



**SAN MIGUEL BREWERY
HONG KONG LTD.**

香港生力啤酒廠有限公司

**INTERIM REPORT
January to June 2002**

**中期報告
二零零二年一月至六月**

CORPORATE INFORMATION

DIRECTORS

Francisco C. Eizmendi, Jr. *Chairman*
Freddy W.M. Kwan *Managing Director*
Ramon S. Ang
Faustino F. Galang
Arthur K.C. Li, G.B.S., J.P.
alternate to David K.P. Li
David K.P. Li, G.B.S., J.P.*
Thomas R. Mainwaring
Estelito P. Mendoza
Wai Sun Ng*
Ian F. Wade*

** Independent Non-Executive Directors*

AUDIT COMMITTEE

David K.P. Li, G.B.S., J.P.
Wai Sun Ng
Ian F. Wade

COMPANY SECRETARY

Thomas R. Mainwaring

AUDITORS

KPMG
Certified Public Accountants
8th Floor
Prince's Building
Hong Kong

SOLICITORS

Johnson Stokes & Master
18th Floor
Prince's Building
Hong Kong

REGISTERED OFFICE

9th Floor
Citimark Building
28 Yuen Shun Circuit
Siu Lek Yuen
Shatin New Territories
Hong Kong

SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

ABN-AMRO Bank
Bank of America
Bank of China (Hong Kong) Limited
BNP Paribas
Hang Seng Bank Limited
Standard Chartered Bank
The Bank of East Asia, Limited
The Hongkong and Shanghai
Banking Corporation Limited
UBS AG

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In this report, all monetary values are expressed in Hong Kong Dollars unless stated otherwise.

CHAIRMAN'S STATEMENT

To Our Shareholders,

Financial Results

The Company's financial performance for the first six months has been disappointing, mainly as a result of the very aggressive competitive environment in southern China and the increased cost of supporting sales programmes.

Profit attributable to shareholders for the six months ended 30th June 2002 was \$13.134 million, a decline of 62% from the \$35.037 million reported for the same period last year. Earnings per share for the period also fell 62% from 9.4 cents to 3.5 cents.

Lower sales revenue in South China and increased selling and administration expenses largely account for the poor performance, resulting in lower profit from operations of \$10.729 million compared with \$37.164 million in 2001. While financing costs were substantially reduced, the savings were offset by a fall in other net income.

Gross turnover in South China declined by \$21.358 million (7.6%) from the same period last year.

The Company's selling and administration expenses increased by \$15.511 million for the period, primarily as a result of a \$12.427 million increase in advertising and promotion costs, most of which was incurred in South China supporting our brands in an intensely competitive market.

Financing costs declined from \$15.052 million in 2001 to \$3.953 million this year as a result of the reduction of external debt by \$195.318 million in March 2001 and the continuing decline in interest rates.

Other net income dropped by \$12.697 million mainly due to reduced interest income resulting from lower cash balances and interest rates.

Total debt at the end of the period was \$273.042 million compared with \$273.007 million on 31st December 2001.

On 7th March 2002 the outstanding balance of term debt of US\$25 million (HK\$195 million) with Bank of America was refinanced under favourable terms by a three year loan from The Hongkong and Shanghai Banking Corporation Limited.

Cash and investments were \$297.185 million at the end of June 2002 compared with \$290.028 million at the end of December 2001.

Dividends

A first interim dividend of 3 cents per share was declared by Directors on 13th June 2002 for payment on 19th July 2002.

The Directors on 23rd August 2002 declared a second interim dividend of 3 cents per share for the six months ended 30th June 2002 payable on 27th September 2002 to shareholders of record on 17th September 2002.

Business Review

Hong Kong Operations

The economy of Hong Kong has been in recession for several years. Consumer confidence is low in the current climate of uncertainty, exacerbated by corporate layoffs and paycuts.

Retail sales are, accordingly, depressed and the closure of many restaurants due to financial difficulties has reduced the size of the restaurant sector of the market, an important sector for our beer sales.

A number of mainland beer brands have gained a foothold in the economy beer segment, aided by the Government's inequitable beer tax system which favours imports.

Economy brands now account for approximately 25% of the beer market, reflecting the consumer trend to “trade down” in times of uncertainty as well as the impact of the beer tax.

Under these circumstances, there has been intense pricing competition and consequent pressure on profit margins.

Despite these difficulties, it is encouraging to report that the Company’s sales volume in the local market was marginally ahead of last year while exports recorded a healthy increase.

The Company maintained its market share in Hong Kong.

The targeted operating profit was exceeded, although the target was less than the previous year because of a higher rate of beer tax, and higher advertising and promotional expenditure. The cost of the higher beer tax has been absorbed by the Company without price increases to consumers.

South China Operations

Despite good growth in the economy in China in the first six months of 2002, there are increasing concerns of an economic slowdown.

Competition in the beer market is becoming more intense as both local and foreign producers continue to aggressively build their brands with heavy promotional support, including heavy price concessions to the trade.

The Company has suffered a loss of market share for brand San Miguel in Guangzhou City despite the brand performing well in most regional markets in South China.

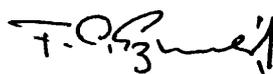
San Mig Light has been well received by our target audience and is experiencing strong sustained growth, well above targets.

Unfortunately sales of San Miguel Pale Pilsen have fallen significantly, reflecting a partial shift of San Miguel drinkers to the lighter product. While this is disappointing, the introduction of San Mig Light last year is considered to have been timely, as sales performance may well have been worse.

The Company is in the process of a major restructuring of its sales force and support systems in South China, a process which will require time to complete. The intensity of competition in China demands that the Company directly control its sales in more key markets through a sophisticated sales team and distribute only through professional intermediaries.

The Company expects to report a better performance for the second half of the year, although the full year result will be less than last year’s result. The challenges posed by competition in South China are being addressed and will be resolved in due time. Every avenue for improved profitability is being pursued.

Finally, I would like to thank the Board of Directors and all employees for their valuable contributions, and the continuing support from our shareholders.



Mr. Francisco C. Eizmendi, Jr., *Chairman*

23rd August 2002

INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

INTERIM DIVIDENDS

A dividend of three cents per share was declared for the first interim of the year 2002. The Directors have declared a second interim dividend of three cents per share for the six months ended 30th June 2002 payable on Friday, 27th September 2002 to shareholders of record on Tuesday, 17th September 2002.

CLOSURE OF TRANSFER BOOKS AND REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Tuesday, 17th September 2002 to Wednesday, 18th September 2002, both days inclusive. To qualify for the dividend, shareholders should ensure that transfers are lodged at the Company's share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 16th September 2002.

INTERIM RESULTS

The interim results for the six months ended 30th June 2002 have not been audited by the Company's Auditors, but were reviewed by the Audit Committee on 19th August 2002.

DIRECTORS' INTERESTS

As at 30th June 2002, the Directors and their associates had the following beneficial interests in the issued share capital of the Company and its associated corporations as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

<i>Number of ordinary shares of \$0.50 each in the Company</i>		<i>Personal Interests</i>
<i>Name</i>		
Francisco C. Eizmendi, Jr.	2,816	
David K.P. Li	300,000	

Number of shares in San Miguel Corporation

<i>Name</i>	<i>Personal Interests</i>
<i>Class A (par value of 5 pesos each):</i>	
Francisco C. Eizmendi, Jr.	298,768
Ramon S. Ang	6,050
Faustino F. Galang	161,242
Estelito P. Mendoza	31,972
<i>Class B (par value of 5 pesos each):</i>	
Faustino F. Galang	5,270

As at 30th June 2002, the Directors and their associates had the following beneficial interests in share options of the Company's associated corporation as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"):

<i>Share Options in San Miguel Corporation</i>				
<i>Name</i>	<i>Number of Options</i>	<i>Date Granted</i>	<i>Exercisable Period Up To</i>	<i>Exercise Price (pesos)</i>
<i>Class A (par value of 5 pesos each):</i>				
Francisco C. Eizmendi, Jr.	284,430	27/03/95	27/03/03	44.13
	32,805	10/04/96	10/04/04	35.18
	213,805	01/04/97	01/04/05	40.57
	294,531	26/03/98	26/03/06	34.71
Freddy W.M. Kwan	19,028	01/04/97	01/04/05	44.63
	53,722	26/03/98	26/03/06	38.18
Faustino F. Galang	68,015	27/03/95	27/03/03	44.13
	51,860	01/04/97	01/04/05	40.57
	49,703	26/03/98	26/03/06	34.71
Thomas R. Mainwaring	4,277	26/03/99	26/03/06	42.00
	4,277	26/03/00	26/03/06	42.00
	4,277	26/03/01	26/03/06	42.00
<i>Class B (par value of 5 pesos each):</i>				
Francisco C. Eizmendi, Jr.	91,631	01/04/97	01/04/05	70.25
	126,227	26/03/98	26/03/06	49.83
Freddy W.M. Kwan	8,155	01/04/97	01/04/05	77.27
	23,024	26/03/98	26/03/06	54.82
Faustino F. Galang	22,226	01/04/97	01/04/05	70.25
	21,302	26/03/98	26/03/06	49.84
Thomas R. Mainwaring	1,833	26/03/99	26/03/06	60.30
	1,833	26/03/00	26/03/06	60.30
	1,833	26/03/01	26/03/06	60.30

No consideration has been received by San Miguel Corporation for the options granted.

Save as disclosed herein, none of the Directors or their associates had any interests in the issued share capital or in share options of the Company or any of its associated corporations.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30th June 2002 according to the register required under Section 16(1) of the SDI Ordinance, the Company was notified that the following shareholders had an interest of 10% or more of its issued share capital:

<i>Name</i>	<i>Number of shares of \$0.50 each</i>	
	<i>Ordinary shares held</i>	<i>Percentage of total issued shares</i>
Neptunia Corporation Limited	245,720,800	65.78%
HKSCC Nominees Limited	71,014,864	19.15%

Note:

San Miguel Corporation ("SMC"), San Miguel International Limited ("SMIL"), San Miguel Holdings Limited ("SMHL") and San Miguel Brewing International Limited ("SMBIL") are all deemed to hold the above disclosed interest of Neptunia Corporation Limited in the Company because SMC has a controlling interest in SMIL, SMIL has a controlling interest in SMHL, SMHL has a controlling interest in SMBIL and SMBIL has a controlling interest in Neptunia Corporation Limited.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed shares.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors are aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

In accordance with the Code of Best Practice, the Board of Directors established an Audit Committee on 1st January 1999 to review and supervise the Company's financial reporting and internal control systems. The Audit Committee now consists of three of the Company's independent non-executive directors.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS – UNAUDITED

for the six months ended 30th June, in dollar thousands except per share data

	Note	Six months ended 30th June		Year ended 31st December
		2002	2001	2001
Gross turnover	2	640,749	653,476	1,376,423
Discounts		(126,386)	(128,863)	(252,127)
Cost of sales		(193,857)	(194,139)	(405,681)
Beer duty and taxes		(87,919)	(88,012)	(184,594)
Gross profit		232,587	242,462	534,021
Distribution costs		(23,015)	(21,910)	(50,572)
Selling and administrative expenses		(192,719)	(177,208)	(366,080)
Other operating expenses		(6,124)	(6,180)	(15,582)
Profit from operations	3	10,729	37,164	101,787
Financing costs		(3,953)	(15,052)	(23,427)
Other net income		1,536	14,233	17,174
Profit before taxation		8,312	36,345	95,534
Taxation	4a	1,443	(2,196)	(5,131)
Profit after taxation		9,755	34,149	90,403
Minority interests		3,379	888	(1,669)
Profit attributable to shareholders	5,12	13,134	35,037	88,734
Dividends attributable to the interim period/year	6			
Special dividend declared during the interim period		–	(100,864)	(100,864)
First interim dividend declared during the interim period		(11,207)	(14,943)	(14,943)
Second interim dividend declared after the interim period end		(11,207)	(14,943)	(14,943)
Third interim dividend declared after the interim period end		–	–	(14,943)
Final dividend proposed after the year end		–	–	(14,943)
		(22,414)	(130,750)	(160,636)
Earnings per share	7	\$0.04	\$0.09	\$0.24

The Notes on pages 11 to 16 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

for six months ended 30th June, in dollar thousands

		Six months ended 30th June		Year ended 31st December
	Note	2002	2001	2001
Exchange difference arising on translation of accounts of foreign entities	12	<u>94</u>	<u>(116)</u>	<u>(96)</u>
Gains/(losses) not recognised in the Consolidated Statement of Profit and Loss		94	(116)	(96)
Net profit for the period/year	12	<u>13,134</u>	<u>35,037</u>	<u>88,734</u>
Total recognised gains and losses		<u>13,228</u>	<u>34,921</u>	<u>88,638</u>

The Notes on pages 11 to 16 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET – UNAUDITED

as at 30th June, in dollar thousands

	Note	As at 30th June 2002	As at 31st December 2001
Non-current assets			
Fixed assets	8	2,121,096	2,156,190
Held to maturity securities – unlisted		49,303	48,584
Other assets		7,543	7,540
		2,177,942	2,212,314
Current assets			
Inventories	9	91,039	95,503
Trade and other receivables	10	199,404	174,767
Amounts due from holding company and fellow subsidiaries		18,603	13,729
Cash and cash equivalents	11	247,882	241,444
		556,928	525,443
Current liabilities			
Banks loans and advances (unsecured)		(78,042)	(78,002)
Trade and other payables	10	(142,103)	(142,057)
Taxation	4b	–	(278)
Amounts due to holding company and fellow subsidiaries		(11,316)	(12,325)
Dividend payable		(11,207)	–
		(242,668)	(232,662)
Net current assets		314,260	292,781
Total assets less current liabilities		2,492,202	2,505,095
Non-current liabilities			
Interest-bearing liabilities (unsecured)		(195,000)	(195,005)
Leased factory maintenance provision		(37,930)	(35,874)
Deferred taxation		(7,334)	(6,026)
		(240,264)	(236,905)
Minority interests		(103,021)	(106,351)
NET ASSETS		2,148,917	2,161,839
CAPITAL AND RESERVES			
Share capital		186,785	186,785
Reserves	12	1,962,132	1,975,054
		2,148,917	2,161,839

The Notes on pages 11 to 16 form part of this interim financial report.

CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

for six months ended 30th June, in dollar thousands

	Note	Six months ended 30th June		Year ended
		2002	2001	31st December 2001
Operating activities				
Profit before taxation		8,312	36,345	95,534
Adjustments for:				
Depreciation of fixed assets		40,389	39,500	79,132
Interest expense		3,890	14,864	23,340
Interest income		(2,552)	(9,691)	(12,807)
Loss/(profit) on disposal of fixed assets		286	(453)	200
Exchange difference		(130)	(20)	(37)
Operating profit before changes in working capital		50,195	80,545	185,362
Increase in products in hand and in process		(1,186)	(11,201)	(7,497)
Decrease in materials and supplies		5,650	5,629	5,238
(Increase)/decrease in trade and other receivables		(16,919)	(16,467)	168
(Increase)/decrease in amounts due from				
holding company and fellow subsidiaries		(5,883)	50,338	48,162
Increase in trade and other payables		954	23,800	6,268
Increase in leased factory maintenance provision		2,057	2,021	4,064
Cash generated from operations		34,868	134,665	241,765
Tax paid				
Hong Kong profits tax refunded		–	972	972
Overseas tax paid		(5,344)	(883)	(1,985)
Net cash from operating activities		29,524	134,754	240,752
Investing activities				
Purchase of fixed assets		(5,263)	(11,839)	(25,161)
Proceeds on disposal of fixed assets		25	4,253	3,539
Purchase of held to maturity securities		(2)	(18,846)	(28,272)
Decrease/(increase) in bank deposits maturing in				
more than three months		12,280	–	(26,616)
Proceeds on disposal of held to maturity securities		2	–	–
Interest received		1,952	9,744	12,198
Net cash used in investing activities		8,994	(16,688)	(64,312)
Financing activities				
Proceeds from new bank loan		195,000	–	–
Repayment of bank loans		(195,097)	(194,992)	(195,005)
Interest paid		(4,799)	(14,722)	(23,998)
Dividends paid		(14,943)	(115,807)	(160,636)
Dividends paid to minority shareholders		–	(565)	(773)
Net cash used in financing activities		(19,839)	(326,086)	(380,412)

CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED (CONTINUED)

for six months ended 30th June, in dollar thousands

	<i>Note</i>	Six months ended 30th June		Year ended 31st December
		2002	2001	2001
Net increase/(decrease) in cash and cash equivalents		18,679	(208,020)	(203,972)
Effect of foreign exchange rate changes		27	(42)	(36)
Cash and cash equivalents at beginning of period/year		214,828	418,836	418,836
Cash and cash equivalents at end of period/year		233,534	210,774	214,828
Analysis of the balances of cash and cash equivalents				
Cash at bank and in hand	<i>11(a)</i>	67,048	53,980	55,090
Deposits with banks maturing within three months	<i>11(b)</i>	166,486	156,794	159,738
Cash and cash equivalents		233,534	210,774	214,828

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

This interim financial report is unaudited and has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The financial information relating to the financial year ended 31st December 2001 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31st December 2001 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 7th March 2002.

The same accounting policies adopted in the 2001 financial statements have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2001 financial statements.

2. Segment Reporting

in dollar thousands

Segment information is presented in respect of the Group's geographical segments. Information relating to geographical segments based on the location of assets is chosen because this is more relevant to the Group in making operating and financial decisions.

Segment revenue from external customers is not further analysed by the geographical location of customers as the segment revenue based on location of customers is almost entirely the same as the segment revenue based on location of assets.

No business segments analysis of the Group is presented as all the Group's turnover and trading result are generated from the manufacture and distribution of bottled, canned, and draught beers.

	Hong Kong			PRC			Consolidated		
	Six month ended 30th June	Year ended 31st December	Year ended 31st December	Six month ended 30th June	Year ended 31st December	Year ended 31st December	Six month ended 30th June	Year ended 31st December	Year ended 31st December
	2002	2001	2001	2002	2001	2001	2002	2001	2001
Revenue from external customers	381,601	372,970	777,266	259,148	280,506	599,157	640,749	653,476	1,376,423
Other revenue	2,482	2,077	4,111	-	-	-	2,482	2,077	4,111
Total revenue	384,083	375,047	781,377	259,148	280,506	599,157	643,231	655,553	1,380,534
Segment result	16,762	27,385	70,362	(7,049)	14,320	35,792	9,713	41,705	106,154
Unallocated operating income and expenses							2,552	9,691	12,807
							12,265	51,396	118,961
Financing costs							(3,953)	(15,052)	(23,427)
Taxation							1,443	(2,196)	(5,131)
Minority interests							3,379	889	(1,669)
Profit attributable to shareholders							13,134	35,037	88,734

3. Profit before taxation

in dollar thousands

	Group		Group
	Six months ended 30th June		Year ended 31st December
	2002	2001	2001
Profit before taxation is stated after charging/ (crediting) the following items:			
Depreciation of fixed assets	40,389	39,500	79,132
Interest expenses	3,890	14,864	23,340
Inventory costs	190,058	159,537	396,242
Interest income	(2,552)	(9,691)	(12,807)
Loss/(profit) on disposal of fixed assets	286	(453)	200

4. Taxation

in dollar thousands

(a) Taxation in the Consolidated Statement of Profit and Loss is made up as follows:

	Group		Group
	Six months ended 30th June		Year ended 31st December
	2002	2001	2001
Overseas taxation	(1,443)	2,196	2,210
Deferred taxation	–	–	2,921
	(1,443)	2,196	5,131

No provision for Hong Kong profits tax has been made in the financial statements as accumulated tax losses brought forward exceed the estimated assessable profits for the period.

Overseas taxation is calculated at the appropriate tax rates on the estimated overseas profits for the period/year.

(b) Taxation in the Consolidated Balance Sheet is made up as follows:

	Group	
	As at 30th June	As at 31st December
	2002	2001
Balance of provision for overseas profits tax	–	278

5. Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a profit of \$17,388,000 (2001: \$35,263,000) which has been dealt with in the financial statements of the Company.

6. Dividends

in dollar thousands

(a) Dividends attributable to the interim period/year

	Group		Group
	Six months ended 30th June		Year ended 31st December
	2002	2001	2001
Special dividend declared of nil per share (2001: \$0.27 per share)	–	100,864	100,864
First interim dividend declared of \$0.03 per share (2001: \$0.04 per share)	11,207	14,943	14,943
Total dividends declared during the interim period (note 12)	11,207	115,807	115,807
Second interim dividend declared after the interim period end of \$0.03 per share (2001: \$0.04 per share)	11,207	14,943	14,943
Third interim dividend to be declared (2001: \$0.04 per share)	–	–	14,943
Final dividend to be proposed after balance sheet date (2001: \$0.04 per share)	–	–	14,943
	22,414	130,750	160,636

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date.

The final dividend proposed and approved after the year end has not been recognised as a liability at the year end date.

(b) Dividends attributable to the previous year, approved and paid during the interim period/year

	Group		Group
	Six months ended 30th June		Year ended 31st December
	2002	2001	2001
Final dividend in respect of the previous year, approved and paid during the interim period/year, of \$0.04 per share (2001: \$0.04 per share) (note 12)	14,943	14,943	14,943

7. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders for the period ended 30th June of \$13,134,000 (2001: \$35,037,000) and on 373,570,560 ordinary shares (2001: 373,570,560 ordinary shares), being the weighted average number of shares in issue during the period.

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence for both periods.

8. Fixed assets
in dollar thousands

	Group Plant, property and equipment
	Six months ended 30th June
	2002
At 1st January 2002	2,156,190
Additions	5,263
Disposals	(312)
Exchange adjustments	344
Depreciation	(40,389)
At 30th June 2002	2,121,096

9. Inventories
in dollar thousands

	Group	
	As at 30th June	As at 31st December
	2002	2001
Products in hand and in process	23,703	22,517
Materials and supplies	67,336	72,986
	91,039	95,503

10. Trade receivables and payables – ageing analysis
in dollar thousands

Credit is offered to customers following financial assessment and an established payment record. Security in the form of mortgages or bank guarantees is obtained from major customers. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. Customers considered to be a credit risk trade on a cash basis. Professional staff monitor trade receivables and follow up collections. General credit terms are payment by the end of the month following the month in which sales took place.

The ageing of trade receivables is as follows:

	Group	
	As at 30th June	As at 31st December
	2002	2001
Less than 30 days	81,663	73,615
31 to 60 days	42,718	34,332
61 to 90 days	12,256	14,607
over 90 days	20,274	22,216
	156,911	144,770

The ageing of trade payables is as follows:

	Group	
	As at 30th June	As at 31st December
	2002	2001
Less than 30 days	25,981	44,875
31 to 60 days	8,509	9,881
61 to 90 days	2,115	3,455
over 90 days	1,770	1,778
	38,375	59,989

11. Cash and cash equivalents

in dollar thousands

(a) Cash and cash equivalents comprise:

	Group	
	As at 30th June 2002	As at 31st December 2001
Deposits with banks	180,834	186,354
Cash at bank and in hand	67,048	55,090
	247,882	241,444

(b) At 30th June 2002, the deposits with banks were placed to mature as follows:

	Group	
	As at 30th June 2002	As at 31st December 2001
Within 3 months	166,486	159,738
After 3 months but within 1 year	14,348	26,616
	180,834	186,354

12. Reserves

in dollar thousands

	Total	Share premium	Capital reserve	Exchange fluctuation reserve	Revenue reserve
Balance at 1st January 2001	2,047,052	65,739	57,312	(4,824)	1,928,825
Dividends approved in respect of the previous year (<i>note 6(b)</i>)	(14,943)	–	–	–	(14,943)
Profit for the period	35,037	–	–	–	35,037
Dividends declared in respect of the current period (<i>note 6(a)</i>)	(115,807)	–	–	–	(115,807)
Exchange loss arising on consolidation	(116)	–	–	(116)	–
Balance at 30th June 2001	<u>1,951,223</u>	<u>65,739</u>	<u>57,312</u>	<u>(4,940)</u>	<u>1,833,112</u>
Balance at 1st January 2002	1,975,054	65,739	57,312	(4,920)	1,856,923
Dividends approved in respect of the previous year (<i>note 6(b)</i>)	(14,943)	–	–	–	(14,943)
Profit for the period	13,134	–	–	–	13,134
Dividends declared in respect of the current period (<i>note 6(a)</i>)	(11,207)	–	–	–	(11,207)
Exchange gain arising on consolidation	94	–	–	94	–
Balance at 30th June 2002	<u>1,962,132</u>	<u>65,739</u>	<u>57,312</u>	<u>(4,826)</u>	<u>1,843,907</u>

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

The exchange fluctuation reserve has been set up and will be dealt with in accordance with the accounting policy adopted for translation of foreign currencies.

The capital reserve of the Group represents the reserve arising from the capitalisation of retained profits of a PRC subsidiary.

13. Material related party transactions

The Group purchased and sold products and materials from and to companies that either had a controlling interest in the Group or were also subsidiaries of the ultimate holding company. These transactions were carried out under the same terms as the related parties trade with other customers. For six months ended 30th June 2002, total purchases from and sales to these related parties were \$34,530,000 (\$43,265,000 for six months ended 30th June 2001) and \$21,206,000 (\$16,765,000 for six months ended 30th June 2001) respectively. The net amount due to these related parties amounted to \$7,286,000 (\$772,000 as at 30th June 2001) on 30th June 2002.

14. Commitments

in dollar thousands

The aggregate amount of commitments for capital expenditure, for which no provision has been made in the financial statements, totalled approximately:

	Group	
	As at 30th June 2002	As at 31st December 2001
Contracted for	1,115	2,482
Authorised by the directors but not contracted for	22,545	4,529
	23,660	7,011

15. Contingent liabilities

in dollar thousands

In accordance with a subsidiary company's factory lease agreement, except for certain specified reasons, the subsidiary company is required to pay the lessor a penalty of \$10.58 million (adjusted for exchange differences) if the agreement is terminated before 28th February 2021, the expiry date of the lease.

As at 30th June 2002, there were contingent liabilities in respect of guarantees given to banks by the Company to secure banking facilities made available to subsidiary companies.

	Company	
	As at 30th June 2002	As at 31st December 2001
Guarantees to banks	78,042	273,007



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