



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with 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 (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs, which has resulted in the adoption of the following new/revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP No. 9 (Revised) "Event after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the dividend reserve as at 1st April, 2000 by approximately HK\$54,880,000 and as at 1st April, 2001 by approximately HK\$61,314,000 respectively.

Provisions

In accordance with SSAP No. 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has not had any significant effect on the results for the current or prior accounting periods.

Intangible assets

SSAP No. 29 "Intangible Assets", has introduced a formal framework for accounting for intangible assets. Adoption of this Standard not had any material effect on the results and disclosures for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable assets at the date of acquisition of a subsidiary and is capitalised and amortised on a straight-line basis over its estimated useful life of ten years. Adoption of SSAP No. 30 "Business Combinations" has not had any significant effect on the Group's accounting policy nor on the results for the current or prior accounting periods.



3. SEGMENTAL INFORMATION

Business segments

Sales of Christmas festive products account for more than 90% of the Group's turnover for the interim period. The Group is also engaged in the sales of leisure furniture products, which account for less than 10% of the Group's turnover in the interim period.

The management regards its business segments as being the predominant source of the enterprise's risks and returns. Sales of leisure furniture products are usually more concentrated in the second half of the financial year according to the seasonal sales pattern. Sales of leisure furniture products are expected to increase and to be disclosed as a separate business segment for the year ending 31st March, 2002.

Geographical segments

An analysis of the Group's turnover by geographical market is as follows:

	1st April, 2001 to 30th September, 2001 HK\$'000	1st April, 2000 to 30th September, 2000 HK\$'000
United States of America	616,904	448,834
United Kingdom and Continental Europe	108,989	148,456
Canada	49,108	40,823
Asia Pacific	28,861	27,316
Others	1,737	7,549
	805,599	672,978

An analysis of contribution to profit before taxation by geographical market has not been presented as the ratio of contribution to profit before taxation to turnover for each individual geographical market is substantially in line with the overall group ratio.



4. PROFIT BEFORE TAXATION

	Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation and amortisation		
– property, plant and equipment	19,862	17,530
– goodwill	154	–
Interest on borrowings	4,570	4,317
Provision for premium payable on redemption of convertible notes	–	2,273

5. TAXATION

	Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profits for the period	9,120	7,025
Income tax charge in the PRC attributable to a subsidiary	1,500	1,500
	10,620	8,525

A portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

6. DIVIDENDS

On 9th August, 2001, a dividend of HK1.8 cents per share (2000: HK1.65 cents per share) was paid to shareholders as the final dividend for the year ended 31st March, 2001.

The directors have determined that an interim dividend of HK0.7 cent per share (2000: HK0.6 cent per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 14th December, 2001.



7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	1st April, 2001 to 30th September, 2001 HK\$'000	1st April, 2000 to 30th September, 2000 HK\$'000
Net profit for the period	160,688	146,065
Effect of dilutive potential ordinary shares in respect of interest on and provision for premium payable on redemption of convertible notes	16	3,031
Earnings for the purposes of diluted earnings per share	160,704	149,096
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,403,748,497	3,374,793,579
Effect of dilutive potential ordinary shares in respect of		
Convertible notes	5,506,841	251,937,980
Share options	1,521,599	14,963,987
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,410,776,937	3,641,695,546

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$40,000,000 (six months ended 30th September, 2000: HK\$20,000,000) on additions to property, plant and equipment to upgrade its production capabilities.



9. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers credit periods normally ranging from 7 days to 30 days. A longer credit period is granted to a few customers with long business relationship and strong financial position and interest is charged on the outstanding balances of such customers.

The aged analysis of trade receivables at the balance sheet date is stated as follows:

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
0 to 30 days	106,840	40,063
31 to 60 days	12,979	2,758
61 to 90 days	979	713
Over 90 days	22,367	10,632
Other receivables and prepayments	143,165 21,635	54,166 22,176
	164,800	76,342

10. TRADE AND OTHER PAYABLES

The aged analysis of trade payables as at the balance sheet date is stated as follows:

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
0 to 30 days	16,096	74,131
31 to 60 days	1,192	7,622
61 to 90 days	322	720
Over 90 days	118	793
Other payables and accrued charges	17,728 88,579	83,266 37,644
	106,307	120,910



11. BORROWINGS

During the period, the Group obtained new bank loans in the amount of HK\$62,000,000. The loans bear interest at market rates and are repayable by instalments over a period of one to three years.

12. SHARE CAPITAL

	Number of shares	Values HK\$'000
Ordinary shares of HK\$0.02 each		
<i>Authorised:</i>		
At 1st April, 2000	1,000,000,000	100,000
Share sub-division	4,000,000,000	-
At 31st March, 2001 and 30th September, 2001	5,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1st April, 2000	665,215,000	66,522
Share sub-division (note a)	2,660,860,000	-
Exercise of share options (note b)	59,750,000	1,195
At 31st March, 2001	3,385,825,000	67,717
Exercise of share options (note c)	20,500,000	410
At 30th September, 2001	3,406,325,000	68,127

The movements in the ordinary share capital for the year ended 31st March, 2001 were as follows:

- (a) Pursuant to an ordinary resolution passed at a Special General Meeting held on 20th April, 2000, the then issued and unissued ordinary shares of HK\$0.10 each in the capital of the Company were sub-divided into five ordinary shares of HK\$0.02 each. All the sub-divided ordinary shares resulting from the share sub-division rank pari passu in all respects.
- (b) During the year, the Company issued and allotted 59,750,000 shares of HK\$0.02 each in the Company for cash at HK\$0.15872 per share as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in issue in all respects.

The movements in the ordinary share capital for the period ended 30th September, 2001 were as follows:

- (c) The Company issued and allotted 20,500,000 shares of HK\$0.02 each in the Company for cash at HK\$0.09376 per share as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in issue in all respects.



13. RESERVES

	Share premium account <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
Balance at 1st April, 2000					
– as previously stated	260,992	909	–	337,885	599,786
– prior period adjustment (<i>note 2</i>)	–	–	54,880	–	54,880
– as restated	260,992	909	54,880	337,885	654,666
Premium arising from issue of shares	8,289	–	–	–	8,289
Share issue expenses	(108)	–	–	–	(108)
Net profit for the year	–	–	–	156,373	156,373
Dividends declared	–	–	82,615	(82,615)	–
Dividends paid	–	–	(76,181)	–	(76,181)
Balance at 1st April, 2001	269,173	909	61,314	411,643	743,039
Premium arising from issue of shares	1,512	–	–	–	1,512
Net profit for the period	–	–	–	160,688	160,688
Dividends declared	–	–	23,844	(23,844)	–
Dividends paid	–	–	(61,314)	–	(61,314)
Balance at 30th September, 2001	270,685	909	23,844	548,487	843,925

14. CONTINGENCIES AND COMMITMENTS

	30th September, 2001 <i>HK\$'000</i>	31st March, 2001 <i>HK\$'000</i>
Contingent liabilities:		
Bills discounted with recourse	30,086	20,501
Long service payments	5,003	4,726
	35,089	25,227
Capital commitments in respect of property, plant and equipment:		
Authorised but not contracted for	13,025	16,136
Contracted for but not provided in the financial statements	–	5,202
	13,025	21,338