

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The unaudited condensed interim financial statements have been prepared in compliance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting”, and on the basis consistent with the principal accounting policies adopted in the 2001 annual report, except that the Group has adopted the following new/revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 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 impacts to the Group’s accounting policies are set out below:

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

In accordance with SSAP 9 (revised), dividends proposed or declared after the balance sheet date are no longer recognised as liabilities at the balance sheet date. The change in accounting policy has no effect to the interim financial statements for the period.

(b) SSAP 26: “Segment reporting”

In note 2 to the interim financial statements, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group’s internal financial reporting, the Group has determined that business segments will be presented as the primary reporting format and geographical segments as the secondary reporting format. Comparative figures have been reclassified to conform with the current period’s presentation.

(c) SSAP 30: “Business combinations”

In accordance with SSAP 30, goodwill arising from acquisitions occurring on or after 1 January 2001 is included in the balance sheet as a separate intangible asset and is amortised using the straight line method over its estimated useful life of not more than twenty years.

Under the Group’s previous accounting policy, goodwill arising from acquisitions was taken directly to reserves. In adopting the new SSAP 30, the Group has taken advantage of the transitional provisions and such goodwill has not been retrospectively capitalised and amortised. This change in accounting policy has no effect to the interim financial statements for the period.

Save as mentioned above, the new/revised SSAPs adopted during the six months ended 30 September 2001 do not have any material impact to the Group’s accounting policies applicable to the preparation of the interim financial statements.

2. TURNOVER AND SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations is as follows:

	(Unaudited)			
	Six months ended			
	30 September 2001		30 September 2000	
	Turnover	Contribution	Turnover	Contribution
	HK\$'000	to profit from	HK\$'000	to profit from
		operating		operating
		activities		activities
		HK\$'000		HK\$'000
By principal activity:				
Manufacturing and marketing of clocks	68,399	224	82,567	8,442
Manufacturing and marketing of lighting products	4,450	2,232	3,705	(217)
Trading of metals	54,471	1,647	41,447	465
Provision of electroplating services	7,262	1,909	5,559	3,064
Others	6,274	308	6,482	1,285
	<u>140,856</u>	<u>6,320</u>	<u>139,760</u>	13,039
Unallocated corporate administrative expenses		(4,759)		(6,070)
Profit from operating activities		<u>1,561</u>		<u>6,969</u>
By geographical area:				
North America	42,871	(64)	56,350	6,352
Europe	26,150	1,801	21,239	1,678
The People's Republic of China (the "PRC"):				
Hong Kong, SAR	12,575	2,410	16,484	4,785
Elsewhere	55,501	2,053	42,067	53
Asia Pacific	1,510	69	808	(95)
Others	2,249	51	2,812	266
	<u>140,856</u>	<u>6,320</u>	<u>139,760</u>	13,039
Unallocated corporate administrative expenses		(4,759)		(6,070)
Profit from operating activities		<u>1,561</u>		<u>6,969</u>

3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Cost of inventories sold	107,083	101,512
Cost of services provided	4,893	3,311
Depreciation:		
Owned fixed assets	5,286	5,433
Leased fixed assets	402	297
Amortisation of patents and trademarks	49	98
Write back of provision for inventories	(1,081)	(1,400)
Gain on disposal of investments	(662)	–
Gain on disposal of a jointly-controlled entity	–	(941)
Bad debts written back	(356)	(827)
Net rental income	(560)	(472)
Interest income	(126)	(653)

4. FINANCE COSTS

	(Unaudited)	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Interest expense on:		
Bank loans and overdrafts wholly repayable within five years	871	1,177
Obligations under finance leases	100	115

5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the subsidiaries operated during the period based on existing legislation, interpretations and practices in respect thereof.

	(Unaudited)	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong	384	792
Elsewhere	70	208

Tax charge for the period

	454	1,000
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6. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2001 is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$275,000 (2000: profit of HK\$4,163,000) and the weighted average number of 242,807,500 (2000: 242,807,500) ordinary shares in issue during the period.

No diluted loss per share has been presented for the six months ended 30 September 2001 as there is no dilutive effect arising from the potential ordinary shares.

The calculation of diluted earnings per share for the six months ended 30 September 2000 was based on the net profit from ordinary activities attributable to shareholders for the period of HK\$4,163,000 and on 250,569,839 ordinary shares, being the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

At 30 September 2001, a total of 48,561,500 warrants with exercise price of HK\$1.23 were outstanding. No dilutive effect occurred in respect of these warrants as they are only exercisable at any time within the period from 20 February 2004 to 1 March 2004 (both dates inclusive), and hence they do not constitute potential ordinary shares of the Company during the period.

7. ACCOUNTS AND BILLS RECEIVABLE

The ages of the Group's accounts and bills receivable are analysed as follows:

	(Unaudited) As at 30 September 2001 HK\$'000	(Audited) As at 31 March 2001 HK\$'000
Outstanding balances with ages:		
Within 90 days	56,147	43,606
Between 91 days to 365 days	8,835	1,998
Over 1 year	830	166
	<u>65,812</u>	<u>45,770</u>

The Group has a defined credit policy. The general credit term is 30 days, except for certain well-established customers, where the terms are extended to 120 days.

8. ACCOUNTS AND BILLS PAYABLE

The ages of the Group's accounts and bills payable are analysed as follows:

	(Unaudited) As at 30 September 2001 HK\$'000	(Audited) As at 31 March 2001 HK\$'000
Outstanding balances with ages:		
Within 90 days	9,611	6,056
Between 91 days to 365 days	786	164
Over 1 year	258	158
	<u>10,655</u>	<u>6,378</u>

9. RESERVES

	(Unaudited) As at 30 September 2001 <i>HK\$'000</i>	(Audited) As at 31 March 2001 <i>HK\$'000</i>
Share premium	26,262	26,262
Exchange fluctuation reserve	(2,458)	(2,398)
Property revaluation reserve	26,160	26,160
Capital reserve	42,516	42,516
Reserve and enterprise expansion funds	9,132	8,884
Retained profits	75,932	76,455
	<u>177,544</u>	<u>177,879</u>