

BUSINESS REVIEW AND PROSPECT

During the six months ended 30 September 2001, the Group recorded a turnover of HK\$140,856,000, representing an increase of 1% as compared with the corresponding period last year. Net loss from ordinary activities attributable to shareholders was HK\$275,000, representing a decrease of 107% over the same period last year.

Clock

During the period under review, the clock business was unavoidably affected by the continuous global sluggish economy. Intensified price competitions together with declining consumers' confidence have put pressure on the profit margin. Consequently, the turnover fell by approximately 17% as a result of weak demands from customers.

Against the keen competition in clock industry, the Group focuses on continuous improvement on product enhancement, market expansion and cost efficiency. For product development, the Management has strived to enhance product features, aesthetic design and also has enriched the product range so as to provide value-added products to customers. In the fast changing market, the Group keeps an eye on product trends and emphasizes quick response to ensure effective marketing services to customers.

In order to diversify the markets and strengthen our brand names, the Group has set up various offices in different geographical regions to serve as key communication channels between Hong Kong, the PRC and our customers so as to establish long-term customer relationship. The Management also believes that an expanded sales and marketing force will boost the sales of products and facilitate to gather valuable information on market movement and to upgrade existing product offerings.

Apart from aggressive marketing strategy, the Group will continue to undertake strict cost control, minimize inventory level and streamline operation structure in strive to increase the Group's competitiveness in this industry.

Electroplating

Ultra Good Electroplating Limited ("Ultra Good"), our 79.75% owned subsidiary, has recorded an increase of 31% in turnover over the same period last year. In order to meet the customers' requirements, an upgrade of its existing production facilities of Ultra Good led to the increase of production costs during the period. However, the Management believes that equipped with specialized electroplating technology and effective cost control, Ultra Good will enhance the production efficiency and quality assurance in the long run. Through close supervision and dedication of the personnel, Ultra Good shall be able to have positive contributions to the Group in future.

Lighting Products

With favorable anti-dumping duty rate and better production management, the turnover of Precision Group Limited has recorded a growth of 20% during the period under review. The profit from operating activities amounted to HK\$2,232,000, in which the gain on disposal of investments was HK\$662,000. In view of the growing concerns over environment protection, the Management will continue to commit more resources to develop energy saving products in terms of design engineering and production quality in the PRC and overseas markets. It is believed that the Group will be benefited from the opportunities that sprang up in the lighting business.

Wood Products

As part of our long-term vertical integration strategy, Artfield Industries (Gaoming) Limited has been established to manufacture wood products for more than a year. The self-provision of related wooden parts to clocks manufacturing not only facilitates control on production costs but also quality monitoring. The Management has planned to introduce a new wood cutting machine for engraving products and plaques, which will be efficient in standardizing product edges. The Group will continue to upgrade the existing manufacturing processes so as to achieve economy of scale.

Trading

The performance of trading business of the Group remarked a satisfactory result during the period under review. Turnover was up 31%, amounting to HK\$54,471,000, which is attributable to the excellent network of the Group in the PRC and increasing demand in the Mainland market. The Management believes that the commodity trading business has plenty of opportunities to grow.