



WO KEE HONG (HOLDINGS) LIMITED

(Incorporated in Bermuda with Limited Liability)

INTERIM REPORT 2002

WO KEE HONG (HOLDINGS) LIMITED is a holding company with major subsidiaries engaged in the import, marketing, distribution and after-sales service of high quality, brand-name products serving customers in the Asian region and, in particular, the markets of Mainland People's Republic of China ("PRC"), Hong Kong, Macau, Singapore and Malaysia. The products include principally air-conditioning; domestic appliances; audio-visual electrical items including car audio; motor vehicles and accessories; and other electronic products.

GROUP FINANCIAL HIGHLIGHTS

	Six months ended June 30		
	2002 (Unaudited)	2001 (Unaudited)	Variance
Results:			
Turnover (HK\$ million)	296.2	268.2	+28.0
Profit from operations (HK\$ million)	5.8	2.5	+3.3
Profit (Loss) attributable to shareholders (HK\$ million)	12.1	(5.1)	+17.2
	June 30 2002 (Unaudited)	December 31 2001 (Audited)	Variance
Balance Sheet:			
Shareholders' funds (HK\$ million)	349.5	293.9	+55.6
Net current assets (liabilities) (HK\$ million)	60.7	(124.8)	+185.5
Net debt and gearing			
– excluding 1.5 year supplier loan (HK\$ million)	75.4	112.3	-36.9
– total debt (HK\$ million)	208.3	315.7	-107.4
– excluding 1.5 year supplier loan (%)	21.6	38.2	
– total debt (%)	59.6	107.4	
Net tangible assets per share (HK cents)	49.6	52.1	-2.5

UNAUDITED INTERIM RESULTS

The Directors of Wo Kee Hong (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 June 30, 2002, are as follows:

Condensed Consolidated Profit and Loss Account

	Notes	Six months ended June 30	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	2	296,195	268,193
Cost of sales		(223,661)	(196,721)
Gross profit		72,534	71,472
Other revenue		7,825	7,678
Distribution costs		(28,272)	(23,402)
Administrative expenses		(46,311)	(53,260)
Profit from operations	3	5,776	2,488
Finance costs		(6,653)	(8,367)
Investment income		59	119
Gain on disposal of an associate		10,641	–
Share of results of associates		3,678	969
Profit (Loss) before taxation		13,501	(4,791)
Taxation	4	(973)	(986)
Profit (Loss) after taxation		12,528	(5,777)
Minority interests		(400)	682
Profit (Loss) attributable to shareholders		12,128	(5,095)
Earnings (Loss) per share	5	3.0 cents	(3.4 cents)

Condensed Consolidated Balance Sheet

	Notes	June 30 2002 (Unaudited) HK\$'000	December 31 2001 (Audited) HK\$'000
Non-current assets			
Investment properties	6	131,923	131,923
Property, plant and equipment	7	187,846	188,749
Interests in associates	8	129,971	190,076
Investment securities		1,487	1,447
		451,227	512,195
Current assets			
Inventories		91,689	85,869
Properties held for sale, at net realisable value		94,462	94,462
Trade and other receivables	9	68,747	59,268
Finance lease receivable – due within one year		177	355
Amounts due from associates		512	924
Amounts due from related companies		2,160	2,097
Other investments		164	184
Bank balances and cash		10,394	13,500
		268,305	256,659
Current liabilities			
Trade and other payables	10	101,974	103,039
Bills payable		43,299	32,114
Amounts due to related companies		2,673	2,775
Taxation		327	706
Obligations under finance leases – due within one year		135	132
Borrowings – due within one year	11	59,153	242,676
		207,561	381,442
Net current assets (liabilities)		60,744	(124,783)
		511,971	387,412
Capital and reserves			
Issued capital	12	7,044	140,887
Capital reserves		428,477	728,343
Exchange reserve		(3,687)	2,058
Accumulated losses		(82,286)	(577,434)
Shareholders' funds		349,548	293,854
Minority interests		991	591
Non-current liabilities			
Obligations under finance leases – due after one year		370	417
Borrowings – due after one year	11	159,527	86,515
Loans advanced from minority shareholders		1,522	1,522
Other loan		–	4,500
Deferred taxation		13	13
		161,432	92,967
		511,971	387,412

Condensed Consolidated Cash Flow Statement

	Six months ended June 30	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Net cash used in operating activities	(2,989)	(9,970)
Net cash (used in) from investing activities	(2,258)	3,399
Net cash from (used in) financing activities	25,924	(16,442)
Net increase (decrease) in cash and cash equivalents	20,677	(23,013)
Cash and cash equivalents at the beginning of the period	(16,693)	1,041
Effect of foreign exchange rate changes	(3,840)	1,294
Cash and cash equivalents at the end of the period	144	(20,678)
Analysis of balances of cash and cash equivalents		
Bank balances and cash	10,394	9,554
Bank loans and overdrafts	(10,250)	(30,232)
	144	(20,678)

Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended June 30, 2002						
	Issued	Share	Capital	Capital	Exchange	Accum-	Total
	capital	premium	redemption	reserve	reserve	ulated	
HK\$'000	HK\$'000	reserve	reserve	reserve	losses	HK\$'000	
At January 1, 2002	140,887	725,993	916	1,434	2,058	(577,434)	293,854
Exchange differences arising on translation of overseas operations not recognised in the profit and loss account	-	-	-	-	(5,745)	-	(5,745)
Profit attributable to shareholders	-	-	-	-	-	12,128	12,128
Capital reorganisation	(139,478)	(343,542)	-	-	-	483,020	-
Rights issue	1,409	47,902	-	-	-	-	49,311
Bonus issue	4,226	(4,226)	-	-	-	-	-
At June 30, 2002	7,044	426,127	916	1,434	(3,687)	(82,286)	349,548

	Unaudited six months ended June 30, 2001						
	Issued	Share	Capital	Capital	Exchange	Accum-	Total
	capital	premium	redemption	reserve	reserve	ulated	
HK\$'000	HK\$'000	reserve	reserve	reserve	losses	HK\$'000	
At January 1, 2001	140,507	725,993	796	1,434	(6,082)	(477,817)	384,831
Exchange differences arising on translation of overseas operations not recognised in the profit and loss account	-	-	-	-	2,089	-	2,089
Loss attributable to shareholders	-	-	-	-	-	(5,095)	(5,095)
Issue of shares upon private placing	500	-	-	-	-	-	500
Cancellation upon repurchase of own shares	(120)	-	120	-	-	(108)	(108)
At June 30, 2001	140,887	725,993	916	1,434	(3,993)	(483,020)	382,217

Notes to the Condensed Financial Statements

1. Principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25, "Interim financial reporting", issued by the Hong Kong Society of Accountants ("HKSA").

These condensed interim financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended December 31, 2001 except that the Group has adopted the following revised or new SSAPs issued by HKSA, which are effective for accounting periods commencing on or after January 1, 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11(revised)	:	Foreign currency translation
SSAP 15(revised)	:	Cash flow statements
SSAP 25(revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAPs has no significant impact on the Group's financial statements.

2. Business and geographical segments

Business segments

2002

	Air-conditioning products HK\$'000	Audio-visual and other electrical products HK\$'000	Car and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover							
External sales	102,867	49,420	114,367	29,541	-	-	296,195
Inter-segment sales	2,096	6,427	-	-	-	(8,523)	-
Total turnover	<u>104,963</u>	<u>55,847</u>	<u>114,367</u>	<u>29,541</u>	<u>-</u>	<u>(8,523)</u>	<u>296,195</u>
Inter-segment sales are charged at prevailing market rates.							
Result							
Segment result	<u>8,118</u>	<u>593</u>	<u>3,071</u>	<u>(2,597)</u>	<u>2,500</u>	<u>(396)</u>	<u>11,289</u>
Unallocated corporate expenses							<u>(5,513)</u>
Profit from operations							<u>5,776</u>
Finance costs							<u>(6,653)</u>
Investment income							<u>59</u>
Gain on disposal of an associate	10,641	-	-	-	-	-	<u>10,641</u>
Share of results of associates	3,027	651	-	-	-	-	<u>3,678</u>
Profit before taxation							<u>13,501</u>
Taxation							<u>(973)</u>
Profit after taxation							<u>12,528</u>
Minority interests							<u>(400)</u>
Profit attributable to shareholders							<u>12,128</u>

2. Business and geographical segments (Continued)

2001

	Air- conditioning products HK\$'000	Audio- visual and other electrical products HK\$'000	Car and car accessories HK\$'000	Direct marketing HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover							
External sales	89,436	53,858	116,601	8,298	–	–	268,193
Inter-segment sales	1,009	621	–	–	–	(1,630)	–
Total turnover	<u>90,445</u>	<u>54,479</u>	<u>116,601</u>	<u>8,298</u>	<u>–</u>	<u>(1,630)</u>	<u>268,193</u>

Inter-segment sales are charged at prevailing market rates.

Result

Segment result	<u>9,932</u>	<u>(5,618)</u>	<u>4,239</u>	<u>(2,870)</u>	<u>3,474</u>	<u>(123)</u>	9,034
Unallocated corporate expenses							<u>(6,546)</u>
Profit from operations							2,488
Finance costs							(8,367)
Investment income							119
Share of results of associates	3,450	(2,481)	–	–	–	–	<u>969</u>
Loss before taxation							(4,791)
Taxation							<u>(986)</u>
Loss after taxation							(5,777)
Minority interests							<u>682</u>
Loss attributable to shareholders							<u>(5,095)</u>

2. Business and geographical segments (Continued)

Geographical segments

	Turnover by geographical market		Contribution to operating profit	
	Six months ended June 30		Six months ended June 30	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	227,118	203,569	9,048	8,949
Singapore	26,398	16,890	416	(3,440)
Malaysia	8,478	7,816	325	(647)
PRC	14,624	2,067	772	142
Macau	18,980	30,019	712	3,824
Others	597	7,832	16	206
	296,195	268,193	11,289	9,034
Unallocated corporate expenses			(5,513)	(6,546)
Profit from operations			5,776	2,488

3. Profit from operations

	Six months ended June 30	
	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging :		
Depreciation of:		
Owned assets	3,811	7,981
Assets held under finance lease	90	120
Amortisation of intangible asset	-	1,539
	3,901	9,640

4. Taxation

	Six months ended June 30	
	2002 HK\$'000	2001 HK\$'000
The charge comprises :		
Profits Tax for the period :		
Hong Kong	–	–
Overseas taxation	22	54
Taxation attributable to the Company and its subsidiaries	22	54
Share of taxation attributable to associates	951	932
	973	986

No provision of Hong Kong Profits Tax has been provided for both periods as the Group did not derive any assessable profits.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

5. Earnings (Loss) per share

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders of HK\$12,128,000 (2001 : loss of HK\$ 5,095,000) and on the weighted average number of 401,391,411 ordinary shares in issue during the period (2001 : 150,233,620 ordinary shares, adjusted by share consolidation, rights issue and bonus issue).

As required by paragraph 42 of SSAP 5 "Earnings per share", the weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for 2002 and 2001 has been adjusted for the effect of share consolidation, rights issue and bonus issue approved on March 15, 2002, details of which are set out in note 12.

Diluted earnings (loss) per share is not presented for both periods as the effect of exercising the Company's outstanding share options is anti-dilutive.

6. Investment properties

At June 30, 2002, the Directors have considered the value of the Group's investment properties carried at revalued amounts at the last audited balance sheet date and have assessed that the present values do not differ significantly from those fair values stated at the last balance sheet date. Consequently no revaluation surplus or deficit has been recognised in the current period.

7. Property, plant and equipment

	June 30 2002 HK\$'000	December 31 2001 HK\$'000
Opening net book value	188,749	252,891
Exchange difference	25	(2,572)
Additions	3,336	4,274
Acquisition of subsidiaries	–	1,428
Disposal of subsidiaries	–	(3,826)
Disposals	(363)	(40,831)
Transfer to investment properties	–	(7,596)
Depreciation	(3,901)	(15,019)
Closing net book value	187,846	188,749

8. Interests in associates

During the period, the Group disposed its entire interest in an associate at a consideration of HK\$71,837,000. The gain on disposal of the associate amounted to HK\$10,641,000 which has been credited to the profit and loss account.

9. Trade and other receivables

The Group allows an average credit period of 30 to 90 days to its customers. The aged analysis of trade receivables is as follows:

	June 30 2002 HK\$'000	December 31 2001 HK\$'000
Within 30 days	25,205	20,403
Over 30 days	9,459	11,131
Over 60 days	2,698	498
Over 90 days	2,546	2,236
Over 1 year	649	753
Total trade receivables	40,557	35,021
Deposits, prepayments and other receivables	28,190	24,247
	68,747	59,268
Trade receivables turnover period (days)	25	23

10. Trade and other payables

The aged analysis of trade payables is as follows:

	June 30 2002 HK\$'000	December 31 2001 HK\$'000
Within 30 days	9,074	6,598
Over 30 days	3,307	1,218
Over 60 days	3,214	1,278
Over 90 days	442	1,044
Over 1 year	26,253	25,749
Total trade payables	42,290	35,887
Accruals and other payables	59,684	67,152
	101,974	103,039

11. Borrowings

	June 30 2002 HK\$'000	December 31 2001 HK\$'000
Bank loans and overdrafts:		
Secured	66,510	88,167
Unsecured	7,502	7,477
	74,012	95,644
Unsecured loans advanced from Directors	-	14,932
Unsecured loans advanced from related companies (note a)	11,727	15,232
Unsecured loan advanced from a supplier (note b)	-	203,383
Secured loan advanced from a supplier (note b)	132,941	-
	218,680	329,191
The maturity of the above loans is as follows:		
Within one year	59,153	242,676
More than one year, but not exceeding two years	7,301	21,044
More than two years, but not exceeding five years	13,522	39,354
More than five years	138,704	26,117
	218,680	329,191
Less : Amounts due within one year shown under current liabilities	59,153	242,676
Amounts due after one year	159,527	86,515

11. Borrowings (Continued)

Notes:

- a. A loan of HK\$4,847,000 (2001: HK\$4,632,000) of the balance is from a related company and is unsecured, bears interest at the best lending rate offered by the Development Bank of Singapore and is repayable by 60 equal monthly instalments commencing from January 1998. The related company is controlled by a Director and a former Director. A loan of HK\$5,880,000 (2001: HK\$9,000,000) of the balance is unsecured, bears interest at 1% above the best lending rate and is currently repayable on demand. The remaining balance is unsecured, non-interest bearing and is repayable by 14 equal monthly instalments commencing from February 2002.
- b. During the period, the entire interest of an associate was disposed of at a consideration of HK\$71,837,000 to a supplier as partial settlement of an unsecured loan from the supplier. The remaining balance of the loan was then settled by way of a new loan raised from the same supplier. This new loan raised bears interest at the rate of 2.5% per annum and is repayable by 10 equal half yearly instalments commencing from June 30, 2012. Interest of the new loan shall be payable on December 31 of each year. It is only secured as to two floors of the sixteen floor Wo Kee Hong building located in Hong Kong.

12. Issued capital

	Number of shares	Nominal value HK\$'000
Authorised:		
At January 1, 2001 and January 1, 2002 of HK\$0.10 each	3,500,000,000	350,000
Cancellation of HK\$0.099 of the paid up capital of each of 1,408,871,178 issued shares	–	(139,478)
Share consolidation of ten reduced issued shares into one share of HK\$0.01 each	(1,267,984,061)	–
Subdivision of one unissued share into ten shares of HK\$0.01 each	18,820,159,398	–
At June 30, 2002 of HK\$0.01 each	<u>21,052,175,337</u>	<u>210,522</u>
Issued and fully paid:		
At January 1, 2001 of HK\$0.10 each	1,405,071,178	140,507
Issues of shares upon private placing	5,000,000	500
Cancellation upon repurchase of own shares	(1,200,000)	(120)
At January 1, 2002 of HK\$0.10 each	1,408,871,178	140,887
Cancellation of HK\$0.099 of the paid up capital of each of 1,408,871,178 shares	–	(139,478)
Share consolidation of ten reduced issued shares into one share of HK\$0.01 each	(1,267,984,061)	–
Issue of shares upon rights issue	140,887,117	1,409
Issue of shares upon bonus share issue	422,661,351	4,226
At June 30, 2002 of HK\$0.01 each	<u>704,435,585</u>	<u>7,044</u>

12. Issued capital (Continued)

Pursuant to the capital reorganisation approved by the shareholders of the Company in March 2002, the authorised share capital of the Company was reduced from HK\$350,000,000 divided into 3,500,000,000 shares of HK\$0.10 each, to HK\$210,521,753.37 divided into 21,052,175,337 shares of HK\$0.01 each, upon completion of the capital reorganisation which involved (i) the reduction of the paid up capital and nominal value of each issued share from HK\$0.10 to HK\$0.001 each by the cancellation of HK\$0.099 of the paid up capital of each issued share; (ii) the consolidation of 10 shares of HK\$0.001 each into one share of HK\$0.01 each; and (iii) the subdivision of each authorised, but unissued share of HK\$0.10 each into 10 shares of HK\$0.01 each.

On April 11, 2002, pursuant to the rights issue with bonus shares issue, the Company issued rights shares on the basis of one rights share for every one existing share of HK\$0.01 each, held on the March 15, 2002, with a bonus issue of shares on the basis of three bonus shares for every rights share.

13. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended June 30	
	2002	2001
	HK\$'000	HK\$'000
Interest expense paid to a Director	187	329
Interest expense paid to a related company	234	–
Management and agency fee paid to a related company	1,662	1,831

14. Contingencies and commitments

There is no material change in the contingencies and commitments since the last annual balance sheet date.

15. Comparative figures

Certain prior period comparative figures have been reclassified to conform to the current period's presentation.

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend (2001: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results

Group turnover increased to HK\$296.2 million, being HK\$28.0 million (+10.4%) higher than that recorded for the same period last year.

Gross profits increased by HK\$1.1 million (+1.5%) over the same period last year. However, gross margins were reduced from the 26.6% recorded last year, to 24.5%. One reason for this was the increase in sales achieved by the lower gross margin Mega Warehouse retail business which accounted for 10.0% of group sales this year, but only 3.1% in the same period last year. Other contributory factors were the strengthening of the Japanese Yen against the US and HK dollar, which affected the margins in other businesses that imports products from Japan, and the generally weak domestic Hong Kong market which is increasingly price competitive.

Distribution costs were shown to be higher than the same period last year by HK\$4.9 million (+20.8%). However, last year's figures included exceptional non-recurrent income of a similar amount. In reality, after adjusting for that income, the actual costs incurred this period were exactly in line with those of same period last year, notwithstanding the increase in sales.

General administration expenses were lower than last year by HK\$6.9 million (-13.0%) as a result of a cost reduction exercise which provided savings in personnel (-HK\$5.8 million) and depreciation costs (-HK\$4.2 million) following the downsizing of operations. These savings were partly offset by increases in professional fees (+HK\$1.9 million) attributable to the capital reorganization, rights issue and bonus issue arranged and completed in the first quarter of this year.

The Group recorded a profit from operations of HK\$5.8 million which was 132.2% higher than the HK\$2.5 million achieved in the same period last year. Group finance costs were down by HK\$1.7 million on both reduced debt and lower interest rates. The Deed of Settlement of the long-term supplier debt due to Mitsubishi Heavy Industries Limited ("MHI") was signed between the Group and MHI on June 28, 2002, as notified to shareholders in the circular of July 18, 2002. All the conditions of that transaction have now been completed, including the disposal of the Group's interest in the associated company "MHIJinling Air Conditioners Company Limited", which is the joint-venture manufacturing company controlled by MHI directly. The end result of this transaction is of enormous benefit to the Group in that:

- a profit of HK\$10.6 million was booked in the interim results, on the sale of the Group's interest in the associate; and
- a long-term, 15-year, largely unsecured, fixed low interest loan, with regular loan repayments only commencing from June 30, 2012, has been arranged and therefore the Group balance sheet has been materially improved.

The associated companies performed well in the first half, with both Chinese manufacturing joint-venture companies recording profits and improved results over last year. As noted, one of these associates has now been sold and there will be no further profit contribution in future periods.

The Group is, therefore, pleased to report a profit attributable to shareholders of HK\$12.1 million which compares with an attributable loss of HK\$5.1 million reported for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION (CONTINUED)

Cash flow, liquidity and financial resources

In the period there was a small net cash outflow from operations of HK\$3.0 million, that included interest expense, which amount was only one-third of the cash outflow from operations in the same period last year. There were capital assets additions, net of disposals, in the period of HK\$2.3 million, whereas last year there was a comparable surplus of HK\$3.4 million, following sales of property, a non-recurrent item.

The Group's cash and cash equivalents are mostly held in HK dollars. The Directors believe that the Group has minimal exposure to foreign exchange risks except to the extent of the new long-term loan facilities from a supplier at approximately US\$17.0 million (equivalent to HK\$132.9 million) which has not been hedged from US to HK dollars owing to the present currency link.

There was a significant net cash infusion in the period of HK\$25.9 million which resulted from the net proceeds from an issue of new shares by way of a rights issue, of HK\$49.3 million (2001 : HK\$0.5 million by way of a private placing) and a net repayment of loans of HK\$23.4 million (2001 : HK\$16.9 million). Management, having dealt with the previously outstanding supplier loan on the terms and conditions outlined above, still needed to improve the liquidity of the Group and reduce the level of indebtedness. In a circular to shareholders of February 20, 2002, the details of an initial capital reorganisation together with a rights issue and bonus issue of shares was announced which would provide additional funds. A prospectus for the rights issue and bonus issue was circulated on March 15, 2002. New share issue was successfully completed in April and resulted in the infusion of fresh capital that enabled total debt to be further reduced.

The result of this corporate activity shows a markedly improved financial position at June 30, 2002, and in particular:

- net cash and cash equivalents were HK\$0.1 million, compared with a net indebtedness position in the same period last year of HK\$20.7 million;
- net current assets are stated in the balance sheet at HK\$60.7 million whereas at December 31, 2001 there were net current liabilities of HK\$124.8 million;
- the debt settlement arrangement reached with MHI has enabled the remaining outstanding balance of indebtedness to be classified as a long term debt. That the total gross debt of the Group has been reduced to HK\$218.7 million from HK\$329.2 million outstanding at December 31, 2001. Total gross short-term debt is only HK\$59.2 million, which compares with HK\$242.7 million at December 31, 2001; and
- total Group debt, net of cash balances, is now HK\$208.3 million, of which short-term net debt is HK\$48.8 million which expressed as a gearing ratio of shareholders' funds at June 30, 2002 is 59.6% and 14.0% respectively.

The Group's entire liquidity and financial resources situation has so improved this year, such that, at the completion of the audit of the current financial year, it is expected that there will be no need for the reference to the 'fundamental uncertainty relating to the going concern basis' which appeared in the Auditors' Reports of the last two years of 2000 and 2001.

BUSINESS REVIEW

Air-conditioning products

Turnover for the six months was up 15.0% over same period last year at HK\$102.9 million (2001 : HK\$89.4 million). Gross margins were satisfactory although adversely affected by both the weakening Hong Kong dollar against the Japanese Yen in recent months, which adverse cost impact could not fully be recovered in product pricing, and also competitive product pricing pressures required to maintain market share in the continued sluggish market conditions, in Hong Kong. Both the Singapore and Malaysia activities showed increased sales over last year and recorded profits in the period, which compared with losses registered by both markets in the same period last year. The overall profit contribution from this business segment was, therefore, considered satisfactory although below that recorded for the same period last year.

The market for the products particularly in Hong Kong, continues weak with low consumer confidence and reduced levels of property developments. In the PRC market, imported products face severe competition from domestic production of both mainland Chinese brands and global branded products. The severe flooding that has plagued certain provinces of southern and eastern China has affected product sales and distribution in those areas during the peak sales season. Despite these challenges, the business has improved sales and continued to develop the brands and products of "MHI" (of Japan) and "LG" (of Korea), by jointly sponsored advertising and promotion activities; has successfully introduced new products of air-conditioners, refrigerators and washing machines; has continued to develop staff through training to provide improved point-of-sales and after-sales service; has strengthened marketing activities in the PRC through the office established in Dongguan, Guangdong Province; has further emphasized the development of the project business for both domestic and commercial products; and has continued to increase sales in the PRC for domestically produced air-conditioning products of MHI.

Audio-visual and other electrical products

Turnover at HK\$49.4 million was 8.2% lower than the figure recorded in the same period last year. However, improved gross margins, the overhead cost reduction exercise and elimination of loss making activities enabled the business to record a small profit contribution in the period compared with the loss at 10.4% on sales recorded for the period to June 30, 2001.

Again, the Hong Kong domestic market is weak; the market requirements for AV products with all-in-one functions is increasing; demand for plasma TV products is increasingly stimulated by falling prices; and the market is increasingly price sensitive and demanding value-for-money from branded products. To meet these challenges, the business has successfully introduced new products (eg, car audio and video products; DVD players and home theatre systems); has achieved market expansion through own-brand "Rogers" and "Bodysonic" product sales to new markets in Australia, New Zealand, Taiwan and Brunei, whilst in Hong Kong the AV sales counters have increased; increased sales of car audio and video products in the PRC and in Singapore due to rising car sales in the PRC and achieving access to the OEM market in Singapore. All of these activities have contributed to sustained sales and improve results.

Direct marketing

The business, under the Mega Warehouse branded outlets, was successful in increasing turnover, which at HK\$29.5 million was an increase of 256.0% over the same period last year. Despite this, a small loss was recorded, but which was lower than last year and given the current increased number of outlets and business levels, this activity is expected to breakthrough to profitability in the coming periods.

BUSINESS REVIEW (CONTINUED)

Direct marketing (Continued)

Although the Hong Kong retail market, in particular, remains in the doldrums, this business has achieved growth. A new chain store strategy has seen the number of outlets increase from only one at the beginning of last year, to nine stores currently, with six shops opened in the first half of 2002 in Tuen Mun, Yuen Long, North Point, Mongkok, Kwai Hing and very recently in Tseung Kwan O. Sales have further been stimulated by the offering of payment-by-installment programmes arranged through major banks; newspaper media promotion campaigns to support the increasing brand awareness of the chain; continuous promotion activities; and improved merchandising with key suppliers, all of which have contributed to the growth of business.

Car and car accessories

Turnover in the first half was HK\$114.4 million which was only 1.9% below on the sales achieved in the comparable period in 2001. Profit contribution was also slightly lower.

Car sales in Hong Kong declined by 7.0% year-on-year, which is well up on the market decline recorded at the same period last year of 3.8%. The forecast of motor traders in Hong Kong is for 23,000 private cars to be registered in 2002, which would be a 13.6% fall on registrations in 2001. However, these numbers are not reflected in the luxury sports car segment, although market pricing is affected and profit margins reduced. Sales of the unique and premier global up market "Ferrari" brand sports cars remain strong especially for the newly launched 575M with all the current year allocation being sold. For the "Maserati" marque, both the new Spyder and Coupe models were introduced to the market in this first half year, and reflect a radical shift and improvement in technology, both in engine performance and third-generation F1 gearshift, available on both. Given their improved performance and attractive pricing over direct competitive marques, they will undoubtedly be successful.

The business has improved its computerized back-office systems including customer sales and service; has improved its web-site/web-mail operation; continued with regular promotional activities each month throughout the period; and continuously improved cost and working capital requirements. A major opportunity is represented in the PRC market whose entry to the WTO last year has already seen import tariffs cut from 80% to 50.7% on January 1, 2002. Plans are being implemented to significantly increase business in this market involving key strategic partners both corporately and in the key market locations in Beijing, Shanghai, Xiamen, Guangzhou and Shenzhen. All arrangements will be completed and effective in the second half-year and will be detailed in the 2002 Annual Report.

PROSPECTS

The economic environment and outlook in Hong Kong remains difficult and, in fact, continues to deteriorate given a lack of consumer confidence in the face of business closures, increasing unemployment, continuous deflation and an adverse property market. Few economic forecasts are yet predicting either a market bottom or a strong economic recovery and up-turn in consumer and market sentiment in the near future. Contrary to that scenario, the markets and economy in the PRC remain buoyant and strong and the markets of Singapore and Malaysia, where the Group has operations, are improving.

The Group has taken significant action in restructuring its financial situation and in 'right sizing' each business division, such that it has been able to report an interim profit for the first time in many years. Much of this improvement was predicted in the last Annual Report and whilst, for the first half of this year, turnover was below the group's internal management plans, the attributable profits were better than expected. The Board remains optimistic that whilst the second half year may not quite achieve the management plan targets for turnover and profit; the year overall – barring unforeseen circumstances which may or may not arise from the current uncertain international political and economic situation or from unforeseen exceptional non-recurrent losses – should enable the Group to record a profit, which would be a remarkable achievement in the light of the annual results of the last six years.

PROSPECTS (CONTINUED)

The Group has a long history and well established name and reputation as a market leader in marketing and distribution of quality consumer products and services in Hong Kong, Macau, mainland China and other regional markets in South East Asia. The Group is carefully increasing its business across each division and including progressive business development in the mainland China market. Management are now able to begin to review other strategies and opportunities to bring growth and additional business to the Group. Given the financial improvements this year, such options can now actively be considered.

HUMAN RESOURCES

As of June 30, 2002, the Group's employees, excluding associated companies, numbered 344. Given the continuing difficult market environment and the needs of the business, the Group has further improved the operating and staff efficiencies. There have been cost reduction exercises implemented during this half-year, with some redundancies and reduction in salary and benefit packages by contract. However, the stable team of loyal and dedicated people the Group is fortunate to employ, have taken this in their stride and are committed to achieving the targets of the Group. The Board is extremely pleased to record its appreciation of its employees. The Board looks forward to continue rebuilding of the business in future periods, where a positive results oriented environment should allow growth opportunities for both employment and remuneration.

POST INTERIM BALANCE SHEET EVENT

In the Special General Meeting on September 18, 2002, the Company passed resolutions to effect a capital reorganisation which involves, (a) reduction of the share premium account which has a credit of approximately HK\$426,127,000; (b) cancellation of accumulated losses by an amount of approximately HK\$94,415,000; (c) share consolidation on the basis of every ten issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.10 each; and (d) bonus issue made on the basis of ten bonus shares for every one consolidated share. The shareholders also approved in the meeting an increase of authorised share capital of the Company from HK\$210,521,753.37, after share consolidation mentioned above, to HK\$350,000,000. The main reasons for this second capital reorganisation in 2002, are twofold:

- the cancellation of all prior year accumulated losses will improve the balance sheet and enable the Company to declare dividends to shareholders at an earlier time than having the accumulated losses set off against future generated profits; and
- the share consolidated and bonus issue should both allow for satisfactory liquidity in the market for the Company's shares and provide for a better balance sheet ratio of issued share capital relative to the balance of reserves available as part of the total shareholders funds.

OTHER INFORMATION

Directors' Interests in the Share Capital or Equity Interest of the Company and its Associated Corporations

At June 30, 2002, the beneficial interests of the Directors in the share capital or equity interest of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance) as recorded in the register maintained by the Company pursuant to the Securities (Disclosure of Interests) Ordinance or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

The Company

Directors	Number of Ordinary Shares of HK\$0.01 each			
	Personal Interests	Family Interests	Corporate Interests	Total Interests
Mr. Wing Sum LEE	308,318,375	–	64,007,030 (Note 1)	372,325,405
Mr. Richard Man Fai LEE	10,578,000	2,142,000	–	12,720,000
Mr. Sammy Chi Chung SUEN	150,000	–	–	150,000
Ms. Kam Har YUE	10,633,810	–	–	10,633,810
Mr. Jeff Man Bun LEE	1,500,000	–	4,595,425 (Note 2)	6,095,425

Note 1: These shares are owned by Unit Cosmo International Limited, a company the entire issued share capital of which is owned by Mr. Wing Sum LEE.

Note 2: These shares are owned by Fisherman Enterprises Inc., a company the entire issued share capital of which is owned by Mr. Jeff Man Bun LEE.

Directors' Interests in the Share Capital or Equity Interest of the Company and its Associated Corporations (Continued)

Associated Corporations

Directors	Associated corporations in which shares or equity interest are held or interested	Number of shares or amount of equity interest held or interested	Class and/or description of shares
Mr. Wing Sum LEE	Stoneycroft Estates Limited	15,750,000	non-voting deferred shares
	Wo Kee Hong Limited	8,500	non-voting deferred shares
	Wo Kee Services Limited	1	non-voting deferred share
	Wo Kee Hong Professional Air Conditioning Pte Ltd	4,576,000 (Note 1)	ordinary shares
	Jin Ling Electrical Company Limited	RMB131,750,000 (Note 1)	N/A
	Mitsubishi Heavy IndustriesJinling Air-Conditioners Company, Ltd.	US\$14,700,000 (Notes 1 & 2)	N/A
	WK Information Network Limited	70 (Note 1)	ordinary shares
	東莞先力電器有限公司 (Dongguan Bodysonic Electric Co., Ltd)	HK\$2,125,000 (Note 1)	N/A
Ms. Kam Har YUE	Wo Kee Hong Limited	400	non-voting deferred shares
	Shinwa Engineering Company, Limited	3,850,000	non-voting deferred shares
	Forward International Corporation, Limited	34,335	non-voting deferred shares
	Stoneycroft Estates Limited	340,000	non-voting deferred shares

Note 1: Mr. Wing Sum LEE is deemed to be interested in the shares or equity interest as a result of his interest in the Company. Apart from these shares or equity interest, all other shares of the associated corporations held by the Directors as stated herein are personal interests.

Note 2: Mr. Wing Sum LEE no longer held the deemed equity interest subsequent to the completion of the disposal of the Group's interest in this associated company.

Substantial Shareholder' Interests in the Share Capital of the Company

At June 30, 2002, there were no parties (except Mr. Wing Sum LEE whose interests are disclosed above), as recorded in the register maintained by the Company pursuant to the Securities (Disclosure of Interests) Ordinance, holding 10% or more of the interests in the share capital of the Company.

Share Options

1991 Scheme

The Company's share option scheme was adopted on June 22, 1991 ("1991 Scheme") for the primary purpose of providing incentives to Directors and eligible employees and expired on June 21, 2001.

Share Options (Continued)

2001 Scheme

Another new share option scheme ("2001 Scheme") was subsequently adopted pursuant to a resolution passed on June 28, 2001 for the primary purpose of providing incentives to Directors and eligible employees, and was terminated on May 30, 2002 pursuant to a resolution passed on that date.

Upon termination of the 2001 Scheme, no further options will be granted but in all other respects, the provisions of the 2001 Scheme shall remain in force and all granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

2002 Scheme

On August 23, 2001, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has announced amendments to Chapter 17 of the Listing Rules, which has come into effect on September 1, 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Company adopted a new share option scheme ("2002 Scheme") and terminated the 2001 Scheme on May 30, 2002 pursuant to a resolution passed on that date. The purpose of the 2002 Scheme is to provide incentives or rewards to participants for their contribution to the Group and enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any companies in which the Group holds any equity interest. The 2002 Scheme will expire on the 10th anniversary of date of adoption.

Under the 2002 Scheme, the Board of Directors of the Company may at their discretion grant options to the following participants of the Company, its subsidiaries and any companies in which the Group holds any equity interest, to subscribe for shares in the Company:

1. eligible employees, including executive Directors; or
2. non-executive Directors; or
3. suppliers or customers; or
4. any person or entity that provides research, development or other technological support; or
5. shareholders; or
6. employees, partners or Directors of any business partners, joint venture partners, financial advisers and legal advisers

Options granted to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the grantee).

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the 2002 Scheme and any other schemes must not in aggregate, exceed 10% of the issued share capital of the Company at the adoption date of the 2002 Scheme without prior approval from the Company's shareholders.

The number of shares in respect of which options may be granted to any participant in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a substantial shareholder, or an independent non-executive Director of the Company, or any of their respective associates under the 2002 Scheme and any other schemes in any one year in excess of 0.1% of the Company's issued share capital and with a value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Share Options (Continued)

2002 Scheme (continued)

Options granted must be taken up within 28 days of the date of grant upon payment of HK\$1 per each grant of share options. The exercise period of the share options granted under the 2002 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end later than 6 years from the date of grant. The subscription price is determined by the Board of Directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, or the average closing price of the shares for the five trading days immediately preceding the date of grant, or the nominal value of the shares of the Company.

Capital Reorganisation approved on March 15, 2002

Pursuant to resolutions passed on the special general meeting held on March 15, 2002, a capital reorganisation ("Reorganisation I"), which involves capital reduction, share subdivision and share consolidation, the rights issue with bonus issue on the basis of three bonus shares for every rights share taken up payable in full in acceptance were approved.

Details of the Reorganisation I and the rights issue with bonus issue are set out in the Company's circular and prospectus dated February 20, 2002 and March 15, 2002 respectively. A summary of the adjustments in relation to the number and unit subscription price of the share options is set out in the section headed "Movement of Share Options" below.

Capital Reorganisation approved on September 18, 2002

Pursuant to resolutions passed on the special general meeting held on September 18, 2002, another capital reorganisation ("Reorganisation II") which involves the reduction of the share premium account, the cancellation of the accumulated losses, the share consolidation and the bonus issue to shareholders on the basis of ten bonus shares for every one consolidated share were approved.

Details of the Reorganisation II and a summary of the adjustments in relation to the unit subscription price of the share options are set out in the circular dated August 23, 2002.

At June 30, 2002, the number of shares in respect of which options had been granted and remained outstanding under the 1991 Scheme, 2001 Scheme and 2002 Scheme were 43,650,500, 55,750,000 and 27,150,000, representing 6.2%, 7.9% and 3.9% of the issued share capital of the Company at that date respectively.

The fair value of the options granted in the current period measured as at June 4, 2002, the date of grant, was HK\$0.098 per option. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

Expected life of options	6 years
Expected volatility based on historical volatility of share prices	92%
Hong Kong Exchange Fund Notes rate	5.05%
Expected annual dividend yield	Nil

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.

Share Options (Continued)

Movement of Share Option

The following table discloses movements in the Company's share options for the six months ended June 30, 2002 under review:

Eligible Persons	Scheme	Date option granted	Outstanding options at January 1, 2002		Options granted	Options lapsed/expired#	Outstanding options at June 30, 2002	Exercisable period	Subscription price per share	
			Before Adjustment	After Adjustment#					Before Adjustment HK\$	After Adjustment# HK\$
Mr. Wing Sum LEE (Director)	1991	May 13, 1996	2,760,000	1,380,000	0	1,380,000	0	June 17, 1996 – June 16, 2002	0.9460	3.0963
	1991	July 28, 1997	12,500,000	6,250,000	0	0	6,250,000	August 31, 1997 – 30 August 2003	0.5330	1.7445
	1991	January 19, 1998	3,000,000	1,500,000	0	0	1,500,000	February 22, 1998 – 21 February 2004	0.2200	0.7201
	1991	December 21, 1999	6,500,000	3,250,000	0	0	3,250,000	February 11, 2000 – February 10, 2006	0.1400	0.4582
	1991	February 11, 2000	3,000,000	1,500,000	0	0	1,500,000	March 21, 2000 – March 20, 2006	0.3264	1.0683
	2001	August 10, 2001	35,000,000	17,500,000	0	0	17,500,000	September 16, 2001 – 15 September 2007	0.1000	0.3273
Mr. Richard Man Fai LEE (Director)	1991	May 13, 1996	2,760,000	1,380,000	0	1,380,000	0	June 13, 1996 – June 12, 2002	0.9460	3.0963
	1991	July 28, 1997	13,500,000 *	6,750,000	0	0	6,750,000	August 28, 1997 – August 27, 2003	0.5330	1.7445
	1991	January 19, 1998	3,100,000 *	1,550,000	0	0	1,550,000	February 19, 1998 – February 18, 2004	0.2200	0.7201
	1991	June 10, 1998	1,000,000	500,000	0	0	500,000	July 24, 1998 – July 23, 2004	0.1053	0.3446
	1991	December 21, 1999	6,700,000 *	3,350,000	0	0	3,350,000	February 7, 2000 – February 7, 2006	0.1400	0.4582
	1991	February 11, 2000	3,500,000	1,750,000	0	0	1,750,000	March 18, 2000 – March 17, 2006	0.3264	1.0683
	1991	May 28, 2001	4,000,000	2,000,000	0	0	2,000,000	June 29, 2001 – June 28, 2007	0.1000	0.3273
	2001	August 10, 2001	35,000,000	17,500,000	0	0	17,500,000	September 16, 2001 – September 15, 2007	0.1000	0.3273
Mr. Sammy Chi Chung SUEN (Director)	2001	August 29, 2001	500,000 *	250,000	0	0	250,000	September 30, 2001 – September 29, 2007	0.1000	0.3273
	1991	July 28, 1997	1,000,000	500,000	0	0	500,000	August 31, 1997 – August 30, 2003	0.5330	1.7445
	1991	December 21, 1999	300,000	150,000	0	0	150,000	February 6, 2000 – February 5, 2006	0.1400	0.4582
	1991	February 11, 2000	500,000	250,000	0	0	250,000	March 22, 2000 – March 21, 2006	0.3264	1.0683
	1991	January 18, 2001	260,000	130,000	0	0	130,000	March 6, 2001 – March 5, 2007	0.1000	0.3273
	2001	August 10, 2001	1,000,000	500,000	0	0	500,000	September 19, 2001 – September 18, 2007	0.1000	0.3273
Ms. Kam Har YUE (Director)	2002	June 4, 2002	0	0	2,000,000	0	2,000,000	June 4, 2002 – June 3, 2008	–	0.1584
	2001	August 29, 2001	500,000	250,000	0	0	250,000	September 30, 2001 – September 29, 2007	0.1000	0.3273

Share Options (Continued)

Movement of Share Option (continued)

Eligible Persons	Scheme	Date option granted	Outstanding options at January 1, 2002		Options granted	Options lapsed/expired#	Outstanding options at June 30, 2002	Exercisable period	Subscription price per share	
			Before Adjustment	After Adjustment#					Before Adjustment HK\$	After Adjustment# HK\$
Mr. Barry John BUTTIFANT (Director)	1991	May 28, 2001	20,000,000	10,000,000	0	0	10,000,000	June 30, 2001 – June 29, 2007	0.1000	0.3273
	2001	August 10, 2001	35,000,000	17,500,000	0	0	17,500,000	September 14, 2001 – September 13, 2007	0.1000	0.3273
Mr. Jeff Man Bun LEE (Director)	1991	May 13, 1996	600,000	300,000	0	300,000	0	June 14, 1996 – June 13, 2002	0.9460	3.0963
	2002	June 4, 2002	0	0	1,000,000	0	1,000,000	June 4, 2002 – June 3, 2008	–	0.1584
Mr. Raymond Cho Min LEE (Director)	2002	June 4, 2002	0	0	700,000	0	700,000	June 4, 2002 – June 3, 2008	–	0.1584
Mr. Boon Seng TAN (Director)	2002	June 4, 2002	0	0	700,000	0	700,000	June 4, 2002 – June 3, 2008	–	0.1584
Total :			191,980,000	95,990,000	4,400,000	3,060,000	97,330,000			
Continuous contract employees	1991	May 13, 1996	5,198,400	2,599,200	0	2,599,200	0	June 14, 1996 – June 30, 2002	0.9460	3.0963
	1991	July 28, 1997	3,000,000	1,500,000	0	500,000	1,000,000	August 29, 1997 – September 10, 2003	0.5330	1.7445
	1991	January 19, 1998	2,214,000	1,107,000	0	223,000	884,000	February 20, 1998 – March 12, 2004	0.2200	0.7201
	1991	December 21, 1999	1,848,000	924,000	0	252,500	671,500	February 1, 2000 – March 21, 2006	0.1400	0.4582
	1991	February 11, 2000	1,330,000	665,000	0	500,000	165,000	March 18, 2000 – March 21, 2006	0.3264	1.0683
	1991	September 8, 2000	3,000,000	1,500,000	0	0	1,500,000	November 5, 2000 – November 4, 2006	0.1413	0.4625
	1991	January 18, 2001	200,000	100,000	0	100,000	0	March 15, 2001 – March 14, 2007	0.1000	0.3273
	2001	August 29, 2001	3,700,000	1,850,000	0	100,000	1,750,000	September 30, 2001 – September 30, 2007	0.1000	0.3273
	2001	November 23, 2001	1,000,000	500,000	0	0	500,000	December 23, 2001 – December 22, 2007	0.1000	0.3273
	2002	June 4, 2002	0	0	22,750,000	0	22,750,000	June 4, 2002 – June 3, 2008	–	0.1584
Total :			21,490,400	10,745,200	22,750,000	4,274,700	29,220,500			

* Share Options granted to Mr. Richard Man Fai LEE's spouse were included.

The number of Share Options granted under 1991 and 2001 Schemes and their respective subscription prices have been adjusted for the Capital Reorganisation and the Rights Issue with the Bonus Share Issue taken place in March and April 2002 respectively. Calculation of the adjustments has been verified by the auditors of the Company.

Consideration received by the Company for the six months ended June 30, 2002 for options granted under the 2002 Scheme amounted to HK\$30.

The closing price of the Company's shares immediately before June 4, 2002, the date of grant, was HK\$0.139.

Purchase, Sale or Redemption of Securities

During the six months ended June 30, 2002, the Company and its subsidiaries have not repurchased, sold or redeemed any of the Company's securities.

Compliance

In the opinion of the Directors, the Company has complied 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 throughout the six months ended June 30, 2002 except that the non-executive Directors are not appointed for a specific term.

The Company set up an Audit Committee comprising Mr. Raymond Cho Min LEE (Chairman) and Mr. Boon Seng TAN, Independent Non-executive Directors of the Company. In establishing the terms of reference for this Committee, the Directors have had regard to the 'Guide for Formation of an Audit Committee' issued by the Hong Kong Society of Accountants in December 1997.

The Audit Committee of the Company has reviewed the condensed interim accounts and the Interim Report, and was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong. The Interim Report has not been audited.

By Order of the Board

Barry John BUTTIFANT

Managing Director

Hong Kong, September 19, 2002