

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

1. 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 (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, respectively.

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 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments have been required.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

4. 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 2006

	Europe (Unaudited) HK\$'000	America (Unaudited) HK\$'000	Asia (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue	<u>288,753</u>	<u>114,051</u>	<u>104,795</u>	<u>17,167</u>	<u>524,766</u>
Segment result	<u>18,231</u>	<u>4,212</u>	<u>7,316</u>	<u>1,079</u>	<u>30,838</u>
Net investment income					2,747
Interest on bank borrowings					(497)
Profit before tax					33,088
Income tax expense					(4,908)
Profit for the period					<u>28,180</u>

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
Segment revenue	<u>204,904</u>	<u>116,300</u>	<u>84,690</u>	<u>12,434</u>	<u>418,328</u>
Segment result	<u>8,623</u>	<u>2,318</u>	<u>3,211</u>	<u>386</u>	<u>14,538</u>
Net investment income					2,134
Interest on bank borrowings					<u>(357)</u>
Profit before tax					16,315
Income tax expense					<u>(2,527)</u>
Profit for the period					<u><u>13,788</u></u>

The Group's business is affected by seasonal trend, with high level of revenue during the second quarter of the fiscal year. This trend results primarily from the seasonal shipments to the customers prior to the holiday shopping period.

5. PROFIT BEFORE TAX

	Six months ended 30 September 2006 (Unaudited) HK\$'000		2005 (Unaudited) HK\$'000	
Profit before tax has been arrived at after charging (crediting) the following items:				
Interest income	(3,246)		(1,970)	
Net loss (gain) on sale of available-for-sale investments	<u>499</u>		<u>(70)</u>	
Net investment income	<u>(2,747)</u>		<u>(2,040)</u>	
Amortisation of prepaid lease payments	137		131	
Depreciation on property, plant and equipment	<u>17,560</u>		<u>22,713</u>	
Total depreciation and amortisation	<u>17,697</u>		<u>22,844</u>	
Gain on disposal of property, plant and equipment	<u><u>(347)</u></u>		<u><u>(127)</u></u>	

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax		
– Hong Kong Profits Tax calculated at 17.5% on the estimated assessable profit	5,564	3,393
– Income tax in other regions of PRC calculated at prevailing rates	1,408	1,744
	<hr/>	<hr/>
	6,972	5,137
Deferred tax		
– Current period	(2,064)	(2,610)
	<hr/>	<hr/>
	4,908	2,527
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

On 12 September 2006, a dividend of HK6 cents per share (2005: HK6 cents per share) was paid to the shareholders as the final dividend for the year ended 31 March 2006.

The board of directors have determined that an interim dividend of HK3 cents (2005: HK2 cents) per share shall be paid on or before 15 January 2007 to the shareholders of the Company whose names appear on the Register of Members on 5 January 2007.

8. EARNINGS PER SHARE

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

	Six months ended 30 September 2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Earnings for the purpose of basic earnings per share	<u>28,180</u>	<u>13,788</u>

	Six months ended 30 September 2006 (Unaudited) Number of shares	2005 (Unaudited) Number of shares
Number of ordinary shares for the purpose of basic earnings per share	<u>335,432,520</u>	<u>335,432,520</u>

9. MOVEMENTS IN INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of approximately HK\$5,743,000 for proceeds of approximately HK\$6,090,000, resulting in a profit on disposal of approximately HK\$347,000.

In addition, the Group spent approximately HK\$5,655,000 on moulds and tools, HK\$631,000 on factory building and HK\$4,883,000 on plant and machinery in upgrading its manufacturing capabilities. The Group also spent approximately HK\$1,401,000 on furniture and fixtures and HK\$887,000 on motor vehicle.

At 30 September 2006, the directors considered the carrying amount of the Group's investment property and property, plant and equipment do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

10. DEPOSIT PAID FOR THE ACQUISITION OF LAND USE RIGHT IN THE PRC

At 30 September 2006, the Group paid approximately HK\$21,190,000 (2005: nil) for the acquisition of land use rights for the two parcels of land in the PRC for future expansion of the manufacturing base.

11. TRADE RECEIVABLES AND BILLS RECEIVABLE

The Group allows a credit period of up to 90 days to its trade customers. The following is an aged analysis of trade receivables and bills receivable at the balance sheet date:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
0 – 90 days	210,592	140,776
91 – 120 days	–	2,561
	<u>210,592</u>	<u>143,337</u>

12. TRADE PAYABLES AND BILLS PAYABLE

The following is an aged analysis of trade payables and bills payable at the balance sheet date:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
0 – 90 days	150,037	74,107
91 – 120 days	561	–
	<u>150,598</u>	<u>74,107</u>

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 April 2006 and at 30 September 2006	<u>600,000,000</u>	<u>60,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2006 and at 30 September 2006	<u>335,432,520</u>	<u>33,543</u>

14. CAPITAL COMMITMENTS

	2006 HK\$'000	2005 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	5,698	193
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	919	383
	<u>6,617</u>	<u>576</u>

15. RELATED PARTY TRANSACTIONS

During the period, rental expenses paid and payable to Allan Investment Company Limited amounted to HK\$450,000 (30.9.2005: HK\$450,000) and to Income Village Limited amounted to HK\$102,000 (30.9.2005: HK\$102,000) and to Fair Pacific Limited amounted to HK\$169,800 (30.9.2005: 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\$148,410 (30.9.2005: HK\$45,000) to Mr. Cheung Pui.

During the period, the emoluments paid to the directors amounted to HK\$9,241,000 (2005: HK\$5,251,000). There is no key management personnel other than the directors of the Company.