

## UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Wing Lee Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2002 and the unaudited consolidated balance sheet of the Group as at 31 March 2002, together with the comparative figures for the corresponding period of 2001 as follows:

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited six months ended 31 March</b>	
	Notes	<b>2002 HK\$'000</b>	2001 HK\$'000
TURNOVER	2	<b>73,690</b>	62,917
Cost of sales		<b>(54,829)</b>	(54,173)
Gross profit		<b>18,861</b>	8,744
Other revenue		<b>4,830</b>	3,928
Selling and distribution costs		<b>(1,221)</b>	(1,098)
Administrative expenses		<b>(12,999)</b>	(10,892)
Other operating expenses		<b>(2,392)</b>	(303)
PROFIT FROM OPERATING ACTIVITIES	3	<b>7,079</b>	379
Finance costs		<b>(145)</b>	(50)
PROFIT BEFORE TAX		<b>6,934</b>	329
Tax	4	<b>-</b>	(61)
PROFIT BEFORE MINORITY INTERESTS		<b>6,934</b>	268
Minority interests		<b>(127)</b>	169
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<b>6,807</b>	437
Dividend	5	<b>-</b>	-
PROFIT RETAINED FOR THE PERIOD		<b>6,807</b>	437
EARNINGS PER SHARE	6		
Basic		<b>10.14 cents</b>	0.73 cents
Diluted		<b>10.05 cents</b>	0.70 cents

Other than the net profit from ordinary activities attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a condensed consolidated statement of recognised gains and losses is not presented in the interim financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEET**

	Notes	<b>Unaudited as at 31 March 2002 HK\$'000</b>	Audited as at 30 September 2001 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets		<b>27,820</b>	25,858
Long term investments		<b>1,300</b>	1,300
Investment in an associated company		<b>4</b>	–
Long term deposit		<b>16,601</b>	16,601
		<b>45,725</b>	43,759
<b>CURRENT ASSETS</b>			
Short term investments		<b>90,038</b>	24,258
Inventories		<b>5,675</b>	5,421
Accounts receivable	7	<b>39,516</b>	39,428
Prepayment, deposits and other receivables		<b>7,650</b>	6,628
Pledged bank deposit		<b>4,085</b>	4,032
Cash and cash equivalents		<b>50,640</b>	87,936
		<b>197,604</b>	167,703
<b>CURRENT LIABILITIES</b>			
Accounts payable	8	<b>5,009</b>	4,781
Accrued liabilities and other payables		<b>34,744</b>	28,721
Tax payable		<b>22,550</b>	22,602
Bank loan, secured		<b>130</b>	887
		<b>62,433</b>	56,991
<b>NET CURRENT ASSETS</b>		<b>135,171</b>	110,712
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>180,896</b>	154,471
<b>NON-CURRENT LIABILITIES</b>			
Bank loans, secured		<b>118</b>	8,627
<b>MINORITY INTERESTS</b>		<b>186</b>	59
		<b>180,592</b>	145,785
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>56,000</b>	28,000
Reserves		<b>124,592</b>	117,785
		<b>180,592</b>	145,785

**CONDENSED CASH FLOW STATEMENT**

	<b>Unaudited six months ended 31 March</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	<b>13,632</b>	19,557
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<b>1,406</b>	3,543
TAX PAID	<b>(52)</b>	(187)
INVESTING ACTIVITIES	<b>(71,016)</b>	53,010
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES	<b>(56,030)</b>	75,923
FINANCING ACTIVITIES	<b>18,734</b>	205
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<b>(37,296)</b>	76,128
Cash and cash equivalents at beginning of period	<b>87,936</b>	26,712
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>50,640</b>	102,840
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>5,234</b>	11,093
Time deposits with original maturity of less than three months when acquired	<b>45,406</b>	91,747
	<b>50,640</b>	102,840

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. Significant accounting policies

#### Basis of preparation

The unaudited consolidated results have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 30 September 2001 except that the following new/revised SSAPs issued by the Hong Kong Society of Accountants have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 9 (revised):	Events after the Balance Sheet Date
SSAP 28:	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29:	Intangible Assets
SSAP 30:	Business Combinations
SSAP 31:	Impairment of Assets
SSAP 32:	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

There is no material impact on the financial results and the financial positions of the Group by the adoption of the revised or new SSAPs mentioned above.

## 2. Turnover and segment information

The Group is principally engaged in the design, manufacture and sale of DC switches, AC switches, jacks, AC sockets and speaker terminals, all of which are basic components commonly used in electrical appliances and electronic products such as audio, video and telecommunications equipment, toys and computers.

An analysis of the Group's turnover and contribution to profit from operating activities for the six months ended 31 March 2002 by business segments and geographical segments is as follows:

	Turnover		Contribution to profit from operating activities	
	Six months ended 31 March		Six months ended 31 March	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Business segments:				
DC switches	<b>20,952</b>	23,581	<b>1,105</b>	(1,197)
AC switches	<b>522</b>	1,461	<b>30</b>	(72)
Jacks	<b>41,883</b>	27,307	<b>2,329</b>	(1,371)
AC sockets	<b>4,671</b>	4,649	<b>265</b>	(228)
Speaker terminals	<b>5,662</b>	5,919	<b>306</b>	(296)
	<b>73,690</b>	62,917	<b>4,035</b>	(3,164)
Interest income			<b>3,044</b>	3,543
			<b>7,079</b>	379
Geographical segments:				
People's Republic of China:				
Hong Kong, SAR	<b>52,105</b>	47,203	<b>5,823</b>	(617)
Other countries	<b>21,585</b>	15,714	<b>1,256</b>	996
	<b>73,690</b>	62,917	<b>7,079</b>	379

### 3. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities was determined after charging/(crediting):

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Depreciation	<b>2,551</b>	6,627
Unrealised loss on unlisted debt securities	<b>2,392</b>	–
Gain on disposals of fixed assets	<b>(807)</b>	(1)
Gain on disposal of listed equity investment	<b>(868)</b>	–
Interest income	<b>(3,044)</b>	(3,543)
	<u><u>          </u></u>	<u><u>          </u></u>

### 4. TAX

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Current:		
Hong Kong	–	–
Overseas	–	–
Under-provision in prior years	–	61
	<u>          </u>	<u>          </u>
Tax charge for the period	<u>          </u>	<u>          </u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period and the corresponding period of 2001.

No provision for overseas profit tax has been made as the Group did not generate any assessable profits arising in the overseas countries in which the Group operates during the period and the corresponding period of 2001.

### 5. DIVIDEND

The Board has decided not to declare any interim dividend for the six months ended 31 March 2002 (2001: Nil).

### 6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the period of HK\$6,807,000 (2001: HK\$437,000) and the weighted average number of 67,140,000 (2001: 59,664,000 as adjusted to reflect the consolidation of the share capital and the rights issue during the period under review) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's unaudited net profit from ordinary activities attributable to shareholders for the period of HK\$6,807,000 (2001: HK\$437,000) and the weighted average of 67,697,000 (2001: 62,834,000 as adjusted to reflect the consolidation of the share capital and the rights issue during the period under review) shares outstanding during the period adjusted for the effects of all dilutive potential shares.

The weighted average number of shares used in the calculation of diluted earnings per share is based on the weighted average of 67,140,000 (2001: 59,664,000 as adjusted to reflect the consolidation of the share capital and the rights issue during the period under review) shares in issue during the period plus the weighted average of 557,000 (2001: 3,170,000 as adjusted to reflect the consolidation of the share capital and the rights issue during the period under review) shares deemed to be issued at no consideration if certain outstanding share options had been exercised.

## 7. ACCOUNTS RECEIVABLES

The ageing analysis of accounts receivable is as follows:

	<b>31 March 2002 HK\$'000</b>	30 September 2001 HK\$'000
Current – 3 months	<b>36,112</b>	36,513
4 – 6 months	<b>3,332</b>	2,915
7 – 12 months	<b>72</b>	–
	<b>39,516</b>	39,428

Payment terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well established customers, where the terms are extended to 120 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

## 8. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	<b>31 March 2002 HK\$'000</b>	30 September 2001 HK\$'000
Current – 3 months	<b>4,997</b>	4,771
4 – 6 months	<b>4</b>	1
7 – 12 months	<b>8</b>	9
	<b>5,009</b>	4,781

## BUSINESS REVIEW

The Group's turnover and unaudited net profit attributable to shareholders for the six months ended 31 March 2002 were approximately HK\$73.7 million and HK\$6.8 million respectively, representing increases of 17.1% and 14.6 times respectively over the corresponding period in 2001. The turnover of DC switches, AC switches and speaker terminals decreased by 11%, 64% and 4% respectively. The turnover of jacks and AC sockets increased by 53% and 0.5% respectively.

Following the recovery of the US economy from its recession in the first quarter of 2002, together with increasing acceptance of the Group's new models of jacks by the customers, the Group's turnover and net profit for the period under review increased when compared to those of the previous corresponding period. Although competition in the switches industry are keen which to a certain extent affect the Group's net profit margin, the Group's profitability still showed improvement.

During the period under review, all the Group's Hong Kong production operations have been relocated to the Group's main production plant in Dongguan, the People's Republic of China ("PRC"). As the production workflows become more organised, the Group's production efficiency is improved and the operating costs are reduced. Nevertheless, the Group is paying continuous efforts in reorganising the production facilities and workflows in order to further increase the Group's production capacity to meet customers' requirements.

The Group has also worked closely with several famous Japanese and European consumer electronics brandname owners as their strategic OEM manufacturers in the PRC. The Group will continue to broaden its customer base and to promote its products globally.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows. For the six months ended 31 March 2002, the Group generated net cash inflows

from operating activities of approximately HK\$13.6 million (2001: HK\$19.6 million). As at 31 March 2002, the Group had cash and cash equivalents of approximately HK\$50.6 million (30 September 2001: HK\$87.9 million), aggregate short-term and long-term bank loans of approximately HK\$248,000 of which HK\$130,000 will be repayable within one year and HK\$118,000 will be repayable in the second year (30 September 2001: HK\$9.5 million) together with aggregate banking facilities of approximately HK\$9 million (30 September 2001: HK\$15.9 million) which were secured by certain land and buildings and time deposits of the Group and a personal guarantee provided by a director of the Company.

The financial gearing ratio of the Group, based on the total borrowings to the shareholders' equity, has decreased from 6.5% as at 30 September 2001 to 0.1% as at 31 March 2002.

As most of the Group's monetary assets are mainly denominated in Hong Kong dollars and United States dollars with minimal balances in Singapore dollars and, Hong Kong dollar is pledged against United States dollar, the exchange rate risk of the Group is considered to be minimal. Thus, no hedging strategy was adopted by the Group.

## TREASURY INVESTMENT ACTIVITIES

As at 31 March 2002, the Group had short-term investments of approximately HK\$90 million (30 September 2001: HK\$24 million) in certain quality debt securities with favourable investment credit ratings. These investments are of high liquidity as there exist an efficient secondary market for these high credit rating bonds.

As at 31 March 2002, the Group's available balance of cash and cash equivalents together with short term investments amounted to approximately HK\$140.6 million (30 September 2001: HK\$112 million), representing total liquid funds of HK\$1.26 per share of the Company. The Group is actively seeking investment opportunities and will utilize these liquid funds available to maximize the return of the Company's shareholders.

## CAPITAL STRUCTURE

On 9 November 2001, by an ordinary resolution passed in a special general meeting of the Company, every 5 issued and unissued shares of the Company of HK\$0.10 each was consolidated into 1 share of HK\$0.50 each.

On 8 February 2002, by an ordinary resolution passed in a special general meeting of the Company, the shareholders of the Company can subscribe for one new share at HK\$0.50 for every one share held by them. On 6 March 2002, a total of 56,000,000 rights shares were allotted and an amount of HK\$28 million was raised and received by the Company. The net proceeds received from the rights issue amounted to approximately HK\$26.6 million, out of which approximately HK\$9 million had been used to repay bank borrowings and the remaining balance was used as additional working capital.

## NUMBER AND REMUNERATION OF EMPLOYEES

The number and remuneration of employees of the Group had not changed materially from the information disclosed in the published annual report for the year ended 30 September 2001.

## OUTLOOK

The United States macro economy is stabilised but the competition in switches industry is still keen. The Board believes that the worst situation after the 911 incident in the United States had passed. Nevertheless, the future business environment will be full of challenges and the Board will face them with diligence.

The Group will reorganise the production workflows, strengthen the quality control, improve its ability of product development and explore the Japanese and European markets in order to increase the Group's turnover and enhance the Group's profitability.

In May 2002, the Group and SONY Chemical Corporation, a famous Japanese consumer electronics brandname owner, signed certain joint venture agreements. They will provide technical support and the Group will manufacture and sell flexible flat cable under their brandname. The production is scheduled to start in October 2002. The total investment cost is estimated to be HK\$60 million over the following two years including the costs to build new factory premises, acquire new plant and machinery and for working capital purpose. The investment will be financed by the Group's working capital. The Board expects that the joint venture will diversify the Group's products range and increase the Group's profitability.

## DIRECTORS' INTERESTS IN SHARE CAPITAL

At 31 March 2002, the interests of the directors in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Type of interest	Number of issued ordinary shares of HK\$0.50 each in the Company
Mr. Chow Tak Hung	Corporate (Note)	63,786,000
Miss Chow Woon Yin	Corporate (Note)	63,786,000
Miss Wong Siu Wah	Corporate (Note)	63,786,000

Note: These shares are owned by Bright Asia Holdings Limited, the entire issued share capital of which is owed as to 60%, 20% and 20% by Mr. Chow Tak Hung, Miss Chow Woon Yin and Miss Wong Siu Wah, respectively.

Save as disclosed above and except for nominal shares in the Group's subsidiaries held in trust for the Group by a director, none of the directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company granted options on the Company's ordinary shares in favour of certain directors, the summary details of which are as follows:

Directors	Number of share options			Exercise period	Exercise price HK\$
	At the beginning of the period	Granted during the period	As at 31 March 2002		
Mr. Chow Tak Hung	2,400,000	–	2,400,000	5 October 2000 to 17 March 2007	0.61
Ms. Chow Woon Yin	2,400,000	–	2,400,000	5 October 2000 to 17 March 2007	0.61
Ms. Wong Siu Wah	2,600,000	–	2,600,000	5 October 2000 to 17 March 2007	0.61
	<u>7,400,000</u>	<u>–</u>	<u>7,400,000</u>		

Pursuant to the consolidation of every 5 shares into 1 share of the Company on 9 November 2001 and the rights issue in the proportion of one new share for every existing issued share of the Company on 6 March 2002, the number of options exercisable and the exercise price of the share options at the beginning of the period were adjusted from 18,500,000 share options to 7,400,000 share options, and from HK\$0.244 to HK\$0.61 per share option, respectively. None of the directors of the Company had exercised their options to acquire shares during the period under review.

Save as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the following party was interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 16 (1) of the SDI Ordinance.

Name	Number of issued ordinary shares held	Percentage of total issued ordinary shares
Bright Asia Holdings Limited	63,786,000	56.95%

The entire issued share capital of Bright Asia Holdings Limited is held as to 60% by Mr. Chow Tak Hung, 20% by Miss Chow Woon Yin and 20% by Miss Wong Siu Wah.

Other than as disclosed above, the Company has not been notified of any other parties with interests representing 10% or more of the Company's issued share capital.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 March 2002.

## **AUDIT COMMITTEE**

To comply with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, the Company set up an Audit Committee (the "Committee") in January 2000, with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal controls of the Group. The Committee comprises the Company's two independent non-executive directors. The Group's unaudited condensed consolidated interim financial statements for the period ended 31 March 2002 have been reviewed by the Committee who are of the opinion that such financial statements comply with the applicable accounting standards, and The Stock Exchange of Hong Kong Limited's and legal requirements, and that adequate disclosures have been made.

## **CODE OF BEST PRACTICE**

The Board is not aware of any information that would reasonably indicate that the Company is not, or was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited for any part of the accounting period covered by the interim report, save that the non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws.

By order of the Board  
**Chow Tak Hung**  
Chairman and Managing Director

Hong Kong, 14 June 2002