

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

	Six months ended	
	30th September, 2003	2002
	HK\$'000	HK\$'000
Net cash from (used in) operating activities	114,926	(17,018)
Net cash used in investing activities	(83,960)	(71,023)
Net cash (used in) from financing activities	(974)	113,306
	<hr/>	<hr/>
Net increase in cash and cash equivalents	29,992	25,265
Cash and cash equivalents at 1st April	207,544	153,999
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	237,536	179,264
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	237,536	179,271
Bank overdrafts	–	(7)
	<hr/>	<hr/>
	237,536	179,264
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM ACCOUNTS

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim accounts (the "Interim Accounts") of the Group are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Interim Accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and basis of preparation used in the preparation of the Interim Accounts are the same as those adopted in the annual financial statements for the year ended 31st March, 2003, except that the Group has adopted SSAP 12 (revised) "Income Taxes" issued by the HKSA to account for deferred taxation which is effective for accounting periods commencing on or after 1st January, 2003.

Under SSAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The adoption of the revised SSAP has had no material impact on the Group's Interim Accounts. Accordingly, no prior period adjustment has been required.

2. Turnover and segmental information

Segment information is presented by way of geographical segments. As the Group's turnover and operating profit were contributed solely by manufacturing, trading and distributing timepieces products, business segments are not presented.

In determining the Group's geographical segments, segment revenue and results are based on the final destination of goods sold as follows:

	Turnover		Segment results	
	Six months		Six months	
	ended 30th September,		ended 30th September,	
	2003	2002	2003	2002
		(Restated)		(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Americas	341,141	279,141	54,348	29,664
Asia	159,827	113,765	22,376	13,700
Europe	112,258	109,752	16,913	10,925
	<u>613,226</u>	<u>502,658</u>	<u>93,637</u>	<u>54,289</u>
Other revenue			4,596	3,928
Unallocated expenses			(53,927)	(25,000)
Finance costs			(6,785)	(6,331)
Profit before taxation			<u>37,521</u>	<u>26,886</u>

3. Profit before taxation

Profit before taxation is arrived at after charging (crediting):

	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	18,825	20,693
Amortization of intangible assets	2,713	2,967
Amortization of goodwill	518	308
Minimum lease payment in respect of properties under operating leases	1,169	298
Interest expenses	6,785	6,331
Interest income	(1,917)	(1,227)
	<u>18,825</u>	<u>29,860</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30th September, 2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the rate of taxation prevailing in the countries in which the Group operates.

	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
Current period		
Hong Kong profits tax	4,264	1,712
Taxation in other jurisdictions	15	–
Deferred taxation	(2,622)	1,224
	<u>1,657</u>	<u>2,936</u>



5. Dividends

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Dividend paid		
2002 final dividend of 1.5 HK cents (2001: Nil) per ordinary share	<u>9,491</u>	<u>–</u>
Dividend proposed		
2003 interim dividend of 1.8 HK cents (2002: 1.5 HK cents) per ordinary share	<u>11,544</u>	<u>8,276</u>

On 18th December, 2003, the Board declared an interim dividend of 1.8 HK cents per ordinary share. This dividend declared is not reflected as dividend payable in the Interim Accounts, but is reflected as an appropriation of revenue reserves.

6. Earnings per share

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

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Profit attributable to shareholders	<u>34,268</u>	<u>23,950</u>
Weighted average number of shares for the purpose of basic earnings per share calculation	632,026,715	277,027,342
Potential dilutive shares		
– share options	89,694	4,713,652
– warrants	3,120,493	–
Weighted average number of shares for the purpose of diluted earnings per share calculation	<u>635,236,902</u>	<u>281,740,994</u>
Basic earnings per share (HK cents)	<u>5.42</u>	<u>8.65</u>
Diluted earnings per share (HK cents)	<u>5.39</u>	<u>8.50</u>

7. Capital expenditure

During the period, the Group spent approximately HK\$29,827,000 (year ended 31st March, 2003: HK\$101,676,000) on property, plant and equipment to expand its business. Net book value of property, plant and equipment of the Group disposed of during the period amounted to HK\$Nil (year ended 31st March, 2003: HK\$1,237,000).

8. Trade and other receivables

The Group allows an average credit period of 90-120 days to its trade customers. An aged analysis of the trade receivables (net of provision for bad and doubtful debts) as at 30th September, 2003 is as follows:

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
0 – 90 days	177,197	151,872
91 – 180 days	11,914	7,493
Over 180 days	5,568	3,047
	194,679	162,412
Trade deposits	105,154	78,061
Prepayments and other receivables	77,875	102,005
	377,708	342,478

9. Trade and other payables

An aged analysis of the trade payables as at 30th September, 2003 is as follows:

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
0 – 90 days	88,418	46,706
91 – 180 days	10,281	1,812
Over 180 days	4,112	1,856
	102,811	50,374
Accruals and other payables	30,385	40,097
	133,196	90,471

10. Syndicated loan and other interest-bearing borrowings

The syndicated loan and other interest-bearing borrowings are repayable as follows:

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
Within one year	398,696	286,168
After one year but within two years	72,904	125,954
After two years but within five years	45,147	49,246
	516,747	461,368
Less: amount repayable within one year	(398,696)	(286,168)
	118,051	175,200

The balances of the syndicated loan and other interest-bearing borrowings are as follows:

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
Syndicated loan, unsecured	142,857	200,000
Other interest-bearing borrowings		
– secured	24,000	26,400
– unsecured	349,890	234,968
	516,747	461,368

As at 30th September, 2003, leasehold properties with carrying value of approximately HK\$15,956,000 (31st March, 2003: HK\$15,956,000) had been pledged to secure banking facilities granted to a subsidiary of the Group.

11. Obligations under finance leases

Obligations under finance leases are repayable as follows:

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
Within one year	851	824
More than one year, but not exceeding two years	807	804
More than two years, but not exceeding five years	210	659
	1,868	2,287
Less: future finance charges	(91)	(124)
	1,777	2,163
Less: amount repayable within one year	(791)	(773)
	986	1,390

12. Share capital

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
Authorized:		
6,000,000,000 (31st March, 2003: 6,000,000,000) ordinary shares of HK\$0.10 each	600,000	600,000
Issued and fully paid:		
641,323,945 (31st March, 2003: 630,899,833) ordinary shares of HK\$0.10 each	64,132	63,090



The movements in issued share capital of the Company are as follows:

		Number of shares issued	Paid-up nominal value HK\$'000
As at 31st March, 2003		630,899,833	63,090
Issue of new shares pursuant to the exercise of share options	(a)	1,875,000	188
Issue of new shares pursuant to the exercise of warrants	(b)	14,294	1
Issue of new shares as 2003 final scrip dividend in lieu of cash	(c)	<u>8,534,818</u>	<u>853</u>
As at 30th September, 2003		<u>641,323,945</u>	<u>64,132</u>

(a) During the period, 1,875,000 new shares of HK\$0.10 each were issued under a share option scheme which became effective on 24th January, 2002 with exercise prices of HK\$0.2 per share and HK\$0.227 per share for 840,000 shares and 1,035,000 shares respectively. These shares rank pari passu with the existing shares of the Company.

(b) A bonus issue of warrants (the "Bonus Warrants") of the Company to its shareholders was approved by the Board on 1st August, 2003. The Bonus Warrants are exercisable at any time from 5th August, 2003 to 4th August, 2005, both dates inclusive. Each Bonus Warrant entitles the holder thereof to subscribe for one new share at an initial subscription price of HK\$0.65. During the period, 14,294 new shares of HK\$0.10 each were issued upon the exercise of 14,294 Bonus Warrants. These shares rank pari passu with the existing shares of the Company.

Number of shares issued as 2003 final dividend	Scrip price HK\$	Proceeds credited to		Total HK\$'000
		Share capital account HK\$'000	Share premium account HK\$'000	
<u>8,534,818</u>	<u>0.733</u>	<u>853</u>	<u>5,403</u>	<u>6,256</u>

13. Commitments under operating leases

As at 30th September, 2003, the Group had total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings falling due as follows:

	As at 30th September, 2003 HK\$'000	As at 31st March, 2003 HK\$'000
Within one year	2,306	2,341
More than one year but within five years	6,496	6,911
More than five years	577	1,267
	<u>9,379</u>	<u>10,519</u>

14. Contingent liabilities

As at 30th September, 2003, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$64,600,000 (31st March, 2003: HK\$67,951,000).



15. Related party transactions

Significant related party transactions which were carried out in the normal course of the Group's business and were conducted on normal commercial terms are as follows:

	Note	Six months ended 30th September,	
		2003 HK\$'000	2002 HK\$'000
Sales of finished goods to an associate	(a)	2,757	–
Rental for use of plant and machinery provided to and charged to a jointly controlled entity	(b)	1,000	1,000
Electroplating services provided by and respective fee charged by a jointly controlled entity	(c)	<u>(4,918)</u>	<u>(2,372)</u>

Notes:

- (a) Sales of finished goods to the associate were conducted in the normal course of business at prices and terms as determined by the transacting parties at arm's length basis.
- (b) The amount of the rental received from the jointly controlled entity was agreed between the transacting parties at arm's length basis.
- (c) Fee for electroplating services provided by the jointly controlled entity was charged at prices and terms as agreed between the transacting parties at arm's length basis.

16. Subsequent events

On 14th October, 2003, the Company entered into a 3.5-year term loan facility of HK\$380 million with BNP Paribas Hong Kong Branch and 18 other local and international banks.

On 30th October, 2003, the Group entered into an agreement in relation to an acquisition of 60% equity interests in a timepiece distributor in the PRC at a consideration of RMB30 million.

17. Approval of Interim Accounts

The Interim Accounts were approved and authorized for issue by the Board on 18th December, 2003.