

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General

The Company was incorporated in the Cayman Islands on 12th April, 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the interim report.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. Basis of preparation

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

3. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values, as appropriate.

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

In the current interim period, the Group has applied, for the first time, a number of Hong Kong Financial Reporting Standards ("HKFRS"), amendments to Hong Kong Accounting Standards ("HKAS (Amendment(s))") and Interpretations (HK(IFRIC) – INT(s)) (hereafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 and 1st March, 2006. The application of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

3. Principal accounting policies (Continued)

The following new standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted. The directors of the Company anticipate that the adoption of the standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 8	Scope of HKFRS 2 "Share-based payment" ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁴

1. Effective for annual periods beginning on or after 1st January, 2007
2. Effective for annual periods beginning on or after 1st May, 2006
3. Effective for annual periods beginning on or after 1st June, 2006.
4. Effective for annual periods beginning on or after 1st November, 2006

4. Segment information

Primary reporting format – business segment

Segment information about these business is presented below:

	Manufacturing business		Retail business		Inter-segment elimination		Consolidated	
	Six months ended 30th September, 2006	2005	Six months ended 30th September, 2006	2005	Six months ended 30th September, 2006	2005	Six months ended 30th September, 2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
External sales	131,365	123,066	9,983	6,223	-	-	141,348	129,289
Inter-segment sales	833	510	-	-	(833)	(510)	-	-
	132,198	123,576	9,983	6,223	(833)	(510)	141,348	129,289
Segment results	23,765	26,004	(758)	(1,000)	(12)	(178)	22,995	24,826
Unallocated income							1,833	905
Unallocated expenses							(374)	(408)
Profit before tax							24,454	25,323
Income tax expenses							(2,394)	(2,328)
Profit for the period attributable to shareholders							22,060	22,995

4. Segment information (Continued)*Secondary reporting format – geographical segment*

	Turnover	
	Six months ended 30th September,	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Japan	31,864	52,114
Europe	37,879	29,850
The United States of America (the "U.S.")	27,605	9,213
Hong Kong	23,161	18,739
The People's Republic of China, other than Hong Kong (the "PRC")	8,574	5,423
Australia	4,235	4,486
Others	8,030	9,464
	141,348	129,289

5. Profit before tax

Profit before tax is stated after charging:

	Six months ended 30th September,	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Cost of inventories sold	97,912	86,180
Depreciation of property, plant and equipment	1,199	1,247
Operating lease rentals in respect of land and buildings	4,795	3,534
Write down of inventories	258	279
Staff costs (excluding directors' emoluments)	6,948	5,000
and crediting:		
Interest income	1,777	693
Unrealised holding gain on financial assets at fair value through profit or loss	-	143

6. Income tax expense

	Six months ended 30th September,	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	1,852	2,162
– Other jurisdictions	460	94
Deferred tax	82	72
	2,394	2,328

Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is entitled to exemption from PRC income tax for two years commencing from the first profit-making year, and entitled to a 50% relief from the PRC income tax for the following three years.

7. Dividends

	Six months ended 30th September,	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim dividend of HK2.3 cents (2005: HK2.4 cents) per ordinary share	7,326	7,644

At a board meeting held on 19th December, 2006, the directors declared an interim dividend of HK2.3 cents per share, aggregating a total of approximately HK\$7,326,000 for the six months ended 30th September, 2006. This proposed dividend is not reflected as a dividend payable in the condensed financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st March, 2007.

The amount of proposed interim dividend is based on 318,500,000 shares in issue at 19th December, 2006.

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profit for the period of HK\$22,060,000 (2005: HK\$22,995,000) and weighted average of 318,500,000 (2005: 318,500,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the Group's profit for the period of HK\$22,060,000 (2005: HK\$22,995,000) and the weighted average number of 318,972,299 (2005: 319,017,000) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 318,500,000 (2005: 318,500,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 472,299 (2005: 517,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

9. Trade and bills receivables

Customers are generally granted with credit terms of 30 to 90 days. Longer payment terms might grant to those customers which have good payment history and long-term business relationship with the Group. Details of the ageing analysis are as follows:

	30th September, 2006 Unaudited HK\$'000	31st March, 2006 Audited HK\$'000
Current to 30 days	22,383	14,731
31-60 days	8,590	3,434
61-90 days	1,490	1,195
91-120 days	4,033	554
121-365 days	3,491	990
Over 365 days	53	31
	40,040	20,935

10. Trade and bills payables

Details of the ageing analysis are as follows:

	30th September, 2006 Unaudited HK\$'000	31st March, 2006 Audited HK\$'000
Current to 30 days	7,858	5,556
31-60 days	2,508	3,318
61-90 days	1,394	187
91-120 days	462	10
121-365 days	35	28
Over 365 days	114	104
	<hr/> 12,371 <hr/>	9,203

11. Share capital

There was no movement in the share capital of the Company during the period.

12. Contingent liabilities

The Group had no material contingent liabilities as at 30th September, 2006 (At 31st March, 2006: nil).

13. Related party transactions

- (a) During the period, the Group had entered into the following transactions with related parties:

	Six months ended	
	30th September,	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	132	130

Mr. Chan Woon Man is a substantial shareholder of the Company and Ms. Tsang Sau Lin is the wife of Mr. Chan Woon Man.

- (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended	
	30th September,	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Short-term benefits	4,353	3,621
Post employment benefits	54	54
	4,407	3,675