

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited 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 condensed consolidated interim financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001, except that the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The adoption of these new or revised SSAPs has no significant effect on the results of the Group in both accounting periods.

## 2. Segment information

The Group is principally engaged in the trading of plastics and chemicals, distribution and installation of building supplies, electrical and mechanical products, wholesaling of electrical appliances and air-conditioning engineering works, property and investment holding. An analysis of the Group's revenue and results by business and geographical segments are as follows:

### (a) Business segments

	Plastic and chemical products		Building supplies, electrical and mechanical products	
	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	263,639	206,527	93,550	92,726
Other revenue	1,109	104	94	487
	<u>264,748</u>	<u>206,631</u>	<u>93,644</u>	<u>93,213</u>
<b>Segment results:</b>				
Operating profit/(loss) from ordinary activities	8,816	3,961	(1,810)	(8,409)
Unrealised holding losses on other investments	-	-	-	-
	<u>8,816</u>	<u>3,961</u>	<u>(1,810)</u>	<u>(8,409)</u>
Provision for impairment in value of goodwill				
Interest income and unallocated gains				
Unallocated expenses				
Loss from operating activities				
Finance costs				
Share of profits less losses of associates	-	-	-	-
Loss before tax				
Tax				
Loss before minority interests				
Minority interests				
Net loss attributable to shareholders				

Electrical appliances and air-conditioning business		Property and investment holding		Consolidated	
Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
37,330	-	1,750	1,858	396,269	301,111
70	-	-	-	1,273	591
<u>37,400</u>	<u>-</u>	<u>1,750</u>	<u>1,858</u>	<u>397,542</u>	<u>301,702</u>
309	-	769	520	8,084	(3,928)
-	-	(5,333)	(18,136)	(5,333)	(18,136)
<u>309</u>	<u>-</u>	<u>(4,564)</u>	<u>(17,616)</u>	2,751	(22,064)
				-	(9,198)
				815	3,219
				<u>(6,160)</u>	<u>(6,275)</u>
				(2,594)	(34,318)
				<u>(3,725)</u>	<u>(5,432)</u>
-	-	(2,196)	(16,689)	(2,196)	(16,689)
				(8,515)	(56,439)
				<u>(1,154)</u>	<u>(777)</u>
				(9,669)	(57,216)
				<u>(208)</u>	<u>164</u>
				<u>(9,877)</u>	<u>(57,052)</u>

## (b) Geographical segments

	Hong Kong		Elsewhere in the PRC		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	366,808	275,431	29,461	25,680	396,269	301,111
Other revenue	1,273	591	-	-	1,273	591
	<u>368,081</u>	<u>276,022</u>	<u>29,461</u>	<u>25,680</u>	<u>397,542</u>	<u>301,702</u>
<b>Segment results:</b>						
Operating profit/(loss) from ordinary activities	7,494	(3,632)	590	(296)	8,084	(3,928)
Unrealised holding losses on other investments	(5,333)	(18,136)	-	-	(5,333)	(18,136)
	<u>2,161</u>	<u>(21,768)</u>	<u>590</u>	<u>(296)</u>	<u>2,751</u>	<u>(22,064)</u>

## 3. Other revenue and gains

	Six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income	253	2,021
Dividend income from other investments	27	279
Commission income	1,273	591
Realised gain on disposal of a short term investment	-	611
Others	535	308
	<u>2,088</u>	<u>3,810</u>

#### 4. Loss from operating activities

Loss from operating activities is arrived at after charging:

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,999	1,870
Amortisation of goodwill	207	–
Unrealised holding losses on other investments	5,333	18,136
Staff costs (including directors' emoluments)	<u>27,636</u>	<u>22,655</u>

#### 5. Finance costs

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	<u>3,725</u>	<u>5,432</u>

No interest was capitalised by the Group in both periods.

#### 6. Tax

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Hong Kong profits tax	228	115
Overseas tax	–	15
Overprovision in deferred tax	–	(20)
	<u>228</u>	<u>110</u>
Share of tax attributable to associates	926	667
	<u>1,154</u>	<u>777</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 7. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK\$9,877,000 (2001: HK\$57,052,000) and on the weighted average of 3,239,144,155 (2001: 2,755,994,984) shares in issue during the period.

Diluted loss per share for both accounting periods has not been disclosed as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

## 8. Trade and retention monies receivables

	<b>As at 30 June 2002 (Unaudited) HK\$'000</b>	As at 31 December 2001 (Audited) HK\$'000
Trade receivables	<b>182,427</b>	139,428
Retention monies receivable	<b>3,961</b>	5,074
	<b><u>186,388</u></b>	<u>144,502</u>

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. An ageing analysis of trade receivables as at the balance sheet date, based on payment due date, is as follows:

	<b>As at 30 June 2002 (Unaudited) HK\$'000</b>	As at 31 December 2001 (Audited) HK\$'000
Current to 30 days	<b>145,234</b>	97,015
31-60 days	<b>15,987</b>	23,795
61-90 days	<b>8,110</b>	10,286
Over 90 days	<b>23,534</b>	18,080
	<b><u>192,865</u></b>	<u>149,176</u>
Provision	<b>(10,438)</b>	(9,748)
	<b><u>182,427</u></b>	<u>139,428</u>

## 9. Trade and bills payables

	As at <b>30 June</b> <b>2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>	As at 31 December 2001 (Audited) HK\$'000
Trade payables	<b>55,169</b>	45,845
Bills payable	<b>20,469</b>	8,748
	<hr/> <b>75,638</b> <hr/>	<hr/> 54,593 <hr/>

An ageing analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	As at <b>30 June</b> <b>2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>	As at 31 December 2001 (Audited) HK\$'000
Current to 30 days	<b>40,259</b>	27,460
31-60 days	<b>4,306</b>	6,438
61-90 days	<b>2,348</b>	4,312
Over 90 days	<b>8,256</b>	7,635
	<hr/> <b>55,169</b> <hr/>	<hr/> 45,845 <hr/>

## 10. Issued capital

### Shares

	<b>As at 30 June 2002 (Unaudited) HK\$'000</b>	As at 31 December 2001 (Audited) HK\$'000
<i>Authorised:</i>		
25,000,000,000 ordinary shares of HK\$0.01 each	<u><u>250,000</u></u>	<u><u>250,000</u></u>

### *Issued and fully paid:*

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Nominal value HK\$'000</b>
At 1 January 2002	2,755,994,984	27,560
Shares issued under placement and subscription	<u>550,000,000</u>	<u>5,500</u>
<b>At 30 June 2002</b>	<b><u><u>3,305,994,984</u></u></b>	<b><u><u>33,060</u></u></b>

Pursuant to a placement agreement dated 8 January 2002, arrangements were made for a private placement to independent third parties of 390,000,000 existing shares of HK\$0.01 each in the Company held by Multi-Investment Group Limited ("MIG"), a substantial shareholder of the Company, at the placing price of HK\$0.025 per share. Concurrently, pursuant to a subscription agreement dated 8 January 2002, MIG on 22 January 2002 subscribed for and was allotted with 550,000,000 new shares of HK\$0.01 each in the Company at the issue price of HK\$0.025 per share, of which HK\$0.01 per share was credited to share capital and the balance of HK\$0.015 per share was credited to the share premium account. The proceeds from the issue of new shares are intended to be applied for working capital purpose.



## Share options

The movement of outstanding share options of the Company during the period is as follows:

	Outstanding options with an exercise price of HK\$0.78 per share	Outstanding options with an exercise price of HK\$0.07 per share	Total
At 1 January 2002	7,035,000	48,000,000	55,035,000
Lapsed during the period	(180,000)	–	(180,000)
<b>At 30 June 2002</b>	<b><u>6,855,000</u></b>	<b><u>48,000,000</u></b>	<b><u>54,855,000</u></b>

The exercise in full of the outstanding share options would result in the issue of 54,855,000 additional ordinary shares for an aggregate amount of approximately HK\$8.7 million.

## 11. Reserves

	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2002	554,756	220,076	(622,473)	152,359
Issue of new shares	8,250	–	–	8,250
Share issue expenses	(282)	–	–	(282)
Net loss for the period	–	–	(9,877)	(9,877)
<b>At 30 June 2002</b>	<b><u>562,724</u></b>	<b><u>220,076</u></b>	<b><u>(632,350)</u></b>	<b><u>150,450</u></b>

## 12. Related party transactions

Set out below are the significant transactions between the Group and related parties during the period.

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2001 (Unaudited) HK\$'000
Management fees paid to a major shareholder	(i)	<b>1,000</b>	500
Rental and office expenses paid to a related company	(ii)	<b>349</b>	649
Sales of products to a related company	(iii)	<b>(794)</b>	–
Sales of products to associates	(iii)	<b>(379)</b>	–
Service income from a related company	(iv)	<b>(476)</b>	–
		<u><u>          </u></u>	<u><u>          </u></u>

*Notes:*

- (i) Management fees were charged by the major shareholder based on the time involvement of the personnel providing services.
- (ii) The rental paid to the related company was calculated by reference to the open market rates and the area occupied. The office expenses were charged on an actual basis.
- (iii) The sales of products to associates and the related company were made according to the published prices and conditions offered to the third party customers.
- (iv) The service income earned from the related company was determined according to the published prices and conditions offered to the third party customers.

### 13. Commitments

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>As at 30 June 2002 (Unaudited) HK\$'000</b>	As at 31 December 2001 (Audited) HK\$'000
Within one year	<b>3,674</b>	4,341
In the second to fifth years, inclusive	<b>1,673</b>	3,549
	<b>5,347</b>	7,890

In addition to the operating lease commitments, at the balance sheet date, the Group had commitments under forward foreign exchange contracts amounted to HK\$25,093,000 (31 December 2001: HK\$40,370,000).

The Group had no other significant commitment at the balance sheet date.

### 14. Contingent liabilities

The Group was contingently liable in respect of a bank guarantee given in favour of banking facilities granted to an associate of the Group. As at 30 June 2002, the outstanding bank loan of the associate was HK\$175 million (31 December 2001: HK\$190 million). As a result of the impairment of the carpark assets held by the associate, the Group has made a provision to cover its probable liabilities arising from the estimated shortfall of the guaranteed bank loan against the market value of the carpark assets. During the period, the Group advanced HK\$6,280,000 to the associate out of its internal resources to fund for the repayment of the bank loan. This resulted in an aggregate unsecured and interest-free advance of HK\$75,218,000 to the associate, which has been fully provided for in each of the accounting periods since 1998. The additional provision for impairment in the Group's interests in associates of HK\$6,280,000 for the current period was transferred from the provision for corporate guarantee.

Having regard to the outstanding bank loan, the contingent liability of the Group under the bank guarantee was HK\$70 million at the balance sheet date (31 December 2001: HK\$76 million). Out of which, the liability was provided up to the extent of HK\$16,520,000 (31 December 2001: HK\$22,800,000).

The Group had no other significant contingent liability at the balance sheet date.

#### **15. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

#### **16. Approval of the interim financial statements**

These condensed interim financial statements were approved and authorised for issue by the Board on 12 September 2002.