

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2003

1. GENERAL

(i) Basis of preparation

The condensed 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 Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

(ii) Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment property and investments in securities.

In the current interim period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

As a result of this change in policy, the accumulated profits at 1 April, 2003 had been decreased by HK\$5,213,000 (1 April, 2002: decreased by HK\$3,827,000). The profits for the six months ended 30 September, 2003 had also been decreased by HK\$203,000 (six months ended 30 September, 2002: decreased by HK\$809,000).

Other than the above, the accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 March, 2003.

2. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions – household electrical appliances and personal care products. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Six months ended 30 September, 2003

	Household electrical appliances (Unaudited) <i>HK\$'000</i>	Personal care products (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Turnover	<u>284,809</u>	<u>121,176</u>	<u>405,985</u>
Segment result	<u>31,377</u>	<u>3,497</u>	34,874
Investment income			1,575
Interest on borrowings and finance lease charges			<u>(96)</u>
Profit before taxation			36,353
Taxation			<u>(5,635)</u>
Net Profit for the period			<u>30,718</u>

Six months ended 30 September, 2002

	Household electrical appliances (Unaudited) <i>HK\$'000</i>	Personal care products (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Turnover	<u>299,781</u>	<u>96,283</u>	<u>396,064</u>
Segment result	<u>39,468</u>	<u>2,203</u>	41,671
Impairment loss recognized on investments in non-trading securities			(4,553)
Investment income			1,591
Interest on borrowings and finance lease charges			<u>(171)</u>
Profit before taxation			38,538
Taxation			<u>(5,711)</u>
Net profit for the period			<u>32,827</u>

3. PROFIT FROM OPERATIONS

	Six months ended 30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortization of held-to-maturity securities netted off in investment income	77	–
Amortization of license fee included in cost of sales	1,000	1,000
Depreciation on property, plant and equipment	20,439	19,272
and crediting:		
Gain on disposal of property, plant and equipment	<u>532</u>	<u>498</u>

4. TAXATION

	Six months ended 30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 17.5% (2002: 16%) on the estimated assessable profit	4,686	4,776
– Income tax in other regions of the People's Republic of China calculated at prevailing rates	<u>703</u>	<u>592</u>
	<u>5,389</u>	<u>5,368</u>
Deferred tax		
– Current period	(824)	343
– Change in tax rate	<u>1,070</u>	<u>–</u>
	<u>246</u>	<u>343</u>
	<u>5,635</u>	<u>5,711</u>

5. DIVIDENDS

On 28 August, 2003, a final dividend of HK6 cents (2002: HK5 cents) and a special dividend of Nil (2002: HK3 cents) per share were paid to the shareholders for the year ended 31 March, 2003.

The board of directors have determined that an interim dividend of HK2 cents (2002: HK2 cents) per share be paid on or before 9 January, 2004 to the shareholders of the Company whose names appear on the Register of Members on 29 December, 2003.

6. EARNINGS PER SHARE

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

	Six months ended	
	30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share	<u>30,718</u>	<u>32,827</u>

	Six months ended	
	30 September,	
	2003	2002
	(Unaudited)	(Unaudited)
	Number	Number
	of Shares	of Shares
Number of ordinary shares for the purpose of basic earnings per share	<u>335,432,520</u>	<u>335,432,520</u>

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$44,127,000 for the construction of factory premises in the People's Republic of China and to upgrade its manufacturing capabilities.

8. INVESTMENTS IN SECURITIES

During the period, the Group acquired held-to-maturity securities and club debentures of approximately HK\$42,743,000 and HK\$160,000, respectively. In addition, the Group redeemed held-to-maturity securities with a carrying value of approximately HK\$5,460,000 for a consideration of approximately HK\$5,508,000, resulting in a gain on redemption of approximately HK\$48,000.

9. TRADE DEBTORS AND BILLS RECEIVABLE

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

10. TRADE CREDITORS AND BILLS PAYABLE

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

11. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized:		
At 1 April, 2003 and at 30 September, 2003	<u>600,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 April, 2003 and at 30 September, 2003	<u>335,432,520</u>	<u>33,543</u>

12. CAPITAL COMMITMENTS

At 31 March, 2003, the Group was committed to capital expenditure of HK\$26,433,000 for the construction of factory premises and acquisition of plant and equipment. The corresponding factory premises had been completed during the current period and related plant and equipment acquired were included in property, plant and equipment at 30 September, 2003. The Group had no significant capital commitments at 30 September, 2003.

13. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (30 September, 2002: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (30 September, 2002: HK\$102,000). The rentals were determined with reference to estimated market rates.

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 directors and/or substantial shareholders of the above mentioned related companies.