

1. Principal activities

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 39 to 40.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are as follows:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties and marketable securities.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st March. The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

(c) Goodwill

Goodwill represents the excess of purchase consideration over fair values ascribed to the net tangible assets of subsidiary companies acquired and is written off directly to reserves in the year of acquisition.

(d) Subsidiary companies

A company is a subsidiary company if more than 50% of the issued voting capital is held for the long term. Investments in subsidiary companies are carried at cost less provision. Provision is made when, in the opinion of directors, there is a diminution in value other than temporary in nature.

The results of subsidiary companies are accounted for by the Company on the basis of dividends income.

2. Principal accounting policies *(Continued)***(e) Fixed assets and depreciation**

Fixed assets other than investment properties (note 2(f)) are stated at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off their cost by equal annual instalments over their estimated useful lives or, if shorter, the relevant finance lease periods, as follows:

Leasehold land	over the unexpired period of the lease
Buildings	lesser of the unexpired lease term or 2 to 2½%
Plant and equipment	10 to 33⅓%
Furniture and fixtures	7 to 33⅓%
Motor vehicles	20 to 25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

Investment properties are valued annually by independent professional valuers. Increases in valuations are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

No depreciation is provided on investment properties held on leases of more than twenty years and freehold land.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve in respect of previous valuations realised is released from the investment properties revaluation reserve to the profit and loss account.

2. Principal accounting policies *(Continued)***(g) Assets under leases***(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated on the basis described in note 2(e).

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under the operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.

(h) Investment securities

Investment securities are held for non-trading purpose and long-term. Investment securities are stated at cost less provision for permanent diminution in value.

(i) Trademarks and patents

Watch brand trademarks are stated at cost less amortisation. Cost is amortised over the estimated useful economic lives of 20 years on a straight line basis.

The other trademark and patent is carried at directors' valuation made in 1972.

(j) Stocks

Stocks are stated at the lower of cost and net realisable value. The stock valuation includes the cost of direct labour, materials and an appropriate proportion of production overhead expenditure. Cost is calculated on the first in first out or weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Marketable securities

Marketable securities are stated at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in market value of marketable securities are recognised in the profit and loss account. Profits or losses upon the disposals of marketable securities representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(l) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

2. Principal accounting policies *(Continued)***(m) Deferred taxation**

Deferred taxation is accounted for at current tax rates in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(n) Translation of foreign currencies

Transactions in foreign currencies are converted at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiary companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(o) Retirement benefit costs

The Group operated a defined contribution retirement scheme. This scheme was terminated in December 2000 and all relevant assets were transferred to a new mandatory provident fund scheme established in the same month. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contributions to the scheme are expensed as incurred.

(p) Related parties

Related parties are individuals and companies, including subsidiary companies, where the individual, company or group 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.

(q) Recognition of revenue

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

- (i) invoiced value of goods net of discounts and allowances, when the goods are delivered to the customers;
- (ii) rental income, on an accruals basis in accordance with the lease agreements;
- (iii) sales of marketable securities, when the significant risks and rewards of ownership have been transferred to the purchasers;
- (iv) dividend income, when the shareholder's right to receive payment is established;
- (v) interest income, in proportion to time, taking account of the principal outstanding and the effective interest rate applicable and;
- (vi) profit on disposal of completed properties, when the sale and purchase agreements are completed.

NOTES TO THE ACCOUNTS

3. Turnover and contribution to profit before taxation

Turnover represents the following and comprises revenues from:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Sales of goods	1,146,433	1,065,333
Gross rental income	36,907	38,137
Sales of properties	39,000	–
Sales of marketable securities	11,701	24,142
Dividend income	1,180	812
Interest income	8,052	8,176
	1,243,273	1,136,600

An analysis of the Group's turnover and contribution to the profit before taxation by principal activities and markets is as follows:

	2001 <i>HK\$'000</i>	%	2000 <i>HK\$'000</i>	%
Principal activities:				
(i) Turnover:				
Investment	14,808	1	27,002	2
Property	78,862	6	41,425	4
Retail and trading	1,149,603	93	1,068,173	94
	1,243,273	100	1,136,600	100
	2001 <i>HK\$'000</i>	%	2000 <i>HK\$'000</i>	%
(ii) Contribution to profit before taxation:				
Investment	17,852	30	92,990	96
Property	47,820	82	30,621	32
Retail and trading	23,863	41	5,033	5
Group administration overheads	(31,053)	(53)	(31,882)	(33)
	58,482	100	96,762	100

NOTES TO THE ACCOUNTS

3. Turnover and contribution to profit before taxation (Continued)

	2001 HK\$'000	%	2000 HK\$'000	%
Principal markets:				
(i) Turnover:				
Hong Kong	795,873	64	634,711	55
South East and Far East Asia	252,608	20	233,619	21
Europe	160,355	13	225,401	20
North America	19,275	2	29,857	3
Others	15,162	1	13,012	1
	1,243,273	100	1,136,600	100

	2001 HK\$'000	%	2000 HK\$'000	%
(ii) Contribution to profit before taxation:				
Hong Kong	62,977	108	72,715	75
South East and Far East Asia	(1,273)	(2)	15,059	16
Europe	26,457	45	39,098	40
North America	(918)	(2)	712	1
Others	2,292	4	1,060	1
Group administration overheads	(31,053)	(53)	(31,882)	(33)
	58,482	100	96,762	100

4. Other income

	2001 HK\$'000	2000 HK\$'000
Building management fee income	12,925	12,877
Profit on sales of spare parts	1,152	3,144
Royalty income	-	346
Over-provision written back for closure cost of an overseas subsidiary company	-	5,060
Sundries	11,020	9,182
	25,097	30,609

5. Operating profit

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Operating profit is stated after charging:		
Depreciation		
Owned fixed assets	51,347	45,185
Leased fixed assets	841	334
Auditors' remuneration		
Current year	3,634	4,428
Under/(over) provision in respect of prior years	253	(1,019)
Operating leases		
Land and buildings	161,101	132,863
Plant and machinery	880	823
Deferred expenditure written off	–	344
Amortisation of trademarks and patents	3,087	1,874
Outgoings in respect of investment properties	3,283	8,229
Loss on disposal of fixed assets	2,047	758
Loss on sales of marketable securities	9,851	–
Provision for stock obsolescence and stocks written off	7,570	19,797
Provision for doubtful debts	11,204	12,468
Staff costs	191,846	185,016
<hr/>		
and after crediting:		
Net exchange gains	3,371	5,972
Gain on sales of marketable securities	–	10,404
<hr/>		

6. Finance costs

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on overdrafts and bank loans wholly repayable		
within five years	35,439	38,619
Interest on bank loans not wholly repayable		
within five years	1,924	15
Interest on other loans wholly repayable within five years	7,256	8,197
Interest on finance leases	90	59
<hr/>		
	44,709	46,890
<hr/>		

7. Emoluments of directors and senior management

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees		
executive directors	480	560
non-executive directors	340	340
Salaries, allowances and benefits in kind	10,890	12,149
Pensions contributions	229	107
Executive Bonus Scheme	2,479	4,175
	14,418	17,331

Pursuant to an Executive Bonus Scheme approved under a board resolution passed on 7th January 1993 by Stelux Holdings Limited, Mr Wong Chong Po and Mr Joseph C. C. Wong were eligible to an annual bonus determinable under the terms of the Executive Bonus Scheme, with respect to their management of the Group. By a board resolution passed on 17th January 2000, Mr Anthony Chu Kai Wah, Mr Stan Lee Shu Chung and Mr Wong Yuk Woon also became eligible to the afore-mentioned bonus scheme.

Emoluments paid to independent non-executive directors for the year included directors' fees amounting to HK\$160,000 (2000: HK\$160,000). During the year, none of the directors had waived their directors' fees (2000: Nil).

The emoluments were paid to the directors as follows:

	2001 <i>Number</i> <i>of directors</i>	2000 <i>Number</i> <i>of directors</i>
Emolument bands		
HK\$ Nil - HK\$500,000	4	4
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	2	1
HK\$2,000,001 - HK\$2,500,000	2	3
HK\$2,500,001 - HK\$3,000,000	-	1
HK\$3,500,001 - HK\$4,500,000	1	1
	10	11

In addition to the above analysis for directors, there was one employee (2000: one) whose emoluments were among the five highest in the Group. Details of the emoluments paid to this employee were:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,085	1,161
Pensions contributions	96	90
Bonuses	1,125	1,014
	2,306	2,265

NOTES TO THE ACCOUNTS

8. Retirement benefits

The Group's contribution to retirement schemes during the year was HK\$5,020,433 (2000: HK\$1,182,651) less forfeiture utilised of HK\$1,668,077 (2000: HK\$1,664,344).

9. Taxation

	2001 HK\$'000	2000 HK\$'000
Company and subsidiary companies:		
Hong Kong profits tax		
Current taxation	(28)	(282)
Under provision in respect of prior years	(46)	–
	(74)	(282)
<hr style="border-top: 1px dashed black;"/>		
Overseas profits tax		
Current taxation	(4,465)	(2,354)
Over/(under) provision in respect of prior years	1,306	(801)
Deferred taxation (<i>note 22</i>)	149	7
	(3,010)	(3,148)
	(3,084)	(3,430)

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Deferred tax credit/(charge) for the year has not been provided in respect of the following:

	2001 HK\$'000	2000 HK\$'000
Accelerated depreciation allowances	2,097	(411)
Other timing differences	5,701	317
	7,798	(94)

10. Profit attributable to shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of loss of HK\$2,515,000 (2000: loss of HK\$2,899,000).

NOTES TO THE ACCOUNTS

11. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$55,398,000 (2000: HK\$93,332,000) and on the weighted average number of 936,340,023 shares (2000: 936,340,023 shares) in issue during the year.

The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$55,398,000 (2000: HK\$93,332,000) and on the weighted average number of 936,340,023 shares (2000: 936,340,023 shares) in issue during the year plus the weighted average number of 4,679,063 shares (2000: 5,990,112 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

12. Fixed assets

	Land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Plant, equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group				
Cost or valuation				
At 31st March 2000	444,942	604,000	279,359	1,328,301
Translation differences	(23,566)	–	(10,269)	(33,835)
Additions	10,485	–	53,326	63,811
Transfers	(2,518)	2,133	–	(385)
Disposals	(54,614)	(39,000)	(43,892)	(137,506)
Revaluation surplus	–	25,517	–	25,517
At 31st March 2001	374,729	592,650	278,524	1,245,903
Accumulated depreciation				
At 31st March 2000	77,787	–	202,742	280,529
Translation differences	(7,261)	–	(8,054)	(15,315)
Charge for the year	13,706	–	38,482	52,188
Transfers	(385)	–	–	(385)
Disposals	(2,457)	–	(41,597)	(44,054)
At 31st March 2001	81,390	–	191,573	272,963
Net book value				
At 31st March 2001	293,339	592,650	86,951	972,940
At 31st March 2000	367,155	604,000	76,617	1,047,772

Investment properties of the Group were valued on the open market value basis at 31st March 2001 by DTZ Debenham Tie Leung Limited and Jones Lang LaSalle Limited, independent property valuers. All other fixed assets are stated at cost less accumulated depreciation.

12. Fixed assets (Continued)

- (a) The Group's interests in investment properties and other properties, at their net book values, are analysed as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Hong Kong:		
Long term leases (over 50 years)	20,824	109,433
Medium term leases (10-50 years)	758,545	737,688
Overseas:		
Freehold	51,993	60,813
Medium term leases (10-50 years)	47,676	56,099
Short term leases (under 10 years)	6,951	7,122
	885,989	971,155

- (b) At 31st March 2001, certain of the Group's land and buildings amounting to HK\$238,217,000 (2000: HK\$285,373,000), investment properties amounting to HK\$592,050,000 (2000: HK\$604,000,000) and plant and equipment amounting to HK\$2,164,000 (2000: Nil) were pledged to secure banking facilities granted to the Group.
- (c) At 31st March 2001, the net book value of fixed assets held under finance leases amounted to HK\$1,621,000 (2000: HK\$996,000).

13. Subsidiary companies

	2001 HK\$'000	2000 HK\$'000
Unlisted shares at cost less provision	495,150	495,150
Amounts due from subsidiary companies	116,155	116,155
Amounts due to subsidiary companies	(120,432)	(117,985)
	490,873	493,320

The amounts receivable from and payable to subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

Details of principal subsidiary companies are given on pages 39 to 40.

NOTES TO THE ACCOUNTS**14. Investment securities**

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted overseas shares, at cost	4,299	4,299

15. Trademarks and patents

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trademarks and patents, at directors' 1972 valuation	1,000	1,000
Watch brand trademark, at cost	44,791	44,825
Less: Amortisation	(19,306)	(16,219)
	25,485	28,606
	26,485	29,606

16. Stocks

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	146,529	176,830
Work-in-progress	11,164	14,850
Finished goods	294,013	287,770
	451,706	479,450
Provision	(98,115)	(117,538)
	353,591	361,912

At 31st March 2001, finished goods that are carried at net realisable value amounted to HK\$4,153,683 (2000: HK\$27,346,000).

17. Debtors and prepayments

	2001 HK\$'000	Group 2000 HK\$'000
Trade debtors (<i>note a</i>)		
Below 60 days	31,782	35,592
Over 60 days	18,160	17,055
	49,942	52,647
Deposits, prepayments and other debtors (<i>note b</i>)	250,361	275,426
	300,303	328,073

Note:

- (a) The Group allows an average credit period of 60 days to its trade debtors.
- (b) Included in the balances are amounts due from related companies of HK\$162,708,000 (2000:HK\$164,616,000). The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for a receivable of HK\$153,823,000 (2000: HK\$149,352,000) which carries interest at 3% per annum and is repayable on demand.

18. Marketable securities

	2001 HK\$'000	Group 2000 HK\$'000
Overseas listed shares, at market value	430	22,265

Investment in marketable securities represent 0.12% (2000: 4%) of shareholdings in Bangkok Land Public Company Limited, listed in Thailand.

19. Creditors and accruals

	2001 HK\$'000	Group 2000 HK\$'000
Trade creditors		
Below 60 days	67,344	55,039
Over 60 days	63,306	67,773
	130,650	122,812
Other creditors and accruals (<i>note</i>)	233,206	199,306
	363,856	322,118

Note:

Included in the balances are amounts due to related companies of HK\$15,867,000 (2000: HK\$7,535,000) which are unsecured, interest free and have no fixed terms of repayment.

20. Share capital

	Number of shares of HK\$0.1 each	Nominal value HK\$'000
Authorised:		
At 31st March 2001 and 2000	1,600,000,000	160,000
Issued and fully paid:		
At 31st March 2001 and 2000	936,340,023	93,634

Pursuant to a Scheme of Arrangement under section 166 of the Hong Kong Companies Ordinance, the Company became the holding company of Stelux Holdings Limited (SHL) and its subsidiary companies on 21st February 1995. A supplemental agreement was entered into by the Company pursuant to which the Convertible Notes described in note 23 will no longer be convertible into ordinary shares of SHL but will be convertible into the same number of shares of the Company. As at 31st March 2001, all of the outstanding Convertible Notes have been fully redeemed.

On 25th June 1997, a share option scheme for the executive directors and employees of the Company and its subsidiary companies (the "Scheme") was approved and adopted by the shareholders pursuant to which the directors were authorised to grant options to executive directors and employees of the Company or its subsidiary companies to subscribe for shares of the Company for a period of ten years. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 5% of the total shares in issue.

At 31st March 2001, the outstanding options granted to directors and employees under the Scheme was 25,000,000, of which 7,000,000 options are exercisable at HK\$1.3632 per share during the period from 6th August 1997 to 5th August 2002; 9,000,000 options are exercisable at HK\$0.15 per share during the period from 26th October 1998 to 25th October 2003; and 9,000,000 are exercisable at HK\$0.248 per share during the period from 17th January 2000 to 16th January 2005. No options have been exercised during the year.

21. Reserves

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
(a) Group				
At 1st April 1999	2,848,462	443	(2,305,318)	543,587
Retained profit for the year	–	–	93,332	93,332
Exchange translation	–	–	(5,657)	(5,657)
At 1st April 2000	2,848,462	443	(2,217,643)	631,262
Retained profit for the year	–	–	55,398	55,398
Exchange translation	–	–	(22,961)	(22,961)
At 31st March 2001	2,848,462	443	(2,185,206)	663,699

All reserves of the Group are retained by the Company and its subsidiary companies.

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
(b) Company				
At 1st April 1999	4,085,186	443	(3,689,335)	396,294
Loss for the year	–	–	(2,899)	(2,899)
At 1st April 2000	4,085,186	443	(3,692,234)	393,395
Loss for the year	–	–	(2,515)	(2,515)
At 31st March 2001	4,085,186	443	(3,694,749)	390,880

Under the laws of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable. At 31st March 2001, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK\$390,437,000 (2000: HK\$392,952,000).

22. Deferred taxation

	2001 HK\$'000	Group 2000 HK\$'000
At 1st April 2000	149	156
Transfer to profit and loss account (<i>note 9</i>)	(149)	(7)
At 31st March 2001	–	149
Deferred taxation liabilities are in respect of:		
Accelerated depreciation allowances	–	–
Other timing differences	–	149
	–	149
Unprovided deferred taxation assets are analysed as follows:		
Accelerated depreciation allowances	(3,373)	(1,276)
Other timing differences	(13,703)	(8,002)
	(17,076)	(9,278)

Future tax benefits attributable to available tax losses have not been accounted for due to the uncertainty as to their future utilisation.

23. Convertible notes

On 9th November 1993, Stelux Holdings Limited, a subsidiary company of the Company, issued SFr125 million of Swiss Franc denominated convertible bearer notes (the "Notes") with Nomura Bank (Switzerland) Limited as the underwriter. The Notes carry interest at the rate of 1.75 per cent per annum payable semi-annually in arrears and are redeemable at par value on 31st March 2001. Each Note of a denomination of SFr50,000 is convertible into the ordinary shares of the Company (note 20) at any time between 9th May 1994 and 15th March 2001, the number of which is calculated by dividing the amount of Swiss Francs (converted into Hong Kong dollars at the rate of one Swiss Franc to HK\$5.223) by the initial conversion price of HK\$4.782 per ordinary share.

During the year, SFr29.5 million (2000: SFr20.6 million) of the Notes were repurchased at a consideration of SFr26.4 million and these Notes were subsequently cancelled. The outstanding Notes of SFr29.4 million were fully redeemed at the face value on 30th March 2001.

24. Loans from shareholders

The loans were provided by Mr Wong Chue Meng and Madam Chuang Yuan Hsien (deceased) and are unsecured, interest free and have no fixed terms of repayment.

25. Other long term liabilities

		Group	
	Note	2001 HK\$'000	2000 HK\$'000
Bank loans, secured	(a)	317,659	308,478
Loan from a related company	(b)	43,200	32,000
Loan from a director	(c)	14,720	–
Obligations under finance leases	(d)	3,104	5,319
Construction costs and retention money payable		8,531	70,406
		387,214	416,203
Amount payable within one year included under current liabilities		27,630	36,358
		359,584	379,845
(a) The bank loans are repayable as follows:			
Not exceeding one year		10,248	32,317
More than one year, but not exceeding two years		20,787	18,378
More than two years, but not exceeding five years		277,011	252,213
More than five years		9,613	5,570
		317,659	308,478
Of the gross amounts shown above for the Group, bank loans not wholly repayable within five years amounted to HK\$41,113,000 (2000: HK\$15,000,000).			
(b) The loan payable is unsecured and carries interest at prime rate. Except for the loan amount of HK\$27,000,000 (2000: Nil) which is not repayable on or before 1st April 2002, the balance is repayable within one year.			
(c) The loan payable is denominated in Swiss Francs and is unsecured, carries interest at 2.875% per annum above the prevailing Swiss interbank cost of funds and is wholly repayable on 31st March 2003.			
(d) The obligations under finance leases are repayable as follows:			
Not exceeding one year		1,182	4,041
More than one year, but not exceeding two years		863	1,255
More than two years, but not exceeding five years		885	23
More than five years		174	–
		3,104	5,319

26. Contingent liabilities

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) Guarantees to secure banking facilities for:				
Subsidiary companies	–	–	949,812	674,841
Third parties	–	1,190	–	–
Other guarantees				
Subsidiary companies	–	–	2,210	491,450
(b) Bills discounted	5,865	1,093	–	–
(c) Liability not provided for in respect of employees who have completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment	9,112	8,150	–	–

(d) City Chain Properties Limited, a subsidiary company, is involved in litigation arising from the disposal of its property and the purchaser of the property is claiming the refund of deposit of HK\$18 million. In the opinion of the directors, the litigation will not have any material adverse effect on the Group's financial position.

(e) The contractors for the Titus Square and Stelux House developments have submitted claims for extension of time, loss and expense and variation orders. On the other hand, the Group is entitled to counter-claim liquidated damages and other costs or losses from these contractors. In the opinion of the directors, the Group is not required to make any provisions for the claims by the contractors. The Group has agreed with the contractors to put these claims and counter-claims to arbitration and it is anticipated that the results of the arbitration will not be determined until the second half of the year 2002 for Stelux House and 2001 for Titus Square.

(f) Pursuant to the agreement in respect of the sale of Titus Square, the Group is liable to claims for latent defects by the purchaser up to a maximum of HK\$50 million until 30th April 2001. As the Group has a right of recourse against the contractors for the construction of the development, in the opinion of the directors, no provision is considered necessary as there will be no net exposure to the Group. Subsequent to the year end date, the Group has not received any claim from the purchaser up to the claim expiry period of 30th April 2001.

27. Commitments

	Group	
	2001 HK\$'000	2000 HK\$'000
(a) Commitments in respect of expenditure on leasehold improvements		
Contracted but not provided for	1,597	8,218
Authorised but not contracted for	–	–
	1,597	8,218

27. Commitments (Continued)

	2001	Group
	HK\$'000	2000
		HK\$'000
(b) Operating lease commitments at 31st March payable in the next twelve months, analysed according to the period in which the leases expire, are as follows:		
Land and buildings		
– expiring in the first year	45,705	48,907
– expiring in the second to fifth year inclusive	150,471	114,026
– expiring after the fifth year	1,057	225
	197,233	163,158
Plant and machinery		
– expiring in the first year	283	398
– expiring in the second to fifth year inclusive	156	315
	439	713
	197,672	163,871

- (c) On 31st January 1998, a subsidiary company entered into a sale and purchase agreement with a third party for the disposal of a property, at a consideration of HK\$32,000,000.

Pursuant to the deeds of undertaking entered into between the subsidiary company and the third party, the third party cannot dispose of the property without the subsidiary company's prior consent. The Group is entitled to 50% of the profit if the property is subsequently sold by the third party before 27th February 2001.

In addition, the subsidiary company has committed to repurchase the property back from the third party at the same consideration of HK\$32,000,000 within one month of 27th February 2001 if the market value of the property as at 27th February 2001 is lower than HK\$32,000,000. On the foregoing basis, no profit has been recognised by the Group on this transaction.

On 16th January 2001, the subsidiary company entered into a sale and purchase agreement with the third party for the buy back of this property at the same consideration of HK\$32,000,000. The subsidiary company has the option to elect to complete this transaction on or before 1st April 2002. As at 31st March 2001, the transaction has not been completed.

28. Related party transactions

The following is a summary of significant transactions between the Group and related parties, which were undertaken in the normal course of business during the year:

		2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Purchases of goods from related companies	(a)	47,819	23,126
Rental income received from related companies	(b)	1,950	1,950
Interest income received from a related company	(c)	4,471	4,359
Interest expense paid to a related company	(d)	3,059	2,013
Management fee receivable from a related Company	(e)	–	980

- (a) Purchases of goods from related companies were conducted in the normal course of business at prices and terms no more than those charged by other third party suppliers of the Group.
- (b) On 13th August 1998, Stelux Holdings Limited, a wholly owned subsidiary company of the Company, entered into lease agreements with Yee Hing Company Limited and International Optical Manufacturing Company Limited, a company in which Yee Hing Company Limited and Thong Sia Company Limited hold 60% and 40% respectively, for the lease of office premises at Stelux House for a period of up to 3 years. The leases were entered into on normal commercial terms as stated in the connected transactions press announcement dated 13th August 1998.
- (c) Interest income accrued on the overdue consultancy fee receivable from Bangkok Land Public Company Limited, a company in which Mr Wong Chue Meng is a substantial shareholder, was calculated at 3% (2000: 3%) per annum.
- (d) Interest payable to Active Lights Company Limited, a subsidiary company of Yee Hing Company Limited, was calculated at prime rate.
- (e) The Group provided building management service for a property of Thong Sia Company Limited, a company in which Mr Wong Chue Meng is a director. Management fee received was based on mutual agreement.

29. Notes to the consolidated cash flow statement

- (a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit before taxation	58,482	96,762
Depreciation	52,188	45,519
Loss on disposal of fixed assets	2,047	758
Amortisation of trademarks and patents	3,087	1,874
Deferred expenditure written off	–	344
Decrease in marketable securities	21,552	13,733
Net interest and dividends	35,477	37,899
Decrease/(increase) in stocks	8,321	(9,560)
Decrease in debtors and prepayments	12,381	10,295
(Decrease)/increase in creditors and accruals	(14,723)	55,971
Net (profit)/loss on sales of land and buildings	(18,083)	15,410
Profit on repurchase of convertible notes	(14,847)	(44,662)
Foreign exchange gain on convertible notes	(6,248)	(37,937)
Over-provision written back for closure cost of an overseas subsidiary company	–	(5,060)
Net surplus written back on revaluation of investment properties	(25,517)	(46,050)
Net unrealised loss on marketable securities	283	527
Translation difference	(3,371)	(5,972)
Net cash inflow from operating activities	111,029	129,851

NOTES TO THE ACCOUNTS

29. Notes to the consolidated cash flow statement (Continued)

(b) Analysis of changes in financing during the year

	Bank loans and other long term liabilities <i>HK\$'000</i>	Convertible notes <i>HK\$'000</i>	Investment by minority interests <i>HK\$'000</i>	Loans from shareholders <i>HK\$'000</i>	Amounts due to related companies <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1st April 1999	297,456	415,785	1,679	3,892	27,515	746,327
Net cash (outflow)/ inflow from financing	14,914	(57,534)	–	–	12,020	(30,600)
Exchange differences	734	(37,937)	(9)	–	–	(37,212)
Inception of finance lease	693	–	–	–	–	693
Retention money payable reclassified from current liabilities awaiting arbitration	70,406	–	–	–	–	70,406
Profit on repurchase of convertible notes	–	(44,662)	–	–	–	(44,662)
Reclassification	32,000	–	–	–	(32,000)	–
Balance at 31st March 2000	416,203	275,652	1,670	3,892	7,535	704,952
Net cash (outflow)/ inflow from financing	179,648	(239,975)	–	–	8,332	(51,995)
Exchange differences	(806)	(6,248)	(262)	–	–	(7,316)
Inception of finance lease	728	–	–	–	–	728
Profit on repurchase of convertible notes	–	(14,847)	–	–	–	(14,847)
Retention money payable reclassified to current liabilities	(46,486)	–	–	–	–	(46,486)
Loan from a director	14,582	(14,582)	–	–	–	–
Reclassification from current assets	(15,389)	–	–	–	–	(15,389)
Balance at 31st March 2001	548,480	–	1,408	3,892	15,867	569,647

30. Ultimate holding company

In the opinion of the directors, the ultimate holding company is Yee Hing Company Limited, incorporated in Hong Kong.

31. Approval of accounts

The accounts set out on pages 12 to 40 were approved by the board of directors on 19th July 2001.