

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2001

1. BASIS OF PRESENTATION

The condensed financial statements have been prepared under the historical cost convention.

The condensed financial statements have been prepared in accordance with the requirements of The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (The “Stock Exchange”), including compliance with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants except that, in this first year of implementation of the Standard, as permitted by the Listing Rules, no comparative figures have been presented for the condensed consolidated cash flow statement.

The accounting policies adopted are consistent with those used in the preparation of the Group’s most recent published audited annual financial statements for the year ended 31st December, 2000. And certain comparative figures have been reclassified to conform with the current basis of presentation.

2. TURNOVER

An analysis of the Group’s turnover by principal activities and geographical location of customers is as follows:

(a) By principal activities:

	Turnover		Contribution to results	
	Six months ended 30th June,		Six months ended 30th June,	
	2001	2000	Unaudited	
	HK\$'000	HK\$'000	2001	2000
			HK\$'000	HK\$'000
Electrical home appliances	121,455	137,321	41,234	54,622
* Cigarette paper	—	76,465	—	36,071
	<u>121,455</u>	<u>213,786</u>	<u>41,234</u>	<u>90,693</u>

* *Cheung Fung Technology (Holdings) Limited was a subsidiary of the Group until 12th October, 2000 when it became an associated company of the Group.*

2. TURNOVER (Continued)

(b) By geographical location of customers:

	Turnover		Contribution to results	
	Six months ended 30th June,	Unaudited	Six months ended 30th June,	Unaudited
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
North America:				
– United States of America	66,862	73,542	25,156	30,855
– Canada	2,387	1,325	504	436
PRC	3,275	78,703	599	36,548
Europe	27,882	37,948	9,853	14,693
Others	21,049	22,268	5,122	8,161
	<u>121,455</u>	<u>213,786</u>	<u>41,234</u>	<u>90,693</u>

3. PROFIT BEFORE TAX

During the period, depreciation of about HK\$6,000,000 (2000: about HK\$7,000,000) was charged to the income statement in respect of the Group's property, plant and equipment. Amortisation of HK\$500,000 (2000: Nil) was charged to the income statement in respect of the Group's goodwill arising on Cheung Fung Reorganisation from Year 2000 (see Note 12).

4. TAXATION

Taxation charges comprised:

	Unaudited	
	Six months ended 30th June, 2001	Six months ended 30th June, 2000
	HK\$'000	HK\$'000
Hong Kong profits tax	589	1,185
Overseas taxation		
– over provision in prior years	–	(1,976)
– current year	–	433
	<u>589</u>	<u>(358)</u>
Share of overseas taxation attributable to an associated company	<u>420</u>	<u>–</u>
	<u>1,009</u>	<u>(358)</u>

Hong Kong profits tax was provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in or derived from Hong Kong. Overseas taxation has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions.

5. EARNINGS PER SHARE

Earnings per share is calculated based on the consolidated net profit attributable to shareholders of HK\$4,668,000 (2000: consolidated profit of HK\$12,615,000) and the 314,300,804 shares (2000: 314,300,804 shares) in issue throughout the respective periods.

The diluted earnings per share is not shown as there are no potential dilutive shares.

6. INTERESTS IN ASSOCIATED COMPANIES

	Unaudited 30th June, 2001			Total <i>HK\$'000</i>	Audited 31st December, 2000			Total <i>HK\$'000</i>
	Breville	Liyuan	Cheung Fung		Breville	Liyuan	Cheung Fung	
Balance sheet								
Share of net assets	-	1,290	86,094	87,384	15	1,290	81,642	82,947
Goodwill	-	-	-	-	-	-	-	-
Amount due from associated company	-	-	3,571	3,571	-	-	-	-
	<u>-</u>	<u>1,290</u>	<u>89,665</u>	<u>90,955</u>	<u>15</u>	<u>1,290</u>	<u>81,642</u>	<u>82,947</u>
Profit and loss								
Share of (loss) profit before taxation	(2)	-	4,873	4,871	(7)	(56)	7,322	7,259
Share of taxation	-	-	(420)	(420)	-	-	(98)	(98)
	<u>(2)</u>	<u>-</u>	<u>4,453</u>	<u>4,451</u>	<u>(7)</u>	<u>(56)</u>	<u>7,224</u>	<u>7,161</u>

7. GOODWILL

	Unaudited Six months ended 30th June, 2001 <i>HK\$'000</i>	Audited Ended 31st December, 2000 <i>HK\$'000</i>
Beginning of the period	-	-
Additions	10,000	-
Amortisation	500	-
	<u>9,500</u>	<u>-</u>
End of the period	<u>9,500</u>	<u>-</u>

8. DEBTORS

The aging analysis of trade debtors at the report date is as follows:

	Unaudited Six months ended 30th June, 2001 HK\$'000	Audited Ended 31st December, 2000 HK\$'000
Within 3 months	30,625	44,101
Between 4 to 6 months	894	1,857
Between 6 to 12 months	375	1,963
Over 12 months	–	695
	<u>31,894</u>	<u>48,616</u>

9. BANK LOANS

Bank loans comprised:

	Unaudited Six months ended 30th June, 2001 HK\$'000	Audited Ended 31st December, 2000 HK\$'000
Short-term bank loans	32,828	37,712
	<u>32,828</u>	<u>37,712</u>

10. CREDITORS

The aging analysis of trade creditors at the report date is as follows:

	Unaudited Six months ended 30th June, 2001 HK\$'000	Audited Ended 31st December, 2000 HK\$'000
Within 3 months	24,596	19,198
Between 4 to 6 months	–	38
Between 6 to 12 months	–	385
Over 12 months	288	–
	<u>24,884</u>	<u>19,621</u>

11. SHARE CAPITAL

Share capital comprised:

	Unaudited Six months ended 30th June, 2001 <i>HK\$'000</i>	Audited Ended 31st December, 2000 <i>HK\$'000</i>
Authorised:		
500,000,000 (2000: 500,000,000) ordinary shares of HK\$0.50 each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid:		
314,300,804 (2000: 314,300,804) ordinary shares of HK\$0.50 each	<u>157,150</u>	<u>157,150</u>

12. RESERVES

	Unaudited 30th June, 2001					Audited 31st December, 2000	
	Share premium account <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profit/(loss) <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>	Total <i>HK\$'000</i>
Beginning of the period	62,669	(7,550)	3,194	138,324	5,704	202,341	180,154
Reversal the goodwill – Cheung Fung reorganisation from retained profit	-	-	-	10,000	-	10,000	-
Reinstatement of goodwill previously charged to retained earnings resulting from the Delight Subscription	-	-	-	-	-	-	2,593
Exchange differences arising from translation of financial statements of subsidiaries denominated in foreign currencies	-	-	-	-	-	-	1,595
Appropriation to general reserve	-	-	-	(1,932)	1,932	-	-
Profit attributable to shareholders	-	-	-	4,668	-	4,668	43,143
Dividends	-	-	-	-	-	-	(25,144)
End of the period	<u>62,669</u>	<u>(7,550)</u>	<u>3,194</u>	<u>151,060</u>	<u>7,636</u>	<u>217,009</u>	<u>202,341</u>

12. RESERVES (Continued)

Goodwill reversal has been prepared in accordance with Statements of Standard Accounting Practice 30 "Business Combinations" issued by the Hong Kong Society of Accounting. Goodwill reversal was transferred from Year 2000 Retained Profit and will be amortized over ten years.

13. CONTINGENT LIABILITIES

For the redevelopment of 410 Kwun Tong Road, the company applied for modification of the land lease to 'Non-Industrial/Office' from its original 'Industrial' use. By a letter dated 14th August, 2001, the Land's department of HKSAR advised that the premium payable for such lease modifications have been assessed at HK\$27,780,000.

14. COMMITMENTS

Capital commitment not provided for in the financial statements was as follows:

	Unaudited 30th June, 2001 HK\$'000	Audited 31st December, 2000 HK\$'000
Commitment for re-development of property (authorised and contracted for)	<u><u>73,131</u></u>	<u><u>104,131</u></u>

The Group has no operating commitments as at 30th June, 2001.

15. BANKING FACILITIES

	Unaudited 30th June, 2001 HK\$'000	Audited 31st December, 2000 HK\$'000
Banking facilities for trade financing, loans and overdrafts as at end of the period	<u><u>131,183</u></u>	<u><u>78,296</u></u>
Unused facilities as at end of the period	<u><u>97,703</u></u>	<u><u>11,045</u></u>