



PROSPECTS

The Board anticipates that the Group's businesses will continue to develop from strength to strength. Having established its solid foothold in the artificial Christmas trees and leisure furniture markets, the Group has been expanding its business operations into different market segments while developing multiple revenue sources from a diversified business portfolio. With the addition of 3D computer graphics production services, the Group anticipates that this area of digital entertainment business will prove to be the third earnings driver of the future.

Sales performance of Christmas festive products will, to a limited extent, depend on the global economy, especially the U.S.. Despite deeper job losses undercutting consumers' confidence and thus spending power in the U.S., sharp declines in energy and other prices are cushioning the blow to consumption. Moreover, monetary ease in the U.S. and Europe, together with fiscal stimulus, will join forces to reenergize household and corporate balance sheets, which in turn is expected to help ignite recovery.

The Board is cautious that the continuous fall in energy prices may not last for a long period of time. However, the Group will be able to minimize the impact of short-term fluctuations on its profit margin by making necessary purchases in advance. With regard to operating costs, global economic weaknesses have brought most industrial commodity price indexes to 15- or 20-year lows and ease raw material costs. Hence, the expected reduction in operating costs will be favorable for maintaining the gross profit margin of the Group's businesses.