NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2011

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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

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 fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended September 30, 2011 are the same as those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended March 31, 2011.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

The application of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Segment information

The Group's operating segments, based on information reported to the chief operating decision makers, the Company's executive directors, for the purposes of resource allocation and performance assessment which are analysed based on the location of customers, are as follows:

1. The United States of America (the "USA")
2. Canada
3. Asia
4. Europe and others

Information regarding the above segments is reported below.

Six months ended September 30, 2011

	USA HK$'000	**Canada HK$'000**	**Asia HK$'000**	**Europe and others HK$'000**	**Consolidated HK$'000**
SEGMENT REVENUE					
Sales of goods – external	**612,701**	**9,626**	**93,946**	**67,117**	**783,390**
SEGMENT PROFIT	**8,895**	**591**	**1,586**	**5,245**	**16,317**
Unallocated income					**1,592**
Unallocated expenses					**(32,872)**
Finance costs					**(1,194)**
Share of results of associates					**148**
Loss before tax					**(16,009)**

Six months ended September 30, 2010

	USA HK$'000	Canada HK$'000	Asia HK$'000	Europe and others HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
Sales of goods – external	716,457	14,915	87,689	65,422	884,483
SEGMENT PROFIT	40,029	469	2,908	6,102	49,508
Unallocated income					978
Unallocated expenses					(32,303)
Finance costs					(665)
Share of results of associates					250
Profit before tax					17,768

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, depreciation of property, plant and equipment, amortisation of prepaid lease payments, fair value changes on derivative financial instruments, share of results of associates, other income and finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

4. (Loss) profit before tax

	Six months ended September 30, 2011 HK$'000	2010 HK$'000
(Loss) profit before tax has been arrived at after charging:		
Amortisation of intangible assets	**34**	34
Amortisation of prepaid lease payments	**192**	192
Depreciation of property, plant and equipment	**10,630**	10,638
Loss on disposal of property, plant and equipment	**74**	457
and after crediting:		
Bank interest income	**89**	102
Rental income from properties under operating leases	**1,503**	876

5. Income tax expense

	Six months ended September 30, 2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong	**686**	4,635
People's Republic of China (the "PRC")	**652**	–
Other jurisdictions	**54**	1,335
	1,392	5,970
Overprovision	**(203)**	(2,084)
	1,189	3,886
Deferred taxation	**(208)**	(934)
	981	2,952

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries of the Company increases progressively from 15% to 25% before January 1, 2013. The tax rate of the other PRC subsidiaries was 25% for both years.

5. Income tax expense *(continued)*

According to the EIT Law, the profits of the PRC subsidiaries of the Company and associates of the Group derived since January 1, 2008 will be subject to withholding tax at a rate of 5% upon the distribution of such profits to foreign investors incorporated in Hong Kong, or at a rate of 10% for other foreign investors. The Group determined that no deferred tax on withholding tax liabilities shall be recognised since no significant distributable profit was derived by the PRC subsidiaries and associates from January 1, 2008.

Two subsidiaries of the Company, which were incorporated in Hong Kong, received protective/additional profits tax assessment from the Inland Revenue Department (the "IRD") of approximately HK$6.4 million and HK$29.2 million, respectively, relating to the years of assessment 1998/99 to 2009/10, that is, for the financial years ended March 31, 1999 to 2010. The protective/additional profits tax assessment relates mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificates in the amount of HK$5.8 million and HK$27.0 million being purchased by the relevant subsidiaries and included in other receivables as at September 30, 2011 and March 31, 2011, and the remaining amount of HK$2.8 million represents the overpayment of provisional tax to the IRD. As at September 30, 2011, in respect of the protective/additional profits tax assessment for the years of assessment 1998/99 to 2009/10, a provision of HK$35.6 million (as at March 31, 2011: HK$35.6 million) was provided.

In the opinion of the directors and the advice from the Group's tax advisors, substantial manufacturing operations of these subsidiaries were undertaken in the PRC. However, such view did not gain the IRD's acceptance. After considering the recent court cases on similar subject matter and the advice from the Group's legal advisor, the directors considered that any protracted argument in this area may not be of the best interest from the commercial perspective to the Group. In order to avoid any further protracted debate and to save the costs in pursuing further, the Group had proposed, on a without prejudice basis, settlement of the matters for these two subsidiaries. The settlement proposals were submitted to the IRD in October 2011 and November 2011, respectively.

For one subsidiary, an amount of HK$552,000, representing the tax reserve certificates previously purchased and after deducting the compromised settlement, was refunded in November 2011. As for the other subsidiary, the Group is awaiting formal response from the IRD on the compromised settlement, which proposed an additional amount of HK$219,000 being payable after deducting the tax reserve certificates and tax previously purchased/charged. The directors consider that sufficient tax provision has been made in the condensed consolidated financial statements.

6. Dividends

On September 9, 2011, a final dividend of HK4.25 cents per share for the year ended March 31, 2011, amounting to a total of HK$14,949,000 was paid to shareholders (six months ended September 30, 2010: HK2.5 cents per share and a special dividend of HK5.0 cents per share paid as final dividend, both for the year ended March 31, 2010, amounting to HK$26,380,000).

Subsequent to September 30, 2011, the directors do not recommend the payment of an interim dividend but have determined that a special dividend of HK2.0 cents per share (six months ended September 30, 2010: an interim dividend of HK4.25 cents per share) will be paid to the shareholders of the Company whose names appear in the Register of Members on December 22, 2011.

7. (Loss) earnings per share

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended September 30, 2011 HK$'000	Six months ended September 30, 2010 HK$'000
(Loss) profit for the period attributable to owners of the Company	**(16,712)**	15,249

	2011	2010
Number of ordinary shares in issue during the period	**351,731,298**	351,731,298

The computation of diluted (loss) earnings per share for the six months ended September 30, 2011 and 2010 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options are higher than the average market price.

8. Movements in investment properties and property, plant and equipment

At September 30, 2011, the directors considered the carrying amount of the Group's investment properties carried at their fair values and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the reporting date. Consequently, no fair value adjustment has been recognised in the current period (six months ended September 30, 2010: Nil).

In addition, the Group spent HK$8,375,000 (six months ended September 30, 2010: HK$6,880,000) on acquisition of property, plant and equipment for the purposes of regular replacement during the period.

9. Trade and other receivables

The Group allows a credit period ranging from 30 days to 90 days to its trade and bills customers, with a significant portion being 30 days. Included in trade and other receivables are trade and bills receivables, mainly denominated in United States dollars, with the following aged analysis presented based on the invoice date at the end of the reporting period:

	September 30, 2011 HK$'000	March 31, 2011 HK$'000
Up to 30 days	**127,192**	110,129
31 – 60 days	**15,097**	30,681
61 – 90 days	**15,791**	23,640
More than 90 days	**661**	1,659
	158,741	166,109

10. Trade and other payables

Included in trade and other payables are trade payables with the following aged analysis presented based on the invoice date at the end of the reporting period:

	September 30, 2011 HK$'000	March 31, 2011 HK$'000
Up to 30 days	**77,965**	81,822
31 – 60 days	**23,613**	36,448
61 – 90 days	**8,385**	13,446
More than 90 days	**2,812**	1,783
	112,775	133,499

11. Bank borrowings

The Group repaid bank borrowings in the amount of HK$15,266,000 during the period (six months ended September 30, 2010: HK$17,371,000).

During the six months ended September 30, 2011, the Group raised new bank borrowings in the amount of HK$27,775,000 (six months ended September 30, 2010: Nil), which were used as general working capital. The borrowings bear variable interest at market rates and are repayable within one year.

12. Share-based payments

The Company has a share option scheme for eligible personnel of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at April 1, 2011	12,800,000
Lapsed during the period	(200,000)
Outstanding at September 30, 2011	12,600,000

13. Related parties transactions

During the period, the Group had the following transactions with related parties:

	Six months ended September 30,	
	2011	2010
	HK$'000	HK$'000
Purchase of raw materials and finished goods from the Group's associate	**16,528**	23,518
Compensation of key management personnel	**7,450**	7,416