

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 ("SSAP") No.25 "Interim Financial Reporting", except that, in this first year of implementation of the Standard, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), no comparative amounts have been presented for either:

- the condensed consolidated statement of recognised gains and losses; or
- the condensed consolidated cash flow statement.

2. Principal accounting policies

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, 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 9 (Revised) "Events 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 in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 3).

Provisions

In accordance with SSAP 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 resulted in the derecognition of general provisions. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 3).

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the six months ended 30th June, 2000 have been amended so that they are presented on a consistent basis.

Intangible assets

In prior years, the Group did not recognise any regular amortisation charge in respect of its intangible assets due to the fact that the recoverable amount of the assets was considered to be in excess of their carrying amount. SSAP 29 "Intangible Assets" requires that all intangible assets should be amortised over their useful lives. Accordingly, in the current period, the Group has adopted a policy of amortisation over the useful lives of its intangible assets, which range from 5 to 20 years. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 3).

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously written off to retained profits. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively (Note 3). Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserve and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified.

2. Principal accounting policies (continued)

Goodwill (continued)

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised over its estimated useful life i.e. over periods ranging between 5 and 20 years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. Prior period adjustments

The financial effect of the adoption of the new/revised accounting policies described in Note 2 is summarised below:

	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000
Balance at 1st January, 2000			
As originally stated	1,282,791	–	1,282,791
Derecognition of liability for final dividend for 1999	–	26,439	26,439
Reversal of general provision	5,000	–	5,000
Amortisation of intangible assets for the first time, net of effect of minority interests	(1,438)	–	(1,438)
As restated	<u>1,286,353</u>	<u>26,439</u>	<u>1,312,792</u>

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:

	Six months ended 30.6.2001 HK\$'000	Twelve months ended 31.12.2000 HK\$'000	Six months ended 30.6.2000 HK\$'000
Amortisation of intangible assets, net of effect of minority interests	289	308	154
Retrospective recognition of impairment of goodwill	–	42,044	–
	<u>289</u>	<u>42,352</u>	<u>154</u>

Notes to the Condensed Financial Statements (continued)

4. Segment information

The Group's turnover and contribution to profit from operations, analysed by principal activities are as follows:

Business Segments

	Six months ended 30.6.2001		Six months ended 30.6.2000	
	Turnover HK\$'000	Contribution to profit from operations HK\$'000	Turnover HK\$'000	Contribution to profit from operations HK\$'000
Manufacturing and marketing of electric fans and other electrical household appliances	528,672	33,451	561,252	12,588
Manufacturing and marketing of steel pipes and cables	31,041	(5,511)	–	(372)
Steel processing and trading	56,109	1,091	68,871	2,708
Property rental income	14,137	12,198	9,851	7,528
Property investment income	55,486	720	88,991	(9,882)
Trading of securities	680,367	23,897	268,283	26,271
Other businesses	11,048	1,770	9,196	(3,715)
	<u>1,376,860</u>	<u>67,616</u>	<u>1,006,444</u>	<u>35,126</u>
Unallocated corporate expenses		(21,398)		(19,016)
Interest income		25,956		6,814
Profit from operations		<u>72,174</u>		<u>22,924</u>

There is no inter-segment sales between different business segments.

Geographical Segments

	Six months ended 30.6.2001				Six months ended 30.6.2000			
	Turnover			Contribution to profit from operations HK\$'000	Turnover			Contribution to profit from operations HK\$'000
	External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000		External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000	
Hong Kong	605,615	28,717	634,332	32,758	139,622	14,429	154,051	23,595
People's Republic of China ("PRC")	131,541	50,577	182,118	(4,664)	85,808	38,230	124,038	5,314
North America	491,392	–	491,392	50,373	568,109	–	568,109	25,932
Europe	75,323	–	75,323	(11,744)	101,218	–	101,218	(13,237)
Asia, other than Hong Kong and PRC	41,188	–	41,188	(344)	79,350	–	79,350	(10,532)
Others	31,801	–	31,801	1,237	32,337	–	32,337	4,054
	<u>1,376,860</u>	<u>79,294</u>	<u>1,456,154</u>	<u>67,616</u>	<u>1,006,444</u>	<u>52,659</u>	<u>1,059,103</u>	<u>35,126</u>
Eliminations	–	(79,294)	(79,294)		–	(52,659)	(52,659)	
	<u>1,376,860</u>	<u>–</u>	<u>1,376,860</u>		<u>1,006,444</u>	<u>–</u>	<u>1,006,444</u>	
Unallocated corporate expenses				(21,398)				(19,016)
Interest income				25,956				6,814
Profit from operations				<u>72,174</u>				<u>22,924</u>

5. Taxation

	Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000
The charges comprises:		
Provision for the period		
Hong Kong	3,756	6,745
Other regions of the PRC	236	186
Deferred taxation		
Current period	-	(50)
	<u> </u>	<u> </u>
Taxation attributable to the Company and its subsidiaries	3,992	6,881
Share of taxation attributable to associates	221	-
	<u> </u>	<u> </u>
	<u>4,213</u>	<u>6,881</u>

6. Dividends

On 8th June, 2001, a dividend of 3 cents (1999: 5 cents) per share was paid to shareholders as the final dividend for 2000.

The directors have declared that an interim dividend of 1.50 cents (2000: 2 cents) per share and no special interim dividend (2000: 18 cents) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 26th October, 2001.

7. Earnings per share

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

	Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>23,423</u>	<u>327,471</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>511,813</u>	527,857
Effect of dilutive share options		<u>3,142</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share		<u>530,999</u>

No diluted earnings per share has been presented for the current period as the exercise price of the Company's outstanding share options is higher than the average market price of shares.

Notes to the Condensed Financial Statements (continued)

7. Earnings per share (continued)

The earnings per share figures for the prior period has been restated as a result of the prior period adjustments as shown in note 3 above. The adjustment to comparative basic and diluted earnings per share is as follows:

	Basic HK\$	Diluted HK\$
Reported figures before adjustments	62.07 cents	61.70 cents
Adjustment arising from prior period adjustments	<u>(0.03) cents</u>	<u>(0.03) cents</u>
Restated	<u>62.04 cents</u>	<u>61.67 cents</u>

8. Movements in investment properties and property, plant and equipment

	Investment properties HK\$'000	Property, plant and equipment HK\$'000
COSTS OR VALUATION		
At 1st January, 2001	293,755	1,157,135
Translation adjustments	–	(863)
Additions	1,047	56,757
Disposals	–	(29,470)
Reclassification	<u>153,197</u>	<u>(154,687)</u>
At 30th June, 2001	<u>447,999</u>	<u>1,028,872</u>
ACCUMULATED DEPRECIATION		
At 1st January, 2001	–	170,955
Translation adjustments	–	(109)
Provided for the period	–	22,402
Eliminated on disposals	–	(14,098)
Reclassification	<u>–</u>	<u>(1,490)</u>
At 30th June, 2001	<u>–</u>	<u>177,660</u>
NET BOOK VALUE		
At 30th June, 2001	<u>447,999</u>	<u>851,212</u>

At 30th June, 2001, the directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

During the period, the construction of a property under development in the PRC has been completed and transferred to investment properties since the property has been wholly rented out under operating leases.

9. Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$131,923,000 (31st December, 2000: HK\$100,909,000). For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

	30.6.2001 HK\$'000	31.12.2000 HK\$'000
Current	66,498	52,940
31 – 60 days	22,231	16,188
61 – 90 days	23,610	14,457
91 – 180 days	10,330	16,321
181 – 360 days	9,040	1,003
Over 360 days	214	–
	<u>131,923</u>	<u>100,909</u>

10. Trade and other payables

Included in trade and other payables are trade payables of HK\$81,786,000 (31st December, 2000: HK\$50,694,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30.6.2001 HK\$'000	31.12.2000 HK\$'000
Current	51,837	27,806
31 – 60 days	18,996	14,774
61 – 90 days	2,089	2,538
91 – 180 days	1,858	1,664
181 – 360 days	–	636
Over 360 days	7,006	3,276
	<u>81,786</u>	<u>50,694</u>

11. Share capital

	30.6.2001		31.12.2000	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each				
Balance at beginning and end of the period/year	<u>900,000</u>	<u>450,000</u>	<u>900,000</u>	<u>450,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
Balance at beginning of the period/year	512,526	256,263	528,780	264,390
Issued upon exercise of share options	–	–	2,140	1,070
Shares repurchased and cancelled	<u>(2,284)</u>	<u>(1,142)</u>	<u>(18,394)</u>	<u>(9,197)</u>
Balance at end of the period/year	<u>510,242</u>	<u>255,121</u>	<u>512,526</u>	<u>256,263</u>

Notes to the Condensed Financial Statements (continued)

12. Share premium and reserves

	Share premium	Investment property revaluation reserve	Capital redemption reserve	Investment revaluation reserve	Translation reserve	Goodwill reserve	Dividend reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2000									
– as originally stated	527,406	65,045	–	322,655	(3,016)	–	–	1,282,791	2,194,881
– prior period adjustments (Note 3)	–	–	–	–	–	–	26,439	3,562	30,001
– as restated	527,406	65,045	–	322,655	(3,016)	–	26,439	1,286,353	2,224,882
Revaluation surplus	–	30,717	–	–	–	–	–	–	30,717
Share of revaluation deficit of an associate	–	(63,983)	–	–	–	–	–	–	(63,983)
Share of translation reserve of an associate	–	–	–	–	72	–	–	–	72
Profit for the year	–	–	–	–	–	–	–	92,629	92,629
Final dividend	–	–	–	–	–	–	15,376	(15,376)	–
Dividends paid	–	–	–	–	–	–	(26,439)	(103,348)	(129,787)
Realised on disposal of subsidiaries	–	–	–	–	1,121	–	–	–	1,121
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	616	–	–	–	616
Share repurchased	–	–	9,197	–	–	–	–	(26,593)	(17,396)
Share issued at a premium	1,883	–	–	–	–	–	–	–	1,883
Realised on disposal of investments in securities not held for trading	–	–	–	(322,655)	–	–	–	–	(322,655)
Goodwill on purchase of an associate	–	–	–	–	–	–	–	(28,626)	(28,626)
Reclassification of goodwill (Note)	–	–	–	–	–	(28,626)	–	28,626	–
At 31st December, 2000	529,289	31,779	9,197	–	(1,207)	(28,626)	15,376	1,233,665	1,789,473
Profit for the period	–	–	–	–	–	–	–	23,423	23,423
Interim dividend	–	–	–	–	–	–	7,654	(7,654)	–
Dividends paid	–	–	–	–	–	–	(15,376)	62	(15,314)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	10	–	–	–	10
Share repurchased	–	–	1,142	–	–	–	–	(2,734)	(1,592)
At 30th June, 2001	529,289	31,779	10,339	–	(1,197)	(28,626)	7,654	1,246,762	1,796,000

Note: Previously, goodwill arising on acquisition of subsidiaries or associates was written off to retained profits immediately on acquisition. Upon adoption of SSAP 30 “Business Combinations” in the current period, such goodwill is reclassified from retained profits to goodwill reserve.

13. Contingent liabilities

As at the balance sheet date, the Group had outstanding contingent liabilities not provided for in the financial statements in respect of shipping and other guarantees given to bankers of HK\$39,065,000 (31st December, 2000: HK\$3,707,000) for facilities granted to the Company and an associate.

14. Capital commitments

As at the balance sheet date, the Group had commitments as follows:

	30.6.2001 HK\$'000	31.12.2000 <i>HK\$'000</i>
Contracted but not provided for in the financial statements:		
Purchase of motor vehicles	949	11,899
Development expenditure	-	12,933
Construction of factory premises	<u>1,217</u>	<u>805</u>
	<u>2,166</u>	<u>25,637</u>

15. Acquisition of investment in securities

During the period, the Group spent approximately HK\$39 million to acquire further interests in certain investee companies engaging in advanced technology businesses.