

b) Geographical segment

An analysis of the Group's turnover and contribution to operating profit by geographical segment for the period under review and comparative information for the previous period is as follows:

	Six months ended 30th September,		2000	
	2001			
	Contribution to		Contribution to	
	Sale revenue	operating profit	Sales revenue	operating profit
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The People's Republic of China ("PRC"),				
excluding Hong Kong	83,856	4,643	50,370	375
Hong Kong	1,414	(869)	6,329	896
Others	1,349	(632)	1,331	(597)
	<u>86,619</u>		<u>58,030</u>	
Profit from operations		<u>3,142</u>		<u>674</u>

Notes:

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1st January, 2001.

The changes to the Group's accounting policies are set out below:

a) Segment Reporting

In the section "Segment Information", the Group has disclosed segment revenue and results as defined under SSAP 26 "Segment Reporting". Comparative information for the six months ended 30th September, 2000 has been adjusted to conform with the requirement of SSAP 26.

b) Goodwill

In current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st January 2001 is capitalized and amortized over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

c) Provisions and contingent assets

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. Adoption of this accounting policy has resulted in the derecognition of general provisions and amounts receivable after more than one year. This change in accounting policy has been applied retrospectively, resulting in prior period adjustments (note 2).

d) Impairment of assets

SSAP 31 "Impairment of Assets" has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets and investment properties. Although in prior years the Group complied with the requirements of specific SSAPs in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain leasehold properties, resulting in the identification of additional impairment losses at 30th September, 2001 amounting to approximately HK\$1,487,000. These additional impairment losses after net off with reserves of HK\$46,000, have been provided in full in the current period.

2. PRIOR PERIOD ADJUSTMENTS

The financial effect of the adoption of the new/revised accounting policies described in note 1 is summarized below:

	Accumulated losses
	<i>HK\$'000</i>
	<i>(unaudited)</i>
Balance at 1st April, 2000	
As originally stated	328,068
Reversal of general provisions	(59,757)
Reversal of amounts receivable after more than one year	76,500
As restated	<u>344,811</u>

3. TURNOVER AND OTHER REVENUE

	Six months ended	
	30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover		
Sales of complete watches	84,348	55,010
Rental income		
Investment properties	1,976	1,392
Land and buildings	289	287
	2,265	1,679
Investment securities	–	1,341
Programming service	6	–
	86,619	58,030
Other revenue		
Written back of provision for bad and doubtful debts	455	64
Reversal of trade and other payables	6,007	–
Interest income	1,518	2,214
Gain on revaluation of investments in securities	–	2,156
Surplus arising from increase in value of properties held for resale	685	–
Others	1,767	1,363
	10,432	5,797
	97,051	63,827

4. OTHER OPERATING EXPENSES

	Six months ended	
	30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Provision for bad and doubtful debts	257	211
Provision for slow-moving inventories	4,842	2,853
Net unrealized loss on revaluation of investments in securities	1,789	–
	6,888	3,064

5. FINANCE COSTS

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest payable on:		
Convertible notes	189	189
Others	32	–
	<u>221</u>	<u>189</u>
Convertible notes:		
Amortization of premium on redemption	486	486
Others	286	169
	<u>772</u>	<u>655</u>
Total borrowing costs	<u>993</u>	<u>844</u>

6. OTHER EXPENSES

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision for impairment loss on leasehold properties	1,441	–
Written off of fixed assets	61	3,826
Amortization of goodwill	683	–
Written off of investment and amounts due from subsidiaries upon liquidation	(1,143)	(3,479)
	<u>1,042</u>	<u>347</u>

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation/amortization:		
On leasehold properties and other fixed assets	2,135	1,323
On computer software	70	–
	<u>2,205</u>	<u>1,323</u>

8. TAXATION

Six months ended	
30th September,	
2001	2000
<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(unaudited)</i>	<i>(unaudited)</i>

The charge comprises:

Taxation in other jurisdictions of the Company
and its subsidiaries

<u>71</u>	<u>38</u>
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No provision for Hong Kong Profits Tax has been made for the period as the Company and its subsidiaries operating in Hong Kong have no assessable profit during the period under review. Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the period.

Taxation in other jurisdictions has been calculated at the rates prevailing in the respective jurisdictions.

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is computed based on the following data:

Six months ended	
30th September,	
2001	2000
<i>(unaudited)</i>	<i>(unaudited)</i>

Earnings/(Loss)

Earnings/(loss) for the purpose of basic
earnings/(loss) per share

<u>HK\$2,021,000</u>	<u>HK\$(555,000)</u>
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Number of shares

Number of shares for the purpose of basic
earnings/(loss) per share

<u>323,391,647</u>	<u>291,719,516</u>
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Basic earnings/(loss) per share

<u>0.62 cent</u>	<u>(0.2 cent)</u>
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No disclosure of the diluted earnings/(loss) per share for the period under review and the corresponding previous period is shown as the issue of potential ordinary shares during both periods from the exercise of the outstanding share options and convertible notes will be anti-dilutive.

10. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i> <i>(unaudited)</i>	Computer software <i>HK\$'000</i> <i>(unaudited)</i>	Total <i>HK\$'000</i> <i>(unaudited)</i>
Six months ended 30th September, 2001			
Net book value at 1st April, 2001	–	–	–
Acquisition of a subsidiary (<i>note 20</i>)	36,415	–	36,415
Purchase of computer software	–	281	281
Accumulated amortization acquired on acquisition of a subsidiary	(4)	–	(4)
Amortization charge	(683)	(70)	(753)
Net book value at 30th September, 2001	<u>35,728</u>	<u>211</u>	<u>35,939</u>
At 30th September, 2001			
Cost	36,415	281	36,696
Accumulated amortization	(687)	(70)	(757)
Net book value	<u>35,728</u>	<u>211</u>	<u>35,939</u>
At 31st March, 2001			
Cost	–	–	–
Accumulated amortization	–	–	–
Net book value	<u>–</u>	<u>–</u>	<u>–</u>

11. MOVEMENTS IN INVESTMENT PROPERTIES, LEASEHOLD PROPERTIES AND OTHER FIXED ASSETS

	Investment properties <i>HK\$'000</i> <i>(unaudited)</i>	Leasehold properties <i>HK\$'000</i> <i>(unaudited)</i>	Other fixed assets <i>HK\$'000</i> <i>(unaudited)</i>	Total <i>HK\$'000</i> <i>(unaudited)</i>
Net book value at 1st April, 2001	37,423	10,420	5,637	53,480
Currency realignment	–	–	2	2
Acquired on acquisition of a subsidiary	–	–	151	151
Additions	–	–	2,137	2,137
Written off	–	–	(61)	(61)
Provision for impairment	–	(1,487)	–	(1,487)
Depreciation	–	(145)	(1,990)	(2,135)
Net book value at 30th September, 2001	<u>37,423</u>	<u>8,788</u>	<u>5,876</u>	<u>52,087</u>

12. AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR

	30th September, 2001 <i>HK\$'000</i> <i>(unaudited)</i>	31st March, 2001 <i>HK\$'000</i> <i>(audited)</i> <i>(restated)</i>
Balance of consideration receivable from disposal of Lakeview Project		
As originally stated	–	76,500
Prior period adjustments (<i>note 2</i>)	–	(76,500)
	<hr/>	<hr/>
Balance as restated	<u>–</u>	<u>–</u>

The amount represents the balance of consideration from disposal of Lakeview Project (the "Disposal") in the financial year 2000. The details of the Disposal are set out in the Company's circulars dated 14th December, 1998 and 23rd August, 1999 and the 2000 annual report. In accordance with the original agreement of the Disposal, which is modified with supplemental agreements, the balance of consideration would be made to 2 subsidiaries of the Group gradually from time to time according to the time schedule in obtaining the land use rights within 10 years from the date of completion in respect of non-vested land.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows credit period of ranging from cash on delivery to 90 days to its trade debtors. The aged analysis of trade receivables of HK\$11,781,000 (as at 31st March, 2001: HK\$7,662,000) which are included in the Group's trade and other receivables, deposits and prepayments at the reporting date is as follows:

	30th September, 2001 <i>HK\$'000</i> <i>(unaudited)</i>	31st March, 2001 <i>HK\$'000</i> <i>(audited)</i>
Trade receivables		
Current to 90 days	11,680	7,576
91 days to 180 days	56	37
Over 180 days	45	49
	<hr/>	<hr/>
	11,781	7,662
Other receivables, deposits and prepayments	12,916	10,183
	<hr/>	<hr/>
Total	<u>24,697</u>	<u>17,845</u>

The Company did not have any trade receivables at both reporting dates.

14. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

Included in the trade and other payables and accrued charges are trade payables of HK\$14,021,000 (as at 31st March, 2001: HK\$2,085,000), the aged analysis of which at the reporting date is as follows:

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
		<i>(restated)</i>
Trade payables		
Current to 90 days	13,328	1,451
91 days to 180 days	192	–
Over 180 days	501	634
	14,021	2,085
Other payables and accrued charges	44,882	52,936
Total	58,903	55,021

The Company did not have any trade payables at both reporting dates.

15. SHARE CAPITAL

	30th September, 2001		31st March, 2001	
	Number of shares	Value	Number of shares	Value
	<i>'000</i>	<i>HK\$'000</i>	<i>'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Ordinary shares of HK\$1 each				
Authorized:				
Balance at beginning and end of the period/year	400,000	400,000	400,000	400,000
Issued:				
Balance at the beginning of the period/year	291,719	291,719	291,719	291,719
Issued in consideration for the acquisition of a subsidiary	42,000	42,000	–	–
Balance at the end of the period/year	333,719	333,719	291,719	291,719

16. RESERVES

	Investment property revaluation	Other property revaluation	Currency translation reserve	Capital reserve	Accumulated losses	Total	
Share premium	reserve	reserve	reserve	reserve	losses	Total	
HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	
Balance at 1st April, 2000							
As originally stated	84	3,355	920	2,075	156,959	(328,068)	(164,675)
Prior period adjustments (note 2)	-	-	-	-	-	(16,743)	(16,743)
	<u>84</u>	<u>3,355</u>	<u>920</u>	<u>2,075</u>	<u>156,959</u>	<u>(344,811)</u>	<u>(181,418)</u>
Surplus arising from valuation of investment properties	-	459	-	-	-	-	459
Reclassification	-	344	(344)	-	-	-	-
Excess depreciation on revalued properties	-	-	(22)	-	-	22	-
Exchange differences arising from translation of financial statements of operation outside Hong Kong	-	-	-	(1,145)	-	-	(1,145)
Exclusion of a subsidiary from consolidation upon liquidation	-	-	-	-	-	1,008	1,008
Profit for the year	-	-	-	-	-	6,743	6,743
	<u>84</u>	<u>4,158</u>	<u>554</u>	<u>930</u>	<u>156,959</u>	<u>(337,038)</u>	<u>(174,353)</u>
Balance at 31st March, 2001							
Net off with provision for impairment of leasehold properties	-	-	(46)	-	-	-	(46)
Excess depreciation on revalued properties	-	-	(11)	-	-	11	-
Exchange differences arising from translation of financial statements of operation outside Hong Kong	-	-	-	394	-	-	394
Exclusion of a subsidiary from consolidation upon liquidation	-	-	-	-	11	-	11
Profit for the period	-	-	-	-	-	2,021	2,021
	<u>84</u>	<u>4,158</u>	<u>497</u>	<u>1,324</u>	<u>156,970</u>	<u>(335,006)</u>	<u>(171,973)</u>
Balance at 30th September, 2001							

17. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i> <i>(restated)</i>
Within one year	12,405	6,885
In the second to fifth years inclusive	17,543	7,425
After the fifth year	502	–
Total	<u>30,450</u>	<u>14,310</u>

18. CONTINGENT LIABILITIES

- (a) As at 30th September, 2001, the Company issued corporate guarantee of HK\$21,000,000 (as at 31st March, 2001: HK\$40,000,000) to banks to secure general banking facilities granted to the Group. Bank facilities utilized at both reporting dates was HK\$ nil.
- (b) As stated in 2001 annual report, the Company is the co-defendant with 2 Executive Directors in a representative action (the "Action") commenced by Galmare Investment Limited on 27th April, 2001, suing on behalf of itself and all other Shareholders, other than the Executive Directors. As the Company is only named as "nominal defendant", no significant adverse financial effect to the Company is anticipated. The Board shall inform the shareholders by press announcement, should there be any significant process or major development in the litigation, which affect the interests of the shareholders in due course.

Save as disclosed herein, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

19. RELATED PARTY TRANSACTION

During the period under review, the Group had the following significant transactions with Mr. Zheng Li Shun, who is a minority shareholder and director of a former subsidiary of the Group.

	Six months ended 30th September, 2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income	<u>250</u>	<u>310</u>

A provision of HK\$250,000 (HK\$210,000 during the previous period) has been charged to the income statement regarding to the interest income arisen from the overdue amount of the agreed interest rate on default payment.

As stated in 2001 annual report, a writ has been lodged to High Court to recover the balances and the interest thereon in view of the long overdue of the balances. As at 30th September, 2001, the civil procedure of the High Court of the legal action is still being processed.

20. ACQUISITION OF OFFSHORE PROGRAMMING SERVICE PROVIDER (THE "ACQUISITION")

The Company has stated the Acquisition in our 2001 annual report. The details of the Acquisition constitutes a discloseable transaction for the Company under the Rules Governing of the Listing of Securities on The Stock Exchange of Hong Kong Limited, are set out in the Company's circular dated 24th May, 2001.

On 16th May, 2001, the Company acquired 54% of the issued share capital of KB Quest Holdings Limited ("KBQ") for an aggregate consideration of HK\$42 million which was satisfied by the allotment and issue of 42 million shares at a price of HK\$1.00 per share. The transaction has been accounted for by the acquisition method of accounting. Operating loss of approximately HK\$2,513,000 was resulted from KBQ and its subsidiaries during the period since the Acquisition.

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

	<i>HK\$'000</i> <i>(unaudited)</i>
Share of net assets acquired	(6,182)
Purchase consideration	42,000
	<hr/>
Goodwill	35,818
	<hr/> <hr/>

An analysis of the net cash inflow from this Acquisition is as follows:

	<i>HK\$'000</i> <i>(unaudited)</i>
Net assets acquired:	
Goodwill	593
Amounts due from minority shareholders	792
Fixed assets	151
Trade and other receivables	47
Bank balances and cash	10,093
Trade and other payables	(223)
Taxation	(5)
	<hr/>
	11,448
Less: Amount attributable to minority interests	(5,266)
	<hr/>
	6,182
Goodwill	35,818
	<hr/>
Consideration	42,000
	<hr/> <hr/>
Satisfied by:	
Issuance of shares	42,000
	<hr/> <hr/>
Cash consideration	–
Bank balances and cash acquired	10,093
	<hr/>
Net cash inflow of cash and cash equivalents in respect of the purchase of a subsidiary	10,093
	<hr/> <hr/>

During the period since the Acquisition, KBQ and its subsidiaries has utilized HK\$2.2 million from the Group's net operating cash flows and HK\$4.7 million on investing activities.

21. COMPARATIVE FIGURES

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