

Notes:

(1) Principal accounting policies and basis of preparation

The unaudited interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The accounting policies and methods of computation used in preparation of these unaudited consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2001.

(2) Income statement by business and geographical segments

The Group’s turnover and results are substantially derived from retailing activity carried out in Hong Kong for both periods. Accordingly, no analysis by business and by geographical segments is presented.

(3) Taxation

	Unaudited six months ended	
	30 June 2002 HK\$'000	30 September 2001 HK\$'000
Hong Kong Profits Tax for the period	—	200

Hong Kong Profits Tax was provided at 16% on the Group’s estimated assessable profits arising in Hong Kong for the last period.

(4) Earnings per share

The calculations of basic and diluted earnings per share for the six months ended 30 June 2002 together with the comparative figures for the six months ended 30 September 2001 are based on the following data:

	Unaudited	
	six months ended	
	30 June	30 September
	2002	2001
	HK\$'000	HK\$'000
Earnings		
Profit attributable to shareholders used in basic and diluted earnings per share calculation	<u>1,003</u>	<u>12,782</u>
Number of shares		
Weighted average number of shares in issue during the period used in basic earnings per share calculation	2,076,777,000	935,910,596
Weighted average number of shares assumed issued at no consideration on deemed exercise of all shares options outstanding during the period	<u>10,723,312</u>	<u>9,346,406</u>
Weighted average number of shares used in diluted earnings per share calculation	<u>2,087,500,312</u>	<u>945,257,002</u>

The weighted average numbers of ordinary shares for the six months ended 30 September 2001 for the purposes of basic earnings per share have been adjusted for the rights issue on 22 November 2001.

(5) Goodwill

	<i>HK\$'000</i>
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COST	
At 1 January 2002 and at 30 June 2002	30,928
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AMORTISATION	
At 1 January 2002	626
Charged for the period	1,521
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At 30 June 2002	2,147
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NET BOOK VALUE	
At 30 June 2002 (unaudited)	28,781
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At 31 December 2001 (audited)	30,302
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(6) Accounts receivable

The Group allowed an average credit period of 60 days to trade customers.

The following is an aging analysis of accounts receivable at the following respective date:

	30 June 2002 (Unaudited) <i>HK\$'000</i>	31 December 2001 (Audited) <i>HK\$'000</i>
0 – 30 days	875	2,609
31 – 60 days	–	388
	<hr/>	<hr/>
	875	2,997
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(7) Accounts payable

The following is an aging analysis of accounts payable at the following respective date:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
0 – 30 days	8,674	35,671
31 – 60 days	12,910	30,784
61 – 90 days	14,616	24,989
Over 90 days	87,278	40,335
	<u>123,478</u>	<u>131,779</u>

(8) Share capital

	Number of ordinary shares of HK\$0.10 each '000	Amount HK\$'000
At 1 January 2002	<u>2,076,777</u>	<u>207,677.70</u>
At 30 June 2002	<u>2,076,777</u>	<u>207,677.70</u>

(9) Reserves

	Share premium account HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2002	80,764	6,055	14,616	101,435
Transfer from share premium account to set off accumulated losses	(30,253)	–	30,253	–
Net profit for the period	<u>–</u>	<u>–</u>	<u>1,003</u>	<u>1,003</u>
At 30 June 2002	<u>50,511</u>	<u>6,055</u>	<u>45,872</u>	<u>102,438</u>

(10) Placement of shares

On 19 July 2001, 63,000,000 shares of HK\$0.10 each were issued to independent third parties through placement at a subscription price of HK\$0.40 per share. The proceeds, before expenses, totalled HK\$25,200,000. The proceeds from the issue of shares were used for developing the Group's retailing of furniture and household goods in China.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2002 (2001: Nil).

REVIEW AND OUTLOOK

Financial Review

For the six months ended 30 June 2002, our Group recorded a 6.7% decrease in turnover to HK\$466.0 million when compared with the six-month period ended September of last year. Notwithstanding that turnover figures from the two different accounting periods are not strictly comparable, the fall in our turnover was manifested by the worsening deflation and depressed economic environment. The subsequent weak consumer sentiment was further aggravated by the persistent sluggish property market. As a result of the decline in turnover, we achieved a net profit attributable to shareholders of HK\$1.0 million, representing a 92.2% decrease for the period when compared with the reporting period of last year.

Our Group's total shareholders' equity amounted to HK\$310.1 million on 30 June 2002 as compared to HK\$309.1 million at the end of the last year. Retrogressing business results under aggravated economic environment of Hong Kong was the major contributor to the just slight increase of the Group's net asset value.

On 30 June 2002, our cash and bank balances, all denominated in HK dollars, totalled HK\$121.8 million as compared to HK\$165.5 million on 31 December 2001. Our continued expansion in our retail network by opening new shops in Hong Kong and our plan to expand into the mainland markets by opening shops in the major cities this year accounted for the reduction in our cash and bank balances. Nevertheless, our liquidity ratio remained at a comfortable level of 1.8 times on 30 June 2002 as compared to 1.7 times on 31 December