

NOTES TO FINANCIAL STATEMENTS

31 March 2001

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on the Stock Exchange since 17 February 1994. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

Upon the completion of the subscription agreement dated 23 February 2000 entered into between the Company and Miliway, on 5 April 2000, the Company issued 310,000,000 new shares to Miliway, whereupon Miliway became the controlling shareholder of the Company on the same date.

On 9 February 2001, two substantial shareholders of the Company, Miliway and Joyplace Inc., entered into agreements with CASH, a company incorporated in Bermuda with its shares being listed on the Stock Exchange. Pursuant to these agreements, Miliway and Joyplace Inc. agreed to sell all their shareholdings in the Company to CASH. The share transfers were completed on 26 March 2001. In the opinion of the directors, the Company's ultimate holding company is CASH.

The principal activities of the Group have not changed during the year and consisted of the retailing of furniture and household goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets and equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

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

Interests in subsidiaries are stated at cost unless, in the opinion of the Directors, there have been permanent diminution in values, when they are written down to values determined by the Directors.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence, including participation in the financial and operating policy decisions.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminution in values, other than those considered to be temporary in nature, deemed necessary by the Directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for diminution in values, other than those considered to be temporary in nature, deemed necessary by the Directors.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue from the rendering of services is recognized in the accounting period in which the services are rendered.

Interest income is recognized on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

Dividend income is recognized when the shareholders' right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period 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 the fixed asset, the expenditure is capitalized as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account.

Depreciation is provided using the straight-line method over the following estimated useful lives:

Land	Over the lease terms
Buildings	20 years
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	4 to 7 years
Motor vehicles	5 years

The gain or loss on disposal or retirement of a fixed asset recognized in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in the profit and loss account is transferred directly to retained profits.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Company or other members of the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing thereof. Assets held under capitalized finance leases are included in fixed assets and are depreciated over the shorter of the lease terms and their estimated useful lives. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets (Continued)

Leases where substantially all the rewards and risks of asset ownership remain with the lessor company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual basis. These are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the investments revaluation reserve, until the security is sold or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognized in the investments revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

Inventories

Inventories, which comprise furniture and household goods, are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is based on estimated selling prices less any estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallize in the foreseeable future. A deferred tax asset is not recognized unless its realization is assured beyond reasonable doubt.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Retirement scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees. The MPF Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme for those employees who were eligible and had elected to participate in the scheme. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the eligible employees' salaries and were charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee left the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. This defined contribution retirement benefits scheme was terminated on 30 November 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

For the purpose of the consolidated cash flow statement, 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 advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER AND OTHER REVENUE

Turnover represents the invoiced value of sales of furniture and household goods, net of discounts and returns.

An analysis of turnover and other revenue is as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover	891,810	729,017
Other revenue:		
Interest income	3,537	439
Others	3,399	4,371
	6,936	4,810
Revenue	898,746	733,827

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	450	500
Depreciation:		
Owned assets	21,704	20,723
Leased assets	376	2,190
	22,080	22,913
Operating lease rentals on land and buildings	99,185	100,145
Loss on disposal of fixed assets	3,522	5,161
Staff costs (excluding Directors' remuneration, note 6):		
Wages and salaries	64,244	52,450
Retirement scheme contributions	1,211	–
	65,455	52,450
Provisions for inventory obsolescence and write-off of inventories (included in the cost of sales)	17,146	10,719
Deficit/(surplus) on revaluation of leasehold land and buildings*	(2,505)	48,856
Write-off of premium on acquisition of an associate*	–	277
Write-off of goodwill on acquisition of a subsidiary*	22	–
Provision for impairment of long term unlisted investment transferred from investments revaluation reserve – note 23*	500	2,000
Provisions for bad and doubtful debts*	2,637	1,967
Loss/(gain) on disposal of long term listed investments (after a transfer from investments revaluation reserve of a surplus of HK\$3,000 (2000: deficit of HK\$127,000) – note 23)	19	(195)

* Included in other operating expenses

There were no forfeited retirement scheme contributions available at the balance sheet date to reduce contributions in future years (2000: HK\$108,000).

5. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	4,064	7,114
Interest on finance leases	22	282
Interest on convertible notes	-	739
	4,086	8,135

6. DIRECTORS' REMUNERATION

Details of Directors' remuneration charged to the Group's profit and loss account are set out below:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive	-	-
Independent Non-executive	30	48
Other emoluments, executive Directors:		
Basic salaries, housing, other allowances and benefits in kind	4,722	6,217
Retirement scheme contributions	16	-
Bonuses paid and payable	386	1,497
	5,154	7,762

6. DIRECTORS' REMUNERATION (Continued)

The number of Directors whose remuneration fell within the bands set out below is as follows:

	No. of Directors	
	2001	2000
Nil - HK\$1,000,000	8	4
HK\$1,000,001 - HK\$1,500,000	1	2
HK\$2,000,001 - HK\$2,500,000	1	-
HK\$2,500,001 - HK\$3,000,000	-	2
	10	8

Save as disclosed above, the Independent Non-executive Directors did not receive any other emoluments for their services during the year (2000: Nil).

There was no arrangement under which a Director waived or agreed to waive any remuneration.

In addition to the above emoluments, certain Directors were granted share options in the current year and prior years under the Company's share option scheme. No value is included in Directors' remuneration in respect of the share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the Directors are unable to arrive at an accurate assessment of the value of the options granted. The details of these benefits in kind are disclosed under the paragraph "Directors' Interests in Securities" in the report of the Directors.

7. EMPLOYEE COSTS

The details of the five highest paid individuals, which include four (2000: four) Directors, are analyzed and set out below.

	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing, other allowances and benefits in kind	4,604	6,724
Retirement scheme contributions	12	–
Bonuses paid and payable	378	1,525
	4,994	8,249

	No. of employees	
	2001	2000
Nil - HK\$1,000,000	3	1
HK\$1,000,001 - HK\$1,500,000	1	2
HK\$2,000,001 - HK\$2,500,000	1	–
HK\$2,500,001 - HK\$3,000,000	–	2
	5	5

In addition to the above emoluments, certain employees were granted share options in the current year and prior years under the Company's share option scheme. No value is included in employee costs in respect of the share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the Directors are unable to arrive at an accurate assessment of the value of the options granted.

8. TAX

No Hong Kong profits tax has been provided as the Company, its subsidiaries and its associate either had no assessable profits arising in Hong Kong or have available tax losses brought forward from prior years to offset assessable profits arising in Hong Kong for the year. In prior year, Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. Tax recoverable represents the excess of provisional tax paid over the estimated tax liability.

	Group	
	2001 HK\$'000	2000 HK\$'000
Provision for the year:		
Company and subsidiaries	-	-
Associate	-	80
Deferred tax – note 21	-	(90)
Tax credit for the year	-	(10)

9. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$1,262,000 (2000: HK\$77,552,000).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of HK\$13,681,000 (2000: loss of HK\$84,437,000) and the weighted average number of 615,169,000 shares (2000: 226,832,000 shares) in issue.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$13,681,000. The weighted average number of ordinary shares used in the calculation is 615,169,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 1,707,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted loss per share for the prior year had not been shown as the effect of the potential ordinary shares in existence was anti-dilutive during that year.

11. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:					
At beginning of year	47,000	56,874	94,736	4,346	202,956
On acquisition of a subsidiary	26,500	25	–	–	26,525
Additions	–	8,838	15,105	–	23,943
Disposals	–	(8,896)	(8,359)	(150)	(17,405)
At 31 March 2001	73,500	56,841	101,482	4,196	236,019
Accumulated depreciation:					
At beginning of year	81	33,107	51,830	3,234	88,252
On acquisition of a subsidiary	–	25	–	–	25
Provided during the year	2,424	6,771	12,401	484	22,080
Written back on revaluation	(2,505)	–	–	–	(2,505)
Disposals	–	(8,209)	(5,660)	(10)	(13,879)
At 31 March 2001	–	31,694	58,571	3,708	93,973
Net book value:					
At 31 March 2001	73,500	25,147	42,911	488	142,046
At 31 March 2000	46,919	23,767	42,906	1,112	114,704
Analysis of cost or valuation:					
At cost	–	56,841	101,482	4,196	162,519
At valuation	73,500	–	–	–	73,500
	73,500	56,841	101,482	4,196	236,019

11. FIXED ASSETS (Continued)

Group (Continued)

The leasehold land and buildings of the Group are situated in Hong Kong. The lease terms of the leasehold land and buildings are as follows:

	HK\$'000
Long term leases	26,500
Medium term leases	47,000
	73,500

The leasehold land and buildings held by the Group were pledged to secure certain banking facilities of HK\$70,703,000 (2000: HK\$88,000,000). At 31 March 2001, such facilities were utilized to the extent of HK\$38,357,000 (2000: HK\$76,880,000) (see note 18).

The net book value of fixed assets at 31 March 2000 included an amount of HK\$5,753,000 in respect of assets held under finance leases. As at 31 March 2001, there was no fixed asset held under finance leases.

The leasehold land and buildings, except for those acquired through the acquisition of a subsidiary during the year, were revalued on 22 March 2000 at HK\$47,000,000 by American Appraisal Hongkong Limited, an independent professional valuers, at an open market value on an existing use basis. The resulting deficit arising from the revaluation, of HK\$48,856,000, was charged to the profit and loss account in the prior year.

The leasehold land and buildings were revalued on 12 April 2001 at HK\$73,500,000, by American Appraisal Hongkong Limited, an independent professional valuers, at an open market value on an existing use basis. After making due enquiry, the Directors were satisfied that the value of the leasehold land and buildings valued at 12 April 2001 was not materially different from that at 31 March 2001. The resulting surplus arising from the revaluation, of HK\$2,505,000, was credited to the current year's profit and loss account.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$118,326,000 (2000: HK\$95,775,000).

11. FIXED ASSETS (Continued)

Company

	Medium term leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost or valuation:			
At beginning of year and at 31 March 2001	32,500	2,540	35,040
Accumulated depreciation:			
At beginning of year	65	632	697
Provided during the year	1,151	127	1,278
Written back on revaluation	(1,216)	-	(1,216)
At 31 March 2001	-	759	759
Net book value:			
At 31 March 2001	32,500	1,781	34,281
At 31 March 2000	32,435	1,908	34,343
Analysis of cost or valuation:			
At cost	-	2,540	2,540
At valuation	32,500	-	32,500
	32,500	2,540	35,040

12. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	46,314	32,607
Less: Provisions for diminutions in value	(29,550)	(26,000)
	16,764	6,607
Due from/(to) subsidiaries	44,259	(11,114)
	61,023	(4,507)

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Pricerite BVI Limited	British Virgin Islands	Ordinary US\$10,000	100%	-	Investment holding
San Lorry Limited	Hong Kong	Ordinary HK\$2	50%	50%	Property investment
Pricerite Stores Limited	Hong Kong	Ordinary HK\$1,000 Deferred non-voting HK\$5,000,000*	-	100%	Retailing of furniture and household goods

12. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Golden Riverside Industrial Limited	Hong Kong	Ordinary HK\$100 Deferred non-voting HK\$2*	-	100%	Property investment
Pricerite.com.hk Limited	Hong Kong	Ordinary HK\$2	-	100%	Retailing of furniture and household goods through a website

* The rights and restrictions attaching to such non-voting deferred shares are summarized as follows:

- (a) as regards voting, the non-voting deferred shares do not entitle the holders thereof to attend or vote at any general meeting of the relevant company;
- (b) as regards dividends, the holders thereof are not entitled to any dividend unless the net profits of the relevant company available for dividend (as certified by its auditors) as earned in the year in respect of which a dividend is declared exceed HK\$100 billion, in which case the holders of the non-voting deferred shares are collectively entitled to one thousandth of one per cent of the amount of the profits so available which exceed HK\$100 billion; and

12. INTERESTS IN SUBSIDIARIES (Continued)

- (c) as regards capital, on a return of assets or a winding-up, the holders of such non-voting deferred shares are entitled out of the surplus assets of the relevant company to a return of capital paid on such non-voting deferred shares held by them after a total of HK\$1,000 billion has been distributed in such winding-up in respect of each of the issued ordinary shares in the relevant company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

13. INTEREST IN AN ASSOCIATE

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	-	-	-	13,707
Less: Provision for permanent diminution in value	-	-	-	(3,550)
	-	-	-	10,157
Share of net assets	-	7,756	-	-
Due from an associate	-	3,018	-	1,213
	-	10,774	-	11,370

The balance with the associate was unsecured, interest-free and had no fixed terms of repayment.

13. INTEREST IN AN ASSOCIATE (Continued)

Particulars of the associate were as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group		Principal activities
			2001	2000	
San Lorry Limited	Corporate	Hong Kong	–	50%	Property investment

The leasehold properties held by the associate were revalued on 15 May 2000 by Chung Sen Surveyors Limited, independent professional valuers, at an open market value on an existing use basis. The resulting surplus shared by the Group of HK\$3,250,000 (2000: deficit of HK\$3,550,000) was included in the share of profits of an associate for the year ended 31 March 2001.

On 24 May 2000, the Group acquired the remaining 50% interest of the associate for a cash consideration of HK\$11,170,000 and, accordingly, it became a wholly-owned subsidiary of the Group from that date.

14. LONG TERM INVESTMENTS

	Group and Company	
	2001 HK\$'000	2000 HK\$'000
Securities listed on The Stock Exchange of Hong Kong Limited, at fair value	–	106
Unlisted investments, at fair value	–	500
	–	606

15. SHORT TERM DEPOSITS, PLEDGED

The short term deposits were pledged to secure general banking facilities granted to a subsidiary (see note 18).

16. LOAN FROM A DIRECTOR

The loan from a Director was unsecured, bore interest at 1% per month and was repaid during the year.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
	Notes	2001 HK\$'000	2000 HK\$'000
Bank overdrafts and current portion of bank and other borrowings	18	4,585	36,247
Current portion of finance lease payables	20	-	240
		4,585	36,487

18. BANK OVERDRAFTS, INTEREST-BEARING BANK LOANS AND OTHER LOANS

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank overdrafts, secured	510	11,249
Long term bank loans, secured	4,075	19,295
	4,585	30,544
Bank overdrafts repayable within one year or on demand	510	11,249
Long term bank loans repayable:		
Within one year	4,075	14,998
In the second year	–	4,297
	4,075	19,295
Other loans repayable within one year, unsecured	–	10,000
	4,585	40,544
Portion classified as current liabilities – note 17	(4,585)	(36,247)
Long term portion	–	4,297
Trust receipt loans, secured	37,535	32,686

Other loans consisted of two loans of HK\$5 million each, which were unsecured, bore interest at 2% per month and were repaid during the year.

All of the above bank loans and overdrafts and other banking facilities of the Group are secured by:

- (i) a pledge of properties owned by the Group (note 11); and
- (ii) a pledge of HK\$8.5 million bank deposits of a subsidiary (note 15).

19. TRADE PAYABLES

Aging

	Current to 30 days HK\$'000	31-60 days HK\$'000	61-90 days HK\$'000	Over 90 days HK\$'000	Total HK\$'000
Balance at 31 March 2001	30,973	27,057	32,424	17,366	107,820
Balance at 31 March 2000	21,523	17,861	30,797	38,123	108,304

The above aging analysis of trade payables is based on the invoice dates after the receipt of the goods and services purchased.

In the prior year, included in trade payables was a balance of HK\$5,857,000 due to a related company, which was unsecured, interest-free and on repayment terms similar to those offered to third party customers.

20. FINANCE LEASE PAYABLES

There were commitments under non-cancellable finance leases at the balance sheet date as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Minimum lease payments payable within one year	–	260
Future finance charges	–	(20)
Total net lease payables classified as current liabilities – note 17	–	240

21. DEFERRED TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	-	90
Credit for the year – note 8	-	(90)
At 31 March	-	-

The provision for deferred tax related principally to timing differences arising from accelerated depreciation allowances.

At the balance sheet date, the unprovided deferred tax asset arising from tax losses carried forward, net of accelerated depreciation allowances, calculated at the rate of 16% (2000: 16%) amounted to HK\$2,378,000 (2000: HK\$4,058,000).

22. SHARE CAPITAL

Shares

	2001 HK\$'000	2000 HK\$'000
Authorized: 1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 628,669,000 (2000: 265,378,000) ordinary shares of HK\$0.10 each	62,867	26,538

During the year and up to the date of this report, the following movements in issued and fully paid share capital were recorded:

- (a) On 5 April 2000 and 9 June 2000, 310,000,000 shares and 53,000,000 shares were issued to Miliway at subscription prices of HK\$0.20 and HK\$0.60 per share, respectively, for a total cash consideration, before expenses, of HK\$93,800,000. The proceeds from the issue of share capital were used as the Group's working capital.

22. SHARE CAPITAL (Continued)

Shares (Continued)

- (b) On 7 April 2000, 16,000 share options were exercised at the subscription price of HK\$0.36 per share, resulting in the issue of 16,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$5,760. On 12 June 2000, 31,460,000 share options at the subscription price of HK\$0.58 was granted to Directors and certain employees, out of which 130,000 and 145,000 share options were exercised on 4 July 2000 and 4 August 2000, respectively, resulting in the issue of 275,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$159,500. The proceeds from the issue of share capital were used as the Group's working capital.
- (c) Subsequent to the balance sheet date, on 18 June 2001, options were exercised to subscribe for 590,000 shares of the Company at the subscription price of HK\$0.58 per share for a total cash consideration of HK\$342,200.
- (d) Subsequent to balance sheet date, on 19 July 2001, 63,000,000 shares were issued to independent third parties, through a placement, at a subscription price of HK\$0.40 per share, for a total cash consideration, before expenses, of HK\$25,200,000. The proceeds from the issue of shares will be used to finance the Group's household retail distribution business in mainland China.

A summary of the transactions during the year and up to the date of this report, with reference to the above movements in the Company's ordinary share capital is as follows:

	Carrying amount 2001 HK\$'000	Shares issued 2001
At beginning of year	26,538	265,378,000
Movements during the year:		
(a) Share subscriptions	36,300	363,000,000
(b) Share options exercised	29	291,000
At end of year	62,867	628,669,000
Movements subsequent to the balance sheet date:		
(c) Share options exercised	59	590,000
(d) Share placement	6,300	63,000,000
At the date of this report	69,226	692,259,000

22. SHARE CAPITAL (Continued)

Share options

On 21 January 1994, the Company approved a share option scheme ("Scheme") under which the Directors may, at their discretions, grant to employees and executive Directors of the Group options to subscribe for shares of the Company at any time during the 10 years from its date of approval. The maximum number of shares over which options may be outstanding may not exceed 10% of the ordinary share capital in issue from time to time.

On 12 June 2000, the Directors approved the granting of 31,460,000 share options to Directors and certain employees to subscribe for shares of the Company. These options entitle the holders to subscribe for 31,460,000 shares at a price of HK\$0.58 per share during the period from 13 June 2000 to 12 June 2003.

The outstanding shares under share options as at the balance sheet date are summarized below:

	Number of shares in respect of which options granted '000
Outstanding at 1 April 2000	16
Granted during the year	31,460
Exercised during the year	(291)
Expired and cancelled during the year	(2,690)
Outstanding at 31 March 2001	28,495

Subsequent to the balance sheet date, on 12 June 2001, the Directors approved the granting of 16,000,000 share options to certain Directors to subscribe for shares of the Company. These options entitle the holders to subscribe for 16,000,000 shares at a price of HK\$0.39 per share during the period from 16 June 2001 to 15 June 2003. All these share options remain outstanding as at the date of this report.

23. RESERVES

Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Investments revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 1999	48,541	6,055	(2,127)	17,037	69,506
Premium arising from issue of shares	14,123	-	-	-	14,123
Share issue expenses	(410)	-	-	-	(410)
Transfer to profit and loss account on disposals (note 4)	-	-	127	-	127
Transfer to profit and loss account as provision for impairment in value (note 4)	-	-	2,000	-	2,000
Increase in fair value of long term investments	-	-	3	-	3
Net loss attributable to shareholders	-	-	-	(84,437)	(84,437)
At 31 March 2000 and at 1 April 2000	62,254	6,055	3	(67,400)	912
Premium arising from issue of shares	57,636	-	-	-	57,636
Share issue expenses	(2,117)	-	-	-	(2,117)
Transfer to profit and loss account on disposals (note 4)	-	-	(3)	-	(3)
Decrease in fair value of long term investments	-	-	(500)	-	(500)
Transfer to profit and loss account as provision for impairment in value (note 4)	-	-	500	-	500
Net profit attributable to shareholders	-	-	-	13,681	13,681
At 31 March 2001	117,773	6,055	-	(53,719)	70,109

23. RESERVES (Continued)

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Investments revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 1999	48,541	31,029	(2,127)	(689)	76,754
Premium arising from issue of shares	14,123	-	-	-	14,123
Share issue expenses	(410)	-	-	-	(410)
Transfer to profit and loss account on disposals	-	-	127	-	127
Transfer to profit and loss account as provision for impairment in value	-	-	2,000	-	2,000
Increase in fair value of long term investments	-	-	3	-	3
Net loss for the year	-	-	-	(77,552)	(77,552)
At 31 March 2000 and at 1 April 2000	62,254	31,029	3	(78,241)	15,045
Premium arising from issue of shares	57,636	-	-	-	57,636
Share issue expenses	(2,117)	-	-	-	(2,117)
Transfer to profit and loss account on disposals	-	-	(3)	-	(3)
Decrease in fair value of long term investments	-	-	(500)	-	(500)
Transfer to profit and loss account as provision for impairment in value	-	-	500	-	500
Net loss for the year	-	-	-	(1,262)	(1,262)
At 31 March 2001	117,773	31,029	-	(79,503)	69,299

The contributed surplus of the Company represents the difference between the consolidated net asset value of Pricerite BVI Limited on 21 January 1994 when its entire issued share capital was acquired by the Company pursuant to the Group reorganization, and the nominal amount of the Company's shares issued in consideration for such acquisition. Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is distributable to shareholders subject to section 54 thereof. In addition, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

24. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities:

	2001 HK\$'000	2000 HK\$'000
Profit/(loss) from operating activities	14,375	(70,718)
Dividend income	-	(14)
Interest income	(3,537)	(439)
Depreciation	22,080	22,913
Loss on disposal of fixed assets	3,522	5,161
Loss/(gain) on disposal of long term listed investments	19	(195)
Provision for impairment of long term unlisted investment	500	2,000
Provisions for inventory obsolescence and write-off of inventories	17,146	10,719
Provisions for bad and doubtful debts	2,637	1,967
Write-off of premium on acquisition of an associate	-	277
Write-off of goodwill on acquisition of a subsidiary	22	-
Deficit/(surplus) on revaluation of leasehold land and buildings	(2,505)	48,856
Decrease/(increase) in rental and utility deposits	(3,681)	3,800
Increase in inventories	(5,743)	(13,392)
Decrease/(increase) in prepayments, deposits and other receivables	4,054	(5,129)
Decrease/(increase) in amount due from an associate	(640)	1,037
Increase/(decrease) in trade payables	(784)	15,414
Increase/(decrease) in other payables and accrued liabilities	(7,440)	2,372
Net cash inflow from operating activities	40,025	24,629

24. NOTES TO CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including premium) HK\$'000	Long term bank loans HK\$'000	Other short term loans HK\$'000	Lease payables HK\$'000	Loan from a Director HK\$'000	Deposit received/ issue of convertible notes HK\$'000
Balance at 1 April 1999	70,101	26,513	10,000	2,097	-	6,000
Net cash inflow/(outflow) from financing	9,691	(7,218)	-	(1,857)	3,000	3,000
Conversion of notes into ordinary shares	9,000	-	-	-	-	(9,000)
Balance at 31 March 2000 and 1 April 2000	88,792	19,295	10,000	240	3,000	-
Net cash inflow/(outflow) from financing	91,848	(15,220)	(10,000)	(240)	(3,000)	-
Balance at 31 March 2001	180,640	4,075	-	-	-	-

24. NOTES TO CASH FLOW STATEMENT (Continued)

(c) Acquisition of a subsidiary

	2001 HK\$'000
Net assets acquired:	
Fixed assets	26,500
Cash and bank balances	2
Prepayments, deposits and other receivables	9
Other payables and accrued liabilities	(553)
Tax payable	(4)
	25,954
Goodwill on acquisition	22
	25,976
Satisfied by:	
Cash	11,170
Reclassification to interests in subsidiaries from interest in an associate	14,806
	25,976

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	2001 HK\$'000
Cash consideration	(11,170)
Cash and bank balances acquired	2
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(11,168)

The subsidiary acquired during the year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated net profit attributable to shareholders for the year.

25. COMMITMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Commitments to make payments in the following year under non-cancellable operating leases for land and buildings expiring:		
Within one year	13,430	18,645
In the second to fifth years, inclusive	52,662	43,128
After five years	11,068	9,780
	77,160	71,553
Foreign exchange forward contract commitments:		
Buying – United States dollars	–	2,164
Buying – Italian Lira	2,126	1,838
Buying – Euros	2,032	–

The Company had no commitments at the balance sheet date (2000: Nil).

26. CONTINGENT LIABILITIES

The Company had a contingent liability in respect of the guarantees of banking facilities granted to a subsidiary amounting to HK\$107,413,000 (2000: HK\$96,500,000). The banking facilities utilized by the subsidiary amounted to HK\$63,527,000 (2000: HK\$82,449,000) at the balance sheet date.

At 31 March 2001, there were 103 employees who had completed the required number of years of service under the Employment Ordinance of Hong Kong to be eligible for long-service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance. If the termination of all these employees' employment met the circumstances required by the Employment Ordinance, the Group's liability at 31 March 2001 would be approximately HK\$4,709,000 for which a HK\$1,160,000 provision has been made in the financial statements. As at 31 March 2000, the Group's liability for long-service payments, provided that all employees' employments met the circumstances required by the Employment Ordinance, amounted to HK\$3,997,000. In the opinion of the Directors, such liability was covered by the funds of the Group's defined contribution retirement benefits scheme, which was terminated on 30 November 2000.

27. RELATED PARTY TRANSACTIONS

In addition to the transactions described elsewhere in the notes to the financial statements, during the year, the Group had transactions with the following related companies in which Lin Chih Cheih Sidney and Liu Yuen Tai Gordon, Directors of the Company, have direct or indirect interests as directors and/or shareholders. The financial statements reflect the effect of these transactions on bases determined between the parties. The significant transactions are summarized below:

	Notes	2001 HK\$'000	2000 HK\$'000
Gainrich Industrial Limited:			
Purchases of goods	(i)	–	32,818
San Lorry Limited:			
Rental expense	(ii)	284	2,000

Notes:

- (i) The Directors consider that the purchases of goods were made according to the published prices and conditions similar to those offered to other customers of the supplier. In April 2000, Lin Chih Cheih Sidney, a Director of the Company, disposed of his entire equity interest in Gainrich Industrial Limited to a third party. Accordingly, Gainrich Industrial Limited ceased to be a related party of the Group.
- (ii) The rental expense charged by an associate of the Group related to a property used by the Company's subsidiary as a retail store. The rental expense was charged according to the terms of a rental agreement. On 24 May 2000, the Company acquired the entire equity interest in San Lorry Limited, which, then became a wholly-owned subsidiary of the Group.

The independent non-executive Directors are of the opinion that the above transactions were conducted in the ordinary and usual course of business of the Group.

28. POST BALANCE SHEET EVENTS

Details of the significant events which took place subsequent to the balance sheet date are set out in note 22 to the financial statements.

29. COMPARATIVE AMOUNTS

The provision for inventory obsolescence of HK\$6,222,000 and the write-off of inventory of HK\$4,497,000 for the year ended 31 March 2000, which was included in selling and distribution costs in prior year, have been reclassified as cost of sales, as in the opinion of the Directors, the reclassification provides a better presentation of the Group's cost of sales and expense items.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19 July 2001.