Johnson Electric Holdings Limited

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2002

The Directors are pleased to announce that the unaudited consolidated profit attributable to shareholders for the six months ended 30th September 2002 was US$80,668,000, an increase of 34% over the corresponding period in 2001.

FINANCIAL RESULTS

The unaudited consolidated profit and loss account for the six months ended 30th September 2002 together with comparative figures for the corresponding period in 2001 is set out below :

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Unaudited Six months ended 30th September	
	2002	2001
	US$'000	US$'000
Turnover	**482,769**	371,523
Operating profit	**93,648**	71,693
Finance costs	**(269)**	(245)
Share of profits less losses of jointly controlled entities/associated companies	**297**	(3,373)
Profit before taxation	**93,676**	68,075
Taxation	**(13,007)**	(8,017)
Profit after taxation	**80,669**	60,058
Minority interests	**(1)**	(1)
Profit attributable to shareholders	**80,668**	60,057
Interim dividend	**18,840**	14,130
Basic earnings per share (US cents)	**2.2**	1.6
Fully diluted earnings per share (US cents)	**2.2**	N/A
Dividend per share (US cents)	**0.51**	0.38

NOTE

1 The calculations of basic and fully diluted earnings per share are based on the Group's profit attributable to shareholders of US$80,668,000 (2001: US$60,057,000).

The basic earnings per share is based on 3,673,788,920 (2001: 3,673,788,920) shares in issue during the period.

The fully diluted earnings per share is based on 3,673,904,805 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 115,885 (2001: Nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

2 The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th September 2002, and the consolidated balance sheet as at 30th September 2002 of the Group, all of which are unaudited and condensed, along with the selected explanatory notes, are set out on pages 12 to 24 of this report.

INTERIM DIVIDEND

As announced by the Board of Directors on 10th December 2002, an interim dividend of 4 HK cents, equivalent to 0.51 US cents per share (2001: 3 HK cents or 0.38 US cents per share) will be paid on 3rd January 2003 to the shareholders who are on the Register of Members on 30th December 2002.

CLOSING REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 30th December 2002 to 2nd January 2003 (both days inclusive), during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (not the Registrars in Bermuda), not later than 4:00 p.m. on 27th December 2002.

BUSINESS REVIEW

OVERVIEW

Trading conditions for the first half of the financial year improved significantly, compared to the weak global sales environment experienced for much of the past year. For the six months ended 30th September 2002, Johnson Electric achieved record half-year sales of US$483 million, an increase of 30% over the comparable period in 2001.

The period under review includes a full six-month contribution from the businesses acquired from Textron Automotive Company ("Textron") and ArvinMeritor Corporation ("ArvinMeritor") in July 2001 and August 2001, respectively. Excluding the contributions from these acquired businesses, total sales for the first half-year increased 24%, compared to the corresponding period in 2001.

Overall demand for Johnson Electric's products was broad based, with virtually all of our major product applications and geographic regions experiencing strong sales growth. In part, this reflects a pick-up in customer orders from the depressed levels of a year earlier. However, a larger factor contributing to the sales increase was the continuation of the primary underlying drivers of demand for Johnson Electric's products: namely growth through new motor applications and new product introductions and the sustained trend towards outsourcing of component manufacturing by multinational branded goods producers seeking to reduce costs and increase competitiveness.

Geographically, the source of demand for the Group's products is well balanced and all regions achieved very satisfactory growth rates in what remains a challenging and unpredictable global macro economic environment. Overall sales to Europe were US$171.2 million (35% of total sales) growing by 22% including acquisitions and by 23% excluding acquisitions. Sales to North America were US$150.6 million (31% of total sales), growing by 30% including acquisitions and by 8% excluding acquisitions. Sales to the Hong Kong/China region (25% of total sales) and Asia Pacific region (9% of total sales) grew by 42% and 37%, respectively.

DIVISIONAL OPERATING PERFORMANCE

AUTOMOTIVE MOTORS GROUP

Overall sales achieved by the Automotive Motors Group increased 31% to US$289 million, accounting for approximately 60% of Johnson Electric's total Group revenue.

Sales of the Automotive Motors Hong Kong business unit, representing the core automotive motor business based in Hong Kong, increased 56% to US$121 million. Excluding the acquisitions from Textron and ArvinMeritor, sales increased over 27% to US$82 million, with unit volume up by 26%. This reflected market share gains through new product introductions and additional outsourcing business. Among the strongest performances by individual motor product applications were door locks and fuel pumps, where sales growth rates were 47% and 39%, respectively.

Sales contributions from acquisitions amounted to US$39 million - almost triple the sales level in 2001, due largely to the inclusion of full six months' sales in this first half financial year for the first time. Sales from the acquired businesses have been the responsibility of our Automotive Motors Hong Kong business unit, and the successful transfer of production to our main manufacturing facility in China was completed by September 2002.

Sales of Johnson Electric Air Flow ("JEAF") and Johnson Electric Geared Automotive ("JEGA"), which together comprised Gate S.p.A. in Europe, were satisfactory - increasing by 25% to US$113 million with unit volume growth of 22% over the corresponding period in 2001. In July 2002, Gate S.p.A. acquired the remaining 49 percent of shares in Brushless Technology Motors S.r.l. ("BTM") for a consideration of US$1.3 million, in order to facilitate growth in brushless motors for various applications. Excluding the consolidated sales contribution from BTM in the first half results, the total sales growth of JEAF and JEGA was 17% due partly to the favourable impact of the stronger Euro in the period under review.

In North America, Johnson Electric Automotive Motors' total sales increased by 4% to US$55 million with unit volume growing at the rate of 13%. This result reflected, as part of the plan to improve its profitability, the shift in product mix away from certain larger, less profitable products and increased emphasis on ABS motors whose production has been relocated to China. The improved cost position associated with the move to China enabled ABS motors to record sales growth of approximately 37% in the period under review.

COMMERCIAL MOTORS GROUP

Total sales from product application sectors that together form Johnson Electric's Commercial Motors Group amounted to US$194 million, an increase of 28% over the comparable period in 2001.

Sales to the power tools sector increased 40% to US$60 million, with unit volume up 37%, driven by the combination of increased outsourcing on the part of our major customers, market share gains and new product introductions. Sales to major applications such as drills, saw systems, gardening tools and screw drivers, increased 24%, 26%, 142% and 48%, respectively.

Sales to the home appliances sector increased 16% to US$65 million on unit volume growth of 9%. This reflected the higher growth in product applications with larger size motors with typically higher average selling prices. For example, sales of motors for floor care products grew by 21% and motors for blenders grew by 63% over the period.

Sales to business equipment and personal products sectors combined increased 24% to US$53 million, with unit volume up 36%. In business equipment, sales grew by 38% largely due to an increase of 65% in sales to printer products where the Company was able to achieve further market share gains and introduce new products. In personal products, sales increased by a more modest rate of 9% over the period, with the strongest performances coming from massager applications.

Audio-visual sector sales increased 73% to US$15 million, with unit volume growth of 117%. Management of this joint venture business formed with Nidec Corporation of Japan in July 2000 is continuing to work intensively on improving market penetration and growing sales from a relatively small base.

PROSPECTS

Johnson Electric is well positioned to continue to grow. Notwithstanding the relatively uncertain outlook for the global economy, we have been encouraged by the performance of the business over the past six months.

As noted earlier, a significant proportion of our top line revenue growth has stemmed from increased outsourcing and from successful market penetration into new product applications. Sustained growth in demand of this nature offers the prospect of market share gains, improved operating leverage and higher levels of profitability. Furthermore, we anticipate additional benefits from recent initiatives to lower costs through the relocation of selected motor manufacturing activities and acquired businesses to our primary production base in southern China.

More than ever, we believe that Johnson Electric's strong cost position and ability to leverage China's manufacturing and supply chain advantages form the basis for long-term value creation for both customers and shareholders.

Barring unforeseen circumstances, we look forward to achieving record sales and improved profitability for the financial year 2002-03.

INVESTING IN PEOPLE

The Group employed approximately 30,000 full-time employees, including contract manufacturing labour, as of 30th September 2002. It provides competitive remuneration packages and various types of benefit schemes that are appropriate to the local labour markets.

Incentive schemes composed of annual and long-term incentives are provided to selected managers and senior executives on the basis of performance measured by such metrics as total shareholder return and cash value added, along with various supporting financial and key operating performance indices.

Organizational development occupies the top of the Group's people agenda. JENESIS, Johnson Electric's leadership development programme for emerging, high potential professionals, forms the cornerstone of our learning and growth initiatives. A recent JENESIS development initiative launched in late September boasted twelve countries of origin amongst its participants, which gives an indication of the Group's people diversity.

We continue to drive our global recruitment to seek out high calibre talents to strengthen our bench for growth opportunities. In order to engender behavioural change, we have been rebuilding our key people processes, including recruitment and selection, learning and development, performance management, people calibration and management succession, by integrating them with a set of Johnson Electric leadership competencies.

Johnson University, established in 1998, has six colleges providing a wide range of vocational and technical training programmes. A curriculum review is pending for 2003 to make its offerings more business-relevant.

The Group continues its long-standing commitment to environmental, health and safety and being an active and responsible corporate citizen in all the countries in which it operates.

FINANCIAL REVIEW

RESULTS

Profit attributable to shareholders and earnings per share increased 34% to US$81 million and 2.2 US cents respectively.

Operating profit increased 31% to US$94 million. Both the gross margin and EBIT (Earnings before Interest and Tax) margin held up well, notwithstanding the consolidation for the first time of a full six-month result of the lower-margin businesses acquired from Textron Automotive Company and ArvinMeritor Corporation. EBIT margin improved slightly to 19.4%, compared to the corresponding period in 2001. Sequentially, however, this was a significant improvement from the EBIT margin of 15.2% reported for the six-month period to 31st March, 2002.

Profit before taxation increased 38% to US$94 million, reflecting an improvement in the performance of joint ventures. Johnson Electric's share of profits of jointly controlled entities/associated companies was US$0.3 million, compared to a share of losses of over US$3 million for the same period last year.

Net capital expenditures were maintained at about last year's first-half level of US$20 million. This excludes the assets purchased, amounting to US$14 million, as part of the acquisition of Brushless Technology Motors joint venture by Gate S.p.A., and the re-purchase, amounting to US$5 million, of housing units from employees under the Staff Housing Scheme. Depreciation charges were US$17 million, nearly the same amount as last year.

Taxes on profit increased 62% to US$13 million, compared to US$8 million last year, due mainly to a decrease in deferred tax credits.

CASH FLOW

The Group's main source of liquidity continued to be net cash from operating activities. Net cash provided by operating activities increased 8% to US$70 million, due mainly to a decrease in working capital during the period.

The working capital position continued to be healthy. Based on moving annual total sales, the trade receivables were reduced from 70 to 68 days, due partly to an on-going improvement process. There was only a small improvement in the sales-to-stock - from 7.5 to 7.6 turns, but more significant improvements are expected for future periods, with the recently implemented Supply Chain Management modules of our new enterprise resource planning system now in place. Current ratio remained at a healthy level of 2.4 times.

Net cash used in investing activities decreased to US$28 million, compared to US$43 million for the corresponding period last year, due to reductions in investments in acquisitions and joint ventures. Net cash used in financing activities - essentially dividends paid, was maintained at last half-year's level of US$34 million. Total cash and cash equivalents increased 86% to US$129 million, compared to US$70 million as at 30th September, 2001.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources continue to be strong. As at 30th September, 2002, the Group had no net debt, taking into account its total cash and other investments which increased 86% to US$136 million, compared to US$73 million at last first half year-end. Total debt continued to be low, about US$12 million. The total debt-to-equity ratio remained at 2% level.

The Group's principal committed borrowing facilities are a three-year revolving loan in US dollar of 5 million obtained by a marketing subsidiary in the U.S.A. for short-term trade financing; and long-term loans equivalent to approximately US$2.4 million obtained previously by Gate S.p.A., to take advantage of preferential interest rates at the time (fixed at between 1.5% and 3.7%) available for specified purposes such as research and innovation. For day-to-day liquidity management and maintaining flexibility in funding, the Group also has access to significant uncommitted short-term borrowing facilities provided by its relationship banks. There are, however, no present needs for borrowings of any material amount.

At the present time, funding requirements for future capital expenditures are expected to be met by internal cash flows.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The financial risk management of the Group is the responsibility of Group's treasury function at the corporate centre based in Hong Kong, which is controlled by policies approved by senior management.

Except as disclosed in this interim report, the current information in relation to foreign currency risk, and cash and debt management, has not changed materially from the information disclosed in the most recent published annual report for the year 2001-2002.

For this half-year period, of the core micromotor sales (not including Johnson Electric Automotive, Inc.), 84% were denominated in US dollar; 11% in Euro; and 5% in Japanese Yen.

CAPITAL STRUCTURE

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. At this stage, however, with continuing strong cash flows, there are no immediate requirements for debt finance. As noted above, the Group had no net debt as at the end of this half-year period.

Details of the loans remaining outstanding are described earlier and included in Note 11 to the accounts. Borrowings at fixed interest rates amounted to approximately US$2.4 million only.

The Group's borrowings are primarily denominated in US and Hong Kong dollars. Except for the foreign exchange exposure in relation to the loans obtained by Gate S.p.A., equivalent to approximately US$2.4 million, the Group has no significant exposure to foreign exchange fluctuations in relation to its borrowings.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Except as disclosed in this interim report, there were no significant investments and material changes in the composition of our Group during the period under review.

DIVIDEND POLICY

It is the intention of the Group that the dividends paid should, over the long term, reflect the development of its earnings per share.

GOING CONCERN

On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

DIRECTORS' INTERESTS

As at 30th September 2002, the interests of the Directors in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong) notified to the Company pursuant to Section 28 of that Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to that Ordinance) or which are required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein were as follows:

	Shares in the Company of HK$0.0125 each	
Name	Personal Interests	Other Interests
Wang Koo Yik Chun	-	2,191,210,880 *#
Peter John Wrangham	160,000	-
Peter Stuart Allenby Edwards	-	100,000 **
Ian Lorne Thompson Conn	10,000	-

* These shares are held, directly or indirectly, by the trustees of various trusts associated with the Wang family.

\# Duplications of shareholdings occur among and between the parties shown below under Substantial Shareholders.

** These shares are held under a trust of which Peter Stuart Allenby Edwards is one of the beneficiaries.

Save as disclosed herein, as at 30th September 2002, none of the Directors had any interest in the share capital or debt securities of the Company or any associated corporation (as so defined) notified to the Company pursuant to Section 28 of the Securities (Disclosure of Interests) Ordinance (including interests which they are deemed or taken to have under Section 31 or Part I of the Schedule to that Ordinance) or which will be required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein.

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

SHARE OPTION SCHEME

Under the terms of the new share option scheme, which was approved by the shareholders on 29th July 2002, the Directors may at their discretion grant any director (including a non-executive director and an independent non-executive director), employee or consultant of the Group, options to subscribe for the shares in the Company subject to the terms and conditions stipulated therein.

Details of the new share option granted under the scheme as at 30th September 2002 are as follows:-

Type of grantees	Time of grant	Exercise period	Subscription price per share (HK$)	Number of options granted
Employees	September 2002*	1st August 2004 -	7.90	100,000
		16th September 2012	8.02	750,000
		1st August 2005 -	7.90	100,000
		16th September 2012	8.02	750,000
				1,700,000

* At the date before the options were granted, 16th September 2002, the market value per share was HK$8.10.

Due to the current volatility of the share markets, the Directors consider it inappropriate to value the options which were granted under the new share option scheme.

LONG-TERM INCENTIVE SHARE SCHEME

Under the terms of the Long-Term Incentive Share Scheme ("Incentive Share Scheme") which was approved by the shareholders on 26th July 1999, the Directors may at their discretion invite full time employees of the Company and its subsidiaries, including Directors, to participate in the Incentive Share Scheme, and grant shares to such eligible employees in relation to the Company's performance in terms of total shareholder return, cash value added, and other appropriate performance indicators over a defined three-year period. The first three-year performance cycle under the Incentive Share Scheme began on 1st April 1999 and ended on 31st March 2002. Thereafter, three-year performance cycles are initiated on an annual basis. After the end of the first performance cycle, the eligible employees were awarded notional cash long term bonuses which were used to acquire 288,900 shares purchased in the open market at a price of HK$9.00 per share subject to the terms of the Incentive Share Scheme. One-third of the shares awarded under the Incentive Share Scheme vested in the eligible employees immediately. The remaining two-third of the shares were held in a custodian account, of which 50% will vest 12 months and 50% will vest 24 months after 1st April 2002.

Apart from the new share option scheme and Incentive Share Scheme mentioned above, there were no other arrangements to which the Company or its subsidiaries was a party to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under Bermudan law in relation to issues of new shares by the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2002, the interests of every person in the share capital of the Company as recorded in the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance were as follows:-

Name	Shares of HK$0.0125 each
Bermuda Trust (Guernsey) Limited	358,972,480
Ansbacher (Bahamas) Limited	887,040,000
HSBC International Trustee Limited	952,357,800
HSBC Europe (Netherlands) BV	952,447,800
HSBC Europe BV	952,447,800
Griffin International Limited	952,447,800
Midcorp Limited	952,447,800
HSBC Bank plc	952,447,800
HSBC Holdings plc	970,704,799

The shares in which Bermuda Trust (Guernsey) Limited and Ansbacher (Bahamas) Limited are interested and 945,198,400 of the shares in which HSBC International Trustee Limited is interested are held, directly or indirectly, by them as the trustees of various trusts associated with the Wang family and are included in the shares in which Ms. Wang Koo Yik Chun is interested as referred to above under Directors' Interests.

The shares in which HSBC International Trustee Limited is interested form part of the shares in which HSBC Europe (Netherlands) BV is interested, which are all the shares in which HSBC Europe BV is interested, which are all the shares in which Griffin International Limited is interested, which are all the shares in which Midcorp Limited is interested, which are all the shares in which HSBC Bank plc is interested, which form part of the shares in which HSBC Holdings plc is interested, all of which are the same shares.

Save as disclosed herein, as at 30th September 2002, according to the register of interests of shares and, so far as the Directors are aware, there were no persons who, directly or indirectly, held or were beneficially interested in shares representing 10 per cent. or more of the issued share capital of the Company or (save for the Company) its subsidiaries and there was no other interest or right recorded in the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

AUDIT COMMITTEE

The Audit Committee meets regularly with the Group's senior management and the external auditors to consider and review the Group's financial statements, the nature and scope of audit reviews, and the effectiveness of the system of internal control and compliance. The members of the Audit Committee are Mr. Patrick Blackwell Paul (Chairman of the Committee), who was appointed as the Chairman of the Committee on 31st August 2002 in place of Mr. David Wylie Gairns who resigned on the same date, and Mr. Ian Lorne Thompson Conn.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

Throughout the accounting period, the Company was in compliance with the Code of Best Practice as set out in the Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited except that some of the independent non-executive directors of the Company were not appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September 2002

		Unaudited Six months ended 30th September	
	Note	**2002 US$'000**	2001 US$'000
Turnover	2	**482,769**	371,523
Cost of sales		**(325,208)**	(248,279)
Gross profit		**157,561**	123,244
Other revenues		**4,937**	5,166
Selling and administrative expenses	3	**(68,850)**	(56,717)
Operating profit	4	**93,648**	71,693
Finance costs	5	**(269)**	(245)
Share of profits less losses of jointly controlled entities/associated companies		**297**	(3,373)
Profit before taxation		**93,676**	68,075
Taxation	6	**(13,007)**	(8,017)
Profit after taxation		**80,669**	60,058
Minority interests		**(1)**	(1)
Profit attributable to shareholders		**80,668**	60,057
Dividends	7	**53,223**	48,513
Basic earnings per share (US cents)	8	**2.2**	1.6
Fully diluted earnings per share (US cents)	8	**2.2**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2002

	Note	Unaudited 30th September **2002** **US$'000**	Audited 31st March 2002 US$'000
ASSETS			
Non-current assets			
Intangibles		**21,957**	22,583
Properties, plant and equipment		**249,383**	235,031
Jointly controlled entities		**18,835**	18,439
Associated companies		**45**	3,709
Investment securities		**7,861**	9,480
Investments in finance leases		**10,403**	13,844
Deferred tax assets		**43,128**	34,960
		351,612	338,046
Current assets			
Stocks and work in progress		**127,008**	88,481
Trade and other receivables	9	**240,271**	194,307
Other investments		**48,401**	25,855
Bank balances and cash		**87,128**	102,476
		502,808	411,119
Current liabilities			
Trade and other payables	10	**190,714**	157,854
Current portion of long term loans	11	**245**	215
Taxation		**12,076**	2,258
Bank loans and overdrafts		**4,175**	4,338
		207,210	164,665
Net current assets		**295,598**	246,454
Total assets less current liabilities		**647,210**	584,500
Non-current liabilities			
Long term loans	11	**7,131**	7,016
Other provisions		**16,529**	10,807
Deferred tax liabilities		**11,059**	10,504
Minority interests		**3**	5
		34,722	28,332
NET ASSETS		**612,488**	556,168
CAPITAL AND RESERVES			
Share capital	12	**5,925**	5,925
Reserves		**587,723**	515,860
Proposed dividends	7	**18,840**	34,383
SHAREHOLDERS' FUNDS		**612,488**	556,168

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2002

	Unaudited Six months ended 30th September	
		As restated
	2002	2001
	US$'000	US$'000
Net cash inflow from operating activities	**70,071**	65,003
Net cash used in investing activities	**(27,871)**	(42,647)
Net cash used in financing activities	**(34,502)**	(34,579)
Increase / (decrease) in cash and cash equivalents	**7,698**	(12,223)
Cash and cash equivalents as at 1st April	**121,458**	81,794
Cash and cash equivalents as at 30th September	**129,156**	69,571

Analysis of the balances of cash and cash equivalents:

Other investments	**46,203**	9,168
Bank balances and cash	**87,128**	62,744
Bank loans and overdrafts	**(4,175)**	(2,341)
	129,156	69,571

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2002

	Unaudited								
	Share capital US$'000	Share premium US$'000	Investment property revaluation reserve US$'000	Capital reserve US$'000	(Goodwill)/ reserve on consolidation US$'000	Exchange reserve US$'000	Contributed surplus US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2002	**5,925**	**77,855**	**9,184**	**38,917**	**(233,885)**	**(31,157)**	**15,499**	**673,830**	**556,168**
Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities	-	-	-	-	-	**10,069**	-	-	**10,069**
Revaluation surplus realised upon disposal	-	-	**(34)**	-	-	-	-	-	**(34)**
Retained profit for the period	-	-	-	-	-	-	-	**80,668**	**80,668**
Final dividend paid 01/02	-	-	-	-	-	-	-	**(34,383)**	**(34,383)**
At 30th September 2002	**5,925**	**77,855**	**9,150**	**38,917**	**(233,885)**	**(21,088)**	**15,499**	**720,115**	**612,488**

	Unaudited								
	Share capital US$'000	Share premium US$'000	Investment property revaluation reserve US$'000	Capital reserve US$'000	(Goodwill)/ reserve on consolidation US$'000	Exchange reserve US$'000	Contributed surplus US$'000	Retained earnings US$'000	Total US$'000
At 1st April 2001	5,925	77,855	10,973	38,917	(233,885)	(25,247)	15,499	611,511	501,548
Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities	-	-	-	-	-	2,906	-	-	2,906
Retained profit for the period	-	-	-	-	-	-	-	60,057	60,057
Final dividend paid 00/01	-	-	-	-	-	-	-	(34,383)	(34,383)
At 30th September 2001	5,925	77,855	10,973	38,917	(233,885)	(22,341)	15,499	637,185	530,128

NOTES TO INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA"), (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2002, except that the Group has adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

(a) **SSAP 1 (revised)** : *Presentation of financial statements*
(b) **SSAP 11 (revised)** : *Foreign currency translation*
(c) **SSAP 15 (revised)** : *Cash flow statements*
(d) **SSAP 25 (revised)** : *Interim financial reporting*
(e) **SSAP 34** : *Employee benefits*

Certain presentational changes have been made upon the adoption of SSAP 1 (revised) "Presentation of financial statements", SSAP 15 (revised) "Cash flow statements" and SSAP 25 (revised) " Interim financial reporting".

During the period, the Group has extended its accounting policy on negative goodwill as follows :

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

2 Segment information

The Group is principally engaged in the manufacture of micromotors.

An analysis of the Group's turnover and results for the period by geographical area by origin is as follows:

	6 months ended 30th September 2002			
	Asia US$'000	**Europe US$'000**	**America US$'000**	**Total US$'000**
Turnover	**294,963**	**114,847**	**72,959**	**482,769**
Operating profit	**75,336**	**16,438**	**1,874**	**93,648**
Finance costs				**(269)**
Share of profits less losses of jointly controlled entities/ associated companies	**481**	**(184)**	**-**	**297**
Profit before taxation				**93,676**
Taxation				**(13,007)**
Profit after taxation				**80,669**
Minority interests				**(1)**
Profit attributable to shareholders				**80,668**

	6 months ended 30th September 2001			
	Asia US$'000	Europe US$'000	America US$'000	Total US$'000
Turnover	215,166	93,734	62,623	371,523
Operating profit	49,535	17,111	5,047	71,693
Finance costs				(245)
Share of profits less losses of jointly controlled entities/ associated companies	(1,122)	(1,589)	(662)	(3,373)
Profit before taxation				68,075
Taxation				(8,017)
Profit after taxation				60,058
Minority interests				(1)
Profit attributable to shareholders				60,057

3 Selling and administrative expenses

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
Selling expenses	**24,469**	16,039
Administrative expenses	**44,381**	40,678
	68,850	56,717

4 Operating profit

Operating profit is stated after crediting and charging the following:

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
Crediting		
Net exchange gain	**-**	307
Amortisation of negative goodwill	**156**	-
Charging		
Depreciation on owned fixed assets	**17,871**	18,367
Depreciation on leased fixed assets	**-**	22
Less: amounts capitalised on machinery under construction	**(715)**	(1,019)
	17,156	17,370
Amortisation of goodwill	**518**	147
Amortisation of development cost and patents	**441**	-
Loss on disposal of fixed assets	**846**	210
Net realised and unrealised loss on other investments and investment securities	**844**	497
Net exchange loss	**1,652**	-

5 Finance costs

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
Interest on bank loans and overdrafts	**144**	186
Interest on other loans, not wholly repayable within five years	**27**	9
Other incidental borrowing costs	**98**	50
	269	245

6 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period. Overseas tax has been provided at the applicable rate on the estimated assessable profit for the period.

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
Current taxation		
Hong Kong profits tax	**5,988**	4,791
Overseas taxation	**7,312**	7,147
	13,300	11,938
Deferred taxation	**(378)**	(3,921)
	12,922	8,017
Share of taxation attributable to jointly controlled entities	**85**	-
	13,007	8,017

7 Dividends

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
2001/02 Final dividend, paid of 0.94 US cents (2000/01 : 0.94 US cents)	**34,383**	34,383
2002/03 Interim, proposed on 10th December 2002, of 0.51 US cents (2001/02 : 0.38 US cents)	**18,840**	14,130
	53,223	48,513

8 Earnings per share

The calculations of basic and fully diluted earnings per share are based on the Group's profit attributable to shareholders of US$80,668,000 (2001: US$60,057,000).

The basic earnings per share is based on 3,673,788,920 (2001: 3,673,788,920) shares in issue during the period.

The fully diluted earnings per share is based on 3,673,904,805 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 115,885 (2001: Nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

9 Trade and other receivables

The Group allows an average credit period ranging from 30 to 60 days to its trade customers.

The trade and other receivables included trade receivables balance of US$202,696,000 (31st March 2002: US$156,951,000). The ageing analysis of trade receivables was as follows:

	30th September 2002 US$'000	31st March 2002 US$'000
0-60 days	**165,969**	114,514
61-90 days	**16,935**	31,249
Over 90 days	**19,792**	11,188
Total	**202,696**	156,951

10 Trade and other payables

The trade and other payables included trade payables balance of US$148,267,000 (31st March 2002: US$109,682,000). The ageing analysis of trade payables was as follows:

	30th September 2002 US$'000	31st March 2002 US$'000
0-60 days	**111,239**	76,172
61-90 days	**19,152**	16,871
Over 90 days	**17,876**	16,639
Total	**148,267**	109,682

11 Long term loans

	30th September 2002 US$'000	31st March 2002 US$'000
Loans		
Secured	**5,912**	6,415
Unsecured	**1,464**	816
	7,376	7,231
Current portion of long term loans	**(245)**	(215)
	7,131	7,016
Wholly repayable within five years		
Bank loans	**5,000**	5,000
Not wholly repayable within five years		
Other loans	**2,376**	2,231
	7,376	7,231
Current portion of long term loans	**(245)**	(215)
	7,131	7,016

Other loans not wholly repayable within five years are repayable by instalments starting from July 2000 to January 2011. Interest is charged on the outstanding balances at 1.5% to 3.7% per annum.

At 30th September 2002, the Group's long term bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans	
	30th September 2002 US$'000	31st March 2002 US$'000	**30th September 2002 US$'000**	31st March 2002 US$'000
Within one year	**-**	-	**245**	215
In the second year	**5,000**	5,000	**308**	223
In the third to fifth year	**-**	-	**1,180**	1,033
After the fifth year	**-**	-	**643**	760
	5,000	5,000	**2,376**	2,231

12 Share capital

	30th September 2002 US$'000	31st March 2002 US$'000
Authorised:		
7,040,000,000 ordinary shares of HK$0.0125 each	**11,355**	11,355
Issued and fully paid:		
3,673,788,920 ordinary shares of HK$0.0125 each	**5,925**	5,925

13 Acquisition

In July 2002, Gate S.p.A. acquired the remaining 49% of shares in Brushless Technology Motors S.r.l. ("BTM") for a cash consideration of US$1,277,000 in order to facilitate growth in brushless motors for various applications. The total fair value of the net identifiable assets of the businesses at the date of acquisition was US$9,070,000. The resulting negative goodwill of US$3,079,000 is to be amortised on a straight-line basis over 5 years.

The assets and liabilities arising from the acquisition are as follows:

	US$'000
Properties, plant and equipment	**9,208**
Inventories	**7,595**
Borrowings	**(12,188)**
Other assets less liabilities	**4,455**
Fair value of net assets	**9,070**
Less: Equity interest previously accounted for	**(4,714)**
Fair value of assets acquired	**4,356**
Negative goodwill as at date of acquisition	**(3,079)**
Consideration	**1,277**

14 Contingent liabilities

(a)

	30th September 2002 US$'000	31st March 2002 US$'000
Bills discounted	**2,301**	1,972
Guarantees for credit facilities granted to an associated company	**-**	4,844
	2,301	6,816

(b) The Company has given guarantees for a subsidiary in respect of future payment of operating lease rentals amounting US$2,498,000 (31st March 2002: US$2,655,000).

(c) In August 2001, a claim for damages was made against a subsidiary of the Group and several other third party defendants for personal injury and property damage in a lawsuit pertaining to environmental contamination involving the Group's automotive parts manufacturing facility in Columbus, Mississippi, USA which was closed down in November 2001. The Group has resisted and will vigorously defend these claims as a result of advice from the Group's legal advisers as to its position with respect to these claims. During the half year under review, the Court remanded the action to the Circuit Court of Lowndes County, Mississippi. The Group and plaintiffs have served interrogatories and requests for production of documents on each other, but the parties responses to these discovery requests have not been served.

In September 2002, Lear Corporation filed a complaint seeking a declaratory judgment that the Company must indemnify and defend Lear Corporation in the action described above or, in the alternative, a declaration that Nevada Bond Investment Corp. II must indemnify and defend Lear Corporation in the action. The companies involved in this lawsuit continue to discuss issues relating to indemnification.

The Directors consider that the litigation continues to be in its formative stage and are therefore unable at such early stage to predict the final outcome of this litigation.

15 Commitments

CAPITAL COMMITMENTS	**30th September 2002 US$'000**	31st March 2002 US$'000
Capital commitments for property, plant and equipment		
Authorised but not contracted for	**4,802**	5,617
Contracted but not provided for	**12,562**	7,945
	17,364	13,562

PATRICK WANG SHUI CHUNG

Chairman and Chief Executive

Hong Kong, 10th December 2002

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