1. Group reorganisation and basis of preparation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8th November 2001 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company acts as an investment holding company.

In accordance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants (the "HKSA"), the interim financial statements have been prepared using merger accounting as a result of the Group Reorganisation completed on 15th December 2001 involving the entities under common control. Details of the Group Reorganisation are set out in note 10 to the interim financial statements and in the Company's prospectus dated 2nd May 2002 (the "Prospectus").

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the HKSA and with the applicable disclosure requirements of Appendix 16 to Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

2. Principal accounting policies

Except for the following changes, the accounting policies adopted by the Group in this interim report are consistent with those adopted in the Group's accountants' report as set out in the Prospectus.

Land and buildings are stated in the unaudited condensed consolidated balance sheet as at 30th June 2002 at their revalued amount, in accordance with the Listing Rules requirements, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortization and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

In addition, in current period, the financial statements have been prepared in accordance with SSAPs which are effective for the accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting

The effect of adopting these new/revised SSAPs is insignificant to the current or past results. Disclosure and certain comparative figures have been modified to conform with the requirements of these SSAPs presentation.

3. Turnover and segment information

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after elimination of all significant intra-Group transactions. The Group's principal activity during the six months ended 30th June 2002 was the manufacture and sale of home furniture.

An analysis of the Group's turnover and revenue is as follows:

	For the six months ended 30th June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover - sale of goods	**94,779**	75,830
Bank interest income	**100**	102
Others	**387**	61
Other revenue	**487**	163
	95,266	75,993

An analysis of the Group's turnover by location of customers is as follows:

	For the six months ended 30th June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales to the People's Republic of China ("PRC")	**92,901**	73,296
Sales to elsewhere in Asia	**1,878**	2,158
Sales to Australia	**—**	158
Sales to North American	**—**	130
Sales to Europe	**—**	88
	94,779	75,830

An analysis of the Group's profit from operating activities by location of customers is as follows:

	For the six months ended 30th June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales to the PRC	**21,338**	17,288
Sales to elsewhere in Asia	**419**	596
Sales to Australia	**—**	44
Sales to North American	**—**	36
Sales to Europe	**—**	24
	21,757	17,988

4. Profit from operating activities is arrived at after charging

	For the six months ended 30th June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Staff cost (including directors' Remuneration)	**11,233**	11,865
Depreciation of owned fixed assets	**2,224**	2,226
Operating lease rentals in respect of buildings	**71**	73
Loss on disposal of fixed assets	**—**	107

5. Tax

	For the six months ended 30th June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period provision		
Hong Kong	**—**	—
Macao	**1,209**	920
PRC	**1,668**	1,580
Tax charge for the period	**2,877**	2,500

Hong Kong profits tax has not been provided for, as the Group did not generate any assessable profits in Hong Kong during the interim period.

Macao complementary profits tax has been calculated at the statutory tax rate of 15.75% on the estimated assessable profits for the interim period of Umbrella Group Limited and Coralview Limited which are engaged in the trading of furniture.

According to the Income Tax Law of the PRC, Wanlibao (Guangzhou) Furniture Ltd. ("Wanlibao"), a wholly owned subsidiary of the Company established in Guangzhou, the PRC, is subject to a preferential corporate income tax rate of 24%, and is exempt from PRC corporate income tax for the first two profitable years of its operations, and thereafter, is eligible for 50% relief from PRC corporate income tax for the following three years. As Wanlibao has suffered from accumulated losses since its establishment, corporate income tax has not been provided for during the interim period.

Ridgecrest Limited, Knollwood Limited and Moffat Limited are engaged respectively in the provision of quality control, design and customer services. Provision for tax on the estimated assessable profits of each of these subsidiaries arising from their operations in the PRC has been calculated at the rate of PRC corporate income tax during the interim period, which is currently 33%.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the interim period.

6. Earning per share

The calculation of basic earnings per share is based on the unaudted net profit from ordinary activities attributable to shareholders for the six months ended 30th June 2002, and on the weighted average of number of approximately 200,036,000 shares (2001: 189,750,000) in issue during the six months ended 30th June 2002.

There were no potential dilutive ordinary share in existence for the interim period and accordingly, no diluted earnings per share has been presented.

7. Interim dividend

The directors have determined that an interim dividend of HK2.5 cents per share amounting to HK$5,750,000 should be paid to the shareholders of the Company whose names appear in the Register of Members on 3rd October 2002 and payable on 10th October 2002.

The Register of Members of the Company will be closed from 30th September 2002 to 3rd October 2002, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with Tengis Limited at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong, not later than 4:00 p.m. on 27th September 2002.

8. Trade receivables

An age analysis of trade receivables is as follows:

	As at 30th June 2002 (Unaudited) ***HK$'000***	As at 31st December 2001 (Audited) *HK$'000*
Within 30 days	**5,667**	5,742
31 days - 90 days	**1,620**	147
91 days - 180 days	**552**	54
181 days - 360 days	**211**	—
Trade receivables, net	**8,050**	5,943

9. Trade payables

An age analysis of trade payables is as follows:

	As at 30th June 2002 (Unaudited) ***HK$'000***	As at 31st December 2001 (Audited) *HK$'000*
Outstanding balances with ages		
Within 30 days	**8,109**	9,223
31 days - 90 days	**7,655**	9,826
91 days - 180 days	**186**	548
Trade payables, net	**15,950**	19,597

10. Share capital

	Company	
	As at 30th June 2002 (Unaudited)	As at 31st December 2001 (Audited)
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each (2001: 2,000,000 ordinary shares of HK$0.10 each)	**200,000**	200,000
Issued and fully paid:		
230,000,000 ordinary shares of HK$0.10 each (2001: 2,000,000 nil paid ordinary shares of HK$0.10 each)	**23,000**	—

The following changes in the Company's authorized and issued share capital took place during the period from 8th November 2001 (date of incorporation) to 30th June 2002:

a) On incorporation, the Company had an authorized share capital of HK$100,000 divided into 1,000,000 ordinary shares of HK$0.10 each.

b) On 13th November 2001, 1,000,000 ordinary shares of HK$0.10 each were issued at par and nil paid.

c) On 15th December 2001, the authorized share capital of the Company was increased to HK$200,000,000 by the creation of a further 1,999,000,000 shares of HK$0.10 each.

d) Pursuant to the Group Reorganisation as set out in the Prospectus, 1,000,000 ordinary shares of HK$0.10 each issued nil paid, as mentioned in point (b) above, were credited as fully paid and 1,000,000 new ordinary shares of HK$0.10 each were allotted and issued, credited as fully paid in consideration for the acquisition by the Company of the entire issued share capital of Chitaly (BVI) Limited.

e) The Directors were authorized to capitalize HK$18,775,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 187,750,000 Shares for allotment and issue to Shareholders on the register of members of the Company at the close of business on 26th April 2002, (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then respective existing holdings.

10. Share capital *(Continued)*

f) On 15th May 2002, 40,250,000 ordinary shares of HK$0.10 each were issued at HK$1.00 each for a total cash consideration, before issue expenses, of HK$40,250,000 through an initial public offering by way of placing and public offer.

		Company	
	Notes	*Number of shares*	*HK$'000*
Authorised:			
On incorporation	(a)	1,000,000	100
Increase in authorised share capital	(c)	1,999,000,000	199,900
		2,000,000,000	200,000
Issued:			
Ordinary shares of HK$0.10 each were issued at par and nil paid	(b)	1,000,000	—
For the acquisition of the entire issued share capital of Chitaly (BVI) Limited, issue and allotment of ordinary shares of HK$0.10 each, credit as fully paid	(d)	2,000,000	200
Capitalisation issue	(e)	187,750,000	18,775
New issue on public listing	(f)	40,250,000	4,025
As at 30th June 2002		230,000,000	23,000