

# Notes to Unaudited Condensed Consolidated Financial Statements

## (1) Principal Accounting Policies and Basis of Preparation

These unaudited consolidated interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issuing by the Hong Kong Society of Accountants (“SSAP 25”), except that comparative figures are not presented for the cash flow statement, being the first cash flow statement to be included in the interim accounts relating to accounting period ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31 December 2000.

These unaudited condensed consolidated interim financial statement have not been audited by the Company’s auditors but have been reviewed by the Company’s Audit Committee.

## (2) Turnover

The Group is principally engaged in manufacture and sales of household electrical appliances, which include air-conditioners and refrigerators.

## (3) Operating Profit

	30 June 2001 (Unaudited) HK\$’000	30 June 2000 (Unaudited) HK\$’000
Operating profit is stated after charging the following:		
Depreciation on fixed assets	25,819	24,695
Amortisation of goodwill	340	340
Interest on borrowings	<u>19,502</u>	<u>19,659</u>

#### (4) Taxation

No Hong Kong profits tax has been provided as the Group did not have any assessable income under Hong Kong profit tax. Overseas taxation has been calculated on the estimated assessable profit for the period at the rate prevailing in the respective jurisdictions.

	<b>30 June 2001</b> <b>(Unaudited)</b> <b>HK\$'000</b>	30 June 2000 (Unaudited) HK\$'000
PRC Taxation	<b>3,861</b>	—

#### (5) Interim Dividend

The directors do not recommend the payment of an interim dividend for the period ended 30 June 2001 (2000: nil).

#### (6) Earnings Per Share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders for the year of approximately HK\$38,064,000 (2000: HK\$61,054,000) and weighted average of 1,207,558,893 shares (2000: 1,174,644,320 shares) in issue during the period.

Diluted earnings per share for the period is computed by diluted number of 1,216,895,889 shares (2000: 1,175,102,928 shares).

#### (7) Trade and Other Receivable

The following is an aging analysis of trade receivable at the reporting date:

	<b>30 June 2001</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 Dec 2000 (Audited) HK\$'000
within 1 year	<b>373,083</b>	187,618
over 1 year but within 2 years	<b>31,460</b>	28,631
over 2 years	<b>60,796</b>	65,270
	<b>465,339</b>	281,519
Provision for doubtful debts	<b>(75,581)</b>	(80,256)
Other receivable	<b>196,453</b>	136,067
	<b>586,211</b>	337,330

## (8) Trade and Other Payable

The following is an aging analysis of trade payable at the reporting date:

	<b>30 June 2001</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>31 Dec 2000</b> <b>(Audited)</b> <b>HK\$'000</b>
within 1 year	<b>633,825</b>	395,206
over 1 year but within 2 years	<b>27,547</b>	26,534
over 2 years	<b>7,111</b>	1,603
	<b>668,483</b>	423,343
Other payable	<b>198,618</b>	247,742
	<b>867,101</b>	671,085

## (9) Share Capital

	<b>30 June 2001</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>31 Dec 2000</b> <b>(Audited)</b> <b>HK\$'000</b>
Authorised:		
1,600,000,000 Ordinary shares of HK\$0.1 each	<b>160,000</b>	160,000
Issued and fully paid:		
1,370,486,408 (31 December 2000: 1,179,056,408)		
Ordinary shares of HK\$0.1 each	<b>137,049</b>	117,906

During the period, 71,430,000 ordinary shares of HK\$0.10 each were issued upon the exercise of share option as follows:

- (a) 49,700,000 shares at a premium of HK\$0.144 each;
- (b) 300,000 shares at a premium of HK\$0.125 each;
- (c) 21,430,000 shares at a premium of HK\$0.111 each.

On 5 June 2001, the Company entered into a placing agreement with First Shanghai Capital Limited and Guotai Junan Securities (Hong Kong) Limited for the placing of 120,000,000 new ordinary shares of HK\$0.1 each at a premium of HK\$0.45 each.

# (10) Reconciliation of Profit before Taxation to Net Cash Outflow from Operating Activities

**1 January 2001  
to 30 June 2001  
(Unaudited)  
HK\$'000**

Profit before taxation	48,720
Share of losses of associates	1,416
Depreciation and amortisation	26,159
Loss on disposal of fixed assets	329
Interest income	(1,527)
Interest expenses	19,502
Increase in tax payable	39,633
Increase in inventory	(98,486)
Increase in trade and other receivable	(248,881)
Increase in trade and other payable	196,016
Exchange difference	19
Net cash outflow from operating activities	<u><u>(17,100)</u></u>

## (11) Related Parties Transactions

Companies are considered to be related if one company has the ability, directly or indirectly, to control the other company or exercise significant influence over the other company in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

The Group had the following material transactions with related parties during the period, which the directors considered were in the normal course of business and under normal commercial terms:

	<b>30 June 2001 (Unaudited) HK'000</b>	30 June 2000 (Unaudited) HK'000
Purchase from Guangzhou Hualing Polyfoam Co. Ltd.	<b>2,955</b>	4,935
Purchase from and processing charges paid to Yunggang Plastic Co. Ltd.	<b>7,432</b>	9,188
	<u><u>10,387</u></u>	<u><u>14,123</u></u>

## (12) Bank Facilities and Pledge of Assets

As at 30 June 2001, the Group had banking facilities of approximately HK\$569,994,000 (as at 31 December 2000: approximately HK\$540,402,000) for overdraft, bank borrowings and trade financing. As at that date, all banking facilities were utilised (as at 31 December 2000: all banking facilities were utilised).

These facilities were secured by:

- a. corporate guarantees given by the subsidiaries of the Company;
- b. charges over certain fixed assets of China Refrigeration Industry Co., Ltd., Guangzhou Hualing Air-conditioning & Equipment Co., Ltd. and Hefei Hualing Electrics Co., Ltd. with a total net book value of approximately of HK\$260,000,000 (as at 31 December 2000: approximately HK\$194,000,000);
- c. charge over a fixed deposit of approximately HK\$27,300,000 equivalent to US\$3,500,000 (as at 31 December 2000: approximately HK\$23,178,000 equivalent to US\$2,970,000) and
- d. charges over the Company's interests in its subsidiaries.

### (13) Commitments

#### (a) Capital Commitments

As at 30 June 2001, the Group had authorised and contracted capital commitments of approximately HK\$23,200,000 (as at 31 December 2000: HK\$49,411,000).

As at 30 June 2001, the Company had no capital commitment (as at 31 December 2000: nil).

#### (b) Operating Lease Commitments

As at 30 June 2001, the Group had the following commitments payable in the coming years:

	<b>30 June 2001 (Unaudited) HK\$'000</b>	<b>31 Dec 2000 (Audited) HK\$'000</b>
Lease payable		
- within one year	<b>3,355</b>	484
- within two to five years	<b>2,630</b>	4,617
	<b><u>5,985</u></b>	<b><u>5,101</u></b>

### (14) Comparative Figures

Certain of 2000 comparative figures have been reclassified to conform to the current period's presentation.