

Notes to the unaudited financial statements:

1. Basis of presentation and comparative figures

The Company was incorporated in Bermuda on 8th August, 2000. Pursuant to a group reorganisation in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of its subsidiaries on 28th September, 2000. The shares of the Company commenced to list on the Stock Exchange on 23rd October, 2000. The Group resulting from the group reorganisation has been treated as a continuing entity. Accordingly, the comparative figures for the preceding financial period have been prepared on the basis as if the Company had been the holding company of the Group during the relevant period.

2. Principal accounting policies

The same principal accounting policies and methods of computation are followed in these interim financial statements for the six months ended 30th September, 2001 as compared with the most recently published annual financial statements for the year ended 31st March, 2001. These interim financial statements comply with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

3. Related party transactions

During the period ended 30th September, 2001, the Group entered into a tenancy agreement with Joy Glory Development Limited ("JGDL"), a company beneficially owned by Mr. Yau Kwai Tun, a director and a substantial shareholder of the Company, for rental of office premises. Rental charged by JGDL amounted to HK\$246,000 (2000: Nil) for the period ended 30th September, 2001.

In the opinion of the Directors, the above related party transaction was conducted in the usual course of business and on normal commercial terms.

4. Segmental information

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of wooden furniture products, including desks, tables, chairs, cupboards, beds, sofas, cabinets and garden accessories.

All of the Group's turnover and profit attributable to shareholders were derived from the manufacture and sale of furniture products for the six months ended 30th September, 2001.

The Group's turnover and profit attributable to shareholders by geographical area of principal markets based on the destination of delivery of the Group's products for the six months ended 30th September, 2001 are analysed as follows:

	Turnover		Profit attributable to shareholders	
	Six months ended		Six months ended	
	30th September,		30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical area:				
Japan	59,987	80,733	2,499	18,001
Mainland China	16,677	10,869	599	3,605
Others	2,912	3,103	128	692
	<u>79,576</u>	<u>94,705</u>	<u>3,226</u>	<u>22,298</u>

Others include Hong Kong, Malaysia, Singapore, Europe and the United States of America.

5. Profit before taxation

Profit before taxation in the consolidated income statement was stated after charging and crediting the following items:

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
After charging –		
Cost of inventories	51,031	60,221
Staff costs (include directors' emoluments)	16,159	8,160
Depreciation of property, plant and equipment	1,430	805
Interest expense on bank borrowings	52	1,312
Auditors' remuneration	550	200
Net exchange loss	13	2
Operating lease rental of rented premises	246	75
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After crediting –		
Interest income from bank deposits	365	22
Write-back of provision for obsolete and slow-moving inventories	1,914	–
Write-back of provision for doubtful trade receivable	1,600	–
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6. Taxation

The Company and its subsidiaries are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which they operate.

The Company was incorporated under the laws of Bermuda and, under current Bermuda Law, is not subject to tax on profit or on capital gains. The Company has obtained from the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so payable until 28th March, 2016.

The Company's wholly owned subsidiary, Xiamen Xiyangmen Furniture Product Co., Ltd., which was established in the special economic zone in Mainland China, is subject to Mainland China income tax at a rate of 15%. However, it is exempted from state income tax and local income tax for two years starting from the first year of profitable operations, followed by a 50% reduction in state income tax for the next three years. Xiamen Xiyangmen Furniture Product Co., Ltd. started to make profit in 1999. Provision for taxation for the period ended 30th September, 2001 represents provision for Mainland China Enterprise Income Tax at a reduced rate of 7.5% for Xiamen Xiyangmen Furniture Product Co. Ltd. and at an effective tax rate of 15% on assessable profit for the group companies with Mainland China operation.

Provision for taxation for the period ended 30th September, 2000 represented provision for Mainland China enterprise income tax at an effective rate of 15% for the other group companies with Mainland China operation.

All of the Group's sales made in Mainland China are subject to Mainland Chinese value-added tax ("VAT") at a rate of 17% ("output VAT"). Such output VAT is payable after offsetting VAT paid by the Group on purchases ("input VAT").

There is no significant unprovided deferred taxation as at 31st March, 2001 and 30th September, 2001.

7. Dividend

The interim dividend in 2000 were paid by a subsidiary of the Group to its then shareholders prior to the group reorganisation. The Directors resolved not to declare any dividend in respect of the six months ended 30th September, 2001.

8. Earnings per share

The calculation of basic earnings per share for the six months ended 30th September, 2001 was based on the profit attributable to shareholders of approximately HK\$3,226,000 (2000: HK\$22,298,000) and on the weighted average number of 252,900,000 (2000: 252,900,000) shares in issue upon listing on the Stock Exchange on 23rd October, 2000.

The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$3,226,000 and the weighted average number of approximately 265,545,000 shares in issue after adjusting for the effects of all dilutive potential shares. A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	2001 '000
Weighted average number of shares used in calculating basic earnings per share	252,900
Adjustment for potential dilutive effect in respect of outstanding share options	12,645
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Weighted average number of shares used in calculating diluted earnings per share	265,545

Diluted earnings per share for the six months ended 30th September, 2000 is not presented because there were no dilutive potential ordinary shares in existence during the period.

9. Property, plant and machinery

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$2,809,000.

10. Trade receivables

The credit terms of the Group range from 30 to 90 days. An ageing analysis of trade receivables is as follows:

	As at 30th September, 2001 HK\$'000	As at 31st March, 2001 HK\$'000
0 to 30 days	8,364	13,938
31 to 60 days	2,715	7,607
61 to 90 days	2,591	7,837
91 to 180 days	2,986	4,294
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	16,656	33,676
Provision for doubtful trade receivables	–	(1,600)
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	16,656	32,076

11. Trade payables

The credit terms of the Group range from 30 to 90 days. An ageing analysis of trade payables is as follows:

	As at 30th September, 2001 <i>HK\$'000</i>	As at 31st March, 2001 <i>HK\$'000</i>
0 to 30 days	1,738	6,305
31 to 60 days	1,454	994
61 to 90 days	490	228
91 to 180 days	407	299
181 to 365 days	1,491	270
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	5,580	8,096

12. Reserves

Movements in reserves were:

	For the six months ended 30th September, 2001				
	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Beginning of period	1,755	19,193	1,701	7,936	30,585
Transfer to statutory reserve	–	–	140	–	140
Surplus on revaluation of land and buildings	–	–	–	397	397
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End of period	1,755	19,193	1,841	8,333	31,122