

二零零二年度中期業績報告

INTERIM REPORT 2002



蜆壳電器工業(集團)有限公司
SHELL ELECTRIC MFG. (HOLDINGS) CO. LTD.

Notice of Interim Dividend, 2002	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 Changes in Equity	15
Condensed Consolidated Cash Flow Statement	16
Notes to the Condensed Financial Statements	17

Notice of Interim Dividend, 2002

The Board of Directors of Shell Electric Mfg. (Holdings) Company Limited have declared an interim dividend of 1 cent per share in respect of the six month period ended 30th June, 2002, payable to shareholders whose names appear on the Register of Members of the Company on 25th October, 2002. Dividend warrants will be posted to shareholders on or before 4th November, 2002.

The Register of Members of the Company will be closed from Monday, 21st October, 2002 to Friday, 25th October, 2002, 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, 18th October, 2002.

By Order of the Board
PETER LEE YIP WAH
Secretary

Hong Kong, 17th September, 2002.

PROFIT FOR THE FIRST HALF YEAR

The Group's unaudited consolidated net profit for the first half of 2002 amounted to HK\$6,535,000. Earnings per share were 1.28 cents. These results had incorporated the losses in trading of securities totalling HK\$18,429,000 and the provision for impairment losses of HK\$13,121,000 on certain investments in the high technology business.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend for 2002 of 1 cent per share (2001: 1.50 cents per share) to shareholders whose names appear on the Register of Members of the Company on 25th October, 2002. Warrants for the interim dividend will be posted on 4th November, 2002.

BUSINESS REVIEW

Electric Fans: Ceiling Fans and Table Fans

Despite continuous keen competition on prices, sales of ceiling fans recorded increases over the same period last year due to growth in the Middle East and African markets and stable American and European markets. Table fans business was steady with more orders from American customers but there was keener competition on prices than before.

Household Vacuum Cleaners

The Group has implemented a series of cost cutting and manpower reduction measures in the household vacuum cleaners division. It is expected that losses from this division will be reduced in the latter half of the year.

Cable Business

The interim turnover of the Group's investment in Guangdong Macro Cables Company Limited was lower than the previous year due to reduction in prices in a keen competitive market. Despite this, due to reduction in major raw material prices and the initial success of effective cost control measures, the company recorded a small profit for the period. The company is looking to dispose of its non-core assets to reduce operating costs and expand its customer base to enhance market share.

Stainless Steel Welded Tubes Products

Although losses continued at Shunde Hua Feng Stainless Steel Welded Tubes Limited in which the Group holds a 90.1% equity interest, turnover has increased compared with the same period last year. As prices of stainless steel started to rise in the second quarter of the year due to China's counter protective measures, in response to the imposition of new custom taxes on steel imports by the United States, it is uncertain at this stage as to the possible effects on the company's business under the changing new trade measures.

Steel Processing and Steel Trading

Compared with the prior year, a higher gross profit on a slightly lower volume in the first six months was recorded by the Group's 70% joint venture steel-processing factory with Shinsho Corporation of Japan in Huang Pu, China. Due to lower interest charges which reduced overall operating expenses, the company recorded a profit for the period. The anti-dumping legislations against imported steel as proposed by the major Chinese steel manufacturers together with the temporary measures implemented by the mainland Chinese Government on steel imports have resulted in significant reduction of steel supply and sharply higher prices charged by Korean and Japanese steel factories. It is expected that steel prices will be stable in the second half of the year and business can continue to develop steadily.

Chairman's Statement

BUSINESS REVIEW – continued

Taxi Operations

The Group continued to upgrade the commercial image of Guangzhou SMC Car Rental Company Limited (in which the Group holds 95% equity interest) in 2002 by enhancing the overall management structure, forming more effective teams and continuing to acquire additional taxi licenses under reasonable conditions.

Real Estate Investment & Development

The Group holds 20% equity interest in Hong Kong Construction SMC Development Limited. The company developed CITIC Plaza in Tien He District, Guangzhou, a property complex comprising an 80-storey Grade A office building, two 38-storey deluxe service apartment blocks and a shopping arcade. Both sales and leasing results at CITIC Plaza were satisfactory with over 90% of the premises already sold or leased out, leasing income in the reporting period increased by 12% over the same period last year. It is expected that leasing income will continue a gradual increase following China's accession into the World Trade Organization and resulting increases in foreign companies' demand for high quality office premises in China.

The Group's wholly-owned 30,000 square meters high-tech industrial building in Shenzhen China is leased to a reputable international fiber-optic communication products company and the property continues to provide steady leasing income.

Despite the adverse effect of business consolidation activities in the United States on the commercial property market, about 90% of the Group's wholly-owned 240,000 square feet commercial property complex in Livermore, California has been leased. New leases and escalation provisions in existing leases continued to generate small increases in leasing income.

Liang Xing Highway

The Group controls a 52% equity interest in Shunde Shun Yue Highway Construction Ltd., the owner and operator of Liang Xing Highway, a grade one toll road in Shunde in mainland China. Average daily traffic of 20,200 vehicles was recorded during the interim period and the company achieved stable growth in traffic and toll income.

Technology Investment Projects Portfolio

Internet Server

The Group has completed the reorganization of the primary assets and intellectual properties of the internet server project and these are now held by the subsidiary company, Galactic Computing Corp. Galactic Computing Corp. has started the development of the new generation of internet server engines at its Shenzhen research and development center. Leveraging the existing platform and patents, it is expected that advanced products with better function, quality and cost performance will be developed.

System Integration and Software Development

During the period, the Group disposed of a 2% equity interest in MDCL-Frontline (China) Limited ("MDCL") to Frontline Technologies Corporation Ltd. ("Frontline") of Singapore for a cash consideration of approximately US\$650,000, representing a small premium over the cost of the investment. The Group now retains shares equivalent to approximately 28% of MDCL. Since the joining of Frontline, the company has concentrated on reorganizing its management structure. Sales turnover was stable compared with the same period last year but due to keen competition in the software development market, gross margin was reduced, resulting in a lower than expected profit which was also less than that of the same period last year.

BUSINESS REVIEW – continued

Technology Investment Projects Portfolio – continued

Broadband Communication IC

Rainmaker Technologies Inc of the U.S. in which the Group has invested is continuing discussions with potential investors for new fundings to continue its development program. However, under the current continuous uncertain investment market condition, no agreements have been reached yet.

Electronic Integrated Rectifier Chips

The Group holds investment interest in APD Semiconductor, Inc. of the U.S. and it has completed the development of its patented electronic integrated rectifier chip product and pilot run and sales have started in the first half of the year. Further improvements of the current electronic integrated rectifier chip product and development of product application programs are in progress.

Automatic Internet Migration Software for Enterprises

The Group maintains significant interests in this portfolio company specializing in the development of automatic internet migration software. The company is in discussions with a number of international reputable information technology providers to develop marketing partnership opportunities. The company's technology has been recognized by an international software development company and its business outlook is satisfactory.

Securities Investment

All the world's major stock markets performed poorly in the first half of the year. Under the prevailing unfavorable investment climate, the value of the Group's securities portfolio also suffered a deterioration with losses from securities investment amounted to HK\$18,429,000. The Group's holding of listed securities investment amounted to HK\$134,873,000 based on market prices as at 30th June, 2002.

By Order of the Board
YUNG YAU
Chairman

Hong Kong, 17th September, 2002.

Disclosure of Interests

DIRECTORS' INTERESTS

(a) Shares

As at 30th June, 2002, 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 <i>(Note a)</i>
Mr. Billy Yung Kwok Kee	42,100,000	–	2,200,000	156,000,000 <i>(Note a)</i> 10,412,000 <i>(Note c)</i>
Dr. Leo Tung-Hai Lee	300,000	–	–	–
Madam Yung Ho Wun Ching	3,200,000 <i>(Note b)</i>	93,285,000 <i>(Note b)</i>	–	156,000,000 <i>(Note a)</i>
Mr. Leung Chun Wah	1,799,400	–	–	–
Mr. Plato Poon Chak Sang	739,200	–	–	–
Mr. Nicholas Yang Wei Hsiung	350,000	–	–	–
Mr. Simon Yung Kwok Choi	18,666,000	–	–	–

Notes:

- a. 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.
- b. 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.
- c. These shares are held by a trust for the benefit of Mr. Billy Yung Kwok Kee.

(b) Disclosure of other interest

- (i) Certain directors held shares in subsidiaries as trustees for the Company.
- (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 is both a director and a substantial shareholder. The transactions were conducted on an arm's length basis and gave rise to a broker's commission for approximately HK\$56,000 for the six months ended 30th June, 2002.

Other than as disclosed above and the section headed "Share Option Scheme" below, 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 as at 30th June, 2002, or had exercised any such right during the period.

Disclosure of Interests

SHARE OPTION SCHEME

Details of the share options granted to the directors and employees of the Group are as follows:

	Period during which option rights are exercisable	Subscription price per share <i>HK\$</i>	Number of share options as at 1.1.2002 and 30.6.2002
Category 1: Directors			
Dr. Yung Yau	28.1.2001 – 27.7.2003	1.38	1,072,000
	28.7.2001 – 27.7.2003	1.38	1,072,000
	28.1.2002 – 27.7.2003	1.38	1,072,000
	28.7.2002 – 27.7.2003	1.38	1,072,000
	28.1.2003 – 27.7.2003	1.38	1,340,000
Mr. Billy Yung Kwok Kee	28.7.2000 – 27.7.2003	1.38	1,072,000
	28.1.2001 – 27.7.2003	1.38	1,072,000
	28.7.2001 – 27.7.2003	1.38	1,072,000
	28.1.2002 – 27.7.2003	1.38	1,072,000
	28.7.2002 – 27.7.2003	1.38	1,072,000
	28.1.2003 – 27.7.2003	1.38	1,340,000
Dr. Leo Tung-Hai Lee	28.7.2000 – 27.7.2003	1.38	96,000
	28.1.2001 – 27.7.2003	1.38	96,000
	28.7.2001 – 27.7.2003	1.38	96,000
	28.1.2002 – 27.7.2003	1.38	96,000
	28.7.2002 – 27.7.2003	1.38	96,000
	28.1.2003 – 27.7.2003	1.38	120,000
Mr. Shiu-Kit Ngai	28.7.2000 – 27.7.2003	1.38	80,000
	28.1.2001 – 27.7.2003	1.38	80,000
	28.7.2001 – 27.7.2003	1.38	80,000
	28.1.2002 – 27.7.2003	1.38	80,000
	28.7.2002 – 27.7.2003	1.38	80,000
	28.1.2003 – 27.7.2003	1.38	100,000
Madam Yung Ho Wun Ching	28.1.2001 – 27.7.2003	1.38	800,000
	28.7.2001 – 27.7.2003	1.38	800,000
	28.1.2002 – 27.7.2003	1.38	800,000
	28.7.2002 – 27.7.2003	1.38	800,000
	28.1.2003 – 27.7.2003	1.38	1,000,000
Mr. Leung Chun Wah	28.7.2000 – 27.7.2003	1.38	120,000
	28.1.2001 – 27.7.2003	1.38	120,000
	28.7.2001 – 27.7.2003	1.38	120,000
	28.1.2002 – 27.7.2003	1.38	120,000
	28.7.2002 – 27.7.2003	1.38	120,000
	28.1.2003 – 27.7.2003	1.38	150,000

Disclosure of Interests

SHARE OPTION SCHEME – continued

	Period during which option rights are exercisable	Subscription price per share <i>HK\$</i>	Number of share options as at 1.1.2002 and 30.6.2002	
Category 1: Directors				
Mr. Plato Poon Chak Sang	28.7.2000 – 27.7.2003	1.38	120,000	
	28.1.2001 – 27.7.2003	1.38	120,000	
	28.7.2001 – 27.7.2003	1.38	120,000	
	28.1.2002 – 27.7.2003	1.38	120,000	
	28.7.2002 – 27.7.2003	1.38	120,000	
	28.1.2003 – 27.7.2003	1.38	150,000	
Mr. Nicholas Yang Wei Hsiung	28.7.2000 – 27.7.2003	1.38	80,000	
	28.1.2001 – 27.7.2003	1.38	80,000	
	28.7.2001 – 27.7.2003	1.38	80,000	
	28.1.2002 – 27.7.2003	1.38	80,000	
	28.7.2002 – 27.7.2003	1.38	80,000	
	28.1.2003 – 27.7.2003	1.38	100,000	
Total number of share options held by directors			<u>19,628,000</u>	
Category 2: Employees				
	28.07.2000 – 27.07.2003	1.38	684,000	
	26.11.2000 – 25.11.2003	1.38	48,000	
	28.01.2001 – 27.07.2003	1.38	952,000	
	26.05.2001 – 25.11.2003	1.38	48,000	
	28.07.2001 – 27.07.2003	1.38	952,000	
	26.11.2001 – 25.11.2003	1.38	48,000	
	28.01.2002 – 27.07.2003	1.38	952,000	
	26.05.2002 – 25.11.2003	1.38	48,000	
	28.07.2002 – 27.07.2003	1.38	952,000	
	26.11.2002 – 25.11.2003	1.38	48,000	
	28.01.2003 – 27.07.2003	1.38	1,190,000	
	26.05.2003 – 25.11.2003	1.38	60,000	
	Total number of share options held by employees			<u>5,982,000</u>
	Total number of share options granted			<u><u>25,610,000</u></u>

No option was granted to or exercised by the directors and employees of the Group during the period.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, 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>)	54,712,000

Notes:

- (a) The 156,000,000 shares held by Herald Rich Company Limited were disclosed in the section headed "Directors' Interests" 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 section headed "Directors' Interests" above.
- (c) The 54,712,000 shares held by Mr. Billy Yung Kwok Kee were disclosed in the section headed "Directors' Interests" 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, 2002.

Financial Review

LIQUIDITY AND FINANCIAL CONDITION

The prolonged local and global economic downturn continued to account for a sharp reduction in the Group's volume of trading of securities which in turn gave rise to a consolidated turnover of HK\$805,447,000 for the first half of 2002, representing a 42% decrease over the restated turnover of HK\$1,378,024,000 in the corresponding period in 2001.

The Group believes that it can continue to maintain its financial and liquidity resources in healthy conditions. With a centralized funding policy for all its operations at the corporate level, the Group is able to sustain lower cost of funds and achieve higher efficiency in treasury operations. As at 30th June, 2002, total banking facilities increased slightly to HK\$655,932,000 (31st December, 2001: HK\$644,874,000) of which HK\$263,716,000 remained undrawn (31st December, 2001: HK\$253,763,000).

The Group has put in place its policy of maintaining a prudent gearing ratio. As at 30th June, 2002, the Group's gearing ratio, expressed as a percentage of total liabilities to shareholders' funds improved to 34% (31st December, 2001: 37%). Total liabilities and shareholders' fund of the Group amounted to approximately HK\$705,126,000 and HK\$2,046,918,000 respectively (31st December, 2001: HK\$758,892,000 and HK\$2,051,869,000 respectively).

It is worth noting that the Group's total liabilities 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\$366,777,000 (31st December, 2001: HK\$389,853,000). If such shareholder loans advanced by minority shareholders were excluded, the gearing ratio of the Group would be no more than 17% (31st December, 2001: 18%).

The Group has adequate financial resources to fund its capital expenditure commitments and working capital requirements through cash flows generated from its operations and banking facilities.

CHARGES ON ASSETS

As at 30th June, 2002, assets of the Group pledged to secure loan facilities amounted to HK\$234,283,000 (31st December, 2001: HK\$249,391,000).

EMPLOYEES

Number of Employees

As at 30th June, 2002, the Group has approximately 1,740 employees. The pay levels of these employees are commensurate with their responsibilities, contribution and performance.

Share Option Scheme

Pursuant to the Share Option Scheme (the "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 2002.

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

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\$56,000. 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\$	
March	<u>68</u>	<u>0.82</u>	<u>0.82</u>	<u>56</u>

Save as disclosed above, neither the Company or 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 the Company is not, or was not for any part of the six months ended 30th June, 2002, 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 on The Stock Exchange of Hong Kong Limited.

Independent Review Report

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 22.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. 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" 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, 2002.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 17th September, 2002

Condensed Consolidated Income Statement

For the six months ended 30th June, 2002

		Six months ended	
		30th June,	
		2002	2001
		(unaudited)	(unaudited and restated)
<i>Notes</i>		HK\$'000	HK\$'000
	3	805,447	1,378,024
Turnover			
		38,038	51,041
Other operating income			
Changes in inventories of finished goods and work in progress		418	4,393
Changes in trading securities		73,267	(42,777)
Raw materials, subcontracted goods and consumables used		(265,480)	(265,537)
Purchases of trading goods		(294,291)	(259,545)
Costs incurred on properties under development for sale		(25,608)	(54,057)
Purchases of trading securities		(166,590)	(614,528)
Staff costs		(46,831)	(49,331)
Depreciation and amortisation expenses	4	(28,861)	(22,723)
Other operating expenses		(58,677)	(52,786)
Impairment losses on investments in securities not held for trading	5	(13,121)	(30,885)
		17,711	41,289
Profit from operations			
Finance costs		(16,322)	(18,420)
Share of results of associates		(3,054)	(8,630)
Gain on partial disposal of interest in an associate		345	–
		(1,320)	14,239
(Loss) profit from ordinary activities before taxation			
Taxation	6	(3,130)	(4,213)
		(4,450)	10,026
(Loss) profit before minority interests			
Minority interests		10,985	13,397
		6,535	23,423
Net profit for the period			
Dividends	7	5,097	7,654
		2002	2001
		HK cents	HK cents
Earnings per share (Basic)	8	1.28	4.58

Condensed Consolidated Balance Sheet

As at 30th June, 2002

	<i>Notes</i>	30.6.2002 (unaudited) HK\$'000	31.12.2001 (audited) HK\$'000
Non-current assets			
Investment properties	9	541,374	443,467
Property, plant and equipment	9	732,331	854,457
Goodwill		13,065	13,760
Intangible assets	10	64,485	91,862
Interests in associates		526,375	525,848
Investments in securities	11	87,570	110,735
		<u>1,965,200</u>	<u>2,040,129</u>
Current assets			
Inventories		106,495	111,326
Properties under development for sale		–	19,883
Trade and other receivables	12	170,000	160,224
Amount due from an associate		530	504
Amounts due from investees		60	1,647
Investments in securities	11	222,520	149,253
Bank and other deposits pledged		1,718	727
Bank balances and cash		190,183	220,144
		<u>691,506</u>	<u>663,708</u>
Current liabilities			
Trade and other payables	13	199,243	236,785
Amounts due to associates		227	227
Amounts due to minority shareholders		72,512	71,892
Amount due to a related company		–	12,912
Taxation liabilities		7,577	5,230
Bank and other borrowings		71,803	53,936
		<u>351,362</u>	<u>380,982</u>
Net current assets		<u>340,144</u>	<u>282,726</u>
		<u>2,305,344</u>	<u>2,322,855</u>
Capital and reserves			
Share capital	14	254,845	254,879
Reserves		1,792,073	1,796,990
Shareholders' funds		<u>2,046,918</u>	<u>2,051,869</u>
Minority interests		<u>(95,338)</u>	<u>(106,924)</u>
Non-current liabilities			
Bank and other borrowings		59,499	59,949
Loans from minority shareholders	15	294,265	317,961
		<u>353,764</u>	<u>377,910</u>
		<u>2,305,344</u>	<u>2,322,855</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2002

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2001	256,263	529,289	31,779	9,197	-	(1,207)	(28,626)	15,376	1,233,665	2,045,736
Exchange difference arising on translation of overseas operations	-	-	-	-	-	10	-	-	-	10
Decrease in fair value of investments in securities not held for trading	-	-	-	-	(30,885)	-	-	-	-	(30,885)
Impairment losses on investments in securities not held for trading	-	-	-	-	30,885	-	-	-	-	30,885
Net gains or losses not recognised on consolidated income statement	-	-	-	-	-	10	-	-	-	10
Profit for the period	-	-	-	-	-	-	-	-	23,423	23,423
Interim dividend	-	-	-	-	-	-	-	7,654	(7,654)	-
Dividends paid	-	-	-	-	-	-	-	(15,314)	-	(15,314)
Overprovision of dividend in previous period due to shares repurchased	-	-	-	-	-	-	-	(62)	62	-
Shares repurchased	(1,142)	-	-	1,142	-	-	-	-	(2,734)	(2,734)
Other changes in equity	(1,142)	-	-	1,142	-	-	-	(7,722)	13,097	5,375
At 30th June, 2001	255,121	529,289	31,779	10,339	-	(1,197)	(28,626)	7,654	1,246,762	2,051,121
At 1st January, 2002	254,879	529,289	27,664	10,581	-	(458)	(25,861)	12,744	1,243,031	2,051,869
Exchange difference arising on translation of overseas operations	-	-	-	-	-	(93)	-	-	-	(93)
Share of revaluation deficit of an associate	-	-	(44)	-	-	-	-	-	-	(44)
Decrease in fair value of investments in securities not held for trading	-	-	-	-	(13,121)	-	-	-	-	(13,121)
Impairment losses on investments in securities not held for trading	-	-	-	-	13,121	-	-	-	-	13,121
Net gains or losses not recognised in consolidated income statement	-	-	(44)	-	-	(93)	-	-	-	(137)
Profit for the period	-	-	-	-	-	-	-	-	6,535	6,535
Realised on disposal of partial interest in an associate	-	-	-	-	-	-	1,843	-	-	1,843
Realised on disposal of properties of an associate	-	-	(394)	-	-	-	-	-	-	(394)
Interim dividend	-	-	-	-	-	-	-	5,097	(5,097)	-
Dividends paid	-	-	-	-	-	-	-	(12,742)	-	(12,742)
Overprovision of dividend in previous period due to shares repurchased	-	-	-	-	-	-	-	(2)	2	-
Shares repurchased	(34)	-	-	34	-	-	-	-	(56)	(56)
Other changes in equity	(34)	-	(394)	34	-	-	1,843	(7,647)	1,384	(4,814)
At 30th June, 2002	254,845	529,289	27,226	10,615	-	(551)	(24,018)	5,097	1,244,415	2,046,918

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2002

	Six months ended	
	30th June,	
	2002	2001
	(unaudited)	(unaudited and restated)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(50,690)	145,219
Net cash from (used in) investing activities	28,098	(75,212)
Net cash used in financing activities	(6,627)	(43,006)
Net (decrease) increase in cash and cash equivalents	(29,219)	27,001
Cash and cash equivalents at beginning of the period	220,119	162,778
Effect of foreign exchange rate changes	(835)	524
Cash and cash equivalents at end of the period	190,065	190,303
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents as previously reported		183,964
Effect of reclassification of short term bank borrowings		6,339
As restated		190,303
Represented by:		
Bank balances and cash	190,183	190,350
Bank overdrafts	(118)	(47)
	190,065	190,303

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2002

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain 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, 2001, 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 (“SSAP(s)”) issued by the HKSA, which has resulted in the adoption of the following new/revised accounting policies.

Foreign Currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

In the current period, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing cash flows for interest and dividends received and as financing cash flows for interest and dividends paid. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2002

3. SEGMENT INFORMATION

As a result of the inclusion of taxi rental operation as one of business segment during the period, other income for the six months ended 30th June, 2001 amounting to HK\$1,164,000 was reclassified to turnover to conform with current year's presentation.

The Group's turnover and contribution to profit from operations, analysed by business and geographical segments are as follows:

Business Segments

	Turnover		Contribution to profit from operations	
	Six months ended 30th June,		Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Manufacture and marketing of electric fans, vacuum cleaners and other electrical household appliances	584,666	528,672	40,394	33,451
Manufacture and trading of electric cables and steel pipes	27,036	31,041	(3,582)	(5,511)
Steel plate processing and trading	49,871	56,109	1,766	1,091
Leasing of property for rental	27,866	14,137	24,649	12,198
Property investment and development	22,958	55,486	(2,974)	720
Taxi rental operation	5,086	1,164	2,749	1,024
Trading of securities	75,262	680,367	(18,429)	23,897
Toll road management and operation	12,702	11,048	1,584	1,495
Direct investment in hi-tech business	—	—	(21,086)	(31,634)
	<u>805,447</u>	<u>1,378,024</u>	<u>25,071</u>	<u>36,731</u>
Unallocated corporate expenses			(26,916)	(21,398)
Interest income			<u>19,556</u>	<u>25,956</u>
Profit from operations			<u>17,711</u>	<u>41,289</u>

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

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2002

3. SEGMENT INFORMATION – continued

Geographical Segments

	Turnover		Contribution to profit from operations	
	Six months ended 30th June,		Six months ended 30th June,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	149,024	634,332	(4,108)	32,758
People's Republic of China ("PRC")	258,512	183,282	19,665	(4,664)
North America	383,963	491,392	(3,510)	19,488
Europe	66,397	75,323	(564)	(11,744)
Asia, other than Hong Kong and PRC	40,567	41,188	4,591	(344)
Others	73,446	31,801	8,997	1,237
	<u>971,909</u>	<u>1,457,318</u>	<u>25,071</u>	<u>36,731</u>
Inter-segment sales	<u>(166,462)</u>	<u>(79,294)</u>		
	<u>805,447</u>	<u>1,378,024</u>		
Unallocated corporate expenses			(26,916)	(21,398)
Interest income			19,556	25,956
Profit from operations			<u>17,711</u>	<u>41,289</u>

The inter-segment sales were charged at cost plus a percentage of mark-up. The inter-segment sales comprises of sales in Hong Kong amounting to HK\$67,537,000 (Six months ended 30th June, 2001: HK\$28,717,000) and sales in PRC amounting to HK\$98,925,000 (Six months ended 30th June, 2001: HK\$50,577,000).

4. DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	25,817	22,402
Amortisation of:		
Goodwill	695	–
Intangible assets	2,349	321
	<u>28,861</u>	<u>22,723</u>

5. IMPAIRMENT LOSSES ON INVESTMENTS IN SECURITIES NOT HELD FOR TRADING

During the period, the directors of the Company reviewed the carrying value of the investment securities not held for trading. For the investments in businesses which are at the initial set up stage and are involved in developing the advanced semiconductor, internet related hardware and software, the related investment cost of approximately HK\$13,121,000 (Six months ended 30th June, 2001: HK\$30,885,000) was considered to be fully impaired with regard to current market situation.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2002

6. TAXATION

	Six months ended 30th June,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Provision for the period:		
Hong Kong	2,677	3,756
Other regions of the PRC	143	236
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	2,820	3,992
Share of taxation attributable to associates	310	221
	<hr/>	<hr/>
	3,130	4,213
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDENDS

The directors have declared that an interim dividend of 1.0 cent (Six months ended 30th June, 2001: 1.5 cents) per share, amounting to HK\$5,097,000 (Six months ended 30th June, 2001: HK\$7,654,000), should be paid to the shareholders of the Company whose names appear in the Register of Members on 25th October, 2002.

During the period, a dividend of 2.5 cents (Six months ended 30th June, 2001: 3.0 cents) per share, amounting to HK\$12,742,000 (Six months ended 30th June, 2001: HK\$15,314,000), was paid to shareholders as the final dividend for immediate preceding financial year end.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$6,535,000 (Six months ended 30th June, 2001: HK\$23,423,000) and the weighted average number of ordinary shares of 509,735,000 (Six months ended 30th June, 2001: 511,813,000).

No diluted earnings per share has been presented for the current and prior periods as the exercise price of the Company's outstanding share options was higher than the average market price of shares during these periods.

9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

At 30th June, 2002, the directors reviewed the carrying amount of the Group's investment properties carried at revalued amounts and considered that the carrying amounts were not significantly different from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit was recognised in the current period.

During the period, the construction of a property under development in the United States of America was completed and rented out under operating leases. Accordingly, the corresponding carrying value of HK\$97,639,000 was transferred from property, plant and equipment to investment properties.

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2002

10. INTANGIBLE ASSETS

During the period, the Group disposed of certain taxi licences with carrying values of HK\$25,052,000 for a cash consideration of HK\$25,845,000. Profit on disposal amounting to HK\$793,000 was recognised during the period.

11. INVESTMENTS IN SECURITIES

The decrease in investments in securities not held for trading was mainly attributable to the impairment losses recognised during the period as set out in note 5 and the refund of investment costs of debt securities matured during the period.

During the period, the Group acquired equity linked notes with fair value at 30th June, 2002 amounting to HK\$87,630,000. These notes were classified as investments in securities held for trading.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$83,314,000 (31.12.2001: HK\$91,844,000). 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:

	30.6.2002	31.12.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	31,372	46,699
31 – 60 days	12,647	10,180
61 – 90 days	17,809	9,599
91 – 180 days	12,650	7,970
181 – 360 days	2,760	12,722
Over 360 days	6,076	4,674
	<hr/> 83,314 <hr/>	<hr/> 91,844 <hr/>

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$74,311,000 (31.12.2001: HK\$55,070,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30.6.2002	31.12.2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	43,792	41,476
31 – 60 days	15,275	7,500
61 – 90 days	6,783	3,031
91 – 180 days	5,380	1,525
181 – 360 days	1,587	318
Over 360 days	1,494	1,220
	<hr/> 74,311 <hr/>	<hr/> 55,070 <hr/>

Notes to the Condensed Financial Statements

For the six months ended 30th June, 2002

14. SHARE CAPITAL

	30.6.2002		31.12.2001	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.50 each				
Balance at beginning and end of the period/year	900,000	450,000	900,000	450,000
Issued and fully paid:				
Ordinary shares of HK\$0.50 each				
Balance at beginning of the period/year	509,759	254,879	512,526	256,263
Shares repurchased and cancelled	(68)	(34)	(2,767)	(1,384)
Balance at end of the period/year	509,691	254,845	509,759	254,879

15. LOANS FROM MINORITY SHAREHOLDERS

During the period, a loan from a minority shareholder of a subsidiary amounting to HK\$22,572,000 was capitalised as the share capital of the subsidiary.

16. CONTINGENT LIABILITIES

As at the balance sheet date, the Group had the following outstanding contingent liabilities not provided for in the financial statements:

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Shipping and other guarantees	408	1,632
Letter of credit to secure the banking facilities granted to:		
– an associate	–	30,457
– an investee	3,120	3,120

17. CAPITAL COMMITMENTS

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

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Contracted but not provided for in the financial statements:		
Establishment of a joint venture to develop manufacturing facilities in the PRC	6,630	9,360