

Corporate Information

BOARD OF DIRECTORS

YIP Kim Po (Chairman)
HUI Ho Ming, Herbert
(Deputy Chairman and Vice Chairman)*
TANG Hin Lun (Vice Chairman)
CHAU Po Fan#
CHOY Tak Ho#
KWAN Yan
LI Lee Cheung
YIP Wan Fung

* Formerly, a Non-Executive Director.
Appointed as an Executive Director
wef 8 August 2002

Independent Non-Executive Director

COMPANY SECRETARY

LO Hang Fong

SOLICITORS

Stevenson, Wong & Co.

AUDITORS

Moores Rowland

PRINCIPAL BANKERS

Westdeutsche Landesbank
The Bank of East Asia Limited
The Hongkong and Shanghai Banking
Corporation Limited
Dao Heng Bank
Wing Hang Bank, Ltd.
Bangkok Bank Public Company Limited

PRINCIPAL OFFICE

Room 2805, 28th Floor
Admiralty Centre, Tower 1
18 Harcourt Road
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HOMEPAGE

<http://www.ogholdings.com>

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited

Report of the Directors

The Directors are pleased to present the interim report together with the interim financial statements of Ocean Grand Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2002.

PROSPECTS

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and wholesaling of aluminium extrusion products and chemicals for use in electroplating processing at facilities located in Nanhai, Guangdong Province and the Hong Kong Special Administrative Region of The People's Republic of China. Other investments include businesses in stainless steel production and the sale of Knowledge Management products.

The aluminium extrusion business recorded outstanding profit during the period under review, and the Group has successfully entered the overseas market for aluminium alloy ingots. The Nanhai factory has been expanded with a new powder-coating line and a fabrication line. Further capital investment plans include another paint-coating line and a new 3,600-tonne press.

The electroplating chemicals business recorded satisfactory profit during the period under review. The Group has more than doubled the capacity in the Hunghom factory and the newly constructed Zhuhai factory is scheduled to start partial operations shortly.

On 29 July 2002, the Group drewdown a US\$34 million term loan with a repayment period over 3 years at favourable rates. Half of the proceeds was used to re-finance a US\$17 million syndicated loan, and the other half will be used to meet the Group's future capital investments and working capital needs.

The Group's financial strength places the Group in an ideal position to carry out its expansion plans, which are moving ahead full steam.

INTERIM DIVIDEND

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

SHARE OPTION SCHEME

At the Annual General Meeting of the Company held on 7 June 2002, an ordinary resolution was passed approving the adoption of a new share option scheme (the "New Share Option Scheme") which complied with Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the termination of the share option scheme adopted by the Company on 4 September 1997 (the "Old Share Option Scheme"). All options granted prior to the termination of the Old Share Option Scheme continue to be valid and exercisable.

Report of the Directors

Pursuant to the New Share Option Scheme, employees including Directors of the Group, are entitled to be granted options to subscribe for shares in the Company. As at 30 June 2002, no employee share options have been granted under the New Share Option Scheme.

DIRECTORS' INTERESTS

As at 30 June 2002, the Directors of the Company had the following beneficial interests in the shares of HK\$0.10 each in the capital of the Company, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

1. Shares

Name	Number of shares
Mr Yip Kim Po (Notes a, b and c)	1,255,134,460
Mr Hui Ho Ming, Herbert	10,000,000
Mr Tang Hin Lun	3,000,000
Mr Chau Po Fan	200,000
Mr Kwan Yan	9,000,000
Mr Li Lee Cheung	10,000
Ms Yip Wan Fung	111,443,141

Notes:

- As at 30 June 2002, Holylake Resources Limited ("Holylake") held 727,737,488 shares of the Company. The issued shares of Holylake were owned as to 76% and 24% by Mr Yip Kim Po and Mr Yip Lap Chi, respectively. The interests of Mr Yip Kim Po in the issued shares of the Company were corporate interests in the Company by virtue of Practice Note 5 to the Listing Rules.
- As at 30 June 2002, Grecian Resources Limited ("Grecian") held 281,039,829 shares of the Company. The issued shares of Grecian were owned as to 76% and 24% by Mr Yip Kim Po and Mr Yip Lap Chi, respectively. The interest of Mr Yip Kim Po in the issued shares of the Company were corporate interests in the Company by virtue of Practice Note 5 to the Listing Rules.
- Mr Yip Kim Po held 237,357,143 shares and Mr Wong Soon Teck (as nominee for Mr Yip Kim Po) held 9,000,000 shares of the Company. These interests of Mr Yip Kim Po were personal interests as described in Practice Note 5 to the Listing Rules.

2. Options

Name	Date of grant	Exercise price HK\$	Exercise period	Outstanding at 1 January 2002	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 June 2002
Choy Tak Ho (Note a)	27 March 1998	0.12	27 March 1998 to 3 September 2007	5,000,000	-	-	-	5,000,000
Tang Hin Lun (Note b)	2 May 2000	0.1128	2 May 2000 to 3 September 2007	9,000,000	-	-	-	9,000,000

Notes:

- a. Mr Choy Tak Ho: The subscription price of these share options was adjusted due to the issuance of bonus shares on the basis of two new shares for every one share in issue on 25 November 1999. The consideration for the granting of these share options was HK\$1. These interests were personal interests in the Company as described in Practice Note 5 to the Listing Rules.
- b. Mr Tang Hin Lun: The consideration for the granting of these share options was HK\$1. Mr Tang's interests were personal interests in the Company as described in Practice Note 5 to the Listing Rules.

Save as disclosed above, as at 30 June 2002, none of the Directors and Chief Executive and their respective associates had any other personal, family, corporate or other interests in the shares of the Company, its subsidiaries or any of its associated corporations as defined in the SDI Ordinance nor any right to subscribe for the shares of the Company, its subsidiaries or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following entity (not being a Director or chief executive of the Company) had registered an interest in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage shareholding
Holylake Resources Limited	727,737,488	18.26%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 30 June 2002.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2002.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formulation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group's audit. It also reviews the effectiveness both of the external and internal audit, internal controls and risk evaluation. As at 30 June 2002, the Committee comprised Mr Choy Tak Ho (the chairman), Mr Chau Po Fan and Mr Hui Ho Ming, Herbert. Mr Hui was appointed an Executive Director of the Company with effect from 8 August 2002 and he ceased to serve on the Committee accordingly.

The Committee has reviewed the relevant interim report and the financial statements of the Group and was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong. The Committee found no unusual items that were omitted from the financial statements and was satisfied with the disclosures of data and explanations shown in the financial statements.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Group is not or was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules for any part of the accounting period covered by this interim report notwithstanding that the Independent Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting in accordance with the Bye-laws of the Company.

The financial information disclosed above complies with Appendix 16 of the Listing Rules and has been reviewed by the Audit Committee before being put forward to the Directors for approval.

On behalf of the Board

Yip Kim Po

Chairman

Hong Kong, 6 September 2002

Management Discussion and Analysis

I. CORE GROUP STRUCTURE



II. BUSINESS REVIEW OF MAJOR BUSINESS ACTIVITIES

(1) Aluminium extrusion business – Hing Yip Holdings (Hong Kong) Limited and its subsidiaries

Turnover and operating profit generated by the aluminium extrusion business for the six months ended 30 June 2002 were HK\$545,350,000 (*six months ended 30 June 2001: HK\$386,922,000*) and HK\$63,633,000 (*six months ended 30 June 2001: HK\$53,902,000*) respectively. As anticipated by the Management, the demand for aluminium extrusion products in the PRC has remained strong thanks to the accession of the PRC into the WTO, the PRC Government's plan to develop the Northwestern Region, and continued economic growth. Ocean Grand Holdings Limited (the "Company") and its subsidiaries (together the "Group") will continue to distinguish the Group from competitors as a large-scale supplier of high-quality aluminium extrusion products with proven expertise in providing value-added services.

Considerable efforts have been spent in developing overseas extrusion markets during the reporting period. In addition, the Group has successfully entered the overseas market of aluminium alloy ingots used in the manufacture of automobile engines. The effect of expansion into these new markets is expected to reflect in the Group's financial results in the latter half of the year.

With the broadening of revenue base and better-utilisation of capacity resulting from new markets and new lines of products, the Management is confident that the Group may maintain its growth in this sector.

(2) Electroplating chemicals business – Kenlap P.G.C. Manufacturer Company Limited and its subsidiaries

Growth in the manufacture of gold salts has slowed down in the first quarter of 2002 as the operations have reached capacity. On the other hand, growth in sales of palladium salts, the production of which is sub-contracted to factories in the PRC, has remained strong. Turnover and operating profit for the six months ended 30 June 2002 were HK\$63,368,000 (*six months ended 30 June 2001: HK\$67,044,000*) and HK\$16,219,000 (*six months ended 30 June 2001: HK\$10,032,000*) respectively.

In order to meet increasing demand for its products, the Group more than doubled the capacity in the Hunghom factory to 7,000 kg of gold salts per annum at full capacity. Furthermore, the Zhuhai factory is scheduled to start partial operations in the 3rd quarter of 2002. It is expected that substantial growth will accompany the enhancement of capacity, and the effects will be reflected in the latter half of 2002 and in 2003.

In May 2002, about 10% of the Group's electroplating salt business was allotted to 13 investors for a gross consideration of HK\$34,997,430 and a gain of HK\$19,076,000 was recognised. This investment demonstrates the confidence of the investment community in the potential and prospects of the Group's electroplating chemicals' business.

(3) Stainless steel and others

The Group's stainless steel business, represented by a 40% interest in Asia Pacific Holdings (China) Limited, ("APHC") has continued to report satisfactory profit. APHC, became an associate of the Group in June 2001 and its net profit for the six months ended 30 June 2002 exceeded HK\$45,000,000, together with another much smaller associate, contributed HK\$19,583,000 (*six months ended 30 June 2001: HK\$1,044,000*) to the Group for the six months ended 30 June 2002.

III. FINANCIAL REVIEW

(1) Liquidity and financial resources

As at 30 June 2002, the net current assets of the Group were at a healthy level of HK\$404,247,000 (*31 December 2001: HK\$369,349,000*). Out of the current assets, HK\$318,951,000 (*31 December 2001: HK\$317,948,000*) were in the form of free cash and cash equivalent.

As at 30 June 2002, the total borrowings and obligations under finance leases of the Group were HK\$451,003,000 (*31 December 2001: HK\$344,712,000*), around 32% of which, HK\$145,176,000 (*31 December 2001: HK\$104,543,000*) will be due after one year.

The financial health of the Group is reflected in two key financial ratios. First, the Group's current ratio as at 30 June 2002 was 205% (31 December 2001: 220%), which means that the Group has two times the level of current assets to meet current liabilities. The second ratio is net debt gearing (i.e. total borrowing less free cash/net tangible assets). Net debt of the Group as at 30 June 2002 was HK\$132,052,000 (31 December 2001: HK\$26,764,000) and the net debt gearing on that day was only 16.3% (31 December 2001: 3.7%), which means that the Group is well-placed to comfortably service its debt.

The Group's financial strength places the Group in an ideal position to carry out its expansion plans, which are moving ahead full steam. In relation to the aluminium extrusion business, the Group is investing approximately HK\$40,000,000 in a powder-coating line and HK\$10,000,000 in a fabrication line for its factory in Nanhai, which is expected to be fully operational by September 2002. Future capital investment plans include installation of a new paint-coating line and a new 3,600-tonne press, costing approximately HK\$80,000,000 in aggregate. For the electroplating salts business, the new factory being established in Zhuhai and the capacity enhancement in the Hunghom factory will provide a solid basis for future growth in the electroplating chemicals business.

The Management is confident that the Group's capital investments will enhance the overall productivity and profitability of the Group without having any material adverse effect on its financial position.

(2) Capital structure

The Group has continued with its strategy of obtaining financing with longer tenors to enhance liquidity and minimise maturity mismatch between assets and liabilities. On 29 July 2002, a new US\$34 million term loan with a repayment period of 3 years was drawn. Half of the proceeds was used to re-finance a US\$17 million syndicated loan, and the other half will be used to meet the Group's future capital investments and working capital needs. With its favourable term and pricing, this term loan will greatly enhance the cash liquidity position of the Group and reduce its financial burden.

All borrowings of the Group are at floating interest rates.

(3) Foreign exchange risk and interest rate risk

The majority of the Group's borrowings are denominated in HK\$, RMB and US\$ at floating interest rates. Financing in RMB is used only by the Group's factory in Nanhai, which usually receives revenue in RMB. In addition, as a result of the exchange peg between US\$ and HK\$, the Management is of the opinion that the Group's exposure to interest rate risk and foreign exchange risk is insignificant. Therefore, the Group has not used any financial instruments for hedging purposes.

IV. OTHER RELEVANT INFORMATION

(1) Staff policy

Staff costs are disclosed in note 6 to this interim report.

The Group believes that human resources are the most valuable assets of all, and is committed to provide a friendly and stimulating working environment for performing staff members. Remuneration of employees is determined on a merit basis with no regard to sex, age or disability of employees. On-the-job training is provided to staff members where necessary. As at 30 June 2002, the Group employed, excluding Directors, a total of approximately 400 (31 December 2001: approximately 400) full time employees. About 88% of these were employed in subsidiaries located in Mainland China.

A new share option scheme was adopted by the Group by an ordinary resolution passed at the Annual General Meeting of the Company held on 7 June 2002. Pursuant to the New Share Option Scheme, employees including Directors of the Group, are entitled to be granted options to subscribe for shares in the Company. As at 30 June 2002, no employee share options have been granted under the New Share Option Scheme.

(2) Charges on group assets

Charges on group assets are disclosed in note 16 to this interim report.

(3) Commitments and contingent liabilities

Commitments and contingent liabilities are disclosed in note 15 to this interim report.

(4) Other investment

During the period under review, the Group has invested HK\$5,000,000 in equity securities listed on the Stock Exchange. The investment is intended to be a long-term investment.

(5) Publication of interim results on the internet website of the Stock Exchange

The Interim Report of the Company for the six months ended 30 June 2002 containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

Condensed Consolidated Financial Statements

The Directors of Ocean Grand Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2002 as follows:

Condensed Consolidated Income Statement – unaudited

	Note	For the six months ended 30 June	
		2002 HK\$'000	2001 HK\$'000
Turnover	2	618,073	453,966
Cost of sales		(505,579)	(367,006)
Gross profit		112,494	86,960
Other revenue	2	1,390	1,575
Other net income		110	107
Gain on disposal of investment	3	-	21,141
Gain on deemed disposal of subsidiaries	4	19,076	-
Loss on deemed disposal of an associate	5	(4,824)	-
Distribution and selling expenses		(4,173)	(3,800)
General and administrative expenses		(26,472)	(21,852)
Profit from operations		97,601	84,131
Finance costs		(10,112)	(4,169)
Share of results of associates		19,583	1,044
Profit from ordinary activities before taxation	6	107,072	81,006
Taxation	7	(17,221)	(15,484)
Profit from ordinary activities after taxation		89,851	65,522
Minority interests		(3,328)	(3,114)
Net profit attributable to shareholders		86,523	62,408
Dividends	8	-	-
Retained profit for the period		86,523	62,408
Earnings per share	9		
– Basic		HK2.17 cents	HK1.69 cents

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity – unaudited

Group	Share capital	Share premium	Statutory reserves	Capital reserve	Capital demption reserve	Sub- re- scription right reserve	Property revalu- ation reserves	Exchange reserve	Accu- mulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2001										
– as previously reported	369,033	105,662	15,079	27,206	–	418	40,098	(180)	70,431	627,747
– prior year adjustment in respect of dividend proposed	–	–	–	–	–	–	–	–	7,409	7,409
– as restated	369,033	105,662	15,079	27,206	–	418	40,098	(180)	77,840	635,156
Issue of ordinary shares	28,083	–	–	–	–	–	–	–	–	28,083
Exercise of warrants	2,000	–	–	–	–	–	–	–	–	2,000
Dividend approved in respect of previous year	–	–	–	–	–	–	–	–	(7,409)	(7,409)
Premium arising from issue of shares upon										
– exercise of warrants	–	1,200	–	–	–	–	–	–	–	1,200
– share placement	–	7,021	–	–	–	–	–	–	–	7,021
Expenditures of share placement	–	(875)	–	–	–	–	–	–	–	(875)
Repurchase of shares	(581)	(45)	–	–	581	–	–	–	(581)	(626)
Surplus on revaluation (net of minority interests)	–	–	–	–	–	–	676	–	–	676
Exchange difference on translation of a foreign subsidiary	–	–	–	–	–	–	–	48	–	48
Share of exchange reserve of an associate	–	–	–	–	–	–	–	44	–	44
Profit for the year 2001	–	–	–	–	–	–	–	–	113,613	113,613
At 31 Decemeber 2001	398,535	112,963	15,079	27,206	581	418	40,774	(88)	183,463	778,931
Exchange difference on translation of foreign subsidiaries	–	–	–	–	–	–	–	(53)	–	(53)
Profit for the period	–	–	–	–	–	–	–	–	86,523	86,523
At 30 June 2002	398,535	112,963	15,079	27,206	581	418	40,774	(141)	269,986	865,401

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet

	Note	At 30 June 2002 (Unaudited) HK\$'000	At 31 December 2001 (Audited) HK\$'000
ASSETS			
Non-current assets			
Fixed assets	10	435,062	340,099
Goodwill		55,548	57,009
Interests in associates		135,591	128,657
Investments in securities		8,032	3,019
		634,233	528,784
Current assets			
Inventories		49,017	31,099
Trade and other receivables	11	416,116	324,788
Pledged deposits		5,277	5,266
Cash and cash equivalents		318,951	317,948
		789,361	679,101
Current liabilities			
Short-term interest-bearing borrowings		260,119	211,998
Trade and other payables	12	64,683	58,773
Current portion of long-term interest-bearing borrowings		42,889	25,215
Current portion of obligations under finance leases		2,819	2,956
Taxation		14,604	10,810
		385,114	309,752
Net current assets		404,247	369,349
Total assets less current liabilities		1,038,480	898,133
Non-current liabilities			
Long-term interest-bearing borrowings		143,102	101,137
Obligation under finance leases		2,074	3,406
Total non-current liabilities		145,176	104,543
Minority interests		27,903	14,659
NET ASSETS		865,401	778,931
CAPITAL AND RESERVES			
Issued capital	13	398,535	398,535
Reserves		466,866	380,396
		865,401	778,931

Condensed Consolidated Financial Statements

Condensed Consolidated Cash Flow Statement - unaudited

	For the six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Net cash inflow from operating activities	32,303	40,633
Net cash outflow from returns on investments and servicing of finance	(12,715)	(5,437)
Tax paid	(13,427)	(19,962)
Net cash (outflow) inflow from investing activities	(110,374)	187
Net cash (outflow) inflow before financing	(104,213)	15,421
Net cash inflow from financing	105,466	12,168
Increase in cash and cash equivalents	1,253	27,589
Effect of foreign exchange rate changes	(53)	(19)
Cash and cash equivalents at beginning of the period	316,937	136,553
Cash and cash equivalents at end of the period	318,137	164,123
Analysis of cash and cash equivalents		
Bank balances and cash	318,951	171,252
Bank overdrafts, secured	(814)	(7,129)
	318,137	164,123

Notes to Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are unaudited, but has been reviewed by the Audit Committee of the Group.

The condensed consolidated interim financial statements have been prepared in accordance with Appendix 16 of the Listing Rules and Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

The same accounting policies adopted in preparing the Company's annual financial statements for the year ended 31 December 2001 have been applied to the condensed consolidated interim financial statements.

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION

Turnover and revenue recognised by category are analysed as follows:

	For the six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Turnover		
Sale of goods	581,535	443,018
Subcontracting fees	28,597	10,948
Service fees	7,941	–
	618,073	453,966
Other revenue		
Interest income	1,390	1,575
Revenue	619,463	455,541

Notes to Condensed Consolidated Financial Statements

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

Turnover and operating profit of the Group analysed by business segment and by geographical segment are as follows:

(a) By business segment

The Group comprises the following main business segments:

Aluminium: The manufacture and sale of aluminium extrusion products and aluminium ingots.

Chemicals: The manufacture and sale of chemicals for electroplating and refining gold material.

	Aluminium HK\$'000	Chemicals HK\$'000	Others HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2002				
External sales in business segments	545,350	63,368	9,355	618,073
Segment result	63,633	16,219	4,639	84,491
Unallocated operating income and expenses				13,110
Profit from operations				97,601
	Aluminium HK\$'000	Chemicals HK\$'000	Others HK\$'000	Consolidated HK\$'000
For the six months ended 30 June 2001				
External sales in business segments	386,922	67,044	–	453,966
Segment result	53,902	10,032	–	63,934
Unallocated operating income and expenses				20,197
Profit from operations				84,131

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (CONTINUED)**(b) By geographical segment**

	For the six months ended 30 June 2002	
	Revenue from external customers HK\$'000	Contributions to profit from operation HK\$'000
Mainland China	379,645	84,316
Hong Kong	238,428	13,285
	618,073	97,601
	For the six months ended 30 June 2001	
	Revenue from external customers HK\$'000	Contributions to profit from operation HK\$'000
Mainland China	322,548	70,235
Hong Kong	131,418	13,896
	453,966	84,131

3. GAIN ON DISPOSAL OF INVESTMENT

In December 2000, the Group had entered into agreement to dispose of its 55% shareholdings in King Glass Engineering Limited at a consideration of HK\$130,000,000 to Mississippi Industrial Limited, an independent third party. Upon completion of the agreement in February 2001, the Group recognised a gain on disposal of HK\$21,141,000.

4. GAIN ON DEEMED DISPOSAL OF SUBSIDIARIES

In May 2002, the Group's equity interest in Kenlap P.G.C. Manufacturer Company Limited and its wholly-owned subsidiary was diluted from 100% to 89.82% as a result of the issuance of new shares. In this connection, the Group recognised a deemed disposal gain of HK\$19,076,000.

5. LOSS ON DEEMED DISPOSAL OF AN ASSOCIATE

In February 2002, the Group's equity interest in Linefan Technology Holdings Limited ("Linefan") was diluted from 23.81% to 18.17% as a result of the placing of new shares by Linefan. Linefan was listed on the Growth Enterprise Market of the Stock Exchange on 5 February 2002. In this connection, the Group recognised a deemed disposal loss of HK\$4,824,000. In the opinion of the Management, Linefan was still considered as an associate of the Group as the Group has significant influence over the Board of Linefan.

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	For the six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Staff costs	10,025	10,710
Cost of inventories	490,585	347,293
Depreciation		
Owned assets	9,901	8,861
Assets held under finance leases	184	250

7. TAXATION

	For the six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax – Current period	222	230
Overseas taxation	16,999	15,254
	17,221	15,484

The Company is exempted from taxation in Bermuda until March 2016.

Hong Kong Profits Tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

For the six months ended 30 June 2002, Mainland China enterprise income taxes for Nanhai Xingye Shaped Bronze & Aluminium Products Company Limited was provided at 27% on its estimated taxable income.

8. INTERIM DIVIDENDS

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

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2002 was based on the consolidated profit attributable to shareholders of approximately HK\$86,523,000 (30 June 2001: HK\$62,408,000) and on the weighted average number of 3,985,353,159 shares (30 June 2001: 3,701,796,654 shares).

The diluted earnings per share is not shown as it is not materially different from the basic earnings per share.

Notes to Condensed Consolidated Financial Statements

10. FIXED ASSETS

	HK\$'000
Cost or valuation	
As at 1 January 2002	439,210
Additions	105,362
Disposal	(570)
As at 30 June 2002	544,002
Accumulated depreciation	
As at 1 January 2002	99,111
Charge for the period	10,085
Eliminated on disposal	(256)
As at 30 June 2002	108,940
Net book value	
As at 30 June 2002	435,062
As at 1 January 2002	340,099

As at 30 June 2002, the net book value of fixed assets held by the Group under finance leases amounted to HK\$9,258,000 (31 December 2001: HK\$10,224,000).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Trade receivables		
From third parties	312,229	227,421
Other receivables		
Deposits, prepayment and other debtors	103,887	97,367
	416,116	324,788

Majority of the Group's turnover is on open account terms. The remaining balances of turnover are on cash on delivery and on letter of credit terms. The ageing analysis of trade receivables is as follows:

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Current to 60 days	223,489	128,354
61 – 90 days	52,592	39,840
91 – 360 days	35,208	58,634
361 – 720 days	940	593
	312,229	227,421

Notes to Condensed Consolidated Financial Statements

12. TRADE AND OTHER PAYABLES

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Trade payables		
To third parties	22,233	5,173
Bills payable	10,190	24,603
Other payables		
Accrued charges and other creditors	32,260	28,838
Due to a related company	-	159
	32,260	28,997
	64,683	58,773

The ageing analysis of trade payables is as follows:

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Current to 30 days	20,766	5,173
31 – 90 days	307	-
91 – 360 days	1,160	-
	22,233	5,173

13. ISSUED CAPITAL

	At 30 June 2002		At 31 December 2001	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	10,000,000	1,000,000	10,000,000	1,000,000
Issued and fully paid:				
At beginning of period/year	3,985,353	398,535	3,690,330	369,033
Issue of ordinary shares	-	-	280,831	28,083
Issued upon exercise of warrants	-	-	20,000	2,000
Share repurchase	-	-	(5,808)	(581)
At balance sheet dates	3,985,353	398,535	3,985,353	398,535

14. SHARE OPTIONS

The Company has adopted a share option scheme on 4 September 1997 (the "Old Share Option Scheme"), under which it may grant options to employees (including Executive Directors) of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Board of Directors of the Company, and will be the higher of the nominal value of the shares and 80% of the average of the closing price of the shares quoted on the Stock Exchange on the five trading days immediately preceding the date of offer of the options.

Following the amendment of the Listing Rules, the Company adopted a new share option scheme (the "New Share Option Scheme") to replace the Old Share Option Scheme on 7 June 2002. The terms of the New Share Option Scheme are contained in a circular sent to shareholders of the Company in April 2002. However, all options granted prior to the adoption of the New Share Option Scheme shall continue to be exercisable. As at 30 June 2002, no employee share options have been granted under the New Share Option Scheme.

Movements of share options during the six months ended 30 June 2002 were:

Date of grant	Exercise period	Subscription price HK\$	Number of share options				As at 30 June 2002 '000
			As at 1 January 2002 '000	Granted during the period '000	Exercised during the period '000	Lapsed '000	
27 March 1998	27 March 1998 to 3 September 2007	0.12	5,000	-	-	-	5,000
2 May 2000	2 May 2000 to 3 September 2007	0.1128	9,000	-	-	-	9,000
			14,000	-	-	-	14,000

15. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital expenditure commitments

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Contracted but not provided for, net of deposit paid	14,907	56,871
Authorised but not contracted for	-	12,426

15. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)**(b) Contingent liabilities**

Contingent liabilities not provided for in the financial statements were as follows:

	At 30 June 2002 HK\$'000	At 31 December 2001 HK\$'000
Corporate guarantees given by the Company in respect of banking facilities of its subsidiaries	521,038	458,823

The Group has been paying Mainland China Value-Added Tax ("VAT") at a concessionary basis of calculation as agreed with the local State Tax Bureau. The Group is contingently liable to pay VAT at the standard basis of calculation. Had the standard basis of calculation as stipulated by Mainland China tax law been strictly enforced, the VAT liability of the Group would be significantly increased. However, in the opinion of the Directors, such liability is unlikely to crystallise and it is not practicable to estimate such possible amount.

In May 2002, 13 independent investors (the "Subscribers") subscribed 113,352 new ordinary shares in Kenlap P.G.C. Manufacturer Company Limited ("Kenlap P.G.C.") under 13 subscription agreements. It is a condition to each subscription agreement that the Company would enter into a put option deed in favour of each of the Subscribers to the effect that:

- (i) the Company would acquire the shares in Kenlap P.G.C. being subscribed at a 20% premium to the subscription consideration if Kenlap P.G.C. is not being listed on the Main Board of the Stock Exchange within 12 months from the completion date of the subscription agreements; and
- (ii) the Company would compensate each of the subscribers if the market capitalisation of Kenlap P.G.C. immediately upon its listing is less than the agreed amount.

16. BANKING FACILITIES AND PLEDGE OF ASSETS

As at 30 June 2002, the Group had aggregate banking facilities of approximately HK\$533,342,000 (31 December 2001: HK\$481,299,000), comprising (i) approximately HK\$144,442,000 (31 December 2001: HK\$137,600,000) for installment loans, and (ii) approximately HK\$388,900,000 (31 December 2001: HK\$343,699,000) for bank overdrafts, short-term loans and trade financing. Unused facilities as at the same date amounted to approximately HK\$114,500,000 (31 December 2001: HK\$130,883,000).

The banking facilities of the Group were secured by a corporate guarantee provided by the Company, a floating charge on the bank balances of a subsidiary as at 30 June 2002 amounted to HK\$5,277,000 (31 December 2001: HK\$5,260,000), and pledge of properties with net book value of approximately HK\$8,200,000 (31 December 2001: HK\$8,200,000).

17. SUBSEQUENT EVENTS

On 1 August 2002, Nanhai Xingye Shaped Bronze & Aluminium Products Company Limited signed a sale and purchase agreement with a third party to dispose the land use right of a 50,000 square-metre land in Dongguan, China at a consideration of HK\$47,000,000.

18. COMPARATIVE FIGURES

Certain of the comparative figures for the period ended 30 June 2001 have been reclassified to conform with the current period's presentation.