

Notes:

1) PRINCIPAL ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

These interim accounts should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30 April 2001 except that the Group has adopted the new and revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001.

Certain comparative figures have been reclassified to conform with current period's presentation.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 26: Segment Reporting

In Note 2 to these interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

(b) SSAP 30: Business Combinations

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company/joint venture at the date of acquisition. Goodwill on acquisitions occurring on or after 1 May 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 May 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets". Goodwill is generally amortised over a maximum period of 20 years.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 May 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

2) SEGMENTAL INFORMATIONS

An analysis of the Group's turnover and contribution to operating (loss)/profit for the period by principal activities and markets is as follows:

	Unaudited Six months ended 31 October			
	Turnover		Operating (loss)/profit	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
BY PRINCIPAL ACTIVITY				
Manufacturing and trading of office furniture and building materials	283,274	372,254	(32,509)	20,238
Supply and installation of kitchen cabinets	59,102	19,134	(203)	(7,150)
	<u>342,376</u>	<u>391,388</u>	<u>(32,712)</u>	<u>13,088</u>
Interest income	-	-	929	376
Loss on disposal of a property	-	-	(2,855)	-
Unallocated cost	-	-	(2,885)	-
	<u>342,376</u>	<u>391,388</u>	<u>(37,523)</u>	<u>13,464</u>
BY GEOGRAPHICAL LOCATION				
Hong Kong	148,802	196,541	(22,370)	7,378
The People's Republic of China excluding Hong Kong ("PRC")	181,408	184,785	(15,332)	5,161
Overseas	12,166	10,062	179	925
	<u>342,376</u>	<u>391,388</u>	<u>(37,523)</u>	<u>13,464</u>

3) OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging the following:

	Unaudited Six months ended 31 October	
	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	218,901	236,533
Depreciation:		
Owned fixed assets	13,537	10,262
Leased fixed assets	464	378
	<u>232,902</u>	<u>247,173</u>

4) FINANCE COSTS

	Unaudited Six months ended 31 October	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	3,144	4,475
Interest element of finance leases	137	163
Bank charges and other borrowing costs	1,025	1,178
	<u>4,306</u>	<u>5,816</u>

5) TAXATION

	Unaudited Six months ended 31 October	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	–	598
PRC taxation	–	2
	<u>–</u>	<u>600</u>

No provision for Hong Kong profits tax has been made in these interim accounts as the companies comprising the Group either have no assessable profit for the period or have available tax losses brought forward, Certain PRC subsidiaries were exempted from PRC income tax or subjected to reduced income tax rate. Hong Kong profits tax for 2000 has been provided at the rate of 16% on the estimated assessable profit for that period. PRC taxation for 2000 represented tax charges on the estimated assessable profit of certain subsidiaries operating in the PRC, calculated at rates applicable thereto.

6) (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$41,829,000 (2000 profit: HK\$7,048,000) and the weighted average of 4,043,875,392 shares (2000: 2,701,212,090 shares) in issue during the period.

No diluted loss per share has been presented as the exercise of subscription rights attached to share options of the Company would be anti-dilutive (2000: diluted earnings per share is based on profits of HK\$7,048,000 and the weighted average of 2,708,041,955 shares for the purpose of diluted earnings per share).

7) **PROPERTY, PLANT AND EQUIPMENT**

- (a) During the period, the Group spent HK\$9,522,000 on additions to property, plant and equipment (2000: HK\$13,670,000).
- (b) At 31 October 2001, the net book value of fixed assets held by the Group under finance leases amounted to HK\$2,341,000 (30 April 2001: HK\$2,805,000).
- (c) At 31 October 2001, the net book value of leasehold land and buildings pledged as security for the Group's bank loan and overdraft facilities amounted to HK\$172,643,000 (30 April 2001: HK\$182,488,000).

8) **ACCOUNTS RECEIVABLE**

A defined credit policy is maintained within the Group. The age analysis as at 31 October 2001 is as follows:

	Unaudited 31 October 2001 HK\$'000	Audited 30 April 2001 HK\$'000
0-60 days	97,525	121,219
61-120 days	14,464	17,635
121-180 days	16,137	9,691
>180 days	18,657	19,668
	<u>146,783</u>	<u>168,213</u>

9) **ACCOUNTS PAYABLE AND BILLS PAYABLE**

The age analysis as at 31 October 2001 is as follows:

	Unaudited 31 October 2001 HK\$'000	Audited 30 April 2001 HK\$'000
0-60 days	79,221	70,177
61-120 days	26,768	22,155
121-180 days	2,380	2,727
>180 days	1,636	2,273
	<u>110,005</u>	<u>97,332</u>

10) BORROWINGS

	Unaudited 31 October 2001 HK\$'000	Audited 30 April 2001 HK\$'000
Borrowings – Secured:		
Trust receipt loans	13,587	17,059
Bank overdrafts	4,824	545
Bank loans	54,611	42,617
	<u>73,022</u>	<u>60,221</u>
Obligations under finance leases	<u>1,789</u>	<u>2,344</u>
	74,811	62,565
Current portion of borrowings	<u>(74,249)</u>	<u>(60,372)</u>
Non-current portion of borrowings	<u>562</u>	<u>2,193</u>

Finance lease liabilities – minimum lease payments:

	Unaudited 31 October 2001 HK\$'000	Restated 30 April 2001 HK\$'000
Within one year	1,387	1,387
In the second year	512	1,082
In the third to fifth year	89	211
	<u>1,988</u>	<u>2,680</u>
Future finance charges on finance leases	<u>(199)</u>	<u>(336)</u>
Present value of finance leases liabilities	1,789	2,344
The present value of finance lease liabilities is as follows:		
Within one year	1,227	1,151
In the second year	479	999
In the third to fifth year	83	194
	<u>1,789</u>	<u>2,344</u>

At 31 October 2001, the Group's bank loans and overdrafts (excluding finance lease liabilities) were repayable as follows:

	Trust receipts loans, bank overdrafts and bank loans	
	Unaudited 31 October 2001 HK\$'000	Audited 30 April 2001 HK\$'000
Within one year	73,022	59,221
In the second year	—	1,000
	<u>73,022</u>	<u>60,221</u>

11) SHARE CAPITAL

	No. of Shares	HK\$'000
<i>Authorised:</i>		
5,000,000,000 ordinary shares of HK\$0.10 each at 31 October 2001 and 30 April 2001	<u>5,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid ordinary shares of HK\$0.10 each:</i>		
At 1 May 2000	2,224,297,450	222,430
Issue of shares as consideration for an investment	330,000,000	33,000
Rights issue	510,874,690	51,087
Bonus shares issued	766,312,035	76,631
Exercise of warrants	76,000	8
At 30 April 2001	<u>3,831,560,175</u>	<u>383,156</u>
At 1 May 2001	3,831,560,175	383,156
Placing of new shares on 11 September 2001 (<i>Note (a)</i>)	<u>766,000,000</u>	<u>76,600</u>
At 31 October 2001	<u>4,597,560,175</u>	<u>459,756</u>

Note (a): On 11 September 2001, the Company issued a total of 766,000,000 ordinary shares of HK\$0.10 each to independent third parties at HK\$0.10 per share.

12) RESERVES

	Share premium HK\$'000	Merger reserve on consolidation HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2000	114,537	1,000	109	135,040	250,686
Bonus shares issued	-	-	-	(76,631)	(76,631)
Share issue expenses	(2,064)	-	-	-	(2,064)
Loss for the year	-	-	-	(22,605)	(22,605)
	<u>112,473</u>	<u>1,000</u>	<u>109</u>	<u>35,804</u>	<u>149,386</u>
At 31 April 2001	<u>112,473</u>	<u>1,000</u>	<u>109</u>	<u>35,804</u>	<u>149,386</u>
At 1 May 2001	112,473	1,000	109	35,804	149,386
Share issue expenses	(768)	-	-	-	(768)
Loss for the period	-	-	-	(41,829)	(41,829)
	<u>111,705</u>	<u>1,000</u>	<u>109</u>	<u>(6,025)</u>	<u>106,789</u>

13) CONTINGENT LIABILITIES

	Company	
	Unaudited 31 October 2001 HK\$'000	Audited 30 April 2001 HK\$'000
Guarantees for bank loans and overdrafts of certain subsidiaries	<u>46,470</u>	<u>69,457</u>

The Company has executed guarantees to banks for facilities granted to certain subsidiaries totalling approximately HK\$140,523,000 (30 April 2001: HK\$153,098,000). The utilised amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company at the balance sheet date amounted to approximately HK\$46,470,000 (30 April 2001: HK\$69,457,000).

The Group had no significant contingent liabilities as at 31 October 2001 (30 April 2001: Nil)

14) COMMITMENTS

(a) Capital commitments for property, plant and equipment

	Unaudited 31 October 2001 HK\$'000	Audited 30 April 2001 HK\$'000
Contracted but not provided for	1,068	6,025
Authorised by the directors but not contracted for	<u>872</u>	<u>67</u>
	<u>1,940</u>	<u>6,092</u>

(b) Commitments under operating leases

As at 31 October 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 31 October 2001 HK\$'000	Restated 30 April 2001 HK\$'000
Within one year	19,920	20,947
In the second to fifth years inclusive	8,342	17,094
	<u>28,262</u>	<u>38,041</u>

15) RELATED PARTY TRANSACTIONS

Save as disclosed under Note 16(a), there is no other related party transaction during the period (2000: NIL).

16) SUBSEQUENT EVENTS

- (a) In September 2001, a conditional agreement ("Agreement") was entered into between the Company and Mr. Kok Kin Hok ("Mr. Kok") who is the Chairman and a substantial shareholder of the Company. Pursuant to the Agreement, the Company acquired a 73% equity interest in Select Right Development Limited ("Select Right") in total consideration of HK\$200,000,000 to Mr. Kok by way of two payments of cash of HK\$155,000,000 and an allotment of 450,000,000 new shares of HK\$0.10 each of the Company. The purchase was approved by an ordinary resolution on 6 November 2001 and was completed on 14 November 2001.

Details of the transaction are included in the circular dated 11 October 2001 to the shareholders.

- (b) By a special resolution passed on 6 November 2001, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$800,000,000 by the creation of 3,000,000,000 new shares of HK\$0.10 each.
- (c) In November 2001, the Group disposed of its 100% interest in and debts receivable from certain subsidiaries which are mainly engaged in furniture trading and property holding at a total cash consideration of HK\$65 million. The estimate loss on disposal is approximately HK\$41 million and will be recognised in the financial year ending 30 April 2002.