

## Notes to the Financial Statements

For the year ended 31 March 2002

### 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. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company and its subsidiaries (collectively hereinafter referred to as the "Group") has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants for the first time. The new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation. More importantly, the adoption of these new or revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

#### Dividends proposed or declared after the balance sheet date

SSAP 9 (Revised) "Events after the balance sheet date" ("SSAP 9 (Revised)") specifies that dividends declared after the balance sheet date should be disclosed as a separate component of equity. In prior years, dividends declared after the balance sheet date were recognised as liabilities in the balance sheet.

SSAP 9 (Revised) has been applied retrospectively, resulting in the increase in accumulated profits of HK\$16,606,000 at 1 April 2000 and HK\$16,515,000 at 1 April 2001.

The adoption of SSAP 9 (Revised) has also resulted in the derecognition of dividends declared by subsidiaries of the Company after the balance sheet date but before the financial report was authorised for issue in prior years. The adoption of SSAP 9 (Revised) has resulted in a decrease in accumulated profits of the Company of HK\$8,000,000 at both 1 April 2000 and 1 April 2001.

#### Leases

SSAP 14 (Revised) "Leases" ("SSAP 14 (Revised)") has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment is required. Disclosures of the Group's leasing arrangements have been modified so as to comply with the requirement of SSAP 14 (Revised).

## Notes to the Financial Statements

For the year ended 31 March 2002

### 2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

*(Continued)*

#### Goodwill

The Group has adopted SSAP 30 "Business combinations" ("SSAP 30") and has elected to restate goodwill which had previously been charged to reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30.

Accumulated amortisation in respect of goodwill between date of acquisition of the subsidiary and the date of adoption of SSAP 30 has been recognised retrospectively.

Goodwill is recognised as an asset and amortised over its estimated useful life of not more than twenty years. The effect of the change in respect of the accounting policy on goodwill is to decrease the accumulated profits of the Group by HK\$151,000 at both 1 April 2000 and 1 April 2001.

### 3. 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 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 the effective date of acquisition or up to the effective date of disposal as appropriate.

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

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and amortised over its useful economic life of not more than twenty years.

## Notes to the Financial Statements

For the year ended 31 March 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill is presented separately in the balance sheet as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

#### Turnover

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

#### 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.

## Notes to the Financial Statements

For the year ended 31 March 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investment properties (Continued)

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 accumulated depreciation and amortisation and any identified impairment loss.

The cost or valuation of buildings is depreciated over their estimated useful lives of thirty to 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.

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.

#### Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Notes to the Financial Statements

For the year ended 31 March 2002

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 the 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 period of the relevant lease terms.

#### 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.

#### Investment in subsidiaries

Investment in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss.

#### Inventories

Inventories comprise goods held for resale and are stated at the lower of cost on a specific identification basis and net realisable value.

## Notes to the Financial Statements

For the year ended 31 March 2002

### 3. 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 an 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 are 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 2002

### 4. SEGMENT INFORMATION

The Group's turnover and profit from operations are derived from one business segment, watch trading of which in excess of 90% is derived from operations in Hong Kong.

The Group's watch trading operations are located in the Special Administrative Region of Hong Kong ("Hong Kong") and other parts of the People's Republic of China (the "PRC").

The following is an analysis of the sales and contribution of the Group's watch trading business:

	Profit (loss) Sales		Profit (loss) from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	<b>1,669,858</b>	1,589,904	<b>96,408</b>	117,874
PRC	<b>43,716</b>	9,064	<b>(1,573)</b>	(947)
	<b><u>1,713,574</u></b>	<b><u>1,598,968</u></b>		
Profit from watch trading			<b>94,835</b>	116,927
Gain on disposal of investment properties			<b>5,170</b>	—
Deficit arising on revaluation of an investment property			<b>(2,100)</b>	—
Profit from operations			<b><u>97,905</u></b>	<b><u>116,927</u></b>

## Notes to the Financial Statements

For the year ended 31 March 2002

### 5. PROFIT FROM OPERATIONS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors	<b>52,082</b>	61,146
Retirement benefits scheme contributions, net of forfeited contributions of HK\$16,000 (2001: HK\$37,000)	<b>2,692</b>	2,623
Total staff costs	<b>54,774</b>	63,769
Depreciation on		
– owned assets	<b>4,341</b>	4,609
– assets held under finance leases	<b>86</b>	51
	<b>4,427</b>	4,660
Amortisation of premium on acquisition of held-to-maturity securities	<b>54</b>	67
Auditors' remuneration	<b>1,256</b>	1,273
Loss on disposal of other properties, plant and equipment	<b>540</b>	285
Unrealised losses on listed trading securities	<b>–</b>	425
and after crediting:		
Amortisation of discount on acquisition of held-to-maturity securities	<b>4</b>	4
Release of negative goodwill arising on acquisition of subsidiaries to income (included in other operating income)	<b>200</b>	–
Interest income	<b>2,186</b>	4,268
Realised gains on listed trading securities	<b>–</b>	369
Unrealised gains on listed trading securities	<b>15</b>	–



## Notes to the Financial Statements

For the year ended 31 March 2002

### 6. FINANCE COSTS

	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>
Interest on bank borrowings		
– wholly repayable within five years	<b>965</b>	478
– not wholly repayable within five years	<b>–</b>	465
	<b>965</b>	943
Finance lease charges	<b>44</b>	30
	<b>1,009</b>	973

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>
Directors' fees:		
Executive directors	<b>–</b>	–
Independent non-executive directors	<b>216</b>	216
	<b>216</b>	216
Emoluments of the executive directors:		
Salaries and other benefits	<b>8,896</b>	8,827
Performance related incentive bonuses	<b>7,733</b>	18,486
Retirement benefits scheme contributions	<b>1,112</b>	1,080
	<b>17,741</b>	28,393
Total directors' emoluments	<b>17,957</b>	28,609

The emoluments of the directors are within the following bands:

	<b>2002</b> <b>Number of</b> <b>directors</b>	2001 Number of directors
Up to HK\$1,000,000	<b>2</b>	2
HK\$1,500,001 to HK\$2,000,000	<b>1</b>	–
HK\$2,000,001 to HK\$2,500,000	<b>2</b>	–
HK\$3,000,001 to HK\$3,500,000	<b>–</b>	1
HK\$3,500,001 to HK\$4,000,000	<b>2</b>	1
HK\$4,000,001 to HK\$4,500,000	<b>1</b>	1
HK\$5,000,001 to HK\$5,500,000	<b>–</b>	2
HK\$6,000,001 to HK\$6,500,000	<b>–</b>	1

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

## Notes to the Financial Statements

For the year ended 31 March 2002

### 8. TAXATION

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– charge for the year	<b>16,317</b>	18,747
– (over)underprovision in prior years	<b>(173)</b>	310
	<b>16,144</b>	19,057
Taxation outside Hong Kong	<b>262</b>	229
Deferred taxation (credit) charge (note 22)	<b>(17)</b>	61
	<b>16,389</b>	19,347

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.

### 9. DIVIDENDS

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Proposed final dividend of 4.5 cents (2001: 6 cents) per share	<b>12,386</b>	16,515
Interim dividend paid of 2.5 cents (2001: 3 cents) per share	<b>6,881</b>	8,270
	<b>19,267</b>	24,785

The final dividend for the year ended 31 March 2002, which has been proposed by the directors, 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 of 4.5 cents per share and the 275,253,200 shares in issue at the date of approval and authorisation for issue of these financial statements by the directors.

## Notes to the Financial Statements

For the year ended 31 March 2002

### 10. EARNINGS PER SHARE

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

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Earnings:		
Profit for the year attributable to shareholders and earnings for the purpose of basic and diluted earnings per share	<u><b>79,242</b></u>	<u>97,327</u>
	<b>Number of shares</b>	Number of shares
Weighted average number of shares for the purpose of calculating basic earnings per share	<b>275,253,200</b>	275,959,184
Potential dilutive shares issuable under the Company's share option scheme	<u><b>2,872,972</b></u>	<u>1,269,373</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u><b>278,126,172</b></u>	<u>277,228,557</u>

### 11. INVESTMENT PROPERTIES

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Investment properties comprise properties in Hong Kong held		
– under a long lease	–	22,000
– under medium-term leases	<u><b>13,500</b></u>	<u>24,550</u>
	<u><b>13,500</b></u>	<u>46,550</u>

The movements during the year are as follows:

Valuation at the beginning of the year	<b>46,550</b>	28,000
Disposals during the year	<b>(30,950)</b>	–
Cost of acquisition during the year	–	16,216
(Deficit) surplus arising on revaluation at the balance sheet date	<u><b>(2,100)</b></u>	<u>2,334</u>
Valuation at the end of the year	<u><b>13,500</b></u>	<u>46,550</u>

## Notes to the Financial Statements

For the year ended 31 March 2002

### 11. INVESTMENT PROPERTIES (Continued)

During the year, the Group disposed of two investment properties for an aggregate consideration of HK\$33,250,000 to separate independent third parties. The gain on disposal of these investment properties is approximately HK\$5,170,000 of which HK\$2,870,000 has been released to the income statement from the Group's investment property revaluation reserve account (note 25).

The Group's remaining investment property was revalued as at 31 March 2002 on an open market value basis by Excellence Surveyors Limited, an independent firm of professional property valuers.

The deficit arising on revaluation of the Group's investment property as at 31 March 2002 of HK\$2,100,000 is charged to the income statement while the revaluation surplus of HK\$2,334,000 as at 31 March 2001 was credited to the investment property revaluation reserve.

As at 31 March 2001, an investment property with a carrying value of HK\$22,000,000 and the rentals thereon were pledged to secure a mortgage loan granted to the Group (note 20).

### 12. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Leasehold properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>				
COST OR VALUATION				
At 1 April 2001	70,096	34,496	2,316	106,908
Additions	—	2,553	—	2,553
Disposals	—	(1,840)	—	(1,840)
At 31 March 2002	<u>70,096</u>	<u>35,209</u>	<u>2,316</u>	<u>107,621</u>
Comprising:				
At cost	67,996	35,209	2,316	105,521
At valuation — 1996	2,100	—	—	2,100
	<u>70,096</u>	<u>35,209</u>	<u>2,316</u>	<u>107,621</u>
DEPRECIATION AND AMORTISATION				
At 1 April 2001	5,002	19,475	875	25,352
Provided for the year	627	3,512	288	4,427
Eliminated on disposals	—	(1,300)	—	(1,300)
At 31 March 2002	<u>5,629</u>	<u>21,687</u>	<u>1,163</u>	<u>28,479</u>
NET BOOK VALUES				
At 31 March 2002	<u>64,467</u>	<u>13,522</u>	<u>1,153</u>	<u>79,142</u>
At 31 March 2001	<u>65,094</u>	<u>15,021</u>	<u>1,441</u>	<u>81,556</u>

## Notes to the Financial Statements

For the year ended 31 March 2002

### 12. OTHER PROPERTIES, PLANT AND EQUIPMENT (Continued)

	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>
Leasehold properties comprise properties:		
– in Hong Kong held under long leases	<b>63,507</b>	64,124
– outside Hong Kong held under a medium-term lease	<b>960</b>	970
	<b><u>64,467</u></b>	<u>65,094</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 accumulated depreciation and amortisation on the same basis as other leasehold properties. Had all leasehold properties been stated in the financial statements at their original costs, less accumulated depreciation and amortisation since its acquisition, their net book value at 31 March 2002 would be approximately HK\$63,558,000 (2001: HK\$64,185,000).

Included in other properties, plant and equipment is an amount of approximately HK\$350,000 (2001: HK\$202,000) representing the aggregate net book value of computer equipment and a motor vehicle held under finance leases.

### 13. NEGATIVE GOODWILL

	<b>The Group</b> <i>HK\$'000</i>
GROSS AMOUNT	
Arising on acquisition during the year of additional interest in subsidiaries previously not held by the Group and balance at 31 March 2002	4,028
AMORTISATION	
Released to income during the year and balance at 31 March 2002	<u>(200)</u>
NET BOOK VALUE	
At 31 March 2002	<u><u>3,828</u></u>

The negative goodwill arose on the Group's acquisition of the remaining 40% equity interest in certain subsidiaries which was previously held by a minority shareholder. The negative goodwill is released to income on a straight line basis over twenty years representing the estimated average useful life of the depreciable assets acquired.

## Notes to the Financial Statements

For the year ended 31 March 2002

### 14. INVESTMENT IN SUBSIDIARIES

	<b>The Company 2002 &amp; 2001</b>
	<i>HK\$'000</i>
Unlisted shares, at cost	123,614
Less: Impairment loss	<u>(1,000)</u>
	<u><u>122,614</u></u>

Details of the Company's principal subsidiaries at 31 March 2002 are set out in note 34.

Impairment loss was recognised in respect of the Company's investment in a subsidiary which had been inactive and had negative net worth.

### 15. INVESTMENTS IN SECURITIES

	<b>Held-to-maturity securities</b>		<b>Trading securities</b>		<b>Total</b>	
	<b>2002</b>	2001	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
(a) Debt securities						
Cost	<b>13,890</b>	8,950	—	—	<b>13,890</b>	8,950
Add: Cumulative amortisation of discount on acquisition	<b>12</b>	8	—	—	<b>12</b>	8
Less: Cumulative amortisation of premium on acquisition	<b>(54)</b>	(67)	—	—	<b>(54)</b>	(67)
Carrying value at 31 March	<b>13,848</b>	8,891	—	—	<b>13,848</b>	8,891
(b) Equity securities						
Carrying value at 31 March	—	—	<b>1,217</b>	1,202	<b>1,217</b>	1,202
Total carrying value at 31 March	<b>13,848</b>	8,891	<b>1,217</b>	1,202	<b>15,065</b>	10,093
Total market value at 31 March	<b>13,957</b>	9,001	<b>1,217</b>	1,202	<b>15,173</b>	10,203

## Notes to the Financial Statements

For the year ended 31 March 2002

### 15. INVESTMENTS IN SECURITIES (Continued)

	Held-to-maturity securities		Trading securities		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Analysis of the carrying value for reporting purpose:						
Non-current	<b>13,848</b>	4,991	–	–	<b>13,848</b>	4,991
Current	–	3,900	<b>1,217</b>	1,202	<b>1,217</b>	5,102
	<b>13,848</b>	8,891	<b>1,217</b>	1,202	<b>15,065</b>	10,093
Comprising:						
– Securities listed in Hong Kong	–	–	<b>1,217</b>	1,202	<b>1,217</b>	1,202
– Securities listed overseas	–	3,900	–	–	–	3,900
– Unlisted securities	<b>13,848</b>	4,991	–	–	<b>13,848</b>	4,991
	<b>13,848</b>	8,891	<b>1,217</b>	1,202	<b>15,065</b>	10,093

The held-to-maturity securities comprise interest bearing notes. The face value of these notes at 31 March 2002 is approximately HK\$13,600,000 (2001: HK\$8,900,000).

### 16. INVENTORIES

At 31 March 2002, the Group had inventories of HK\$152,515,000 (2001: HK\$134,152,000) which were carried at net realisable value.

### 17. DEBTORS, DEPOSITS AND PREPAYMENTS

	The Group	
	2002 HK\$'000	2001 HK\$'000
Trade debtors	<b>9,420</b>	4,100
Deposits and prepayments	<b>7,358</b>	4,594
	<b>16,778</b>	8,694

## Notes to the Financial Statements

For the year ended 31 March 2002

### 17. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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 2002:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>9,340</b>	2,493
31-60 days	<b>80</b>	854
61-90 days	–	218
Over 90 days	–	535
	<b>9,420</b>	4,100

### 18. CREDITORS AND ACCRUED CHARGES

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Trade creditors	<b>30,139</b>	14,744
Other creditors and accrued charges	<b>10,120</b>	13,559
	<b>40,259</b>	28,303

The following is an ageing analysis of trade creditors of the Group at 31 March 2002:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
0-60 days	<b>27,977</b>	14,526
61-90 days	<b>1,973</b>	193
Over 90 days	<b>189</b>	25
	<b>30,139</b>	14,744



## Notes to the Financial Statements

For the year ended 31 March 2002

### 19. OBLIGATIONS UNDER FINANCE LEASES

The Group's obligations under financial leases are secured by the lessor's charge over the assets held by the Group under the finance leases. The lease term is ranging from 3 to 5 years. The finance leases are on a fixed repayment basis and interest rates are fixed at the contract date.

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Gross amounts payable under finance leases:		
– within one year	<b>201</b>	105
– in the second to the fifth year inclusive	<b>180</b>	88
	<b>381</b>	193
Less: Finance charges	<b>(116)</b>	(54)
Present value of the obligations under finance leases	<b>265</b>	139
Payable as follows:		
– within one year shown under current liabilities	<b>141</b>	76
– after one year	<b>124</b>	63
	<b>265</b>	139

### 20. MORTGAGE LOAN

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Amount due within one year shown under current liabilities	–	1,287
Amount due in the second year	–	1,383
Amount due in the third to fifth year	–	4,825
Amount due after five years	–	760
Amount due after one year shown as non-current	–	6,968
Total	–	8,255

The mortgage loan was secured by an investment property of the Group and carried interest at prevailing market rates. During the year, the mortgage loan was repaid on disposal of that investment property.

## Notes to the Financial Statements

For the year ended 31 March 2002

### 21. AMOUNT DUE TO A MINORITY SHAREHOLDER OF SUBSIDIARIES

The amount in the prior year represented advances made by a minority shareholder to finance the operations of those subsidiaries in which the minority shareholder had an equity interest. The amount was unsecured and interest free. During the year, the Group acquired the remaining interests in those subsidiaries from the minority shareholder, including the benefit of the minority shareholder's advances to the Group.

Details of the movements in the amount due to the minority shareholder are set out in note 27.

### 22. DEFERRED TAXATION

	<b>The Group</b>	
	<b>2002</b> <b>HK\$'000</b>	2001 <b>HK\$'000</b>
Balance at the beginning of the year	<b>370</b>	309
(Credit) charge in the year (note 8)	<b>(17)</b>	61
	<u><b>353</b></u>	<u>370</u>
Balance at the end of the year	<b>353</b>	370

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 revaluations do not constitute timing differences for taxation purposes as profits or losses on future disposals 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\$3,800,000 as at 31 March 2002 (2001: HK\$6,200,000) 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.

## Notes to the Financial Statements

For the year ended 31 March 2002

### 23. SHARE CAPITAL

	<b>Number of shares</b>	<b>Nominal value</b> <i>HK\$'000</i>
Authorised:		
Shares of HK\$0.10 each		
At 1 April 2000, 31 March 2001 and 31 March 2002	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2000	276,759,200	27,676
Repurchases of own shares during the year ended 31 March 2001	<u>(1,506,000)</u>	<u>(151)</u>
At 31 March 2001 and 31 March 2002	<u>275,253,200</u>	<u>27,525</u>

There has been no change in the authorised and issued share capital of the Company during the current year.

### 24. SHARE OPTIONS

On 30 October 1996, the Company granted options to directors and employees of the Group 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. None of these granted options was exercised and all of them lapsed in October 2001.

No other option has been granted.

## Notes to the Financial Statements

For the year ended 31 March 2002

## 25. 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	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>										
Balance at 1 April 2000, as previously reported	53,126	274	536	807	–	5,180	(151)	–	325,582	385,354
– derecognition of liability in respect of the 2000 final dividend (note 2)	–	–	–	–	–	–	–	16,606	–	16,606
– restatement of goodwill, as an asset, arising from an acquisition of a subsidiary in the past and retrospective recognition of amortisation charges (note 2)	–	–	–	–	–	–	151	–	(151)	–
Balance at 1 April 2000, as restated	53,126	274	536	807	–	5,180	–	16,606	325,431	401,960
Surplus arising on revaluation of investment properties at 31 March 2001 (note 11)	–	–	2,334	–	–	–	–	–	–	2,334
Transfer on repurchases of own shares during the year	–	151	–	–	–	–	–	–	(151)	–
Premium paid on repurchase of own shares	(1,081)	–	–	–	–	–	–	–	–	(1,081)
Profit for the year	–	–	–	–	–	–	–	–	97,327	97,327
2001 dividends	–	–	–	–	–	–	–	–	–	–
– interim proposed	–	–	–	–	–	–	–	8,270	(8,270)	–
– final proposed	–	–	–	–	–	–	–	16,515	(16,515)	–
Dividends paid	–	–	–	–	–	–	–	(24,876)	–	(24,876)
Balance at 31 March 2001, as restated	52,045	425	2,870	807	–	5,180	–	16,515	397,822	475,664
Realised on disposal of investment properties	–	–	(2,870)	–	–	–	–	–	–	(2,870)
Profit for the year	–	–	–	–	–	–	–	–	79,242	79,242
2002 dividends	–	–	–	–	–	–	–	–	–	–
– interim proposed	–	–	–	–	–	–	–	6,881	(6,881)	–
– final proposed	–	–	–	–	–	–	–	12,386	(12,386)	–
Dividends paid	–	–	–	–	–	–	–	(23,396)	–	(23,396)
Balance at 31 March 2002	<u>52,045</u>	<u>425</u>	<u>–</u>	<u>807</u>	<u>–</u>	<u>5,180</u>	<u>–</u>	<u>12,386</u>	<u>457,797</u>	<u>528,640</u>
<b>THE COMPANY</b>										
Balance at 1 April 2000, as previously reported	53,126	274	–	–	122,183	–	–	–	15,775	191,358
– derecognition of liability in respect of the 2000 final dividend (note 2)	–	–	–	–	–	–	–	16,606	–	16,606
– derecognition of dividend income from subsidiaries (note 2)	–	–	–	–	–	–	–	–	(8,000)	(8,000)
Balance at 1 April 2000, as restated	53,126	274	–	–	122,183	–	–	16,606	7,775	199,964
Transfer on repurchases of own shares during the year	–	151	–	–	–	–	–	–	(151)	–
Premium paid on repurchases of own shares	(1,081)	–	–	–	–	–	–	–	–	(1,081)
Profit for the year	–	–	–	–	–	–	–	–	11,891	11,891
2001 dividends	–	–	–	–	–	–	–	–	–	–
– interim proposed	–	–	–	–	–	–	–	8,270	(8,270)	–
– final proposed	–	–	–	–	–	–	–	16,515	(16,515)	–
Dividends paid	–	–	–	–	–	–	–	(24,876)	–	(24,876)
Balance at 31 March 2001, as restated	52,045	425	–	–	122,183	–	–	16,515	(5,270)	185,898
Profit for the year	–	–	–	–	–	–	–	–	26,395	26,395
2002 dividends	–	–	–	–	–	–	–	–	–	–
– interim proposed	–	–	–	–	–	–	–	6,881	(6,881)	–
– final proposed	–	–	–	–	–	–	–	12,386	(12,386)	–
Dividends paid	–	–	–	–	–	–	–	(23,396)	–	(23,396)
Balance at 31 March 2002	<u>52,045</u>	<u>425</u>	<u>–</u>	<u>–</u>	<u>122,183</u>	<u>–</u>	<u>–</u>	<u>12,386</u>	<u>1,858</u>	<u>188,897</u>

## Notes to the Financial Statements

For the year ended 31 March 2002

### 25. RESERVES (Continued)

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 a group reorganisation in 1993. The special reserves of these acquired subsidiaries represent the credit arising on reduction of their paid up share capitals 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.

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

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>96,896</b>	115,954
Gain on disposal of investment properties	<b>(5,170)</b>	—
Deficit arising on revaluation of an investment property	<b>2,100</b>	—
Interest income	<b>(2,186)</b>	(4,268)
Interest and finance lease charges	<b>1,009</b>	973
Depreciation	<b>4,427</b>	4,660
Release of negative goodwill to income	<b>(200)</b>	—
Amortisation of premium on acquisition of held-to-maturity securities	<b>54</b>	67
Amortisation of discount on acquisition of held-to-maturity securities	<b>(4)</b>	(4)
Unrealised (gains) losses on listed trading securities	<b>(15)</b>	425
Realised gains on listed trading securities	<b>—</b>	(369)
Loss on disposal of other properties, plant and equipment	<b>540</b>	285
Increase in inventories	<b>(51,672)</b>	(42,332)
(Increase) decrease in debtors, deposits and prepayments	<b>(8,084)</b>	432
Increase (decrease) in creditors and accrued charges	<b>11,956</b>	(4,432)
	<hr/>	<hr/>
Net cash inflow from operating activities	<b>49,651</b>	71,391
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

For the year ended 31 March 2002

## 27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium accounts HK\$'000	Secured short-term bank loans HK\$'000	Obligations under finance leases HK\$'000	Mortgage loan HK\$'000	Amount due to a minority share- holder of subsidiaries HK\$'000	Minority interests HK\$'000
Balance at 1 April 2000	80,802	—	215	9,375	24,000	(3,115)
Consideration paid for repurchases of own shares	(1,232)	—	—	—	—	—
Repayments during the year	—	—	(76)	(1,120)	(8,800)	—
Losses attributable to minority shareholder	—	—	—	—	—	(720)
Balance at 31 March 2001	79,570	—	139	8,255	15,200	(3,835)
New bank loans raised	—	19,717	—	—	—	—
Inception of a finance lease	—	—	234	—	—	—
Repayments during the year	—	—	(108)	(8,255)	(6,720)	—
Assignment to the Group of the benefit of an amount due to a minority shareholder upon the Group's acquisition of the remaining interest in certain subsidiaries (note 21)	—	—	—	—	(8,480)	—
Elimination of minority interests as a result of the Group's acquisition of additional interest in certain subsidiaries as stated above	—	—	—	—	—	2,570
Profit attributable to minority shareholder	—	—	—	—	—	1,265
Balance at 31 March 2002	<u>79,570</u>	<u>19,717</u>	<u>265</u>	<u>—</u>	<u>—</u>	<u>—</u>

## 28. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash	71,013	55,712
Bank overdrafts	(4,140)	(3,953)
	<u>66,873</u>	<u>51,759</u>

## Notes to the Financial Statements

For the year ended 31 March 2002

### 29. CONTINGENT LIABILITIES

	<b>The Company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Extent of guarantees given to banks to secure credit facilities granted to subsidiaries	<b>168,800</b>	242,900

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

### 30. PLEDGE OF ASSETS

At 31 March 2002, bank deposits of the Group of HK\$22,300,000 (2001: nil) were pledged to secure short-term bank loans for a subsidiary.

Certain properties of the Group with an aggregate carrying value of approximately HK\$13,200,000 at 31 March 2002 (2001: HK\$37,900,000) were pledged to a bank to secure credit facilities for the Group.

### 31. CAPITAL COMMITMENTS

Neither the Company nor the Group had any significant capital commitments at the balance sheet date.

### 32. OPERATING LEASE COMMITMENTS

The Group as lessor:

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Rental income from investment properties credited to the income statement during the year (less outgoings: nil)	<b>2,004</b>	2,644

The Group's investment properties are rented to outside parties for periods up to two years at fixed predetermined amounts. At the balance sheet date, the Group had contracted with tenants to receive the following future lease payments:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>774</b>	1,494
In the second year	<b>258</b>	—
	<b>1,032</b>	1,494

## Notes to the Financial Statements

For the year ended 31 March 2002

### 32. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessee:

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Lease payments for land and buildings charged to the income statement during the year	<b>10,426</b>	9,599

While the Company had no operating lease commitments, its subsidiaries had the following commitments under non-cancellable operating leases in respect of land and buildings payable as follows:

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>8,004</b>	8,860
In the second and third years	<b>6,469</b>	6,746
	<b>14,473</b>	15,606

Under the leases entered into by the Group, all lease payments are fixed and predetermined. None of the lease periods is in excess of three years.

### 33. RETIREMENT BENEFITS SCHEMES

The Group continues to operate a defined contribution retirement benefits scheme for its employees in Hong Kong. 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 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, all employees who are not members of the Group's defined contribution retirement benefits scheme are required to join the Scheme.

Employees of subsidiaries operating in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. These subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions.



## Notes to the Financial Statements

For the year ended 31 March 2002

### 34. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation/ equity interest held operation	Nominal value of issued ordinary share/ registered capital	Proportion of 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
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/PRC	US\$1	100%	—	Watch trading
Garwood Holdings Limited	British Virgin Islands/ Hong Kong	US\$10	100%	—	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
Oriental Watch (China) Company Limited 東方錶行(中國)有限公司	Hong Kong	HK\$1,000	—	100%	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	—	100%	Property holding
上海東筋表行國際貿易有限公司	PRC	US\$200,000	—	100%	Watch trading

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 issued any debt securities as at 31 March 2002.