

# INTERIM REPORT

For The Six Months Ended 30 June



**Man Yue International Holdings Limited**  
(Incorporated in Bermuda with limited liability)



**CONTENTS**

	Pages
Condensed Consolidated:	
Profit and Loss Account	2
Balance Sheet	3
Summary Statement of Changes in Equity	4
Cash Flow Statement	5
Notes to Condensed Consolidated Financial Statements	6 – 14
Management Discussions and Business Prospects	15 – 17
Supplementary Information	18 – 20

**INTERIM RESULTS**

The Board of Directors of Man Yue International Holdings Limited (the "Company") is pleased to present the unaudited interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2002 together with comparative figures for the corresponding period in 2001. The condensed consolidated financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*For the six months ended 30 June 2002*

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2002 (Unaudited) HK\$'000</b>	2001 (Unaudited) HK\$'000
TURNOVER	2	<b>240,148</b>	140,718
Cost of sales		<b>(180,923)</b>	(101,216)
Gross profit		<b>59,225</b>	39,502
Other revenue and gains	3	<b>400</b>	1,225
Selling and distribution costs		<b>(12,034)</b>	(4,288)
Administrative expenses		<b>(30,977)</b>	(30,074)
Other operating expenses		<b>(1,200)</b>	(617)
PROFIT FROM OPERATING ACTIVITIES	2,4	<b>15,414</b>	5,748
Finance costs	5	<b>(2,987)</b>	(4,503)
Share of profits less losses of jointly controlled entities		<b>922</b>	269
PROFIT BEFORE TAX		<b>13,349</b>	1,514
Tax	6	<b>(1,656)</b>	200
PROFIT BEFORE MINORITY INTERESTS		<b>11,693</b>	1,714
Minority interests		<b>(418)</b>	-
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>11,275</b>	1,714
EARNINGS PER SHARE	7		
Basic		<b>HK3.02 cents</b>	HK0.46 cent
Diluted		<b>HK3.02 cents</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

30 June 2002

	Notes	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		166,926	152,149
Intangible assets		404	-
Negative goodwill		(860)	(1,395)
Interests in jointly controlled entities		7,316	7,347
Interests in associates		-	-
Long term investments		22,000	22,000
		<b>195,786</b>	<b>180,101</b>
<b>CURRENT ASSETS</b>			
Short term investments		190	190
Inventories		82,636	69,094
Trade receivables	9	139,724	103,885
Prepayments, deposits and other receivables		12,619	23,314
Tax recoverable		4	4
Cash and bank balances		26,464	18,371
		<b>261,637</b>	<b>214,858</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	93,122	41,064
Other payables and accrued liabilities		32,121	26,646
Tax payable		2,543	1,598
Interest-bearing bank loans and overdrafts		78,121	88,858
Current portion of finance lease payables		13,731	11,089
Dividend payable		3	3
		<b>219,641</b>	<b>169,258</b>
<b>NET CURRENT ASSETS</b>		<b>41,996</b>	<b>45,600</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>237,782</b>	<b>225,701</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term portion of interest-bearing bank loans		2,137	2,774
Long term portion of finance lease payables		11,204	10,193
		<b>13,341</b>	<b>12,967</b>
<b>MINORITY INTERESTS</b>		<b>12,205</b>	<b>11,787</b>
		<b>212,236</b>	<b>200,947</b>
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	37,344	37,344
Reserves	12	174,892	163,603
		<b>212,236</b>	<b>200,947</b>

**CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2002*

	<b>For the six months ended 30 June</b>	
	<b>2002 (Unaudited) HK\$'000</b>	2001 (Unaudited) HK\$'000
Total shareholders' equity at 1 January	<b>200,947</b>	194,419
Exchange differences on translation of the financial statements of foreign entities	<b>26</b>	69
Share of movements in reserves of jointly controlled entities	<b>(12)</b>	-
Net gains not recognised in the profit and loss account	<b>14</b>	69
Net profit attributable to shareholders	<b>11,275</b>	1,714
Total shareholders' equity at 30 June	<b>212,236</b>	196,202

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 June 2002*

	<b>For the six months ended 30 June</b>	
	<b>2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2001 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	<b>44,004</b>	10,076
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<b>(10,812)</b>	(14,307)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<b>(22,611)</b>	5,989
INCREASE IN CASH AND CASH EQUIVALENTS	<b>10,581</b>	1,758
Effect of foreign exchange rate changes, net	<b>26</b>	69
Cash and cash equivalents at beginning of period	<b>15,857</b>	(415)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>26,464</b>	1,412
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>26,464</b>	5,315
Bank overdrafts	<b>-</b>	(3,903)
	<b>26,464</b>	1,412

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2002

### 1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting".

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2001, except that the Group has changed certain of its accounting policies following the adoption of the following recently-issued and revised SSAPs issued by the Hong Kong Society of Accountants which are effective for the first time for the current period's financial statements:

- SSAP 1 (Revised) : Presentation of financial statements
- SSAP 11 (Revised) : Foreign currency translation
- SSAP 15 (Revised) : Cash flow statements
- SSAP 34 : Employee benefits

These SSAPs prescribe new accounting treatments and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirement from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated summary statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and comparative figures have been presented in accordance with the revised SSAP.

## 2. SEGMENT INFORMATION

The analysis of the Group's revenue and results by business segments and geographical segments is as follows:

### (a) Business segments

The following tables present revenue and results of the Group's business segments for the six months ended 30 June.

#### Group

	Electronic components and electrical products		Trading of raw materials		Corporate and others		Eliminations		Consolidated	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	207,578	137,046	5,578	3,322	26,992	350	-	-	240,148	140,718
Other revenue and gains	-	-	-	-	400	1,225	-	-	400	1,225
Total	<u>207,578</u>	<u>137,046</u>	<u>5,578</u>	<u>3,322</u>	<u>27,392</u>	<u>1,575</u>	<u>-</u>	<u>-</u>	<u>240,548</u>	<u>141,943</u>
Segment results	<u>16,899</u>	<u>10,488</u>	<u>396</u>	<u>255</u>	<u>(1,881)</u>	<u>(4,995)</u>	<u>-</u>	<u>-</u>	<u>15,414</u>	<u>5,748</u>
Finance costs									<u>(2,987)</u>	<u>(4,503)</u>
Share of profits less losses of:									<u>12,427</u>	<u>1,245</u>
Jointly controlled entities	922	269	-	-	-	-	-	-	922	269
Profit before tax									<u>13,349</u>	<u>1,514</u>
Tax									<u>(1,656)</u>	<u>200</u>
Profit before minority interests									<u>11,693</u>	<u>1,714</u>
Minority interests									<u>(418)</u>	<u>-</u>
Net profit from ordinary activities attributable to shareholders									<u>11,275</u>	<u>1,714</u>



**(b) Geographical segments**

The following tables present revenue and results of the Group's geographical segments for the six months ended 30 June.

**Group**

	Hong Kong		Elsewhere in the PRC				Southeast Asia		Other countries		Corporate and others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	73,712	54,180	81,615	39,171	44,431	34,078	40,390	13,289	-	-	240,148	140,718		
Segment results	6,312	4,854	6,984	3,509	3,805	3,053	1,331	1,190	(3,018)	(6,858)	15,414	5,748		

**3. OTHER REVENUE AND GAINS**

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Exchange gains, net	-	1,042
Interest income	88	39
Negative goodwill recognised	56	-
Sundry income	256	144
	<b>400</b>	<b>1,225</b>

**4. PROFIT FROM OPERATING ACTIVITIES**

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	10,042	7,067
Amortisation of trademark and website development costs	-	315
Amortisation of intangible assets	65	-
Negative goodwill recognised	(56)	-
Exchange losses/(gains), net	337	(1,042)
Interest income	(88)	(39)
	<u>          </u>	<u>          </u>

**5. FINANCE COSTS**

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest expenses on bank loans and overdrafts wholly repayable within five years	2,555	4,214
Interest on finance leases	432	289
	<u>          </u>	<u>          </u>
	<u>2,987</u>	<u>4,503</u>

**6. TAX**

	<b>For the six months ended 30 June</b>	
	<b>2002</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2001 <b>(Unaudited)</b> <b>HK\$'000</b>
The People's Republic of China:		
Hong Kong, SAR	–	300
Elsewhere	<b>1,766</b>	–
Overprovision in prior years	<b>(110)</b>	(500)
	<b><u>1,656</u></b>	<b><u>(200)</u></b>

No provision for Hong Kong profits tax has been made as the Group utilised tax losses brought forward from prior years to set off against estimated assessable profits for the current period (30 June 2001: 16%). Taxes on profits assessable for elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

**7. EARNINGS PER SHARE**

The calculation of basic earnings per share for the period is based on the net profit attributable to shareholders of HK\$11,275,000 (2001:HK\$1,714,000) and the weighted average of 373,440,000 (2001:HK\$373,440,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to shareholders of HK\$11,275,000 and the weighted average number of 373,475,479 ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 373,440,000 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 35,479 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the period.

Diluted earnings per share for the six months ended 30 June 2001 has not been calculated as the Company's share options did not have a dilutive effect.

**8. DIVIDENDS**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

## 9. TRADE RECEIVABLES

The Group's trading terms with its customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 90 days of issuance, except for certain well established customers, where the credit terms range from 120 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk and hedges its credit risk through Export Credit Insurance Cover. Overdue balances are regularly reviewed by senior management.

The aged analysis of trade receivables as at the balance sheet date, based on invoice date, is as follows:

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Less than 3 months	<b>97,813</b>	74,220
4-6 months	<b>32,095</b>	24,791
7-12 months	<b>8,633</b>	4,009
Over 1 year	<b>4,111</b>	6,802
	<b>142,652</b>	109,822
Provisions for bad and doubtful debts	<b>(2,928)</b>	(5,937)
	<b>139,724</b>	103,885

## 10. TRADE PAYABLES

The aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Less than 3 months	<b>52,298</b>	27,301
4-6 months	<b>15,436</b>	7,375
7-12 months	<b>1,354</b>	327
Over 1 year	<b>1,373</b>	2,461
Accounts payables	<b>70,461</b>	37,464
Bills payables	<b>22,661</b>	3,600
	<b>93,122</b>	41,064

**11. SHARE CAPITAL**

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b><u>100,000</u></b>	<u>100,000</u>
Issued and fully paid:		
373,440,000 (2001: 373,440,000) ordinary shares of HK\$0.10 each	<b><u>37,344</u></b>	<u>37,344</u>

**12. RESERVES**

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2002	72,641	2,800	417	1,931	1,043	785	83,986	163,603
Exchange realignment	-	-	-	-	26	-	-	26
Share of reserves of jointly controlled entities	-	-	-	-	-	(12)	-	(12)
Net profit for the period	-	-	-	-	-	-	11,275	11,275
At 30 June 2002	<b><u>72,641</u></b>	<b><u>2,800</u></b>	<b><u>417</u></b>	<b><u>1,931</u></b>	<b><u>1,069</u></b>	<b><u>773</u></b>	<b><u>95,261</u></b>	<b><u>174,892</u></b>

**13. PLEDGE OF ASSETS**

The Group's land and buildings with an aggregate net book value of HK\$13,167,000 (31 December 2001: HK\$13,300,000) were pledged to a bank to secure general banking facilities granted to the Group. As at 30 June 2002, such facilities were utilised to the extent of HK\$31,809,000 (31 December 2001: HK\$25,763,000).

**14. COMMITMENTS**

- (i) At the balance sheet date, the Group had the following capital and forward foreign exchange contracts commitments:

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Plant and machinery:		
Contracted, but not provided for	—	7,800
Forward foreign exchange contracts	—	2,975

- (ii) At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows.

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Land and buildings:		
Within one year	7,936	7,898
In second to fifth years, inclusive	27,837	27,453
After five years	15,427	19,512
	<b>51,200</b>	<b>54,863</b>

**15. CONTINGENT LIABILITIES**

At the balance sheet date, the Group had guarantees amounting to HK\$3,900,000 (31 December 2001: HK\$1,887,000) in respect of banking facilities granted to the PRC joint venture partner of a subsidiary. In addition, the Company had guarantees amounting to HK\$158.8 million (31 December 2001: HK\$156.3 million) in respect of banking facilities and finance lease contracts granted to its subsidiaries, approximately HK\$96.2 million (31 December 2001: HK\$86.6 million) of which was utilised as at the balance sheet date.

**16. RELATED PARTY TRANSACTIONS**

During the period, the Group had the following material transactions with its related parties:

		<b>For the six months ended 30 June</b>	
		<b>2002</b>	2001
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	<b>HK\$'000</b>
Purchases of finished goods from jointly controlled entities	<i>(Note)</i>	<b>582</b>	8,365
Purchases of raw materials from jointly controlled entities	<i>(Note)</i>	<b>3,691</b>	–
Purchases of raw materials from associates of a PRC joint venture partner	<i>(Note)</i>	<b>6,955</b>	–
Sales of finished goods to jointly controlled entities	<i>(Note)</i>	–	7
Sales of finished goods to associates of a PRC joint venture partner	<i>(Note)</i>	<b>197</b>	–
Corporate guarantees to banks for facilities granted to a PRC joint venture partner and its associates		<b>3,900</b>	–
Corporate guarantees to banks given by a PRC joint venture partner and its associates for facilities granted to a subsidiary		<b>3,396</b>	–

*Note:* The above purchase transactions are carried out in the ordinary course of business and according to the terms and conditions similar to those offered by other suppliers, except that a longer credit period was granted. The above sales transactions were carried out in accordance with the Group's pricing policy, which is calculated on a cost-plus basis.

**17. APPROVAL OF THE INTERIM FINANCIAL REPORT**

These condensed interim financial statements were approved and authorised for issue by the board of directors on 23 September 2002.

## MANAGEMENT DISCUSSIONS AND BUSINESS PROSPECTS

The Group achieved a substantial improvement on the financial and operating results for the six months ended 30 June 2002 with a remarkable growth of 70.7% in the Group's consolidated turnover to HK\$240.1 million and an outstanding turnaround in net profit by an increase of 5.6 times to HK\$11.3 million as compared to the same period last year. The Group's strong performance in the increasing competitive environment and a rapidly changing market was achieved by increasing demand for the Group's SAMXON brand and by aggressively pursuing volume customers and acquiring new OEM customers.

The Group's future challenge is to diligently manage additions of new capacity to accommodate strong order flows in the core electrolytic capacitors business. The Group has adopted a cautious approach to plant investment during the first half of 2002. New production capacity came on stream gradually throughout the period under review by adding machineries to the existing production lines; and setting up a new production plant in Xiamen, PRC as a wholly owned foreign enterprise for approximately US\$1.3 million during the first half year. Production has already commenced in July 2002. In addition, the Group will further increase its equity interests in a subsidiary from 71.1% to 78.8% in September 2002; with a view of expanding production capacity to lower cost manufacturing regions and in consideration of the increasing pressure on supplier to provide competitive pricing. With the recent China's accession to the World Trade Organization and the proposed lifting of trade restrictions, it is expected to provide significant attractions to foreign company entries into the China market which shall then bring a parallel beneficial impact on the Group's overall business.

The Group will continue to enhance its productivity as well as cost effectiveness. It will further expand market share by penetrating vertically and horizontally in the electronic industry. With the favourable brand name SAMXON, the well planned production network, the well established market position both locally and internationally and the sound financial position of the Group, it is believed that the outlook for the second half of 2002 is promising.

### Operating Results

For the six months ended 30 June 2002, the Group recorded a consolidated turnover of approximately HK\$240.1 million, representing a substantial increase of approximately 70.7% when compared to the corresponding period of last year. The Group achieved turnover growth in all geographical markets. The impressive increase was mainly due to the expanded business in the core manufacturing and trading of electrolytic capacitors through the existing customer base as well as new acquisitions of foreign owned PRC customers and Taiwanese customers, attributing 35.8% increase in turnover when compared to the corresponding period of last year. The increase in equity interest in a subsidiary from approximately 48.4% to 71.1% in the second half of 2001 also contributed 18.8% increase in turnover. In addition, the trading of machinery delivered an approximately 16.1% increase of the Group's overall turnover.



During the period under review, gross profit of the Group increased by 49.9% to HK\$59.2 million and gross profit margin decreased slightly from 28.1% to 24.7% when compared with the corresponding period of last year. The decrease in gross profit margin was mainly attributable to the increasing price pressure and our competitive pricing for new market entry.

The Group's consolidated operating profit increased by 1.7 times to HK\$15.4 million as compared to the corresponding period of last year. Net profit attributable to the shareholders was approximately HK\$11.3 million, representing an increase of 5.6 times when compared to the corresponding period of last year. The increase in profit was mainly due to the considerable growth in all business segments and additional savings in financing cost resulting from the decrease in average borrowings and adjustments of borrowing mix at a reduced interest costs during the period under review.

### **Financial and Liquidity Position**

Cash inflow generated from operating activities for the period under review amounted to HK\$44 million, mainly due to the increase in sales and the increase in working investment turnover. Compared with the same period last year, the number of days for inventory turnover improved from 130 days to 82 days, while the number of days for receivables turnover improved by approximately 26 days to 107 days which was in line with the Group's credit terms. Further, the Group has maintained tight credit control over the receivables and hedged the credit risk through Export Credit Insurance Cover.

The Group believed that it has maintained a stable and healthy financial position. Total shareholders' funds increased to HK\$212.2 million as at 30 June 2002 as compared to HK\$200.9 million as at 31 December 2001. Total bank borrowings amounted to HK\$105.2 million represented a decrease of approximately HK\$7.7 million as compared to the 31 December 2001. Average bank borrowings were lower in the period under review as compared to year 2001, mainly due to the improved working capital cycle and expanded turnover during the period under review.

The gearing ratio as of 30 June 2002, expressed as a percentage of total bank borrowings to total shareholders' fund improved to 49.5%, as compared to 56.2% as at 31 December 2001.

Interest coverage, expressed as a multiple of profit before interest, taxation, depreciation and amortization (EBITA) to total interest expenses was 8.5 times as compared to 2.9 times for the same period last year and 3.7 times for full year ended 31 December 2001.

Capital expenditure for the period under review on various additions of machineries amounted to HK\$24.8 million and was funded by internal generated funds as well as new finance lease payables in 36 monthly installments.

The Group contracts business transactions mainly in Hong Kong dollars, Renminbi, US dollars and Japanese Yen. As Hong Kong dollar is pegged to US dollar and there has not been any major fluctuation in the exchange rate between Renminbi and Hong Kong dollar, the Group does not foresee any high exchange risk in this respect. However, due to the prevailing Japanese Yen rate fluctuation, the Group utilises foreign exchange forward contracts to hedge against the exchange rate risk.

### **Employment and Remuneration Policy**

As at 30 June 2002, the Group had 67 staffs in Hong Kong and employed a total work force of approximately 2,108 inclusive of its operations in China and Overseas Representative Offices.

Salaries, bonus and benefits were decided in accordance with the market condition and the performance of the respective employees.



**SUPPLEMENTARY INFORMATION****DIRECTORS' INTERESTS IN SHARES**

At 30 June 2002, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of Director		Number of shares and nature of interest		
		Nature of interest	Number of shares held	Number of share options
Chan Ho Sing	<i>Note 1</i>	Family	179,734,000	–
Chan Ho Sing	<i>Note 2</i>	Family	–	5,500,000
Chan Ho Sing		Personal	–	17,500,000
Ho Kwong Kuen, David		Personal	–	3,000,000

*Note 1:* These shares are owned by Man Yue Holdings Inc., a company incorporated in the Bahamas, the entire issued share capital of which is ultimately beneficially owned by the family trust of Chan Ho Sing.

*Note 2:* The family interests represent share options held by Kee Chor Lin, the spouse of Chan Ho Sing.

In addition to the above, Chan Ho Sing has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above and as disclosed under the heading "Directors' rights to acquire shares", none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the SDI Ordinance.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Apart from as disclosed under the headings "Directors' interests in shares" above and "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

Pursuant to the Company's share option scheme, the Company granted share options in favour of the following directors to subscribe for ordinary shares in the Company's share capital. The details of which are as follows:

Name or category of participant	Number of share options			At 30 June 2002	Date of grant of share options	Exercise period of share options	Price of Company's shares**	
	At 1 January 2002	Granted during the period	Lapsed during the period				Exercise price of share options*	At grant date of options
							HK\$	HK\$
<b>Directors</b>								
Chan Ho Sing	11,000,000	-	-	11,000,000	30.12.1997	30.12.1997 to 12.2.2007	0.7856	1.02
	12,000,000	-	-	12,000,000	5.6.2000	5.6.2000 to 12.2.2007	0.432	0.60
	<u>23,000,000</u>	<u>-</u>	<u>-</u>	<u>23,000,000</u>				
Ho Kwong Kuen, David	-	3,000,000	-	3,000,000	15.5.2002	15.5.2002 to 12.2.2007	0.163	0.163
	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>				
Hui Sing Cheung, Dave	2,000,000	-	(2,000,000)	-	21.1.2000	21.1.2000 to 12.2.2007	0.3192	0.39
	<u>2,000,000</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>				

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of Shareholder	Number of shares held	Interest %
Man Yue Holdings Inc. (Note)	179,734,000	48
Chan Ho Sing	179,734,000	48
Li Tung Lok	47,760,000	13

Note : Man Yue Holdings Inc. is ultimately beneficially owned by the family trust of Chan Ho Sing. The interests disclosed under Chan Ho Sing represent his deemed interests in the shares of the Company by virtue of his interests in Man Yue Holdings Inc. and have been disclosed under the heading "Directors' interests in shares" above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## CONNECTED TRANSACTIONS

During the period, connected transactions entered into by the Group are set out in note 16 to the financial statements under the heading of "Related Party Transactions". In the meantime, the Company is under the process of applying conditional waiver for the connected transactions with the Stock Exchange of Hong Kong Limited.

## AUDIT COMMITTEE

The Audit Committee, comprising two independent non-executive directors was formed in 1999 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 (the "Listing Rules"). The committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2002.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited throughout the accounting period covered by this interim report, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

By Order of the Board  
**Chan Ho Sing**  
 Chairman