



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT

For the six months ended 30 June 2004

1. PRINCIPAL ACCOUNTING POLICIES

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

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 2003.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group is the design, manufacture and sales of home, garden and plastic decorative products.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT (continued)

3. SEGMENTAL INFORMATION

An analysis of the Group's turnover and results for the period ended 30 June 2004 by geographical segments is as follows:

Geographical segments by location of customers

	Six months ended 30 June 2004 (Unaudited)				
	United States	Asia			Consolidated
	of America	Europe	Pacific	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	263,562	204,479	49,378	2,020	519,439
Segment results	27,563	24,720	472	277	53,032
Unallocated costs					(32,651)
Profit from operating activities					20,381
Finance costs					(10,469)
Profit before tax					9,912
Tax					936
Profit before minority interests					10,848
Minority interests					21
Net profit from ordinary activities attributable to shareholders					10,869

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT** (continued)**3. SEGMENTAL INFORMATION** (continued)**Geographical segments by location of customers** (continued)

	Six months ended 30 June 2003 (Unaudited)				
	United States		Asia		
	of America	Europe	Pacific	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	147,138	219,816	43,098	3,193	413,245
Segment results	10,856	34,834	147	378	46,215
Unallocated costs					(33,955)
Profit from operating activities					12,260
Finance costs					(9,938)
Share of loss of an associate					(1,360)
Profit before tax					962
Tax					998
Profit before minority interests					1,960
Minority interests					(174)
Net profit from ordinary activities attributable to shareholders					1,786



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT (continued)

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	345,482	260,401
Depreciation	17,906	21,108
Amortisation of intangible assets	9,600	9,614
Provision for doubtful debts	499	4,065
Provision for other receivables	–	1,120
Amortisation of goodwill	329	388
Loss on disposal of fixed assets	716	550

5. FINANCE COSTS

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable		
Within five years	9,730	9,367
Over five years	486	345
Interest on finance leases	253	226
Total finance costs	10,469	9,938

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT** (continued)**6. TAX**

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current year provision:		
Hong Kong	-	-
Elsewhere	(936)	(998)
	(936)	(998)

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 overseas 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.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates are as follows:

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before tax	9,912	962
Tax at domestic rates applicable to profits/(losses) in the countries concerned	5,402	(794)
Lower tax rate for specific provinces in Mainland China	(55)	(1,366)
Tax holiday	(8)	(167)
Effect on opening deferred tax of increase in rates	-	78
Income not subject to tax	(60,980)	(39,727)
Expenses not deductible for tax	61,659	43,799
Unrecognised tax losses	2,039	3,931
Tax losses from previous years utilised	(8,993)	(6,752)
Tax charge at effective rate	(936)	(998)



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT (continued)

6. TAX (continued)

In accordance with the relevant approval documents issued by the Mainland China tax authorities, certain subsidiaries of the Group operating in the Mainland China are exempted from Mainland China corporate income tax for the first two profitable calendar years of operation and thereafter are eligible for a 50% relief from Mainland China corporate income tax for the following three years.

7. DIVIDEND

The Board resolved not to declare any interim dividend for the period ended 30 June 2004 (six months period ended 30 June 2003: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$10,869,000 (six months ended 30 June 2003: HK\$1,786,000) and the weighted average of 730,938,000 (six months ended 30 June 2003: 613,938,000) ordinary shares in issue during the period.

The diluted earnings per share for the period ended 30 June 2004 and 30 June 2003 have not been calculated as no diluting events existed during both period.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT** (continued)**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 2004, the aged analysis of the accounts receivable is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) <i>HK\$'000</i>
Current	45,891	66,923
30 – 60 days	19,808	13,390
61 – 90 days	17,591	5,456
Over 90 days	10,492	9,129
	93,782	94,898

At 30 June 2004, accounts receivable of the Group of approximately HK\$20,345,000 (31 December 2003: HK\$9,364,000) were pledged to the Group's bankers to secure banking facilities granted to the Group.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT (continued)

10. BANK LOANS AND OVERDRAFTS

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Bank overdrafts repayable on demand:		
Secured	6,909	4,951
Unsecured	8,531	6,371
	15,440	11,322
Bank loans:		
Secured	188,445	198,878
Unsecured	4,702	3,281
	193,147	202,159
The maturity of bank loans is as follows:		
Bank loans are wholly repayable:		
Within one year	129,091	124,612
In the second year	44,741	17,125
In the third to fifth years, inclusive	12,356	52,322
Over five years	6,959	8,100
	193,147	202,159
Portion classified as current liabilities	(129,091)	(124,612)
Long term portion	64,056	77,547

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT** (continued)**11. ACCOUNTS AND BILLS PAYABLES**

As at 30 June 2004, the aged analysis of the accounts and bills payables is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Current	58,354	69,317
30 – 60 days	39,785	20,352
61 – 90 days	17,826	17,297
Over 90 days	25,878	15,528
	141,843	122,494

12. SHARE CAPITAL

	Number of shares 30 June 2004 (Unaudited) '000	Nominal value 30 June 2004 (Unaudited) HK\$'000	Number of shares 31 December 2003 (Audited) '000	Nominal value 31 December 2003 (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	1,000,000	100,000	1,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	730,938	73,094	730,938	73,094



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM REPORT (continued)

13. CONTINGENT LIABILITIES

	Group		Company	
	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Bills discounted with recourse	7,508	5,447	-	-
Guarantees of banking facilities granted to subsidiaries	-	-	355,063	255,381
Guarantees of finance leases granted to subsidiaries	-	-	26,400	26,400

As at 30 June 2004, banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$172,310,000 (31 December 2003: HK\$140,912,000).

14. RELATED PARTY TRANSACTION

During the period, commission fee of approximately HK\$7,897,000 (six months ended 30 June 2003: Nil) has been paid to Geoglobal Partners LLC, other shareholder of a subsidiary. The commission fee is the disbursement of expenses for promoting our products and soliciting for orders.

15. POST BALANCE SHEET EVENTS

On 18 August 2004, the Company entered into three loan agreements with Mr. Lin Chun Kuei, Mr. Ng Kin Nam and Mr. Andree Halim (the "Lenders"), pursuant to which each of the Lenders will advance to the Company a shareholder's loan in the sum of approximately HK\$3,900,000 for general working capital requirement. The lenders are directors and have interests in the share capital of the Company. The shareholders' loans are unsecured, interest-free and have no fixed terms of repayment.

Subsequent to the balance sheet date, the Group secured a five-year bank loan of approximately HK\$ 23,400,000 for the construction of two new factories in Shanwei City, Guangdong Province, China with an expected capital expenditure of approximately HK\$ 37,000,000.

16. COMPARATIVE AMOUNTS

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