

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

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 Institute of Certified Public 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.

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 March 2004.

2. SEGMENT INFORMATION

Geographical segments

For management purposes, the Group is currently organised into three 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 2004

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

Six months ended 30 September 2003

	Europe (Unaudited) <i>HK\$'000</i>	America (Unaudited) <i>HK\$'000</i>	Asia (Unaudited) <i>HK\$'000</i>	Others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Turnover	<u>188,286</u>	<u>147,094</u>	<u>56,498</u>	<u>14,107</u>	<u>405,985</u>
Segment result	<u>18,090</u>	<u>10,688</u>	<u>5,332</u>	<u>764</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>

3. PROFIT BEFORE TAXATION

Six months ended	
30 September	
2004	2003
(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>

Profit before taxation has been arrived at after charging:

Amortisation of held-to-maturity securities netted off in investment income	30	77
Amortisation of license fee included in cost of sales	-	1,000
Depreciation on property, plant and equipment	20,990	20,439

and crediting:

Gain on disposal of property, plant and equipment	<u>564</u>	<u>532</u>
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4. TAXATION

	Six months ended 30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit	4,933	4,686
– Income tax in other regions of the People's Republic of China calculated at prevailing rates	461	703
	<u>5,394</u>	<u>5,389</u>
Deferred tax		
– Current period	(1,064)	(824)
– Change in tax rate	–	1,070
	<u>(1,064)</u>	<u>246</u>
	<u>4,330</u>	<u>5,635</u>

5. DIVIDENDS

On 27 August 2004, a final dividend of HK6 cents (2003: HK6 cents) per share were paid to the shareholders for the year ended 31 March 2004.

The board of directors have determined that an interim dividend of HK2 cents (2003: HK2 cents) per share be paid on or before 13 January 2005 to the shareholders of the Company whose names appear on the Register of Members on 31 December 2004.

6. EARNINGS PER SHARE

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

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	<u>21,614</u>	<u>30,718</u>
	Six months ended	
	30 September	
	2004	2003
	(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. INVESTMENT PROPERTY

The directors considered that the carrying amount of the Group's investment properties at 30 September 2004 did not differ significantly from the revalued amount at 31 March 2004. Consequently, no revaluation surplus or deficit was recognised in the current period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$13,798,000 (30.9.2003: HK\$44,127,000) for upgrading of its manufacturing capabilities.

9. INVESTMENTS IN SECURITIES

During the period, the Group acquired held-to-maturity securities of approximately HK\$5,063,000. In addition, the Group redeemed held-to-maturity securities with a carrying value of approximately HK\$2,340,000 at maturity, resulting in no significant gain or loss on such redemption.

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 PAYABLES AND BILLS PAYABLE

The trade payables 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 2004 and at 30 September 2004	<u>600,000,000</u>	<u>60,000</u>
Issued and fully paid:		
At 1 April 2004 and at 30 September 2004	<u>335,432,520</u>	<u>33,543</u>

13. CAPITAL COMMITMENTS

	2004 HK\$'000	2003 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	271	–
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<u>17,027</u>	<u>–</u>
	<u>17,298</u>	<u>–</u>

14. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (30.9.2003: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (30.9.2003: HK\$102,000) and to Fair Pacific Limited amounted to HK\$169,800 (30.9.2003: Nil). 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 they are also directors and/or substantial shareholders of the above mentioned companies.