

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

*For the six months ended 30 June 2002*

### 1. Principal accounting policies

The unaudited condensed consolidated interim report have been prepared in accordance with the requirements of the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd. (Main Board), including compliance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim report are consistent with those used in the annual accounts for the year ended 31 December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP1 (revised):	Presentation of financial statements
SSAP11 (revised):	Foreign currency translation
SSAP15 (revised):	Cash flow statements
SSAP25 (revised):	Interim financial reporting

### 2. Principal activities

The principal activity of the Company is investment holding. The principal activities of subsidiaries comprise the design, manufacture and sales of a wide range of home and garden decorative products.

### 3. Segmental information

An analysis of the Group's turnover and results for the period ended 30 June 2002 by geographical segments is as follows:

#### Geographical segments by location of customers

	Six months ended 30 June 2002 (Unaudited)				
	United States of America	Europe	Asia Pacific	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	125,331	164,098	20,546	2,072	312,047
Segment results	3,892	20,036	1,521	287	25,736
Unallocated costs					(25,392)
Profit from operating activities					344
Finance costs					(9,777)
Loss before tax					(9,433)
Tax					82
Loss before minority interests					(9,351)
Minority interests					(74)
Net loss from ordinary activities attributable to shareholders					(9,425)

**3. Segmental information (Continued)****Geographical segments by location of customers (Continued)**

	Six months ended 30 June 2001 (Unaudited)				Consolidated HK\$'000
	United States	Europe	Asia	Others	
	of America HK\$'000		Pacific HK\$'000		
Turnover	203,452	172,040	24,064	4,220	403,776
Segment results	21,026	22,987	2,852	1,031	47,896
Unallocated costs					(27,637)
Profit from					
operating activities					20,259
Finance costs					(11,774)
Profit before tax					8,485
Tax					(3,857)
Profit before					
minority interests					4,628
Minority interests					(618)
Net profit from					
ordinary activities					
attributable to					
shareholders					4,010

Business segments are not presented because the Group's turnover and operating profit were principally contributed by decorative products manufacturing business.

#### 4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold and services provided	<b>199,343</b>	255,528
Depreciation	<b>16,592</b>	15,296
Amortisation of intangible assets	<b>9,939</b>	1,697
Amortisation of goodwill	<b>246</b>	–
Loss on disposal of fixed assets	<b>251</b>	1,359

#### 5. Finance costs

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts		
wholly repayable:		
Within five years	<b>8,109</b>	11,329
Over five years	<b>1,420</b>	–
Interest on finance leases	<b>248</b>	445
Total finance costs	<b>9,777</b>	11,774

**6. Tax**

	<b>Six months ended 30 June</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current year provision:		
Hong Kong	-	-
Elsewhere	<b>64</b>	3,857
Overprovision in prior years:		
Hong Kong	-	-
Elsewhere	<b>(146)</b>	-
	<b>(82)</b>	3,857

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising from Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

**7. Dividend**

At a meeting of the Board of Directors held on 17 September 2002, the Directors resolved not to pay any interim dividend to shareholders (six months ended 30 June 2001: Nil).

**8. Earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the period of HK\$9,425,000 (six months ended 30 June 2001: net profit of HK\$4,010,000) and the weighted average of 460,707,486 (six months ended 30 June 2001: 349,336,797 as adjusted to reflect bonus issue during year 2001) ordinary shares in issue during the period.

The diluted earnings/(loss) per share for the period ended 30 June 2002 and 30 June 2001 have not been calculated as no diluting events existed during both period.

## 9. Accounts receivable

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 45 to 90 days, extending up to 120 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management.

As at 30 June 2002, the aged analysis of the accounts receivable is as follows:

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Current to 30 days	<b>58,575</b>	50,680
31 – 60 days	<b>32,547</b>	11,888
61 – 90 days	<b>7,508</b>	6,005
Over 90 days	<b>10,100</b>	13,800
	<b>108,730</b>	82,373

As at 30 June 2002, accounts receivable of the Group of approximately HK\$39,163,000 (31 December 2001: HK\$18,275,000) were pledged to the Group's bankers to secure banking facilities granted to the Group.

**10. Interest-bearing bank loans and overdrafts**

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Bank overdrafts repayable on demand:		
Secured	<b>7,392</b>	2,609
Unsecured	<b>4,968</b>	–
	<b>12,360</b>	2,609
Bank loans:		
Secured	<b>148,795</b>	134,544
Unsecured	<b>49,810</b>	39,130
	<b>198,605</b>	173,674
The maturity of the bank loans is as follows:		
Bank loans are wholly repayable:		
Within one year	<b>121,822</b>	131,770
In the second year	<b>49,227</b>	12,289
In the third to fifth years, inclusive	<b>18,185</b>	18,003
Beyond five years	<b>9,371</b>	11,612
	<b>198,605</b>	173,674
Portion classified as current liabilities	<b>(121,822)</b>	(131,770)
Long term portion	<b>76,783</b>	41,904

## 11. Accounts and bills payables

As at 30 June 2002, the aged analysis of the accounts and bills payables is as follows:

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Current to 30 days	<b>61,374</b>	48,662
31 – 60 days	<b>17,211</b>	12,092
61 – 90 days	<b>19,799</b>	10,573
Over 90 days	<b>21,836</b>	27,332
	<b>120,220</b>	98,659

## 12. Share capital

	<b>30 June 2002 Number of shares (Unaudited) '000</b>	<b>30 June 2002 Nominal value (Unaudited) HK\$'000</b>	31 December 2001 Number of shares (Audited) '000	31 December 2001 Nominal value (Audited) HK\$'000
Authorised:				
Ordinary share of HK\$0.10 each	<b>1,000,000</b>	<b>100,000</b>	1,000,000	100,000
Issued and fully paid:				
Ordinary share of HK\$0.10 each	<b>511,615</b>	<b>51,161</b>	366,905	36,690

Pursuant to placing agreements entered into between the Company and eight independent investors on 20 December 2001, 66,710,000 ordinary shares were issued on 7 January 2002 at a subscription price of HK\$0.33 per share, with a cash consideration, before expenses, of approximately HK\$22,014,000. It will be used to expand the Group's production facilities and distribution network and to provide further working capital for the Group's operational purpose.



**12. Share capital (Continued)**

Pursuant to placing agreements entered into between the Company and seven independent investors on 22 March 2002, 78,000,000 ordinary shares were issued on 24 April 2002 at a subscription price of HK\$0.30 per share, with a cash consideration, before expenses, of approximately HK\$23,400,000. It will be used to expand the Group's production facilities and distribution network and to provide additional working capital for the Group's operational purpose.

**13. Contingent liabilities**

	Group		Company	
	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Bills discounted with recourse	2,332	13,529	-	-
Guarantees of banking facilities granted to subsidiaries	-	-	298,090	300,658
Guarantees of finance leases granted to subsidiaries	-	-	44,000	49,000

As at 30 June 2002, banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$137,887,000 (31 December 2001: HK\$122,556,000).

**14. Comparative amounts**

Due to the adoption of certain new and revised SSAPs during the current period, certain comparative amounts have been reclassified to conform with the current period's presentation.