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## **1. Principal accounting policies**

The unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts) and Appendix 16 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that comparative figures are not presented for the condensed consolidated cash flow statement and such departures from SSAP 25 are permitted under the Listing Rules.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2000. In addition, the requirements of SSAP No. 9 (Revised) as to dividends proposed or declared after the balance sheet date no longer recognised as liabilities and SSAP No. 28 as to derecognition of long-standing round sum provisions for which there is no present obligation have been fully adopted in the preparation of these interim accounts.

Certain comparative amounts have also been reclassified to conform with current period's presentation.

## 2. Segmental informaton

The Group's turnover and contribution to profit from operations for the six months ended 30th June, 2001, analysed by principal activity and geographical market, were as follows:

	Turnover		Contribution to profit from operations	
	30th June, 2001 HK\$'000	30th June, 2000 HK\$'000	30th June, 2001 HK\$'000	30th June, 2000 HK\$'000
By principal activity:				
Printing and manufacturing of packaging products	180,329	154,962	41,408	42,228
Distribution of electronic components	147,757	30,765	763	(363)
Distribution of miscellaneous products	2,381	9,007	8	255
Others	909	941	127	460
	<u>331,376</u>	<u>195,675</u>		
Unallocated corporate expenses			(2,832)	(3,012)
Profit before taxation			<u>39,474</u>	<u>39,568</u>
By geographical market:				
The PRC	268,034	163,038	41,535	42,442
Hong Kong	49,020	26,634	35	157
Other Asian countries	1,334	-	-	-
Europe	12,862	6,003	734	(19)
USA	126	-	2	-
	<u>331,376</u>	<u>195,675</u>		
Unallocated corporate expenses			(2,832)	(3,012)
Profit before taxation			<u>39,474</u>	<u>39,568</u>

### 3. Operating Profit

Operating profit has been arrived at after charging depreciation of HK\$7,376,000 (2000: HK\$5,670,000).

### 4. Taxation

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	162	162
Taxation outside Hong Kong	4,975	10,583
Deferred taxation	-	(19)
	<u>5,137</u>	<u>10,726</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit for the period under review.

Taxation outside Hong Kong represents the People's Republic of China (the "PRC") income tax calculated at the applicable rates on the estimated assessable profit of the Group's PRC subsidiary for the relevant period.

Deferred taxation represents the tax effect of timing differences in respect of the excess of tax allowance over depreciation.

### 5. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$20,143,000 (2000: HK\$18,694,000) and the weighted average number of 266,000,000 shares (2000: 266,000,000 shares) in issue during the period.

### 6. Trade receivables from third parties/minority shareholders

The Group allows an average credit period of 30 days to 90 days to its trade customers.

The following is an aged analysis of trade receivables from third parties:

	0 to 60 days HK\$'000	61 to 90 days HK\$'000	> 90 days HK\$'000	Total HK\$'000
Balance at 30th June, 2001	<u>86,985</u>	<u>1,147</u>	<u>10,440</u>	<u>98,572</u>

The following is an aged analysis of trade receivables from minority shareholders:

	0 to 60 days HK\$'000	61 to 90 days HK\$'000	> 90 days HK\$'000	Total HK\$'000
Balance at 30th June, 2001	<u>27,251</u>	<u>11,168</u>	<u>33,785</u>	<u>72,204</u>

**7. Trade and other payables**

Included within trade and other payables is trade payables balance of HK\$50,235,000.

The following is an aged analysis of trade payables:

	0 to 60 days HK\$'000	61 to 90 days HK\$'000	> 90 days HK\$'000	Total HK\$'000
Balance at 30th June, 2001	<u>29,266</u>	<u>5,155</u>	<u>15,814</u>	<u>50,235</u>

**8. Share Capital**

	<b>Authorised ordinary shares of HK\$0.10 each</b>	
	Number of shares '000	HK\$'000
At 31st December, 2000 and 30th June, 2001	<u>1,000,000</u>	<u>100,000</u>

	<b>Issued and fully paid ordinary shares of HK\$0.10 each</b>	
	Number of shares '000	HK\$'000
At 31st December, 2000 and 30th June, 2001	<u>266,000</u>	<u>26,600</u>

**9. Warrants**

By a resolution of the Directors passed on 29th June, 2001, the Company approved a bonus issue of warrants to shareholders in the ratio of one new warrant for every five shares held by shareholders of the Company on 6th July, 2001, other than those whose registered addresses were outside Hong Kong. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 each in the Company for cash at an exercise price of HK\$2.20 per share, subject to adjustment, at any time from 11th July, 2001 to 30th June, 2004 (both dates inclusive).

**10. Obligations under finance leases**

	<b>30th June, 2001 HK\$'000</b>	31st December, 2000 HK\$'000
The maturity of obligations under finance leases is as follows:		
Within one year	30	172
More than one year but not exceeding two years	<u>—</u>	<u>—</u>
	<b>30</b>	172
Less: Amount due within one year shown under current liabilities	<u>(30)</u>	<u>(172)</u>
Amount due after one year	<u>—</u>	<u>—</u>

**11. Borrowings**

	<b>30th June, 2001</b>	31st December, 2000
	<b>HK\$'000</b>	HK\$'000
Bank loans	<b>147,095</b>	136,086
Trust receipt loans	<b>58,096</b>	60,834
	<b>205,191</b>	196,920
Other loan	<b>4,303</b>	4,239
	<b>209,494</b>	201,159
Analysed as		
– secured (note)	<b>183,908</b>	178,367
– unsecured	<b>25,586</b>	22,792
	<b>209,494</b>	201,159
Within one year or on demand	<b>209,494</b>	201,159
More than one year but not exceeding two years	–	–
	<b>209,494</b>	201,159
Less: Amount due within one year shown under current liabilities	<b>(209,494)</b>	(201,159)
Amount due after one year	–	–

*Note:* Included in secured borrowings are short-term bank loans totalling HK\$125,812,000 (31st December, 2000: HK\$110,018,000) which are to be secured by the assets of a Company's subsidiary in the PRC according to the terms of the relevant loan agreements. No official collateral agreements have been entered into between the relevant banks and the Group up to the date of this report.

**12. Capital commitments**

	<b>30th June, 2001</b>	31st December, 2000
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– Acquisition of property, plant and equipment	<b>25,166</b>	3,293
– Investments in power station	<b>3,051</b>	3,006
	<b><u>28,217</u></b>	<b><u>6,299</u></b>

**13. Contingent liabilities**

At 30th June, 2001, the Company has issued guarantees amounting to HK\$81,000,000 (31st December, 2000: HK\$77,000,000) to banks in respect of banking facilities granted to a subsidiary. The extent of the facilities utilised by the subsidiary at 30th June, 2001 amounted to HK\$58,096,000 (31st December, 2000: HK\$60,834,000).

**14. Related party transactions**

During the period under review, the Group had transactions with the related parties as follows:

<b>Related parties</b>	<b>Nature of transactions</b>	<b>Six months ended</b>	
		<b>30th June, 2001</b>	2000
		<b>HK\$'000</b>	HK\$'000
Yunnan Zhaotong Cigarette Factory	Sale of goods	<b>62,084</b>	74,674
Harbin Cigarette Factory	Sale of goods	<b>38</b>	2,328
Kith Mutual Benefits International Limited	Rental paid	<b>70</b>	139
	Facilities charges paid	<b>62</b>	125
Oncapital Limited	Rental paid	<b>99</b>	–

Save as disclosed above, there were no other significant transactions with related parties during the period or significant balances with them as at 30th June, 2001.