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## 1. Principal accounting policies

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants 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 condensed interim financial statements are consistent with those used in the 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 Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26:	Segment reporting
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

The major changes to the Group's accounting policies and the major effect of adopting these new policies are set out below:

(a) *SSAP 9 (revised): Events after balance sheet date*

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

The opening contributed surplus at 1st April, 2000 and 2001 have increased by approximately HK\$8,504,000 and HK\$10,244,000 respectively which are the reversal of the provision for the proposed final dividend previously recorded as a liability as at 31st March, 2000 and 2001 respectively. This adjustment has resulted in a decrease in current liabilities at 31st March, 2001 by approximately HK\$10,244,000.

(b) *SSAP 30: Business Combinations*

Goodwill arising on acquisitions occurring on or after 1st April, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st April, 2001 was eliminated against reserves or charged to the income statement immediately on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However, impairment arising on such goodwill, if any, is accounted for in accordance with SSAP 31 “Impairment of Assets”.

For acquisitions prior to 1st April, 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill will not be restated.

## 2. Turnover

The Group is principally engaged in property investment and development, manufacturing and sales of watch components, securities investments and trading, and the provision of information technology services.

Analysis of the Group's turnover and contribution to the loss from ordinary activities before taxation in respect of each activity and their geographical analysis are as follows:

Activity	Turnover		Contribution to loss from ordinary activities before taxation	
	Six months ended 30th September,		Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Property	10,895	11,951	(6,367)	(10,027)
Manufacturing	17,383	21,995	1,894	3,451
Information technology	1,408	8,413	(3,433)	(15,754)
Securities trading	925	20,509	(344)	(15,277)
Interest income	5,957	8,799	5,957	8,799
	<u>36,568</u>	<u>71,667</u>	<u>(2,293)</u>	<u>(28,808)</u>
<i>Add:</i> Profit on deemed disposal of shares in a subsidiary			-	20,704
<i>Less:</i> General and administrative expenses			(7,837)	(10,462)
Loss on deemed disposal of shares in an associate			-	(6,703)
			<u>(10,130)</u>	<u>(25,269)</u>
<b>Geographical analysis</b>				
Hong Kong	31,537	67,498	(2,896)	(27,887)
The People's Republic of China ("the PRC")	5,031	4,169	603	(921)
	<u>36,568</u>	<u>71,667</u>	<u>(2,293)</u>	<u>(28,808)</u>
<i>Add:</i> Profit on deemed disposal of shares in a subsidiary			-	20,704
<i>Less:</i> General and administrative expenses			(7,837)	(10,462)
Loss on deemed disposal of shares in an associate			-	(6,703)
			<u>(10,130)</u>	<u>(25,269)</u>

### 3. Loss from ordinary activities before taxation

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

This is stated after crediting and charging the following:

#### **Crediting**

Profit on deemed disposal of shares in a subsidiary	–	20,704
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#### **Charging**

Depreciation	<b>1,868</b>	2,903
Loss on deemed disposal of shares in an associate	–	6,703
Loss on written off/disposal of property, plant and equipment	<b>1,384</b>	–
Net realised and unrealised holding loss on other investments	<b>344</b>	15,277
	<u><b>344</b></u>	<u>15,277</u>

### 4. Taxation

No provision for Hong Kong Profits Tax has been made in the interim financial statements as the Company and its subsidiaries either have no assessable profit for the period or have unutilized tax losses to set off against current period's assessable profits.

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

The charge comprises:

Share of associates' taxation	<u><b>216</b></u>	<u>431</u>
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## 5. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	<b>(Unaudited)</b> <b>Six months ended</b> <b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss attributable to shareholders	<u><b>(10,089)</b></u>	<u>(17,946)</u>
Weighted average number of shares in issue during the period	<u><b>957,554,444</b></u>	<u>851,018,133</u>
Loss per share		
Basic	<u><b>(1.05) HK cents</b></u>	<u>(2.11) HK cents</u>

There is no diluted loss per share for the six months ended 30th September, 2001 and 2000 as the potential ordinary shares issuable under the outstanding share options are anti-dilutive.

## 6. Trade and other receivables

The Group's credit terms on credit sales mainly ranging from 30 days to 90 days.

Included in trade and other receivables are trade debtors of HK\$20,483,000 (31st March, 2001: HK\$19,207,000) and its ageing analysis is as follows:

	<b>30th September,</b>	<b>31st March,</b>
	<b>2001</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>8,725</b>	11,115
31 – 60 days	<b>1,815</b>	2,353
61 – 90 days	<b>1,299</b>	1,562
Over 90 days	<b>8,644</b>	4,177
	<u><b>20,483</b></u>	<u>19,207</u>

## 7. Trade and other payables

Included in trade and other payables are trade payables of HK\$3,102,000 (31st March, 2001: HK\$8,521,000) and its ageing analysis is as follows:

	<b>30th September,</b>	<b>31st March,</b>
	<b>2001</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 30 days	<b>2,121</b>	3,749
31 – 60 days	<b>611</b>	999
61 – 90 days	<b>225</b>	489
Over 90 days	<b>145</b>	3,284
	<u><b>3,102</b></u>	<u>8,521</u>

## 8. Interest-bearing borrowings

	<b>30th September, 2001 HK\$'000</b>	31st March, 2001 HK\$'000
Bank loan, secured	255,000	283,000
Obligation under hire purchase contracts	988	2,026
	<u>255,988</u>	<u>285,026</u>
The maturity of the above amount is as follows:		
Bank loan:		
Within one year	5,000	3,000
After one year but within two years	5,000	5,000
After two years but within five years	20,000	17,000
After five years	225,000	258,000
	<u>255,000</u>	<u>283,000</u>
Obligations under hire purchase contracts:		
Within one year	780	1,751
After one year but within two years	132	132
After two years but within five years	76	143
After five years	—	—
	<u>988</u>	<u>2,026</u>
	<u>255,988</u>	<u>285,026</u>
Portion classified as current liabilities	<u>(5,780)</u>	<u>(4,751)</u>
Long-term portion	<u>250,208</u>	<u>280,275</u>

## 9. Issued capital

	<b>Authorised shares of HK\$0.05 each</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
<i>Authorised</i>		
At 1st April, 2001 and at 30th September, 2001	<u>18,000,000,000</u>	<u>900,000</u>
<i>Issued and fully paid</i>		
At 1st April, 2001	854,439,690	42,722
Issue of shares	170,000,000	8,500
	<u>1,024,439,690</u>	<u>51,222</u>
At 30th September, 2001	<u>1,024,439,690</u>	<u>51,222</u>

## **10. Contingent liabilities**

- (a) At 30th September, 2001, guarantee amounting to approximately HK\$6.0 million (31st March, 2001: HK\$6.0 million) were given by the Company to a business partner for the due and punctual payment by the subsidiary of amounts due to the business partner.
- (b) At 30th September, 2001, guarantees amounting to HK\$4.3 million (31st March, 2001: HK\$2.1 million) were given by a subsidiary to a bank for mortgage loans made by the bank to the purchasers of properties sold by the subsidiary.

## **11. Commitments**

At 30th September, 2001, the Group had capital expenditure commitments contracted but not provided for amounting to HK\$40,965,000 (31st March, 2001: HK\$21,224,000).

## **12. Pledge of assets**

The Group has pledged the shares and assets of one of its subsidiaries, including an investment property, to secure general banking facilities granted to that subsidiary.

## **13. Post balance sheet events**

On 29th October, 2001, a wholly-owned subsidiary of the Company has entered into a conditional sale and purchase agreement with an associate of the Company for the disposal of its 100% interest in Lambda Building, Yuen Sang Building and certain residential units of Chuang's Garden, Chuang's New Town, Huiyang, and 51% interest in the commercial podium and basement of Chengdu Chuang's Centre, Chengdu, Sichuan, on a fully completed basis. Consideration for disposal of this property portfolio will be HK\$252.9 million.

On the same date, the Group entered into a conditional subscription agreement to subscribe 421.5 million redeemable preference shares of the associate at HK\$252.9 million. The preference shares will bear an annual preferred dividend rate of 2.5% on a cumulative basis, and will be redeemable by the associate within five years from the date of issue. About 20% of the preferred shares can be convertible, at the option of the Group, into listed ordinary shares of the associate within five years from the date of issue.

The transactions are expected to be completed in December, 2001. As a result of the transactions, the Group will record a profit, of which the amount cannot be ascertained at the date of this report.

## **14. Comparative figures**

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