

14. Commitments under operating leases

The Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Office equipment	
	30 June 2002 HK\$'000	31 December 2001 HK\$'000	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Within one year	998	-	-	-
Two to fifth years inclusive	2,160	4,310	51	60
	3,158	4,310	51	60

15. Comparative figures

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2002 (30/6/2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the Group's turnover amounted to approximately HK\$56,964,000.00 (6/2001: HK\$59,185,000.00), representing a loss of 3.75% over the same period last year, in which turnovers of watch business and computer distribution operation represented approximately 84% and 16% respectively.

For the six months ended 30 June 2002, loss attributable to shareholders of the Group amounted to approximately HK\$553,000.00 (6/2001: loss attributable to shareholders of HK\$9,467,000.00). Loss per share for the period under review amounted to 0.02 HK cents (6/2001: loss per share of 0.29 HK cents).

Liquidity and Financial Information

As at 30 June 2002, the Group's bank and other borrowings amounted to approximately HK\$12,928.00, compared with approximately HK\$13,646,000.00 as at 31 December 2001. Cash and bank balances amounted to approximately HK\$321,000.00 as at 30 June 2002, compared with approximately HK\$9,773,000.00 as at 31 December 2001. The net borrowings amounting to approximately HK\$12,607,000.00 as at 30 June 2002 (31/12/2001: HK\$3,873,000.00) were secured by the Group's leasehold land and buildings.

Human Resources

As at 30 June 2002, the Group employed a total workforce of approximately 1,800 among which 32 people were working in Hong Kong.

Business Review and Outlook

The operation of the Group's watch business for the period under review showed slight improvement over that for the same period last year. There was an approximately 4% decrease in turnover. The operating result showed an improvement from a loss of HK\$9,314,000.00 to a slight profit of HK\$277,000.00. The improvement was primarily resulted from various measures of cost monitor and control with effect during the period under review, such as strict control of production cost and rationalization of human resources and structure.

Hong Kong and Middle East remain the Group's primary market. However, under the sluggish economic recovery and continuous deflation, consumer's confidence remains weary and hence demands for watches fall subsistingly. In the fact of drastic market competition in watch industry and dropping profit margins, the Group has devoted to exploring overseas markets and also developing technology related business along the business development strategy finalized last year.

The operation of the Group's business on distribution of computer components, systems and network solution under review showed slight improvement over that for the same period last year. There was an approximately 56% decrease in distribution of computer component business turnover. The operating result improved from a loss of HK\$651,000.00 to HK\$430,000.00. The improvement was primarily resulted from various measures of cost monitor and control with effect during the period under review, such as strict control of production cost and rationalization of human resources and structure.

In view of the worldwide economic downturn, the management will streamline the operation costs of the Group to increase its competitiveness in the present harsh economic environment. On the same, the Group will maintain its prudent and proactive policy in exploring potential investments with high growth and return.

MANAGEMENT

Mr. Lo Kee Wai and Mr. Chan Nim Leung, Leon have resigned as Independent Non-executive Director of the Company with effect respectively from 11 March 2002 and 30 June 2002. The Board would like to express our gratitude for their efforts and contributions made to the Group during their terms of office. Mr. Yang Keming was appointed Independent Non-executive Director of the Company with effect from 1 July 2002.