

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Exchange differences on translation of the financial statements of foreign entities	–	(137)
Net profit/(loss) for the period	(57,052)	24,416
TOTAL RECOGNISED GAINS AND LOSSES	(57,052)	24,279

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting". 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 2000, except that the Group has changed certain of its accounting policies following the adoption of new and revised SSAPs which became effective for the current accounting period.

The Group has adopted the transitional provision of SSAP 30 "Business Combinations" that goodwill previously eliminated against reserves need not be restated and will be charged to the income statement at the time of disposal of the subsidiary or associate or at such time the goodwill is determined to be impaired. Goodwill arising on acquisition after 1 January 2001 is capitalized and amortized on a straight-line basis over its estimated useful life. Any impairment of goodwill will be recognized as an expense in the income statement immediately. As a result, goodwill of HK\$9,198,000 arising from acquisition of an associate in prior year was considered to be impaired and charged from capital reserve to the income statement during the period.

The adoption of the other new and revised SSAPs has no significant effect to the results of the Group in current or prior period.

2. Segmental information

An analysis of the Group's turnover and contribution to operating profit/(loss) by principal activities and by principal markets is as follows:

	Turnover		Contribution to operating profit/(loss)	
	Six months ended 30 June		Six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Principal activities:				
Trading of industrial products	214,051	256,487	2,040	10,346
Distribution and installation of building supplies, electrical and mechanical products	85,202	–	(8,320)	–
Property and investment holdings	1,858	2,020	(33,470)	14,694
	<u>301,111</u>	<u>258,507</u>	<u>(39,750)</u>	<u>25,040</u>
Principal markets:				
The People's Republic of China:				
Hong Kong	275,431	225,635	(39,187)	24,592
Elsewhere	25,680	32,872	(563)	448
	<u>301,111</u>	<u>258,507</u>	<u>(39,750)</u>	<u>25,040</u>

3. Other revenue

	Six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
	Realised gain on disposals of investment securities	–
Unrealised gain on investment securities	–	11,270
Interest income	2,021	5,998
Dividend income from other investments	279	–
Others	899	2,157
	<u>3,199</u>	<u>37,188</u>

4. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	Six months ended 30 June	
	2001	2000
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Depreciation	1,870	1,254
Unrealised holding losses on other investments	18,136	540
Provision for impairment in value of investment securities	–	8,000
Provision for impairment in value of properties held for resale	–	4,600
	20,006	14,400

5. Share of losses of associates

Included in the results of an associate are provision of HK\$62 million charged to the income statement for impairment in value of its assets and goodwill of HK\$36 million charged to retained earnings as a result of business combinations. The Group's share of the loss of the associate including the write-off of goodwill amounted to HK\$16.7 million for the period.

6. Tax

	Six months ended 30 June	
	2001	2000
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Group:		
Hong Kong profits tax	(115)	(335)
Overseas tax	(15)	(18)
Overprovision in deferred tax	20	–
	(110)	(353)
Associates	(667)	–
	(777)	(353)

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated based on existing legislation, interpretations and practices in respect thereof at the rates of tax prevailing in the countries in which the Group operates.

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders of HK\$57,052,000 (2000: profit of HK\$24,416,000) and on the 2,755,994,984 shares (2000: 2,755,994,984 shares) in issue during the period.

The diluted loss per share for the period ended 30 June 2001 has not been shown as the exercise prices of the share options outstanding during that period are higher than the fair value per share of the Company, resulting in no dilutive effect on the basic loss per share for the period.

The calculation of diluted earnings per share for the period ended 30 June 2000 was based on the net profit attributable to shareholders of HK\$24,416,000. The weighted average number of shares used in the calculation was 2,755,994,984 shares in issue during that period, as used in the basic earnings per share calculation, plus the weighted average of 39,209,837 shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during that period with dilutive effect.

8. Trade and bills receivables

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
Trade receivables	139,148	156,543
Bills receivable	67	1,370
	139,215	157,913

The Group grants a credit period to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with a good business relationship. Details of the ageing of trade receivables are as follows:

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
Current to 30 days	107,741	117,715
31-60 days	8,819	25,959
61-90 days	13,464	4,623
Over 90 days	20,472	37,489
	150,496	185,786
Provision	(11,348)	(29,243)
	139,148	156,543

9. Trade and bills payables

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
Trade payables	51,625	66,303
Bills payable	18,259	15,505
	69,884	81,808

Details of the ageing of trade payables are as follows:

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
Current to 30 days	34,669	51,737
31-60 days	9,146	8,684
61-90 days	2,088	2,448
Over 90 days	5,722	3,434
	51,625	66,303

10. Reserves

	Share premium account HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2001	554,756	207,658	(493,421)	268,993
Impairment loss in value of goodwill charged to the income statement	–	9,198	–	9,198
Net loss for the period	–	–	(57,052)	(57,052)
At 30 June 2001	554,756	216,856	(550,473)	221,139

11. Related party transactions

	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Management fees paid to a major shareholder	500	500
Rental and office expenses paid to a related company	649	395

Management fees are charged by the major shareholder based on the time involvement of the personnel providing services.

The rental paid to a related company was calculated by reference to the open market rates and the area occupied. The office expenses were charged on an actual basis.

12. Post balance sheet event

As announced on 27 August 2001, the Company through its wholly-owned subsidiary acquired the entire issued share capital of Best Treasure Limited from Chinney Investments, Limited for a cash consideration of HK\$9,868,789. The transaction was completed on 3 September 2001.

Chinney Investments, Limited is a substantial shareholder of the Company and currently owns approximately 29% of the issued share capital of the Company. Best Treasure Limited and its subsidiaries are principally engaged in the wholesaling of electrical appliances, engineering contracting business in the air-conditioning industry and provision of maintenance services.

13. Review of interim financial statements

The interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the year ending 31 December 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS**Liquidity and financial resources**

The cash resources of the Group were largely applied to reduce bank borrowings. Total interest-bearing debts of the Group reduced from HK\$167 million as at 31 December 2000 to HK\$122 million as at 30 June 2001. Approximately 84% of the debts were due and repayable within one year.