NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2003, except the new accounting policy adopted during the Period as described below.

Investment properties

Investment properties are properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value at the balance sheet date. Any surplus or deficit arising on the valuation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance of investment property revaluation reserve is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the profit and loss account.

No depreciation is provided on investment properties except where unexpired terms of the relevant leases are 20 years or less.

2. SEGMENT INFORMATION

An analysis of the Group's business segments is as follows:

	Segment turnover		**Segment results**	
	Six months ended 30 June		**Six months ended 30 June**	
	2004	2003	**2004**	2003
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Skin and health care	**6,292**	–	**(4,732)**	–
Trading of jewellery	**16,646**	–	**860**	–
Trading of steel	**15,425**	–	**929**	–
Trading of other products	**12,414**	–	**(57)**	–
Trading of wine	**3,580**	4,713	**(286)**	(117)
Discontinued operation *(note 3)*				
Production and trading of Shao Xing wine	**–**	91,681	–	20,162
	54,357	96,394	**(3,286)**	20,045
Unallocated income			**917**	92
Unallocated expenses			**(6,578)**	(26,151)
Loss from operating activities			**(8,947)**	(6,014)

3. DISCONTINUED OPERATION

On 19 March 2004, the Company entered into a conditional agreement (and supplemented by a further agreement dated 29 March 2004) to dispose of its entire interest in the issued share capital of an indirect wholly-owned subsidiary, All Paramount International Limited ("All Paramount"), to an independent third party at a consideration of approximately HK$45 million (the "Disposal"). The principal asset of All Paramount was its 49% equity interest in Dong Feng Shao Xing Wine Co. Ltd. ("Dong Feng") which was principally engaged in the production and distribution of Shao Xing wine in People's Republic of China ("PRC"). The Disposal was completed on 2 April 2004 ("Disposal Date").

Pursuant to an agreement (the "Voting Agreement") entered into between Firstone Food & Beverage Industry Company Limited ("FFB"), a wholly-owned subsidiary of the Company, and the other joint venture partner of Dong Feng (the "PRC Joint Venture Partner") in 1998, the PRC Joint Venture Partner agreed to vote unconditionally in favour of FFB in all future shareholders' meetings of Dong Feng. Accordingly, Dong Feng was treated as a subsidiary of the Company in prior years.

In November 2003, the PRC Joint Venture Partner was officially approved to have its shareholding in Dong Feng be transferred to ZheJiang China Light & Textile Industrial City Group Co., Ltd ("Hing Fong"). Hing Fong and the PRC Joing Venture Partner indicated that due to their latest corporate policy, the validity of the Voting Agreement would have no further effect as from 1 January 2004, therefore Dong Feng was treated as an associate of the Group during the period under review up to the Disposal Date.

4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities was determined after charging:

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**878**	7,654
Provision for bad and doubtful debts	**581**	1,923

5. TAX

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits for 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.

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profits tax		
Hong Kong	**281**	–
Elsewhere	**–**	4,708
Deferred taxation	**1**	–
	282	4,708
Share of tax attributable to associates		
Hong Kong	**47**	–
Elsewhere	**2,553**	–
	2,600	–
	2,882	4,708

6. LOSS PER SHARE

The calculation of basic loss per share are based on the unaudited net loss from ordinary activities attributable to shareholders of HK$11,358,000 (2003: HK$29,105,000) and the weighted average number of 9,336,213,830 (2003: 3,993,409,113) ordinary shares in issue during the Period, as adjusted to reflect the exercise of share options and the issue of shares as part of the consideration for acquisitions of subsidiaries.

Diluted loss per share for both periods has not been shown because the share options outstanding during the Period had an anti-dilutive effect on the basic loss per share for the Period and there were no potential ordinary shares in existence during the prior period.

7. ACQUISITIONS OF SUBSIDIARIES

During the Period, the Group acquired 100% of the issued share capital of Profit Team Consultants Limited ("Profit Team") and Excel Harvest Corporation Limited ("Excel Harvest"), 75% of the issued share capital of Jafoon Limited ("Jafoon") and 80% of the issued share capital of Silver Dragons Limited ("Silver Dragons").

The following summarises the effects of the acquisitions:–

	HK$'000
Net assets acquired	11,876
Goodwill arising on acquisitions	106,621
Consideration	118,497

The subsidiaries acquired contributed HK$18,802,000 for the Group's operating activities, and utilised HK$16,364,000 for investing activities and HK$12,026,000 for financing activities.

8. DISPOSAL OF SUBSIDIARIES

The results of the subsidiaries for the period from 1 January 2004 to the dates of disposal, which had been included in the Group's results for the Period, were as follows:–

	HK$'000
Turnover	–
Operating costs	–
Finance costs	–
Share of results of an associate	8,826
Profit before tax	8,826
Share of tax attributable to an associate	(2,553)
Profit for the period	6,273

The net assets of subsidiaries at the dates of disposal were as follows:–

	HK$'000
Net assets disposed of	50,091
Translation reserve realised	(6,238)
	43,853
Gain on disposal	1,446
Consideration	45,299

The subsidiaries disposed of did not make any significant contribution to the cash flows of the Group during the Period.

9. CAPITAL EXPENDITURE

The movements in investment properties and property, plant and equipment during the Period were summarised as follows:

	Investment properties (Unaudited) *HK$'000*	**Property, plant and equipment (Unaudited)** *HK$'000*
Net book value as at 1 January 2004	–	175,064
Additions	12,485	1,741
Acquired on acquisition of subsidiaries	61,522	4,517
Surplus arising on revaluation	5,500	–
Disposal	–	(177)
Eliminated on disposal of subsidiaries	–	(175,019)
Depreciation	–	(878)
Net book value as at 30 June 2004	79,507	5,248

10. GOODWILL

Goodwill mainly represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries at the dates of acquisitions and is capitalised and amortised on a straight-line basis over its estimated economic life of not more than twenty years.

11. TRADE RECEIVABLES

Trading terms with customers are largely on credit and credit periods range from 30 days to 150 days. Overdue balances are regularly reviewed by senior management.

The following is an aging analysis of trade receivables, net of provisions, at the balance sheet date based on the invoice date, which is when the goods are delivered and services are rendered.

	30 June 2004 (Unaudited) ***HK$'000***	31 December 2003 (Audited) *HK$'000*
Current to 3 months	**52,310**	8,779
3 to 6 months	**46,822**	2,799
Over 6 months	**7,485**	1,739
	106,617	13,317

12. TRADE PAYABLES

The following is an aging analysis of trade payables at the balance sheet date based on the date of the goods purchased and services rendered.

	30 June 2004 (Unaudited) ***HK$'000***	31 December 2003 (Audited) *HK$'000*
Current to 3 months	**48,223**	18,942
3 to 6 months	**13,935**	322
Over 6 months	**4,083**	2,629
	66,241	21,893

13. SHARE CAPITAL

	30 June 2004 (Unaudited) ***HK$'000***	31 December 2003 (Audited) *HK$'000*
Authorised:		
25,000,000,000 (2003: 25,000,000,000) ordinary shares of HK$0.01 each	**250,000**	250,000
50 (2003: 50) convertible preference shares of HK$1,000,000 each	**50,000**	50,000
Issued and fully paid:		
10,326,818,226 (2003: 7,986,818,226) ordinary shares of HK$0.01 each	**103,268**	79,868

During the Period, the following movements in the Company's share capital were recorded:

(a) On 12 January 2004 and 21 April 2004, 720,000,000 and 900,000,000 ordinary shares were allotted at the agreed prices of HK$0.012 and HK$0.02 per share respectively and recorded at prices of HK$0.018 and HK$0.015 per share respectively (which were the closing prices quoted on the Stock Exchange at the date of completion of acquisitions) as part of the consideration for the acquisitions of subsidiaries.

(b) On 11 February 2004 and 12 February 2004, 85,000,000 and 170,000,000 ordinary shares were issued at the price of HK$0.0198 per share and on 13 May 2004, 465,000,000 ordinary shares were issued at the price of HK$0.0144 per share for a total cash consideration of HK$11,745,000 upon the exercise of share options granted to the staff, directors of the Group and business partners of the Group.

A summary of the movements in the Company's share capital is presented as follows:

	Number of shares	*HK$'000*
At 1 January 2004	7,986,818,226	79,868
Issued as consideration for the acquisitions of subsidiaries	1,620,000,000	16,200
Exercise of share options	720,000,000	7,200
At 30 June 2004	10,326,818,226	103,268

14. CONTINGENT LIABILITY

The Group did not have any significant contingent liability at the balance sheet date.

15. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	30 June 2004 (Unaudited) ***HK$'000***	31 December 2003 (Audited) *HK$'000*
Capital commitments, contracted for acquisition of property, plant and machinery	**33,818**	25,466

16. POST BALANCE SHEET EVENTS

(a) Pursuant to a placing agreement and a subscription agreement both dated 6 July 2004, Ample Glory Limited, a substantial shareholder of the Company, agreed to place 1,000,000,000 ordinary shares of the Company through a placing agent to independent investors at HK$0.011 per share and, at the same time, to subscribe for 1,000,000,000 new shares in the Company at the same price ("Top-up Placement"). Net proceeds of the subscription after deducting expenses is approximately HK$10.64 million. The Top-up Placement was completed on 20 July 2004.

Details of the above are set out in the Company's announcement dated 8 July 2004.

(b) On 23 July 2004, the Group entered into a conditional sale and purchase agreement with independent third parties for the acquisition of 100% equity interest in the share capital of Daiwah Company Limited ("Daiwah") at a consideration of HK$28,500,000. Daiwah and its subsidiaries are principally engaged in the provision of total solution in digital output like artwork production and graphic design for advertising, decoration and window dressing. The consideration was settled by the allotment and issue of an aggregate of 455,000,000 ordinary shares in the Company at an issue price of HK$0.011 per share and by cash of HK$23,495,000 to the vendors. The acquisition was completed on 13 August 2004.

The acquisition constituted a discloseable transaction, details of which are set out in the Company's circular dated 16 August 2004.

17. COMPARATIVE FIGURES

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

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the board of directors on 24 September 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the Period, the Group recorded a turnover of approximately HK$54.4 million (2003: HK$96.4 million) with net loss attributable to shareholders of approximately HK$11.4 million (2003: HK$29.1 million). The turnover for the Period decreased by 44% as compared to the six months ended 30 June 2003 (the "Previous Period") while net loss has cut down by more than 60%. The turnover and net loss for the Previous Period come from the wine business which the Group has disposed most of it in early 2004. To broaden the income base of the Group, the Group has diversified its business since the end of 2003. The Group has acquired several new businesses in the Period and only the post acquisition accounts are reviewed in this report.

Business review

Wine business

In April 2004, the Group disposed of its entire interests in All Paramount which was the holding company of 49% interests in Dong Feng. Dong Feng was principally engaged in the production and distribution of Shao Xing wine in the PRC and ceased to become a subsidiary of the Group after 1 January 2004 as a result of the termination of a voting alliance agreement between the Group and the other shareholder of Dong Feng. Attributable to the fact that the Group has become a minority shareholder of Dong Feng's business, the Group decided to dispose of its interests in the wine business under Dong Feng and diversified its business to other different markets so as to broaden the income base of the Group.

Skin and health care business

In early January 2004, the Group acquired Profit Team which is principally engaged in the sales and marketing of international branded products for skin care and cosmetics as well as in the operation of beauty treatment centers. Having faced severe market competition in the cosmetics and skin care retail sector, the performance of Profit Team was not satisfactory and loss was recorded during the Period. The management has restructured the business of Profit Team by launching its cosmetics and skin care wholesale business in Hong Kong and the PRC while trimming down its business in the retail sector as the market competition at the wholesale level is relatively less keen and less overhead is required to support the wholesale business. The management expects its business performance will improve by then.