

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its principal subsidiaries are engaged in watch trading.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively hereinafter referred to as the "Group") made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to their effective date of acquisition or disposal as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill and capital reserve

Goodwill or capital reserve arising on acquisition of a subsidiary, representing the difference between the purchase consideration and the Group's share of the fair value ascribed to the separable net assets of the subsidiary at the date of acquisition, is dealt with through reserves in the year of acquisition.

On disposal of a subsidiary, the attributable amount of goodwill or capital reserve previously written off or credited to reserves is included in the determination of the gain or loss on disposal.

Turnover

Turnover represents the net amount received and receivable for goods sold during the year.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Income from sales of goods is recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and the applicable rate of interest.

Rental income is recognised on a straight line basis over the duration of the leases.

Dividend income is recognised when the right to receive payment is established.

Investment properties

Investment properties are completed properties which are held for their investment potential and rental income derived therefrom is negotiated at arm's length.

Investment properties are stated at their open market values based on professional valuation at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance in the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a surplus arises on a subsequent revaluation, an amount of the surplus is credited to the income statement to the extent of the deficit previously charged.

No depreciation is provided on investment properties unless the unexpired term of the relevant lease is twenty years or less.

On disposal of an investment property, any balance in the investment property revaluation reserve which is attributable to the disposed property is credited to the income statement.

Other properties, plant and equipment

Other properties, plant and equipment are stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location. Expenditure incurred after an asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other properties, plant and equipment *(Continued)*

The cost or valuation of buildings is depreciated over their estimated useful lives of fifty years using the straight line method. The cost of leasehold land is amortised on a straight line basis over the remaining term of the relevant leases.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives, using the reducing balance method, at 20% per annum.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

On the subsequent sale of a non-investment property, any attributable property revaluation surplus not yet transferred to accumulated profits will be transferred to accumulated profits.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are discounted to their present values.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or the duration of the leases, where shorter.

Leases

A lease is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership of a leased asset to the Group. Any asset held under a finance lease is capitalised at its fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as finance lease obligations. Finance charges, which represents the difference between the total leasing commitments and the principal amount at the date of inception of the lease, are charged to the income statement over the period of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the duration of the leases.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in the profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in the profit or loss for the period.

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in value that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Inventories

Inventories comprise goods held for resale and are stated at the lower of cost on a specific identification basis and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs which are necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expenses in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Retirement benefits scheme contributions

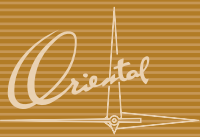
Contributions payable to the Group's defined contribution retirement benefits scheme and mandatory provident fund scheme are charged to the income statement in the period to which they relate.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.



NOTES

TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2001

3. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors	61,146	46,427
Retirement benefits scheme contributions, net of forfeited contributions of HK\$37,000 in 2000 (2001: Nil)	<u>2,623</u>	<u>2,499</u>
Total staff costs	<u>63,769</u>	<u>48,926</u>
Depreciation on		
— owned assets	4,609	5,128
— asset held under a finance lease	<u>51</u>	<u>63</u>
	<u>4,660</u>	<u>5,191</u>
Amortisation of premium on acquisition of held-to-maturity securities	67	—
Auditors' remuneration	1,273	959
Loss on disposal of other properties, plant and equipment	285	976
Operating lease rentals paid for land and buildings	9,599	8,915
Unrealised losses on listed trading securities	425	953
and after crediting:		
Amortisation of discount on acquisition of held-to-maturity securities	4	4
Interest income	4,268	1,939
Realised gains on trading of listed trading securities	369	873
Rental income	<u>1,606</u>	<u>1,046</u>

4. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on bank borrowings		
— wholly repayable within five years	478	1,892
— not wholly repayable within five years	465	726
	<u>943</u>	<u>2,618</u>
Finance lease charges	30	47
	<u>973</u>	<u>2,665</u>

5. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Directors' fees:		
Executive directors	—	—
Independent non-executive directors	216	216
	<u>216</u>	<u>216</u>
Emoluments of the executive directors:		
Salaries and other benefits	8,827	8,650
Performance related incentive bonuses	18,486	3,180
Retirement benefits scheme contributions	1,080	1,051
	<u>28,393</u>	<u>12,881</u>
Total directors' emoluments	<u>28,609</u>	<u>13,097</u>

5. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments of the directors are within the following bands:

	2001	2000
	Number of	Number of
	directors	directors
Up to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,500,001 to HK\$3,000,000	—	2
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	1	—
HK\$4,000,001 to HK\$4,500,000	1	—
HK\$5,000,001 to HK\$5,500,000	2	—
HK\$6,000,001 to HK\$6,500,000	1	—
	<u>1</u>	<u>—</u>

In both years, the five highest paid employees of the Group were five of the executive directors.

6. TAXATION

	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
— charge for the year	18,747	21,585
— under (over) provision in a prior year	310	(107)
	<u>19,057</u>	<u>21,478</u>
Taxation outside Hong Kong	229	329
Deferred taxation charge (credit) <i>(note 20)</i>	61	(133)
	<u>19,347</u>	<u>21,674</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits of the Group which are derived from Hong Kong. Taxation outside Hong Kong is calculated at the rate prevailing in the respective jurisdiction outside Hong Kong in which the Group operates.

7. PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders for the year, a profit of HK\$11,891,000 (2000: HK\$25,746,000) has been dealt with in the financial statements of the Company.

8. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Proposed final dividend of 6 cents (2000: 6 cents) per share	16,515	16,606
Interim dividend paid of 3 cents (2000: 2 cent) per share	<u>8,270</u>	<u>5,535</u>
	<u>24,785</u>	<u>22,141</u>

The final dividend for the year ended 31 March 2001 is subject to the approval by shareholders in the forthcoming annual general meeting. The amount is calculated on the basis of the proposed dividend rate and the 275,253,200 shares in issue at the date of approval of these financial statements by the directors.

9. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on the following data:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to shareholders	<u>97,327</u>	<u>104,865</u>
Number of shares:		
Weighted average number of shares for the purpose of calculating basic earnings per share	275,959,184	<u>276,759,200</u>
Potential dilutive shares issuable under the Company's share option scheme	<u>1,269,373</u>	
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>277,228,557</u>	

No diluted earnings per share is presented for the prior year as the effect of the Company's outstanding share options was anti-dilutive in that period.

10. INVESTMENT PROPERTIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Investment properties comprise properties in Hong Kong held		
— under a long lease	22,000	18,000
— under medium-term leases	24,550	10,000
	<u>46,550</u>	<u>28,000</u>
The movements during the year are as follows:		
Valuation at the beginning of the year	28,000	—
Cost of acquisition during the year	16,216	27,464
Surplus arising on revaluation at the balance sheet date	2,334	536
	<u>46,550</u>	<u>28,000</u>

Included in the Group's investment properties at 31 March 2001 is a property which has subsequent to 31 March 2001 been disposed of by the Group in the open market at a consideration of HK\$8,950,000 to an independent third party. The directors of the Company are of the opinion that the sale consideration is a fair open market value of the property as at 31 March 2001 and have, therefore, adopted it for valuation purposes in the preparation of the current year's financial statements.

The Group's remaining investment properties were revalued as at 31 March 2001 on an open market value basis by Messrs. Excellence Surveyors Limited, an independent firm of professional property valuers.

The net surplus arising on revaluation of the Group's investment properties as at 31 March 2001 of HK\$2,334,000 (2000: HK\$536,000) is credited to the investment property revaluation reserve (note 23).

An investment property with a carrying value of HK\$22,000,000 as at 31 March 2001 (2000: HK\$18,000,000) and the rentals thereon have been pledged to secure a mortgage loan granted to the Group (note 18).

11. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Leasehold properties <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST OR VALUATION				
At 1 April 2000	69,126	31,716	2,195	103,037
Additions	970	4,075	1,535	6,580
Disposals	—	(1,295)	(1,414)	(2,709)
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At 31 March 2001	70,096	34,496	2,316	106,908
Comprising:				
At cost	67,996	34,496	2,316	104,808
At valuation — 1996	2,100	—	—	2,100
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	70,096	34,496	2,316	106,908
DEPRECIATION AND AMORTISATION				
At 1 April 2000	4,385	17,142	1,310	22,837
Provided for the year	617	3,628	415	4,660
Eliminated on disposals	—	(1,295)	(850)	(2,145)
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At 31 March 2001	5,002	19,475	875	25,352
NET BOOK VALUES				
At 31 March 2001	<u>65,094</u>	<u>15,021</u>	<u>1,441</u>	<u>81,556</u>
At 31 March 2000	<u>64,741</u>	<u>14,574</u>	<u>885</u>	<u>80,200</u>

11. OTHER PROPERTIES, PLANT AND EQUIPMENT *(Continued)*

	2001	2000
	HK\$'000	HK\$'000
Leasehold properties comprise properties:		
— in Hong Kong held under long leases	64,124	64,741
— outside Hong Kong held under a medium-term lease	970	—
	<u>65,094</u>	<u>64,741</u>

One of the leasehold properties in Hong Kong was previously an investment property. This property is carried in the books on the basis of a valuation carried out by Messrs. Knight Frank & Kan, an independent firm of professional property valuers, on an open market value basis as at 31 March 1996 when it was still being rented to an outside party. This former investment property has since been occupied by the Group. It is not the Group's policy to revalue leasehold properties other than investment properties, therefore, the property is currently stated at its 1996 valuation amount less depreciation and amortisation on the same basis as other leasehold properties. Had the property been stated in the financial statements at its original cost, less depreciation and amortisation since its acquisition, its net book value at 31 March 2001 would be approximately HK\$1,116,000 (2000: HK\$1,126,000).

Included in other properties, plant and equipment is an amount of approximately HK\$202,000 (2000: HK\$253,000) representing the net book value of a motor vehicle held under a finance lease.

12. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY
	2001 & 2000
	<i>HK\$'000</i>
Unlisted shares, at cost	123,614
Less: Provision	<u>(1,000)</u>
	<u>122,614</u>

Details of the Company's principal subsidiaries at 31 March 2001 are set out in note 34.

13. INVESTMENTS IN SECURITIES

	Held-to-maturity securities		Trading securities		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Debt securities						
Cost	8,950	4,983	—	—	8,950	4,983
Add: Cumulative amortisation of discount on acquisition	8	4	—	—	8	4
Less: Amortisation of premium on acquisition	(67)	—	—	—	(67)	—
	<u>8,891</u>	<u>4,987</u>	<u>—</u>	<u>—</u>	<u>8,891</u>	<u>4,987</u>
(b) Equity securities	—	—	1,202	1,742	1,202	1,742
Carrying value at 31 March	<u>8,891</u>	<u>4,987</u>	<u>1,202</u>	<u>1,742</u>	<u>10,093</u>	<u>6,729</u>
Market value at 31 March	<u>9,001</u>	<u>5,017</u>	<u>1,202</u>	<u>1,742</u>	<u>10,203</u>	<u>6,759</u>
Analysis of the carrying value for reporting purpose:						
Non-current	4,991	4,987	—	—	4,991	4,987
Current	3,900	—	1,202	1,742	5,102	1,742
	<u>8,891</u>	<u>4,987</u>	<u>1,202</u>	<u>1,742</u>	<u>10,093</u>	<u>6,729</u>
Comprising:						
— Securities listed in Hong Kong	—	—	1,202	1,742	1,202	1,742
— Securities listed overseas	3,900	—	—	—	3,900	—
— Unlisted securities	4,991	4,987	—	—	4,991	4,987
	<u>8,891</u>	<u>4,987</u>	<u>1,202</u>	<u>1,742</u>	<u>10,093</u>	<u>6,729</u>

The held-to-maturity securities comprise interest bearing notes. The face value of these notes at 31 March 2001 amounted to HK\$8,900,000 (2000: HK\$5,000,000).

14. INVENTORIES

At 31 March 2001, the Group had inventories of HK\$134,152,000 (2000: HK\$130,083,000) which were carried at net realisable value.

15. DEBTORS, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	4,100	5,175
Deposits and prepayments	4,594	3,951
	<u>8,694</u>	<u>9,126</u>

The Group maintains a general credit policy of not more than 30 days for its established and major customers. The following is an ageing analysis of the trade debtors of the Group at 31 March 2001:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	2,493	2,154
31-60 days	854	267
61-90 days	218	350
Over 90 days	535	2,404
	<u>4,100</u>	<u>5,175</u>

16. CREDITORS AND ACCRUED CHARGES

	THE GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	14,744	27,202
Other creditors and accrued charges	13,559	5,533
	<u>28,303</u>	<u>32,735</u>

16. CREDITORS AND ACCRUED CHARGES (Continued)

The following is an ageing analysis of trade creditors of the Group at 31 March 2001:

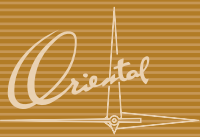
	2001	2000
	HK\$'000	HK\$'000
0-60 days	14,526	27,060
61-90 days	193	74
Over 90 days	25	68
	<u>14,744</u>	<u>27,202</u>

17. OBLIGATIONS UNDER A FINANCE LEASE

THE GROUP	
2001	2000
HK\$'000	HK\$'000

The maturity of the obligations under a finance lease is as follows:

Within one year	76	76
Due in the second year	63	76
Due in the third to fifth year	—	63
	<u>139</u>	<u>215</u>
Less: Amount due within one year shown under current liabilities	<u>(76)</u>	<u>(76)</u>
Amount due after one year shown as non-current	<u>63</u>	<u>139</u>



NOTES

TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2001

18. MORTGAGE LOAN

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Amount due within one year shown under current liabilities	<u>1,287</u>	<u>1,078</u>
Amount due in the second year	1,383	1,177
Amount due in the third to fifth year	4,825	4,277
Amount due after five years	<u>760</u>	<u>2,843</u>
Amount due after one year shown as non-current	<u>6,968</u>	<u>8,297</u>
Total	<u>8,255</u>	<u>9,375</u>

The mortgage loan is secured by an investment property of the Group and bears interest at prevailing market rates.

19. AMOUNT DUE TO A MINORITY SHAREHOLDER OF SUBSIDIARIES

The amount represents advances made by a minority shareholder to finance the operations of those subsidiaries in which the minority shareholder has an equity interest. The amount is unsecured and interest free and can be used to make good the minority shareholder's share of losses incurred by these subsidiaries. There are no fixed terms of repayment. Repayments, or further advances, are dependent on the financing needs of these subsidiaries. In the opinion of the directors, no repayment is likely to be made in the next twelve months. Accordingly, the amount is shown under non-current liabilities.

20. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Balance at the beginning of the year	309	442
Charge (credit) in the year (note 6)	61	(133)
Balance at the end of the year	<u>370</u>	<u>309</u>

The deferred tax liability represents the taxation effect of timing differences arising as a result of the excess of depreciation allowances claimed for tax purposes over the amount of depreciation charged in the financial statements. Surpluses or deficits arising on property revaluation do not constitute timing differences for tax purposes as profits or losses arising on future disposal of the Group's properties would not be taxable or deductible.

The Group has not recognised in the financial statements a deferred taxation asset of approximately HK\$6,200,000 as at 31 March 2001 (2000: HK\$3,800,000) in respect of tax losses of certain subsidiaries which are available to set-off against future assessable profits as it is not certain that the tax benefit will be realised in the foreseeable future.

The Company has no significant unprovided deferred taxation arising during the year or at the balance sheet date.

21. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
Authorised:		
Shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 1999 and 1 April 2000	276,759,200	27,676
Repurchases of own shares during the year (see note below)	<u>(1,506,000)</u>	<u>(151)</u>
At 31 March 2001	<u>275,253,200</u>	<u>27,525</u>

21. SHARE CAPITAL (Continued)

Note:

During the year, the Company made the following repurchases of its own shares on the Stock Exchange:

Month	Number of shares repurchased	Price paid per share		Consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September 2000	1,106,000	0.85	0.79	915
October 2000	400,000	0.81	0.78	317
	<u>1,506,000</u>			<u>1,232</u>

The shares were cancelled upon repurchase. The issued share capital of the Company was reduced by the nominal value of these shares and an equivalent amount was transferred from accumulated profits to the capital redemption reserve. The premium of HK\$1,081,000 paid on the repurchases was charged to the share premium account (see note 23).

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

There has been no change in the authorised share capital of the Company in the past two years.

22. SHARE OPTIONS

Pursuant to the share option scheme ("the Scheme") adopted at a special general meeting of the Company held on 20 September 1993, the directors of the Company may grant options to directors or employees of the Company or its subsidiaries to subscribe for shares in the Company. The subscription price of the shares is set to be the higher of the nominal value of the Company's shares or an amount which is 80% of the average closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options. Exercise prices are subject to adjustment as provided in the Scheme. The maximum number of shares in respect of which options may be granted cannot exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee cannot exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

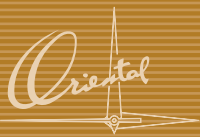
On 30 October 1996, the Company granted options to directors and employees to subscribe for 24,000,000 shares of HK\$0.10 each in the Company at an exercise price of HK\$0.77 per share. No other option has been granted and none of the options granted has been exercised to date. The outstanding options are exercisable within five years from the date of grant and will expire in October 2001.

23. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP									
Balance at 1 April 1999	53,126	274	—	807	—	5,180	(151)	242,858	302,094
Surplus arising on revaluation of investment properties (note 10)	—	—	536	—	—	—	—	—	536
Profit for the year, retained	—	—	—	—	—	—	—	82,724	82,724
Balance at 31 March 2000	53,126	274	536	807	—	5,180	(151)	325,582	385,354
Surplus arising on revaluation of investment properties (note 10)	—	—	2,334	—	—	—	—	—	2,334
Transfer on repurchases of own shares (note 21)	—	151	—	—	—	—	—	(151)	—
Premium paid on repurchases of own shares (note 21)	(1,081)	—	—	—	—	—	—	—	(1,081)
Profit for the year, retained	—	—	—	—	—	—	—	72,542	72,542
Balance at 31 March 2001	<u>52,045</u>	<u>425</u>	<u>2,870</u>	<u>807</u>	<u>—</u>	<u>5,180</u>	<u>(151)</u>	<u>397,973</u>	<u>459,149</u>
THE COMPANY									
Balance at 1 April 1999	53,126	274	—	—	122,183	—	—	12,170	187,753
Profit for the year (note 7)	—	—	—	—	—	—	—	25,746	25,746
Dividends (note 8)	—	—	—	—	—	—	—	(22,141)	(22,141)
Balance at 31 March 2000	53,126	274	—	—	122,183	—	—	15,775	191,358
Transfer on repurchases of own shares (note 21)	—	151	—	—	—	—	—	(151)	—
Premium paid on repurchases of own shares (note 21)	(1,081)	—	—	—	—	—	—	—	(1,081)
Profit for the year (note 7)	—	—	—	—	—	—	—	11,891	11,891
Dividends (note 8)	—	—	—	—	—	—	—	(24,785)	(24,785)
Balance at 31 March 2001	<u>52,045</u>	<u>425</u>	<u>—</u>	<u>—</u>	<u>122,183</u>	<u>—</u>	<u>—</u>	<u>2,730</u>	<u>177,383</u>

The special reserve of the Group comprises the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capitals and special reserves of those companies which were acquired by the Company pursuant to the group reorganisation in 1993. The special reserves of the acquired subsidiaries represent the credit arising from the reduction of their paid up share capital under the group reorganisation.

The contributed surplus of the Company arose as a result of the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the Company's shares which were issued to acquire these subsidiaries under the group reorganisation.



NOTES

TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2001

23. RESERVES (Continued)

In addition to accumulated profits, the contributed surplus of a company is also available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended). However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31 March 2001, the sum of the accumulated profits and contributed surplus accounts of the Company is as follows:

	2001	2000
	HK\$'000	HK\$'000
Contributed surplus	122,183	122,183
Accumulated profits	2,730	15,775
	<u>124,913</u>	<u>137,958</u>

24. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	HK\$'000	HK\$'000
Profit before taxation	115,954	120,531
Interest income	(4,268)	(1,939)
Interest and finance lease charges	973	2,665
Depreciation	4,660	5,191
Amortisation of premium on acquisition of held-to-maturity securities	67	—
Amortisation of discount on acquisition of held-to-maturity securities	(4)	(4)
Realised gains on trading of listed trading securities	(369)	(873)
Unrealised losses on listed trading securities	425	953
Loss on disposal of other properties, plant and equipment	285	976
(Increase) decrease in inventories	(42,332)	2,821
Decrease in debtors, deposits and prepayments	432	6,511
(Decrease) increase in creditors and accrued charges	(4,432)	1,729
Net cash inflow from operating activities	<u>71,391</u>	<u>138,561</u>

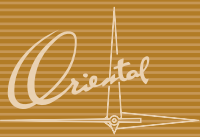
25. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium accounts <i>HK\$'000</i>	Obligations under a finance lease <i>HK\$'000</i>	Mortgage loan <i>HK\$'000</i>	Amount due to a minority shareholder of subsidiaries <i>HK\$'000</i>
Balance at 1 April 1999	80,802	380	16,557	24,000
New mortgage loan raised	—	—	10,000	—
Repayment during the year	—	(165)	(17,182)	—
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2000	80,802	215	9,375	24,000
Consideration paid for repurchases of own shares	(1,232)	—	—	—
Repayment during the year	—	(76)	(1,120)	(8,800)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2001	<u>79,570</u>	<u>139</u>	<u>8,255</u>	<u>15,200</u>

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26. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank balances and cash	55,712	74,812
Bank overdrafts	(3,953)	(2,464)
	<hr/>	<hr/>
	<u>51,759</u>	<u>72,348</u>



NOTES

TO THE FINANCIAL STATEMENTS

For The Year Ended 31 March 2001

27. CONTINGENT LIABILITIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Extent of guarantees given to banks to secure credit facilities granted to subsidiaries	<u>242,900</u>	<u>215,000</u>

The Group had no contingent liabilities at the balance sheet date.

28. PLEDGE OF ASSETS

Certain of the Group's properties with an aggregate carrying value of approximately HK\$37,900,000 at 31 March 2001 (2000: HK\$34,000,000) are pledged to banks to secure credit facilities for the Group.

29. CAPITAL COMMITMENTS

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>19</u>	<u>286</u>

The Company did not have any capital commitment at the balance sheet date.

30. OPERATING LEASE COMMITMENTS

While the Company had no operating lease commitments at the balance sheet date, its subsidiaries were committed to make the following rental payments within one year for land and buildings:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
In respect of non-cancellable operating leases expiring		
— within one year	2,294	730
— in the second to fifth year inclusive	6,566	4,678
— after five years	—	618
	8,860	6,026

31. RETIREMENT BENEFITS SCHEMES

The Group continues to operate a defined contribution retirement benefits scheme for its employees. The assets of the scheme are held separately in a fund under the control of an independent trustee. The retirement benefits scheme contributions charged to the income statement represent the contributions payable by the Group to the fund at rates specified in the scheme. When employees leave the scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There was no significant amount of unutilised forfeited contributions at the balance sheet date.

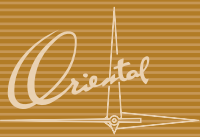
With the introduction of the Mandatory Provident Fund Scheme (the "Scheme") in Hong Kong during the year, all employees who are not members of the Group's defined contribution retirement benefits scheme are required to join the Scheme.

32. POST BALANCE SHEET EVENT

Subsequent to 31 March 2001, the Group entered into a sale and purchase agreement to dispose of an investment property in Hong Kong for HK\$8,950,000 (see note 10). The sale was completed in June 2001.

33. SEGMENT INFORMATION

All of the Group's turnover and profit from operations for the years ended 31 March 2000 and 2001 were derived from watch trading in the People's Republic of China, including Hong Kong.

**34. SUBSIDIARIES**

Details of the Company's principal subsidiaries at 31 March 2001 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share/ registered capital	Proportion of equity interest held by the Company		Principal activity
			Directly	Indirectly	
Cathay Watch Company Limited 國泰表行有限公司	Hong Kong	HK\$1,000	100%	—	Watch trading
Eastfair Limited 東方有限公司	Hong Kong	HK\$2,000,000	100%	—	Property holding
Excel Dragon International Limited 龍景國際有限公司	Hong Kong	HK\$2	100%	—	Property holding
Fenmount International Limited	British Virgin Islands/People's Republic of China	US\$1	100%	—	Watch trading
Garwood Holdings Limited	British Virgin Islands/ Hong Kong	US\$10	60%	—	Investment holding
La Suisse Watch Company, Limited 瑞士表行有限公司	Hong Kong	HK\$1,000	100%	—	Watch trading
Maxly Limited 萬事利有限公司	Hong Kong	HK\$1,000	100%	—	Watch trading

34. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share/ registered capital	Proportion of equity interest held by the Company		Principal activity
			Directly	Indirectly	
Oriental Watch (China) Company Limited 東方錶行(中國)有限公司	Hong Kong	HK\$1,000	—	60%	Watch trading and investment holding
Oriental Watch Company Limited 東方錶行有限公司	Hong Kong	HK\$1,000	100%	—	Watch trading
Unex Development Limited 宇立發展有限公司	Hong Kong	HK\$2	—	60%	Property holding

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital subsisting as at 31 March 2001 or at any time during the year.