

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group's condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rule") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 March 2006.

3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format and no business segment information is presented as over 90% of the turnover and contribution to the Group's results are attributable to the manufacturing and trading of household products.

	Turnover Six months ended 30 September		Segment results Six months ended 30 September	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited and restated)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited and restated)
USA	95,097	90,862	1,054	(5,314)
Canada	5,523	7,841	(262)	(191)
Hong Kong	9,976	11,529	1,041	1,362
Mainland China	89	3,944	(246)	(2,104)
Europe	5,491	5,813	(214)	308
Others	8,093	16,731	150	(296)
	124,269	136,720	1,523	(6,235)
Unallocated corporate expenses			(17,241)	(20,283)
Loss from operations			(15,718)	(26,518)
Impairment loss on prepaid lease payments			-	(8,018)
Finance costs			(6,252)	(4,540)
Taxation			(56)	-
Loss for the period			(22,026)	(39,076)

4. LOSS FROM OPERATIONS

This is stated after charging/(crediting) the following:

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)
Amortisation of prepaid lease payments	527	889
Depreciation on property, plant and equipment	14,347	14,374
Provision for inventory obsolescence (Written back)/Provision for bad and doubtful debts	1,119	1,775
Exchange loss, net	287	(4,375)
Staff costs	2,642	491
Bank interest income	17,453	22,729
Litigation settlements and penalty	(109)	(39)
Rental income (less outgoings)	4,927	1,398
	-	(162)

5. TAXATION

Hong Kong profits tax has been provided as the Group incurred a profit for taxation purposes for the year (2005: Nil). 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.

6. DIVIDENDS

The Directors of the Company do not recommend the payment of interim dividend (2005: Nil) in respect of the Period.

7. LOSS PER SHARE

The calculation of basic loss per share for the Period is based on the loss for the period of HK\$22,026,000 (2005: loss of HK\$39,076,000), and on the number of 868,733,440 ordinary shares (2005: 868,733,440 ordinary shares) in issue throughout the periods.

Diluted loss per share for the Period is not shown as there are no potential ordinary shares in issue in current year.

8. TRADE AND BILLS RECEIVABLES

The Group in general allows a credit period of 30 to 60 days to its trade customers. An aging analysis of the Group's trade and bills receivables (net of provision for bad and doubtful debts) is set out below:

	30 September 2006 HK\$'000 (unaudited)	31 March 2006 HK\$'000 (audited and restated)
Less than 1 month	59,388	16,439
1 month to 2 months	206	7,784
2 months to 3 months	–	3,756
3 months to 6 months	–	126
6 months to 1 year	6	330
	59,600	28,435

9. TRADE PAYABLES

An aging analysis of trade payables is set out below:

	30 September 2006 HK\$'000 (unaudited)	31 March 2006 HK\$'000 (audited and restated)
Less than 3 months	29,653	12,195
3 months to 6 months	4,277	7,451
6 months to 1 year	8,184	9,044
More than 1 year	11,791	21,566
	53,905	50,256

10. COMMITMENTS

	30 September 2006 HK\$'000 (unaudited)	31 March 2006 HK\$'000 (audited and restated)
(a) Capital expenditure commitments		
Contracted but not provided for, net of deposits paid	67	83
(b) Commitment under operating leases		
The Group had total future minimum lease payments under non-cancelable operating leases, which are payable as follows:		

	30 September 2006 HK\$'000 (unaudited)	31 March 2006 HK\$'000 (audited and restated)
Within 1 year	868	150
In the second to fifth years inclusive	488	–
	1,356	150

11. CONTINGENT LIABILITIES

In addition to the guarantee granted for banking facilities as disclosed in the latest annual report, at the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of a guarantee of RMB7,527,809 granted for the restructures of a finance lease for its subsidiary.

12. ADVANCE/BORROWINGS FROM SHAREHOLDERS

Advance and borrowings from shareholders were unsecured and repayable within 1 year. The advance from shareholder was interest-free, and the interest rates of borrowings were 7% p.a. fixed and at a floating rate of 3% above HIBOR.

13. POST BALANCE SHEET EVENTS

Subsequent to 30 September 2006, the Group has the following post balance sheet events:

- (a) Bank of China, Baoan, Shenzhen (the "Bank"), provided the Group with a one year term loan in the sum of HK\$130 million to replace the entire existing loan facilities from the Bank.
- (b) the winding up petition against a wholly-owned subsidiary of the Company disclosed in the latest annual report and all related proceedings were resolved and settled.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

General Information

For the six months ended 30 September 2006, the Group recorded a turnover of approximately HK\$124.3 million, representing a drop of 9.1% when compared with the HK\$136.7 million reported for the corresponding period last year. The Group reported an operating loss of HK\$15.7 million compared to an operating loss of HK\$26.5 million last year, and a loss for the period of HK\$22.0 million when compared to a loss of HK\$39.1 million during the same period last year. The Group's basic loss per share was HK2.54 cents.

There was neither acquisition nor disposal of principal subsidiaries or associated companies during the period under review, while investments held have not been materially changed from those disclosed in the latest annual report.

Liquidity and Financial Resources

As at 30 September 2006, the Group's net assets decreased to HK\$28.4 million, rendering net asset value per share at HK3.27 cents. The Group's total assets at that date were valued at HK\$318.9 million, including cash and bank deposits totaling approximately HK\$11.1 million. Consolidated borrowings amounted to HK\$170.3 million. Its debt-to-equity ratio has been increased from 318% as at 31 March 2006 to 599% as at 30 September 2006.