed by both parties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2005, the Group achieved a turnover of HK$418,328,000 (2004: HK$438,695,000), a decrease of 4.6% over the same period in 2004. The consolidated net profit decreased by 36.0% to HK$13,788,000 (2004: HK$21,614,000). Basic earnings per share of the Group decreased to HK4.1 cents (2004: HK6.4 cents). The Board of Directors have resolved that an interim dividend of HK2 cents (2004: HK2 cents) per share to be paid in January 2006.

The Group manufactures a wide range of household electrical products. During the period under review, turnover decreased by 4.6% due to keen competition within the industry and sustained pricing pressure. By geographical segments, turnover to Europe increased by 3% to HK$204,904,000 representing 49% of the Group's turnover. Turnover to America decreased by 14% to HK$116,300,000 representing 28% of the Group's turnover. Turnover to Asia and other markets decreased by 8% to HK$97,124,000 representing 23% of the Group's turnover.

During the period under review, the Group was faced with adverse factors including the unprecedented surge in raw material costs, shortages and unstable supply of labour and electricity, escalation in wages and salary and other operating costs in southern China. However, due to the tough business environment and continual keen competition within the industry, we were not able to pass on the full extent of cost increase to our customers. As a result, gross profit margin dropped from 17.8% to 16.6%.

After tax net profit margin decreased from 4.9% to 3.3%. Distribution costs improved slightly at 2.9% to turnover while administrative expenses increased from HK$40,534,000 to HK$43,552,000 mainly due to increase in expenses in the PRC operation.

During the period, new products launched included new versions of Bath Spa, Foot Bath, Deep Fryer and Food Processor, Juice Extractor and Kettle.

PROSPECTS

We expect electrical appliance manufacturers will continue to face a very tough and challenging environment in the coming future. The keen competition among manufacturers remains and adverse factors such as surge in raw material costs, shortages and unstable supply of labour and electricity, escalation in wages and salary and other operating costs in southern China would continue. In order to diminish the adverse effects of these external threats to the Group, we would continue with our stringent cost control measures and to increase our production efficiency by increasing the degree of semi-automation in our manufacturing process. Meanwhile, we would continue to put our focus on new product development and to develop better designed and high quality products to increase the attractiveness of our products to our customers and to sustain our market share within the industry.

With a strong and stable financial position, long established experience and goodwill, good long-term relationship with our customers, high quality products, improvement on existing products, research and development on new products, effective cost control measures and focus in our core business, the Group will stay focused to meet the challenges lying ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2005, the Group had total assets of HK$649,994,000 which was financed by current liabilities of HK$184,386,000, long-term liabilities and deferred taxation of HK$27,781,000 and shareholders' equity of HK$437,827,000.

The Group continuously maintained a strong balance sheet and a healthy liquidity position. As at 30 September 2005, the Group held HK$162,894,000 in cash and bank deposits. Cash and bank deposits were mainly placed in US dollar short-term deposits, except for temporary balances held in such non-US currencies as required pending specific payments. As at 30 September 2005, the investments in notes and bonds were HK$45,887,000. As at the same date, total bank borrowings was HK$17,502,000 and the gearing ratio (ratio of total borrowings to shareholders' equity) remained low at 4%.

Generally, the Group finances the day-to-day operational working capital and capital expenditures with internally generated cash flows. With a strong financial position and banking facilities provided by our principal bankers, the Group is confident to provide sufficient financial resources for our current commitments, working capital requirements, further expansion of the Group's business operation and future investment opportunities, as and when required.

Most of the Group's transactions were conducted in US dollar, Hong Kong dollar and Renminbi. As the exchange rate of the US dollar, Hong Kong dollar and Renminbi were relatively stable during the period, the Group does not foresee any substantial exposure to foreign currency fluctuations.

CAPITAL EXPENDITURES

For the six months ended 30 September 2005, the Group invested HK$18,943,000 in plant and machinery, equipment, computer systems and other tangible assets. These capital expenditures were funded by internal resources except for some machinery which was funded by bank loans.

PLEDGE OF ASSETS

The Group has pledged certain land and buildings having a net book value of approximately HK$8,494,000 to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2005, the Group did not have any significant contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

Currently, the Group employed approximately 4,600 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Ordinary shares of HK$0.10 each of the Company

Name	Capacity	Number of ordinary shares held: Personal Interest	Corporate Interest	Other interest	Total	Approximate % of the issued share capital of the Company
Mr. Cheung Lun	Founder of discretionary trust			139,699,960 *(Note 1)*	139,699,960	41.65%
Mr. Cheung Shu Wan	Beneficial Owner	37,744,400				
	Held by controlled corporation – Topsail Investments Inc. *(Note 2)*		6,694,935			
	Beneficiary of trust			139,699,960 *(Note 1)*		
					184,139,295	54.90%
Ms. Cheung Lai Chun, Maggie	Beneficial Owner	600,000				
	Beneficiary of trust			139,699,960 *(Note 1)*		
					140,299,960	41.83%
Ms. Cheung Lai See, Sophie	Beneficial Owner	500,000				
	Beneficiary of trust			139,699,960 *(Note 1)*		
					140,199,960	41.80%
Mr. Cheung Pui	Beneficial Owner	1,000,000			1,000,000	0.30%

Notes:

(1) The references to 139,699,960 shares relate to the same block of shares in the Company, of which 134,821,960 shares are held by Allan Investment Company Limited ("AICL"), 878,000 shares are held by Commence Investment Limited ("CIL") and 4,000,000 shares are held by Unison Associates Limited ("UAL"). AICL and CIL are owned as to 89.0% and 100% by UAL respectively. Mr. Cheung Lun is the settlor of The Cheung Lun Family Trust ("Trust"). Credit Suisse Trust Limited as trustee of the Trust holds 100% of the shareholding of UAL and the discretionary beneficiaries of the Trust are, among others, Mr. Cheung Shu Wan, Ms. Cheung Lai Chun, Maggie and Ms. Cheung Lai See, Sophie.

(2) Topsail Investments Inc. is a company wholly-owned by Mr. Cheung Shu Wan.

Save as disclosed above, none of the directors or chief executives of the Company had, as at 30 September 2005, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 September 2005, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long Positions of Substantial Shareholders in the Shares of the Company

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate % of Shareholding
Credit Suisse Trust Limited	Trustee	139,699,960	41.65%
Unison Associates Limited	Held by controlled corporation	135,699,960	40.46%
	Beneficial Owner	4,000,000	1.19%
Allan Investment Company Limited	Beneficial Owner	134,821,960	40.19%
Webb, David Michael	Beneficial Owner	1,402,000	0.42%
	Held by controlled corporation	15,508,000 *(Note 1)*	4.62%
Preferable Situation Assets Limited	Beneficial Owner	16,816,000 *(Note 1)*	5.01%
J.P. Morgan Chase & Co.	Investment Manager	16,862,061 *(Note 2)*	5.03%

Notes:

(1) The reference to 15,508,000 shares above are held by Preferable Situation Assets Limited, a company 100% controlled by Mr. Webb, David Michael. According to a notice subsequently filed pursuant to Part XV of the SFO, the shareholding of Preferable Situation Assets Limited in the Company was increased to 16,816,000 shares.

(2) J.P. Morgan Chase & Co.'s Interests in the Company are held through its subsidiaries, J.P. Morgan Investment Management Inc., J.P. Morgan Fleming Asset Management (Asia) Inc., J.P. Morgan Fleming Asset Management Holdings Inc. and JF Asset Management Limited, all of which are wholly owned subsidiaries except JP Asset Management Limited which is 99.99% held by J.P. Morgan Chase & Co.

Save as disclosed above, as at 30 September 2005, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 20 August 2002 ("Adoption Date"), the then Shareholders of the Company passed a resolution to adopt the Share Option Scheme (the "Scheme") of the Company. The Scheme will remain in force for a period of ten years from the Adoption Date. At 30 September 2005, no option has been granted by the Company pursuant to the Scheme.

CLOSURE OF REGISTER

The Register of Shareholders will be closed from 9 January 2006 to 13 January 2006, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Standard Registrars Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 6 January 2006, in order to qualify for the interim dividend above mentioned.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2005.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2005, save for the following deviations:

Code Provision A.4.1

Under this code provision, the non-executive directors should be appointed for a specific term, subject to re-election.

Currently, none of the three independent non-executive directors is appointed for a specific term. However, all independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws of the Company, and the terms of their appointment will be reviewed when they are due for re-election. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the Code.

Code Provision A.4.2

Under this code provision, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

According to the Bye-Laws of the Company, one third of the directors are subject to rotation at each annual general meeting and the Chairman and/or the Managing Director of the Company is not subject to retirement by rotation, which constitutes a deviation from Code Provision A.4.2. The reason for the deviation is that the Directors of the Company do not consider that arbitrary term limits on Director's service are appropriate and the retirement by rotation has given the Company's shareholders the right to approve continuation of the service of the directors.

Code Provision B.1.1

Under this code provision, the Company should establish a remuneration committee with terms of reference which deal clearly with its authority and duties. During the Period, the Company has not yet established a Remuneration Committee, as the company requires additional time to consult the independent non-executive directors on the proposed terms of reference to be adopted for the establishment of the Remuneration Committee. The Company is now dealing with the formalities and is confident that the Remuneration Committee will be set up by the end of the financial year.

Code Provision E.1.2

Under this code provision, the Chairman of the Board should attend the annual general meeting.

The Chairman of the Board had not attended the annual general meeting of the Company held on 2 September 2005. The Chairman will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent him from doing so.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (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 September 2005.

AUDIT COMMITTEE

The Audit Committee and the external auditors have reviewed the unaudited interim financial statements of the Group for the six months ended 30 September 2005. The Committee now comprises three independent non-executive directors of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere appreciation to our employees, shareholders and business associates for their contribution and support to the Group.

On behalf of the Board
Cheung Shu Wan
Managing Director

Hong Kong, 15 December 2005