

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, except that comparatives figures are not presented for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

2.1 In the current period, the Company has adopted SSAP (Revised 9) “Events after the balance sheet date” (“SSAP 9 (Revised)”) for the first time. SSAP 9 (Revised) specifies that dividends declared after the balance sheet date should not be recognised as a liability at the balance sheet date. SSAP 9 (Revised) has been applied retrospectively resulting in a prior adjustment (*see note 13*).

2.2 Adoption of SSAP 30, “Business Combinations” and SSAP 31, “Impairment of Assets” and Interpretation 13

SSAP 31 prescribes procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets, (including fixed assets, goodwill arising on business combinations accounted for using the purchase method and intangible assets) as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amount of the assets is to be determined. Any resulting impairment losses identified are charged to the income statement.

In accordance with the provisions of Interpretation 13, assessments of impairment of goodwill also apply to goodwill previously eliminated against reserves which will not be reinstated at the time of adoption of SSAP 30. Any impairment loss identified in respect of goodwill previously eliminated against reserves is to be recognized as an expense in the income statement. The amendments to SSAP 30 and the provisions of Interpretation 13 are required to be reflected in accordance with the requirements of SSAP 2 and the transitional provision in SSAP 30.

The Group has performed an assessment of the fair value of its assets, including the related goodwill that had previously been charged to reserves. The Group has retrospectively restated its previously reported net loss for the periods ended 31st December, 2000 and 31st December, 1999 by HK\$31,779,964 and HK\$31,415,575, respectively for the impairment of goodwill arising from the acquisition of associates.

Except as stated above, the condensed financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31st December, 2000.

3. Turnover

An analysis of the Group's turnover and contribution to operating profit by activity for the six months ended 30th June, 2001 is as follows:

Activity	For the six months ended 30th June, 2001		2000	
	Turnover (unaudited) HK\$	Contribution to operating profit (unaudited) HK\$	Turnover (unaudited) HK\$	Contribution to operating profit (unaudited) HK\$
Continuing operations				
Manufacture and sale of consumer home products	453,820,373	4,923,732	560,318,918	33,016,016
Investment in securities	–	–	7,149,096	(214,958)
	453,820,373	4,923,732	567,468,014	32,801,058
Discontinued operations				
Operating of a general merchandise store	1,891,343	(4,293,317)	9,067,519	(8,747,204)
	455,711,716	630,415	576,535,533	24,053,854
Impairment loss of investment in securities		(2,500,000)		–
		(1,869,585)		24,053,854

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

Geographical market	For the six months ended 30th June,	
	2001	2000
	(unaudited) <i>HK\$</i>	(unaudited) <i>HK\$</i>
North America	174,800,546	192,148,098
Holland	93,735,545	106,409,944
Germany	37,023,065	59,691,579
United Kingdom	39,176,113	50,128,091
France	36,140,462	56,807,426
Other European countries	25,285,029	33,891,789
Hong Kong	18,120,096	33,376,590
Australia	12,248,494	14,779,039
China	6,655,833	9,143,183
Others	12,526,533	20,159,794
	<u>455,711,716</u>	<u>576,535,533</u>

Contribution to operating profit by geographical market has not been presented as the contribution to operating profit from each market is closely proportional to the turnover attributable to that market.

4. (Loss) profit from operations

(Loss) profit from operations has been arrived at after charging and crediting:

	For the six months ended 30th June,	
	2001	2000
	(unaudited) <i>HK\$</i>	(unaudited) <i>HK\$</i>
Depreciation and amortisation	16,008,921	16,663,835
(Gain) loss on disposal of property, plant and equipment	(439,035)	184,662
Operating lease payments in respect of rented Properties	12,354,384	16,285,376
Provision for bad and doubtful debts	2,000,464	–
	<u>2,000,464</u>	<u>–</u>

5. Finance costs

	For the six months ended 30th June,	
	2001	2000
	(unaudited)	(unaudited)
	HK\$	HK\$
<i>Interest on:</i>		
Bank borrowings wholly repayable within five years	3,355,355	4,322,111
Obligations under finance leases	669,754	540,364
	<u>4,025,109</u>	<u>4,862,475</u>

6. Discontinued operations

On 1st March, 2001, the Group discontinued its business of operating of a general merchandise store. The cost incurred for such discontinuance was approximately HK\$3,146,000.

The results of the discontinued operations for the period from 1st January, 2001 up to the date of discontinuance and for the six months ended 30th June, 2001 are set out in note (3) to the condensed financial statements.

7. Taxation

	For the six months ended 30th June,	
	2001	2000
	(unaudited)	(unaudited)
	HK\$	HK\$
Hong Kong profits tax	–	3,787,556
Share of taxation of an associate		
Overseas taxation	48,490	–
	<u>48,490</u>	<u>3,787,556</u>

Hong Kong Profits Tax is calculated at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

8. (Loss) earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to shareholders of HK\$7,667,200 (2000: profit of HK\$11,383,000) and the weighted average of 477,926,292 (2000: 459,792,678) shares in issue during the period. The exercises of the Company's options do not result in any dilutive effect for the six months ended 30th June, 2001 and 30th June, 2000.

9. Property, plant and equipment

During the period, the Group spent approximately HK\$13,454,000 (2000: HK\$29,485,000) on additions and approximately HK\$16,009,000 (2000: HK\$16,664,000) on depreciation and amortisation in respect of the Group's property, plant and equipment.

10. Debtors and prepayments

	30th June, 2001 (unaudited) <i>HK\$</i>	31st December, 2000 (audited) <i>HK\$</i>
Trade debtors	70,747,490	75,268,643
Bills receivable	18,567,167	18,605,581
Other debtors and prepayments	6,445,500	9,648,397
	<u>95,760,157</u>	<u>103,522,621</u>

The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade debtors at the reporting date:

	30th June, 2001 (unaudited) <i>HK\$</i>	31st December, 2000 (audited) <i>HK\$</i>
0 – 60 days	64,401,966	63,815,238
61 – 90 days	651,268	1,847,755
> 90 days	5,694,256	9,605,650
	<u>70,747,490</u>	<u>75,268,643</u>

11. Creditors, bills payable and accrued charges

	30th June, 2001 (unaudited) <i>HK\$</i>	31st December, 2000 (audited) <i>HK\$</i>
Trade creditors	71,452,296	78,083,201
Bills payable	34,397,382	2,119,738
Other creditors and accrued charges	44,655,431	44,395,956
	<u>150,505,109</u>	<u>124,598,895</u>

The following is an aged analysis of trade creditors at the reporting date:

	30th June, 2001 (unaudited) <i>HK\$</i>	31st December, 2000 (audited) <i>HK\$</i>
0 – 60 days	59,820,183	65,351,060
61 – 90 days	9,426,608	8,928,101
> 90 days	2,205,505	3,804,040
	<u>71,452,296</u>	<u>78,083,201</u>

12. Share capital

There were no movements in the share capital of the Company during the period from 1st January, 2001 to 30th June, 2001.

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	30th June, 2001 (unaudited)	31st December, 2000 (audited)	30th June, 2001 (unaudited) HK\$	31st December, 2000 (audited) HK\$
<i>Authorised:</i>				
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
<i>Issued and fully paid:</i>				
At beginning of the year	477,926,292	445,149,272	47,792,629	44,514,927
Exercise of warrants	–	17,020	–	1,702
Exercise of share options	–	2,100,000	–	210,000
Issue of shares	–	30,660,000	–	3,066,000
At end of the period	<u>477,926,292</u>	<u>477,926,292</u>	<u>47,792,629</u>	<u>47,792,629</u>

13. Reserves

	Share premium HK\$	Goodwill HK\$	Translation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
The Group							
As at 1 January, 2000							
– as original stated	132,166,061	(73,612,368)	(159,919)	85,000	–	127,102,564	185,581,338
– prior period adjustment on change in accounting policy, goodwill of subsidiaries written off (see note 2.2)	–	31,415,575	–	–	–	(31,415,575)	–
– derecognition of liability for final dividend for 1999 (see note 2.1)	–	–	–	–	14,337,278	–	14,337,278
– as restated	132,166,061	(42,196,793)	(159,919)	85,000	14,337,278	95,686,989	199,918,616
Exchange adjustment	–	–	433,109	–	–	–	433,109
Premium on issue of shares	12,849,722	–	–	–	–	–	12,849,722
Share issuing expenses	(18,748)	–	–	–	–	–	(18,748)
Loss for the year (note 1)	–	–	–	–	–	(11,543,082)	(11,543,082)
Amount set aside for 2000 dividend	–	–	–	–	14,337,619	(14,337,619)	–
Final dividend for 1999 paid	–	–	–	–	(14,337,278)	–	(14,337,278)
Interim dividend for 2000 paid	–	–	–	–	(4,779,093)	–	(4,779,093)
At 31 December, 2000	144,997,035	(42,196,793)	273,190	85,000	9,558,526	69,806,288	182,523,246
Loss for the period	–	–	–	–	–	(7,667,200)	(7,667,200)
Amount set aside for 2001 dividend	–	–	–	–	4,779,263	(4,779,263)	–
Final dividend for 2000 paid	–	–	–	–	(9,558,526)	–	(9,558,526)
At 30 June, 2001	<u>144,997,035</u>	<u>(42,196,793)</u>	<u>273,190</u>	<u>85,000</u>	<u>4,779,263</u>	<u>57,359,825</u>	<u>165,297,520</u>

Note 1

HK\$

Profit for the year ended 31st December, 2000 – as original stated	20,236,882
Prior period adjustment on change of accounting policy	
– Goodwill of associates written off (<i>see note 2.2</i>)	<u>(31,779,964)</u>
Loss for the year ended 31st December, 2000 – as restated	<u><u>(11,543,082)</u></u>

14. Contingent liabilities

	30th June, 2001 (unaudited) HK\$	31st December, 2000 (audited) HK\$
Export bills discounted with recourse	<u>30,698,323</u>	<u>25,264,653</u>

15. Capital commitments

	30th June, 2001 (unaudited) HK\$	31st December, 2000 (audited) HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>7,002,000</u>	<u>24,040,313</u>
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<u>200,000</u>	<u>6,027,200</u>