

## Contents

---

	<i>Pages</i>
Notice of Payment of Interim Dividend, 2001	2
Chairman's Statement	3
Disclosure of Interests	6
Financial Review	10
Other Information	11
Independent Review Report	12
Condensed Consolidated Income Statement	13
Condensed Consolidated Balance Sheet	14
Condensed Consolidated Statement of Recognised Gains and Losses	15
Condensed Consolidated Cash Flow Statement	16
Notes to the Condensed Financial Statements	17

**Notice of Payment of Interim Dividend, 2001**

The Board of Directors of Shell Electric Mfg. (Holdings) Company Limited have declared an interim dividend of 1.50 cents per share in respect of the six month period ended 30th June, 2001, payable to shareholders whose names appear on the Register of Members of the Company on 26th October, 2001. Dividend warrants will be sent to shareholders on or before 5th November, 2001.

The Register of Member of the Company will be closed from Monday, 22nd October, 2001 to Friday, 26th October, 2001, both days inclusive, during which period no transfer of the Company's shares will be effected. In order to qualify for the interim dividend, all share certificates with the duly completed transfer forms must be lodged with the Company's Registrars, Standard Registrars limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on Friday, 19th October, 2001.

By Order of the Board  
**PETER LEE YIP WAH**  
*Secretary*

Hong Kong, 18th September, 2001

## Chairman's Statement

### PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited consolidated net profit for the first half of 2001 amounted to HK\$23,423,000. Earnings per share were 4.58 cents.

### INTERIM DIVIDEND

The Board resolved to declare an interim dividend for 2001 of 1.50 cents per share (2000: an interim dividend of 2 cents per share and a special interim dividend of 18 cents per share) to shareholders whose names appear on the Register of Members of the Company on 26th October, 2001. The dividend will be paid on 5th November, 2001.

### BUSINESS REVIEW

#### Electric Fans: Ceiling Fans and Table Fans

There was a slight decrease in the sales of the Group's electric fans for the first half of the year with an overall performance in terms of profit over sales similar to that of the same period last year. Sales of ceiling fans were affected by the slowdowns both in the American and European markets. However, there was a slight increase in sales in the Middle East and African markets. Facing the expected continuous slowdown in the second half of the year together with increasing price competition, the Group will maintain tight cost control for improving its competitive edge. Orders for table and stand fans received from America registered a slight increase while facing the continuous keen price competition. The Group will develop new designs both to attract new customers and enhance its sales to existing customers.

#### Household Vacuum Cleaners

Fierce price competition in Household Vacuum Cleaners has caused the Group to lower the unit sales price in order to boost its sales. Keen competition from China also continues to exert price pressure on unit sales price, thus resulting in negative performance in the first half of the Year 2001. It is anticipated that the performance will gradually improve in the second half of the Year 2001 with a cost reduction scheme in place.

#### Steel Processing and Trading

Due to the prevailing reduction in steel prices coupled with general unsatisfactory economic environment in first half of the year, customers' demand for steel produced by the Group's 70% joint venture steel-processing factory in Huang Pu China with Shinsho Corporation of Japan did not increase. It is expected that the steel processing business will continue to be affected by price competition.

#### Cables Business

The performance of Guangdong Macro Cables Company Limited, in which the Group holds 98% interest, is still unsatisfactory. Thanks to the reduction in raw material prices, the impact coming from the decrease in product selling price was mitigated. The Group is endeavored to advance the engineering skills for increasing the product competitiveness.

### Stainless Steel Welded Tubes Products

Loss was still recorded in Shunde Hua Feng Stainless Steel Welded Tubes Limited in which the Group holds 90.1% equity interest. Facing the market dumped with unsatisfactory grading of steel welded tubes, the company had not yet commercialized its products for the wide acceptance by prime customers although the company had successfully transferred advance technology and imported machinery for the manufacturing of high quality welded products. The Group is targeting at enhancing the business development activities for introducing the products and thus increasing market share.

### Taxi Operations

Guangzhou SMC Car Rental Company Limited in which the Group holds 85.5% equity interest, registered continuous expansion in the fleet based in Guangzhou. The company owned 267 taxi licenses as of 30th June, 2001 and recorded both increases in business turnover and profitability. Basically, all the taxi had been upgraded to equip with environmental friendly engines. Through the fostering of business alliances with companies of similar size and common objectives, the company has established foothold in the Guangzhou car taxi industry.

### Real Estate Investment & Development

The Group holds 20% equity interest in CITIC Plaza in Guangzhou (a property complex comprising an 80-storey Grade A office tower, two 38-storey luxury service apartment towers and a shopping arcade). Reorganization on the management was completed with a significantly improvement in the quality of service for the tenants. During the first half year of 2001, the property complex had installed Gigabit class internet service and became the pioneer in providing such office communication service in Guangzhou. In the meantime, CITIC Plaza donated the largest fountain with greenery being built in the Guangzhou City as part of its corporate citizen duty and as a token for fine lining the landscape in Guangzhou. CITIC Plaza was honored as the "bright spot" of Guangzhou and new lighting would be installed on the surroundings.

The 30,000 square meters of high tech industrial building in Mainland China wholly owned by the Group had been completed for leasing. Satisfactory rental guaranteed by bank issued irrevocable letter of credit had been arranged which would bring in stable rental to the Group going forward.

The first phase of the 130,000 square feet office and commercial premises located at Livermore in California United States had been fully leased and the second phase is expected to complete by the third quarter of year 2001 according to schedule. The Group had signed a long term lease agreement with a major tenant that would occupy 75% of the total 110,000 square feet premises of phase 2. It is expected that a stable lease rental income will be generated starting from the first quarter of year 2002 upon the commencement of the lease.

### Liang Xing Highway

With the complete opening of the Liang Xing Highway in which the Group holds 52% interest in the owner and operator, Shunde Shunyue Highway Construction Ltd., an average daily traffic of 18,000 vehicles was registered using the highway, representing a moderate increase over last year. The operator is endeavoring to increase revenue and to control costs with a view to improving the overall performance.

## Chairman's Statement (continued)

### Technology Investment Projects

Amidst the downturn of American technology stocks, the Group had already made provisions for the investment projects under Sybond Venture Limited. Meanwhile, Sybond had strengthened its control and management on the invested technology projects during the first half of the year, and is looking for chances to reinforce cooperation with the investment partners and associates under the current economic doldrums.

#### *Internet Server*

The Group was interested in about 27% in Neutility Corporation in the United States and the company had restructured the management team for reducing costs and expanding sales, resulting in a timely control on the operating loss. The company is inviting partners for developing a new version of controlling systems.

#### *SI & Software Development*

The Group was interested in 41% in the Hong Kong incorporated company, Modem Devices (China) Limited which developed the Enterprise Operation Support System (EOSS). The company recorded significant increases both in turnover and profits for the first six months in year 2001 due to widespread adoption of the system by major telecommunication and securities companies in China. It is expected that the company will maintain growth in double digits during the second half of the year.

#### *Broadband Communication IC*

The Group was interested in about 43% in Rainmaker Technologies, Inc, a company incorporated in the United States and had successfully launched its broadband communication IC prototype for transmitting television signals through a single telephone wire. The company is still in the research and development phase and required additional funding for continuing the development of communication related application-specific integrated circuit (ASIC) before launch.

#### *Others*

Given the prevailed investment climate, the Group will continue to monitor the investment projects positively with a view to bringing in additional profits to the Group.

### Securities Investment

Despite the downturns in all the world's major stock markets in the first half of the year, the Group's investment in securities managed to record a gross profit for HK\$23,062,000 and the Group's holding of listed investment securities as of 30th June, 2001 amounted to HK\$134,381,000.

By Order of the Board  
**YUNG YAU**  
Chairman

Hong Kong, 18th September, 2001

## DIRECTORS' INTERESTS IN SHARE CAPITAL AND SHARE OPTIONS

### (a) Shares

As at 30th June, 2001, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company were as follows:

Name of director	Number of ordinary shares beneficially owned			
	Personal interests	Family interests	Corporate interests	Other interests
Dr. Yung Yau	93,285,000	3,200,000	–	156,000,000 (Note 1)
Mr. Billy Yung Kwok Kee	39,609,000	–	2,200,000	156,000,000 (Note 1) 10,412,000 (Note 3)
Dr. Leo Tung-Hai Lee	300,000	–	–	–
Mr. Shiu-Kit Ngai	–	–	–	–
Mr. Simon Yung Kwok Choi	18,666,000	–	–	–
Madam Yung Ho Wun Ching	3,200,000 (Note 2)	93,285,000 (Note 2)	–	156,000,000 (Note 1)
Mr. Nicholas Yang Wei Hsiung	350,000	–	–	–
Mr. Leung Chun Wah	1,799,400	–	–	–
Mr. Plato Poon Chak Sang	739,200	–	–	–

Notes:

1. These shares are held by a trust for the benefit of Dr. Yung Yau, Mr. Billy Yung Kwok Kee and Madam Yung Ho Wun Ching.
2. The shares held by Madam Yung Ho Wun Ching under her family interests and personal interests are in fact the same shares included under the personal interests and family interests respectively of Dr. Yung Yau.
3. These shares are held by a trust for the benefit of Mr. Billy Yung Kwok Kee.

## Disclosure of Interests (continued)

## DIRECTORS' INTERESTS IN SHARE CAPITAL AND SHARE OPTIONS (continued)

## (b) Options

The directors had personal interests in share options to subscribe for shares in the Company as follows:

Name of director	Period during which option rights are exercisable	Subscription price per share HK\$	Number of share options As at 01.01.2001 and 30.06.2001
Dr. Yung Yau	28.01.2001 – 27.07.2003	1.38	1,072,000
	28.07.2001 – 27.07.2003	1.38	1,072,000
	28.01.2002 – 27.07.2003	1.38	1,072,000
	28.07.2002 – 27.07.2003	1.38	1,072,000
	28.01.2003 – 27.07.2003	1.38	1,340,000
Mr. Billy Yung Kwok Kee	28.07.2000 – 27.07.2003	1.38	1,072,000
	28.01.2001 – 27.07.2003	1.38	1,072,000
	28.07.2001 – 27.07.2003	1.38	1,072,000
	28.01.2002 – 27.07.2003	1.38	1,072,000
	28.07.2002 – 27.07.2003	1.38	1,072,000
Dr. Leo Tung-Hai Lee	28.01.2003 – 27.07.2003	1.38	1,340,000
	28.07.2000 – 27.07.2003	1.38	96,000
	28.01.2001 – 27.07.2003	1.38	96,000
	28.07.2001 – 27.07.2003	1.38	96,000
	28.01.2002 – 27.07.2003	1.38	96,000
Mr. Shiu-Kit Ngai	28.07.2002 – 27.07.2003	1.38	96,000
	28.01.2003 – 27.07.2003	1.38	120,000
	28.07.2000 – 27.07.2003	1.38	80,000
	28.01.2001 – 27.07.2003	1.38	80,000
	28.07.2001 – 27.07.2003	1.38	80,000
Madam Yung Ho Wun Ching	28.01.2002 – 27.07.2003	1.38	80,000
	28.07.2002 – 27.07.2003	1.38	80,000
	28.01.2003 – 27.07.2003	1.38	1,000,000
	28.07.2000 – 27.07.2003	1.38	800,000
	28.01.2001 – 27.07.2003	1.38	800,000
Mr. Nicholas Yang Wei Hsiung	28.07.2001 – 27.07.2003	1.38	800,000
	28.01.2002 – 27.07.2003	1.38	800,000
	28.07.2002 – 27.07.2003	1.38	80,000
	28.01.2003 – 27.07.2003	1.38	80,000
	28.07.2000 – 27.07.2003	1.38	100,000
Mr. Leung Chun Wah	28.07.2000 – 27.07.2003	1.38	120,000
	28.01.2001 – 27.07.2003	1.38	120,000
	28.07.2001 – 27.07.2003	1.38	120,000
	28.01.2002 – 27.07.2003	1.38	120,000
	28.07.2002 – 27.07.2003	1.38	120,000
Mr. Plato Poon Chak Sang	28.01.2003 – 27.07.2003	1.38	150,000
	28.07.2000 – 27.07.2003	1.38	120,000
	28.01.2001 – 27.07.2003	1.38	120,000
	28.07.2001 – 27.07.2003	1.38	120,000
	28.01.2002 – 27.07.2003	1.38	120,000

No option has been granted to or exercised by any of the directors during the period.

**DIRECTORS' INTERESTS IN SHARE CAPITAL AND SHARE OPTIONS (continued)****(c) Shares in a subsidiary**

As at 30th June, 2001, the Group Managing Director, Mr. Billy Yung Kwok Kee, through a company controlled by him, held 5,000 shares of Quickjay Management Limited, a 90% owned subsidiary of the Company, representing a 10% interest in Quickjay Management Limited.

In addition to the above, certain directors held shares in subsidiaries as trustees for the Company.

**(d) Disclosure of other interests**

- (i) As at 30th June, 2001, Dr. Yung Yau, the Chairman of the Group, and Mr. Billy Yung Kwok Kee, the Managing Director of the Group, through companies controlled by them held 625,000 and 2,750,892 preferred stock at par value of US\$0.01 each respectively, convertible promissory note (with warrant attached) in the value of US\$200,000 each respectively and common stock purchase warrant for subscription of 300,000 shares of common stock at an exercise price per share of US\$1.00 each respectively in Neutility Corp. Neutility Corp. is a company in which the Group held, as at 30th June, 2001, 13,503,576 preferred stock at par value of US\$0.01 each, convertible promissory note (with warrant attached) in the value of US\$1,600,000 and common stock purchase warrant for subscription of 2,400,000 shares of common stock at an exercise price of US\$1.00 per share.
- (ii) During the period, the Group's 100% owned subsidiary, Extra-Fund Investment Limited, entered into securities trading transactions with Tung Tai Securities Co., Ltd. of which the Group's independent non-executive director, Dr. Leo Tung-Hai Lee was both a director and a substantial shareholder. The transactions were conducted on arm's length basis and gave rise to a broker's commission for approximately HK\$162,000 for the six months ended 30th June, 2001.

Other than as disclosed above, none of the directors or their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors nor their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30th June, 2001.



## Disclosure of Interests (continued)

### SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued share capital of the Company.

Name of shareholder	No. of ordinary shares
Herald Rich Company Limited ( <i>Note a</i> )	156,000,000
Dr. Yung Yau ( <i>Note b</i> )	93,285,000
Mr. Billy Yung Kwok Kee ( <i>Note c</i> )	52,221,000

*Notes:*

- (a) The 156,000,000 shares held by Herald Rich Company Limited were disclosed in the Directors' interests in share capital and share options above as being held under a trust for the benefit of Dr. Yung Yau, Mr. Billy Yung Kwok Kee and Madam Yung Ho Wun Ching.
- (b) The 93,285,000 shares held by Dr. Yung Yau were disclosed in the Directors' interests in share capital and share options above.
- (c) The 52,221,000 shares held by Mr. Billy Yung Kwok Kee were disclosed in the Directors' interests in share capital and share options above.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2001.

## Liquidity and Financial Condition

During the first half of the year, the Group recorded a consolidated turnover of HK\$1,376,860,000, representing a 37% increase over the corresponding period in 2000. This is mainly attributable to higher volume of trading of securities.

The Group maintains its centralised funding management for all its operations at the corporate level. Tight control on credit policies has enabled the Group to achieve an overall receivables position where over 85% receivables as at 30th June, 2001 were less than 3 months old vis-a-vis 83% as at 31st December, 2000. Nearly 90% of the Group's creditors grant credit of less than 90 days to the Group.

The gearing ratio of the Group continued to remain at the relatively low level of 37% (31st December, 2000: 33%) which was calculated on the basis of the Group's total debt of approximately HK\$762,706,000 (31st December, 2000: HK\$665,256,000) and the shareholders' funds of approximately HK\$2,051,121,000 (31st December, 2000: HK\$2,045,736,000).

It is worth noting that the Group's total debt included certain shareholder loans advanced to the Group's non-wholly owned subsidiary companies by their minority shareholders on a proportional basis, which amounted to approximately HK\$383,307,000 (31st December, 2000: HK\$375,319,000). If such shareholder loans advanced by minority shareholders were excluded, the gearing ratio of the Group would be no more than 19% (31st December, 2000: 15% as restated).

The Group is able to satisfy its commitments and working capital requirements through its internally generated cash flows and banking facilities. As at 30th June, 2001, total banking facilities amounted to HK\$466,347,000 of which HK\$321,814,000 remained unutilized.

## Charges on Assets

As at 30th June, 2001, assets of the Group pledged to secure loan facilities totalled HK\$244,122,000 (31st December, 2000: HK\$186,046,000).

## Employees

### *Number of Employees*

As at 30th June, 2001, the Group had approximately 2,000 employees. The pay levels of these employees are commensurate with their responsibilities, contribution and performance.

### *Share Option Scheme (the "Scheme")*

Pursuant to the Share Option Scheme which became effective in May 1994, options under the Scheme were offered to directors and the employees. No option was granted and none of the grantees exercised his/her options under the Scheme during the first half of 2001.

In addition to the above, the Group's co-operative joint venture companies in Mainland China provided employment to approximately 4,000 people.

## Other Information

### REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial statements are unaudited, but have been reviewed by the Company's audit committee and auditors.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, the Company repurchased certain of its own shares through the Stock Exchange of Hong Kong Limited. The aggregate price paid for the repurchases amounted to HK\$2,734,000. All of these shares had been cancelled. Details of the repurchases are as follows:

Month of repurchase	Number of ordinary shares of HK\$0.50 each '000	Price per share		Aggregate consideration paid (including expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January	708	1.21	1.16	846
February	582	1.30	1.18	732
March	749	1.27	1.15	905
June	245	1.01	1.01	251
	2,284			2,734

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

### CORPORATE GOVERNANCE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2001 covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**德勤·關黃陳方會計師行**

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu****TO THE BOARD OF DIRECTORS OF  
SHELL ELECTRIC MFG. (HOLDINGS) COMPANY LIMITED**

*(incorporated in Hong Kong with limited liability)*

**Introduction**

We have been instructed by the Directors of the Company to review the interim financial report set out on pages 13 to 24.

**Directors' responsibilities**

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. However, the Listing Rules permit departure from SSAP 25 in that comparative figures are not required either for the statement of recognised gains and losses or for the cash flow statement to be included in the first interim financial report relating to accounting periods ending on or after 1st July, 2000. The interim financial report is the responsibility of, and has been approved by, the directors.

**Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

**Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement for the six months ended 30th June, 2000 disclosed in the interim financial report has not been reviewed in accordance with SAS 700.

**DELOITTE TOUCHE TOHMATSU**

*Certified Public Accountants*

Hong Kong, 18th September, 2001

## Condensed Consolidated Income Statement

INTERIM REPORT

For the six months ended 30th June, 2001

For the six months ended 30th June, 2001

Six months ended 30th June

		<b>2001</b> <b>(Unaudited)</b>	<b>2000</b> <b>(Unaudited)</b> <b>(Restated)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	4	<b>1,376,860</b>	1,006,444
Other revenue		<b>52,205</b>	31,503
Changes in inventories of finished goods and work in progress		<b>4,393</b>	(16,477)
Changes in trading securities		<b>(42,777)</b>	292,908
Raw materials, subcontracted goods and consumables used		<b>(265,537)</b>	(419,670)
Purchases of trading goods		<b>(259,545)</b>	(110,935)
Costs incurred on properties under development for sale		<b>(54,057)</b>	(97,245)
Purchases of trading securities		<b>(614,528)</b>	(535,830)
Staff costs		<b>(49,331)</b>	(39,418)
Depreciation and amortisation expenses		<b>(22,723)</b>	(12,500)
Other operating expenses		<b>(52,786)</b>	(75,856)
		<hr/>	<hr/>
Profit from operations		<b>72,174</b>	22,924
Finance costs		<b>(18,420)</b>	(10,901)
Share of results of associates		<b>(8,630)</b>	(9,697)
Provision for impairment loss on investments in securities not held for trading		<b>(30,885)</b>	(47,000)
Gains on disposal of investments in securities not held for trading		–	429,204
Provision for impairment loss on deposits for investment		–	(29,400)
Provision for impairment loss on properties under development for sale		–	(25,070)
		<hr/>	<hr/>
Profit from ordinary activities before taxation		<b>14,239</b>	330,060
Taxation	5	<b>(4,213)</b>	(6,881)
		<hr/>	<hr/>
Profit before minority interests		<b>10,026</b>	323,179
Minority interests		<b>13,397</b>	4,292
		<hr/>	<hr/>
Net profit for the period		<b>23,423</b>	327,471
		<hr/>	<hr/>
		<b>HK\$</b>	<b>HK\$</b>
Dividends	6		
Interim dividend per share		<b>1.50 cents</b>	2.00 cents
		<hr/>	<hr/>
Special interim dividend per share		<b>Nil</b>	18.00 cents
		<hr/>	<hr/>
Earnings per share	7		
Basic		<b>4.58 cents</b>	62.04 cents
		<hr/>	<hr/>
Diluted		<b>N/A</b>	61.67 cents
		<hr/>	<hr/>

As at 30th June, 2001

	Notes	<b>30.6.2001 (Unaudited) HK\$'000</b>	<b>31.12.2000 (Audited) (Restated) HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties	8	447,999	293,755
Property, plant and equipment	8	851,212	986,180
Intangible assets		21,004	4,908
Interests in associates		390,048	390,518
Investments in securities		154,282	146,374
		<u>1,864,545</u>	<u>1,821,735</u>
<b>CURRENT ASSETS</b>			
Inventories		137,826	134,424
Properties under development for sale		91,950	94,886
Trade and other receivables	9	276,111	192,374
Amount due from an associate		72	–
Amounts due from investee companies		3,098	671
Amount due from a minority shareholder		124	–
Investments in securities		134,381	192,711
Bank and other deposits pledged		15,694	19,842
Bank balances and cash		190,350	165,810
		<u>849,606</u>	<u>800,718</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	288,074	198,994
Amounts due to associates		227	70
Amounts due to minority shareholders		63,052	43,098
Amounts due to related companies		–	156
Taxation liabilities		8,403	8,460
Bank and other borrowings		22,377	21,582
		<u>382,133</u>	<u>272,360</u>
<b>NET CURRENT ASSETS</b>		<u>467,473</u>	<u>528,358</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,332,018</u>	<u>2,350,093</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	255,121	256,263
Share premium and reserves	12	1,796,000	1,789,473
<b>Shareholders' funds</b>		<u>2,051,121</u>	<u>2,045,736</u>
<b>MINORITY INTERESTS</b>		<u>(99,676)</u>	<u>(88,539)</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		60,318	60,675
Advances from minority shareholders		320,255	332,221
		<u>380,573</u>	<u>392,896</u>
		<u>2,332,018</u>	<u>2,350,093</u>

**Condensed Consolidated Statement of Recognised Gains and Losses***For the six months ended 30th June, 2001*

	<b>(Unaudited)</b> <b>HK\$'000</b>
Exchange differences arising on translation of financial statements of subsidiaries outside Hong Kong	<b>10</b>
Net profit for the period	<u><b>23,423</b></u>
Total recognised gains	<u><u><b>23,433</b></u></u>
Prior period adjustments arising from the effects of changes in accounting policies ( <i>Note 3</i> )	
– increase in retained profits at 1st January, 2000	<b>3,562</b>
– increase in dividend reserve at 1st January, 2000	<u><b>26,439</b></u>
	<u><u><b>30,001</b></u></u>

*For the six months ended 30th June, 2001*

	<b>(Unaudited)</b> <b>HK\$'000</b>
Net cash inflow from operating activities	149,267
Net cash outflow from returns on investments and servicing of finance	(28,561)
Tax paid	(4,048)
Net cash outflow from investing activities	<u>(80,390)</u>
Net cash inflow before financing	36,268
Net cash outflow from financing	<u>(3,906)</u>
Increase in cash and cash equivalents	32,362
Cash and cash equivalents at 1st January, 2001	151,078
Effect of foreign exchange rate changes	<u>524</u>
Cash and cash equivalents at 30th June, 2001	<u><u>183,964</u></u>
Analysis of the balances of cash and cash equivalents	
Bank balances and cash	190,350
Bank overdrafts	(47)
Bank borrowings	<u>(6,339)</u>
	<u><u>183,964</u></u>



## Notes to the Condensed Financial Statements

### 1. Basis of preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting", except that, in this 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 amounts have been presented for either:

- the condensed consolidated statement of recognised gains and losses; or
- the condensed consolidated cash flow statement.

### 2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new/revised accounting policies.

#### *Dividends proposed or declared after the balance sheet date*

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 3).

#### *Provisions*

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of general provisions. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 3).

#### *Segment reporting*

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the six months ended 30th June, 2000 have been amended so that they are presented on a consistent basis.

#### *Intangible assets*

In prior years, the Group did not recognise any regular amortisation charge in respect of its intangible assets due to the fact that the recoverable amount of the assets was considered to be in excess of their carrying amount. SSAP 29 "Intangible Assets" requires that all intangible assets should be amortised over their useful lives. Accordingly, in the current period, the Group has adopted a policy of amortisation over the useful lives of its intangible assets, which range from 5 to 20 years. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (Note 3).

#### *Goodwill*

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously written off to retained profits. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively (Note 3). Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserve and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified.

2. **Principal accounting policies (continued)**

**Goodwill (continued)**

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised over its estimated useful life i.e. over periods ranging between 5 and 20 years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. **Prior period adjustments**

The financial effect of the adoption of the new/revised accounting policies described in Note 2 is summarised below:

	<b>Retained profits</b> <i>HK\$'000</i>	<b>Dividend reserve</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at 1st January, 2000			
As originally stated	1,282,791	–	1,282,791
Derecognition of liability for final dividend for 1999	–	26,439	26,439
Reversal of general provision	5,000	–	5,000
Amortisation of intangible assets for the first time, net of effect of minority interests	(1,438)	–	(1,438)
As restated	<u>1,286,353</u>	<u>26,439</u>	<u>1,312,792</u>

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:

	<b>Six months ended 30.6.2001</b> <i>HK\$'000</i>	Twelve months ended 31.12.2000 <i>HK\$'000</i>	Six months ended 30.6.2000 <i>HK\$'000</i>
Amortisation of intangible assets, net of effect of minority interests	289	308	154
Retrospective recognition of impairment of goodwill	–	42,044	–
	<u>289</u>	<u>42,352</u>	<u>154</u>

Notes to the Condensed Financial Statements (continued)

4. Segment information

The Group's turnover and contribution to profit from operations, analysed by principal activities are as follows:

Business Segments

	Six months ended 30.6.2001		Six months ended 30.6.2000	
	Turnover HK\$'000	Contribution to profit from operations HK\$'000	Turnover HK\$'000	Contribution to profit from operations HK\$'000
Manufacturing and marketing of electric fans and other electrical household appliances	528,672	33,451	561,252	12,588
Manufacturing and marketing of steel pipes and cables	31,041	(5,511)	–	(372)
Steel processing and trading	56,109	1,091	68,871	2,708
Property rental income	14,137	12,198	9,851	7,528
Property investment income	55,486	720	88,991	(9,882)
Trading of securities	680,367	23,897	268,283	26,271
Other businesses	11,048	1,770	9,196	(3,715)
	<u>1,376,860</u>	<u>67,616</u>	<u>1,006,444</u>	<u>35,126</u>
Unallocated corporate expenses		(21,398)		(19,016)
Interest income		25,956		6,814
Profit from operations		<u>72,174</u>		<u>22,924</u>

There is no inter-segment sales between different business segments.

Geographical Segments

	Six months ended 30.6.2001				Six months ended 30.6.2000			
	Turnover			Contribution to profit from operations HK\$'000	Turnover			Contribution to profit from operations HK\$'000
	External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000		External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000	
Hong Kong	605,615	28,717	634,332	32,758	139,622	14,429	154,051	23,595
People's Republic of China ("PRC")	131,541	50,577	182,118	(4,664)	85,808	38,230	124,038	5,314
North America	491,392	–	491,392	50,373	568,109	–	568,109	25,932
Europe	75,323	–	75,323	(11,744)	101,218	–	101,218	(13,237)
Asia, other than Hong Kong and PRC	41,188	–	41,188	(344)	79,350	–	79,350	(10,532)
Others	31,801	–	31,801	1,237	32,337	–	32,337	4,054
	<u>1,376,860</u>	<u>79,294</u>	<u>1,456,154</u>	<u>67,616</u>	<u>1,006,444</u>	<u>52,659</u>	<u>1,059,103</u>	<u>35,126</u>
Eliminations	–	(79,294)	(79,294)		–	(52,659)	(52,659)	
	<u>1,376,860</u>	<u>–</u>	<u>1,376,860</u>		<u>1,006,444</u>	<u>–</u>	<u>1,006,444</u>	
Unallocated corporate expenses				(21,398)				(19,016)
Interest income				25,956				6,814
Profit from operations				<u>72,174</u>				<u>22,924</u>

5. Taxation

	Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000
The charges comprises:		
Provision for the period		
Hong Kong	3,756	6,745
Other regions of the PRC	236	186
Deferred taxation		
Current period	-	(50)
	<u>          </u>	<u>          </u>
Taxation attributable to the Company and its subsidiaries	3,992	6,881
Share of taxation attributable to associates	221	-
	<u>          </u>	<u>          </u>
	<u>4,213</u>	<u>6,881</u>

6. Dividends

On 8th June, 2001, a dividend of 3 cents (1999: 5 cents) per share was paid to shareholders as the final dividend for 2000.

The directors have declared that an interim dividend of 1.50 cents (2000: 2 cents) per share and no special interim dividend (2000: 18 cents) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 26th October, 2001.

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>23,423</u>	<u>327,471</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>511,813</u>	527,857
Effect of dilutive share options		<u>3,142</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share		<u>530,999</u>

No diluted earnings per share has been presented for the current period as the exercise price of the Company's outstanding share options is higher than the average market price of shares.

## Notes to the Condensed Financial Statements (continued)

## 7. Earnings per share (continued)

The earnings per share figures for the prior period has been restated as a result of the prior period adjustments as shown in note 3 above. The adjustment to comparative basic and diluted earnings per share is as follows:

	Basic HK\$	Diluted HK\$
Reported figures before adjustments	62.07 cents	61.70 cents
Adjustment arising from prior period adjustments	<u>(0.03) cents</u>	<u>(0.03) cents</u>
Restated	<u>62.04 cents</u>	<u>61.67 cents</u>

## 8. Movements in investment properties and property, plant and equipment

	Investment properties HK\$'000	Property, plant and equipment HK\$'000
COSTS OR VALUATION		
At 1st January, 2001	293,755	1,157,135
Translation adjustments	–	(863)
Additions	1,047	56,757
Disposals	–	(29,470)
Reclassification	<u>153,197</u>	<u>(154,687)</u>
At 30th June, 2001	<u>447,999</u>	<u>1,028,872</u>
ACCUMULATED DEPRECIATION		
At 1st January, 2001	–	170,955
Translation adjustments	–	(109)
Provided for the period	–	22,402
Eliminated on disposals	–	(14,098)
Reclassification	<u>–</u>	<u>(1,490)</u>
At 30th June, 2001	<u>–</u>	<u>177,660</u>
NET BOOK VALUE		
At 30th June, 2001	<u>447,999</u>	<u>851,212</u>

At 30th June, 2001, the directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

During the period, the construction of a property under development in the PRC has been completed and transferred to investment properties since the property has been wholly rented out under operating leases.

**9. Trade and other receivables**

Included in trade and other receivables are trade receivables of HK\$131,923,000 (31st December, 2000: HK\$100,909,000). For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade receivables at the balance sheet date is as follows:

	30.6.2001 HK\$'000	31.12.2000 HK\$'000
Current	66,498	52,940
31 – 60 days	22,231	16,188
61 – 90 days	23,610	14,457
91 – 180 days	10,330	16,321
181 – 360 days	9,040	1,003
Over 360 days	214	–
	<u>131,923</u>	<u>100,909</u>

**10. Trade and other payables**

Included in trade and other payables are trade payables of HK\$81,786,000 (31st December, 2000: HK\$50,694,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30.6.2001 HK\$'000	31.12.2000 HK\$'000
Current	51,837	27,806
31 – 60 days	18,996	14,774
61 – 90 days	2,089	2,538
91 – 180 days	1,858	1,664
181 – 360 days	–	636
Over 360 days	7,006	3,276
	<u>81,786</u>	<u>50,694</u>

**11. Share capital**

	30.6.2001		31.12.2000	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
<b>Authorised:</b>				
<b>Ordinary shares of HK\$0.50 each</b>				
Balance at beginning and end of the period/year	<u>900,000</u>	<u>450,000</u>	<u>900,000</u>	<u>450,000</u>
<b>Issued and fully paid:</b>				
<b>Ordinary shares of HK\$0.50 each</b>				
Balance at beginning of the period/year	512,526	256,263	528,780	264,390
Issued upon exercise of share options	–	–	2,140	1,070
Shares repurchased and cancelled	<u>(2,284)</u>	<u>(1,142)</u>	<u>(18,394)</u>	<u>(9,197)</u>
Balance at end of the period/year	<u>510,242</u>	<u>255,121</u>	<u>512,526</u>	<u>256,263</u>

## Notes to the Condensed Financial Statements (continued)

## 12. Share premium and reserves

	Share premium	Investment property revaluation reserve	Capital redemption reserve	Investment revaluation reserve	Translation reserve	Goodwill reserve	Dividend reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2000									
– as originally stated	527,406	65,045	–	322,655	(3,016)	–	–	1,282,791	2,194,881
– prior period adjustments (Note 3)	–	–	–	–	–	–	26,439	3,562	30,001
– as restated	527,406	65,045	–	322,655	(3,016)	–	26,439	1,286,353	2,224,882
Revaluation surplus	–	30,717	–	–	–	–	–	–	30,717
Share of revaluation deficit of an associate	–	(63,983)	–	–	–	–	–	–	(63,983)
Share of translation reserve of an associate	–	–	–	–	72	–	–	–	72
Profit for the year	–	–	–	–	–	–	–	92,629	92,629
Final dividend	–	–	–	–	–	–	15,376	(15,376)	–
Dividends paid	–	–	–	–	–	–	(26,439)	(103,348)	(129,787)
Realised on disposal of subsidiaries	–	–	–	–	1,121	–	–	–	1,121
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	616	–	–	–	616
Share repurchased	–	–	9,197	–	–	–	–	(26,593)	(17,396)
Share issued at a premium	1,883	–	–	–	–	–	–	–	1,883
Realised on disposal of investments in securities not held for trading	–	–	–	(322,655)	–	–	–	–	(322,655)
Goodwill on purchase of an associate	–	–	–	–	–	–	–	(28,626)	(28,626)
Reclassification of goodwill (Note)	–	–	–	–	–	(28,626)	–	28,626	–
At 31st December, 2000	529,289	31,779	9,197	–	(1,207)	(28,626)	15,376	1,233,665	1,789,473
Profit for the period	–	–	–	–	–	–	–	23,423	23,423
Interim dividend	–	–	–	–	–	–	7,654	(7,654)	–
Dividends paid	–	–	–	–	–	–	(15,376)	62	(15,314)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	–	10	–	–	–	10
Share repurchased	–	–	1,142	–	–	–	–	(2,734)	(1,592)
<b>At 30th June, 2001</b>	<b>529,289</b>	<b>31,779</b>	<b>10,339</b>	<b>–</b>	<b>(1,197)</b>	<b>(28,626)</b>	<b>7,654</b>	<b>1,246,762</b>	<b>1,796,000</b>

Note: Previously, goodwill arising on acquisition of subsidiaries or associates was written off to retained profits immediately on acquisition. Upon adoption of SSAP 30 “Business Combinations” in the current period, such goodwill is reclassified from retained profits to goodwill reserve.

**13. Contingent liabilities**

As at the balance sheet date, the Group had outstanding contingent liabilities not provided for in the financial statements in respect of shipping and other guarantees given to bankers of HK\$39,065,000 (31st December, 2000: HK\$3,707,000) for facilities granted to the Company and an associate.

**14. Capital commitments**

As at the balance sheet date, the Group had commitments as follows:

	<b>30.6.2001</b> <b>HK\$'000</b>	31.12.2000 <i>HK\$'000</i>
Contracted but not provided for in the financial statements:		
Purchase of motor vehicles	949	11,899
Development expenditure	-	12,933
Construction of factory premises	<u>1,217</u>	<u>805</u>
	<u><b>2,166</b></u>	<u><b>25,637</b></u>

**15. Acquisition of investment in securities**

During the period, the Group spent approximately HK\$39 million to acquire further interests in certain investee companies engaging in advanced technology businesses.