

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Accounting policies

General

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties. They should be read in conjunction with the 2000 annual financial statements.

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" except that, in the 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 figures have been presented for the condensed consolidated cash flow statement.

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended December 31, 2000, except that the Group has changed certain of its accounting policies following its adoption of the SSAPs issued by the Hong Kong Society of Accountants, which are effective for accounting period commencing on or after January 1, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases
SSAP 26	:	Segment reporting
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The significant changes in the Group's accounting policies are set out below:

Segment report

The Group has disclosed segmental revenue and results, as defined under SSAP 26 "Segment Reporting". In accordance with the Group's interim financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format. Comparative information has been given.

Goodwill

The Group has adopted SSAP 30 "Business Combinations" and has elected not to restate the goodwill or negative goodwill previously eliminated against or credited to reserves. Accordingly, goodwill arising on acquisitions prior to January 1, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to January 1, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after January 1, 2001 will be capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after January 1, 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Impairment of value arising on goodwill will be accounted for in accordance with SSAP 31 "Impairment of Assets".

2. Turnover and segmental information

	Turnover		Segment results	
	Six months ended June 30		Six months ended June 30	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments				
Audio-visual and other electrical products	27,465	33,581	(3,097)	(7,749)
Air-conditioning products	89,333	131,457	9,888	15,537
Car audio and electronic products	26,384	40,210	(2,555)	(2,623)
Cars and car accessories	116,601	–	4,239	–
Direct marketing	7,992	33,061	(2,935)	(12,168)
Others	418	1,174	20	17
	268,193	239,483	5,560	(6,986)
Unallocated corporate expenses			(3,196)	(1,238)
Profit(Loss) from operations			2,364	(8,224)
Geographical segments				
Hong Kong	203,569	145,747	6,759	(8,228)
Singapore	16,890	17,306	(3,440)	(4,367)
Malaysia	7,816	9,094	(647)	(389)
The People's Republic of China	2,067	26,510	(1,142)	4,630
Macau	30,019	31,702	3,824	2,355
Others	7,832	9,124	206	(987)
	268,193	239,483	5,560	(6,986)
Unallocated corporate expenses			(3,196)	(1,238)
Profit(Loss) from operations			2,364	(8,224)

3. Depreciation and amortisation

During the period, depreciation of approximately HK\$8,101,000 (2000: HK\$8,168,000) was charged in respect of the Group's property, plant and equipment; and amortisation of approximately HK\$1,539,000 (2000: HK\$1,539,000) was charged in respect of the Group's intangible assets.

4. Provision against impairment in value of goodwill

During the period, goodwill arising from acquisition of a subsidiary was written off and charged to the income statement as an expense.

5. Taxation

	Six months ended June 30	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Profits Tax for the period:		
Hong Kong	–	(561)
Overseas taxation	(54)	–
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Taxation attributable to the Company and its subsidiaries	(54)	(561)
Share of taxation attributable to associates	(932)	(1,192)
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	(986)	(1,753)
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Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

6. Loss per share

The calculation of loss per share is based on the loss for the period of HK\$5,095,000 (2000: HK\$ 5,152,000) and on the weighed average number of 1,408,000,184 (2000: 1,404,845,892) ordinary shares in issue during the period.

Diluted loss per share is not presented for the period as the effect of exercising the Company's outstanding share options is anti-dilutive.

7. Additions to investment properties and property, plant and equipment

During the period, no investment property was acquired except for the transfer from land and building of HK\$2,100,000 (2000: additions of HK\$ 3,308,000).

During the period, there were additions of property, plant and equipment amounted to HK\$2,150,000 (2000: HK\$7,210,000).

8. Trade and other receivables

The Group allows an average credit period of 30 to 90 days to its customers. The aged analysis of trade receivables is as follows:

	June 30 2001 HK\$'000	December 31 2000 HK\$'000
Within 30 days	17,995	18,771
Over 30 days	10,803	6,329
Over 60 days	2,010	1,848
Over 90 days	3,274	2,943
Over 1 year	3,191	3,390
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Total trade receivables	37,273	33,281
Other receivables	32,464	42,510
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	69,737	75,791
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9. Issued capital

	Number of shares of HK\$0.10 each	Nominal value HK\$'000
Authorised:		
At January 1, 2000 and January 1, 2001 and June 30, 2001	3,500,000,000	350,000
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Issued and fully paid:		
At January 1, 2000	1,400,553,178	140,055
Issue of shares upon exercises of share options	6,092,000	609
Cancellation upon repurchase of own shares	(1,574,000)	(157)
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At January 1, 2001	1,405,071,178	140,507
Issue of shares upon private placing	5,000,000	500
Cancellation upon repurchase of own shares	(1,200,000)	(120)
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At June 30, 2001	1,408,871,178	140,887
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10. Capital reserves

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At January 1, 2000	725,537	639	1,434	727,610
Premium on issue of shares	456	–	–	456
Arising upon repurchase of own shares	–	157	–	157
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At January 1, 2001	725,993	796	1,434	728,223
Arising upon repurchase of own shares	–	120	–	120
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At June 30, 2001	725,993	916	1,434	728,343

11. Other reserves

	Exchange reserve <i>HK\$'000</i>
At January 1, 2000	(14,400)
Exchange differences, less minority interest on translation of financial statements of overseas operations	8,318
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At January 1, 2001	(6,082)
Exchange differences, less minority interest on translation of financial statements of overseas operations	2,089
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At June 30, 2001	(3,993)

12. Trade and other payables

The aged analysis of trade payables is as follows:

	June 30 2001 <i>HK\$'000</i>	December 31 2000 <i>HK\$'000</i>
Within 30 days	3,082	7,974
Over 30 days	1,666	2,777
Over 60 days	314	2,623
Over 90 days	4,894	5,063
Over 1 year	27,662	27,972
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Total trade payables	37,618	46,409
Accruals and other payables	78,503	41,533
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	116,121	87,942

13. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended June 30	
	2001	2000
	HK\$'000	HK\$'000
Interest income from associates	–	1,331
Interest expenses paid to Directors	329	305
Management and agency fee paid to a related company	1,831	1,925
	<u>1,831</u>	<u>1,925</u>

14. Pledge of assets

At June 30, 2001, certain of the Group's land and buildings and investment properties with an aggregate net book value of HK\$407,115,000 (December 31, 2000: HK\$412,430,000) and all assets of a subsidiary of HK\$22,404,000 (December 31, 2000: HK\$24,169,000) have been pledged to secure banking facilities granted to the Group.

15. Contingent liabilities

There is no material change in contingent liabilities since the last annual balance sheet date.

16. Commitments

There were no material capital commitments at June 30, 2001 and December 31, 2000.

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend (2000: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results

Group turnover increased to HK\$268,200,000 and by HK\$28,700,000 (+12%) over the same period last year. The major reason for the increase was the inclusion this year, in the results of the Group, the figures for Corich Enterprises Inc. ("Corich"). Corich is the company which controls the interests in the motor vehicle distribution business which primarily represents the "Ferrari" and "Maserati" marques. As reported in the Company's Annual Report 2000, the Group exercised its option to repurchase the shares of Corich that were sold in December 1999, and therefore the business became a 73.6% controlled subsidiary of the Group effective from the beginning of 2001. Other than this, in general most businesses operated at lower levels of turnover than those recorded last year, although there were some exceptions, and these are commented upon in the business reviews.