

**1. PRINCIPAL ACCOUNTING POLICIES****(a) Basis of preparation**

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

**(b) Basis of consolidation**

The group accounts include the accounts of the Company and its subsidiaries made up to 31st March.

The group accounts also include the Group's share of results for the year, and the net assets of its associated companies.

The results of subsidiaries and associated companies acquired or disposed of during the year are dealt with in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The excess of the fair values of the net assets of subsidiaries and associated companies acquired over the purchase cost of their shares at the date of acquisition is taken directly to capital reserve. Goodwill which represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associated companies acquired is eliminated against reserves in the year of acquisition.

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

The gain or loss on disposal of a subsidiary 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 subsidiaries.

**(c) Subsidiaries**

A company is a subsidiary if more than 50% of its issued voting capital is held for the long term or the Company has control over the composition of its board of directors.

The Company's investments in subsidiaries are carried at cost less provision for permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (d) Associated companies

An associated company is a company, not being a subsidiary, in which not less than 20% of the equity capital is held for the long term and significant influence is exercised in its management.

The Company's investments in associated companies are carried at cost less provision for permanent diminution in value. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

#### (e) Income recognition

The Group recognises income on the following bases:

##### (i) *Sale of goods*

Income from gold ornament, jewellery, watch and gift retailing, diamond wholesaling and bullion trading is recognised upon delivery of goods to customers.

##### (ii) *Commission income*

Commission income from securities broking and money exchange is recognised when services are rendered.

##### (iii) *Dividend income*

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

##### (iv) *Rental income*

Rental income is recognised on a straight-line basis over the period of each lease.

##### (v) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

#### (f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Leasehold land is depreciated over the remaining period of the lease while other fixed assets are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Buildings	2% – 2.5%
Leasehold improvements	15% or over the remaining period of the leases, whichever is shorter
Furniture and equipment	15%
Other fixed assets	15%

**1. PRINCIPAL ACCOUNTING POLICIES** (Continued)**(f) Fixed assets** (Continued)

Assets under finance leases are depreciated using the straight-line method over the shorter of the respective lease terms and their estimated useful lives.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the 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 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.

**(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. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balances outstanding.

**(ii) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payment obligations in respect of operating leases on properties with fixed rentals are accounted for on a straight-line basis over the periods of the respective leases; payment obligations in respect of operating leases on properties with rentals which vary with gross revenue of the Group are charged to the profit and loss account as incurred.

**(h) Investments in securities****(i) Non-trading investments**

Non-trading investments are stated at fair value at the balance sheet date. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value. Changes in the fair value of individual investments are credited or debited to the investments revaluation reserve until the investment is sold or is determined to be impaired.

### 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (h) Investments in securities (Continued)

##### (i) *Non-trading investments* (Continued)

Upon the disposal of an investment, the cumulative gain or loss, representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investments revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

##### (ii) *Trading investments*

Trading investments are carried at fair value at the balance sheet date. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value.

At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

##### (iii) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account.

#### (i) **Stocks**

Stocks, other than gold stocks, are stated at the lower of cost and estimated net realisable value. Cost is determined on an actual cost basis. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Gold stocks are hedged on a daily basis through the use of gold loans (see note 1(k) below) or spot contracts with independent third parties. Gold stocks are stated at market price prevailing at the close of business on the balance sheet date.

**1. PRINCIPAL ACCOUNTING POLICIES** (Continued)**(j) 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.

**(k) Gold loans**

Gold loans are stated at the gold price prevailing at the close of business on the balance sheet date. Profits and losses arising therefrom are dealt with in the profit and loss account.

**(l) Deferred taxation**

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

**(m) Translation of foreign currencies**

Transactions in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated into Hong Kong dollars 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 subsidiaries and associated companies expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

**(n) Provident fund contributions**

The Group contributes to defined contribution provident fund schemes for the provision of retirement benefits to its employees. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions to the schemes are based on a percentage of the employees' salaries and are expensed as incurred. The Group's contributions may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

### 2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading, securities broking and diamond wholesaling. Turnover recognised during the year comprises the following:

	2001 HK\$'000	2000 HK\$'000
Gold ornament, jewellery and watch retailing	544,412	590,326
Bullion trading	310,368	381,822
Commission from securities broking	15,651	30,210
Diamond wholesaling and gift retailing	34,416	36,129
Other business activities	9,626	9,182
	<u>914,473</u>	<u>1,047,669</u>

An analysis of the Group's turnover and contribution to operating profit for the year, which arose wholly in Hong Kong, by principal activities is as follows:

	Turnover		Operating profit	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Jewellery and watch retailing and bullion trading	854,780	972,148	(15,481)	3,039
Securities broking	15,651	30,210	(887)	8,944
Other business activities	44,042	45,311	25,934	15,607
	<u>914,473</u>	<u>1,047,669</u>	<u>9,566</u>	<u>27,590</u>

**3. OPERATING PROFIT BEFORE FINANCE COSTS**

	2001 HK\$'000	2000 HK\$'000
Operating profit before finance costs is stated after crediting and charging the following:		
<i>Crediting</i>		
Dividend income from listed investments	379	—
Interest income	4,436	3,012
Profit on disposal of associated companies	—	13,825
Profit on disposal of non-trading listed investments	27,076	—
Profit on disposal of other asset	2,880	—
Rental income less outgoings	1,257	1,615
Write back of provision for long service payments ( <i>note 22</i> )	807	1,813
	<u>          </u>	<u>          </u>

*Charging*

Auditors' remuneration	1,142	1,137
Contributions to provident funds*	3,235	3,171
Cost of stocks sold	780,693	887,643
Depreciation		
— owned fixed assets	5,962	4,769
— leased fixed assets	402	1,085
Net realised and unrealised losses on trading listed investments	506	—
Operating leases — land and buildings	38,018	35,669
Provision for stocks	2,200	2,413
Staff costs (including directors' emoluments except fees)	57,098	56,292
Write down in value of fixed assets	—	2,069
	<u>          </u>	<u>          </u>

\* As permitted under the rules of the provident fund schemes, all forfeited contributions for the two years ended 31st March, 2001 and 2000 have been credited to the employers' balance in respect of the remaining members' accounts.

**4. FINANCE COSTS**

	2001 HK\$'000	2000 HK\$'000
Interest on		
— bank loans and overdrafts	11,612	8,529
— gold loans	602	634
Interest element of finance leases	31	73
	<u>          </u>	<u>          </u>
	<u>12,245</u>	<u>9,236</u>

## Notes to the Accounts (Continued)

### 5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax	<b>400</b>	1,555
Over provision in prior years	<u>—</u>	<u>(197)</u>
	<b>400</b>	1,358
Share of taxation attributable to an associated company	<u>—</u>	<u>21</u>
	<b>400</b>	1,379
Deferred tax (credit)/charge for the year not provided for in the accounts in respect of tax losses	<u><b>(4,569)</b></u>	<u>1,449</u>
Deferred tax asset at the year end not provided for in the accounts in respect of tax losses	<u><b>12,564</b></u>	<u>7,995</u>

### 6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$7,494,000 (2000: HK\$9,906,000).

### 7. DIVIDEND

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Final, proposed, of nil (2000: HK0.5 cent) per ordinary share	<u>—</u>	<u>2,175</u>

### 8. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$9,023,000 (2000: HK\$25,825,000) and the total number of 435,071,650 (2000: 435,071,650) ordinary shares in issue during the year.



## 9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' remuneration

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	150	148
Salaries, allowances, benefits in kind and other emoluments	673	733
Provident fund contributions	23	19
	<u>846</u>	<u>900</u>

The emoluments were paid to the directors as follows:

Emoluments band	Number of directors	
	2001	2000
HK\$ Nil – HK\$1,000,000	<u>12</u>	<u>11</u>

None of the directors has waived or agreed to waive any emoluments in respect of the year ended 31st March, 2001 (2000: Nil).

For the year under review, directors' fees paid and/or payable to independent non-executive directors amounted to HK\$32,000 (2000: HK\$22,000).

### (b) Five highest paid individuals

The aggregate emoluments of the five highest paid individuals include emoluments of none (2000: one) of the directors disclosed above. Details of emoluments of the five (2000: four) highest paid individuals are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	2,675	2,256
Provident fund contributions	215	167
	<u>2,890</u>	<u>2,423</u>
Emoluments band	Number of individuals	
	2001	2000
HK\$ Nil – HK\$1,000,000	<u>5</u>	<u>4</u>

## Notes to the Accounts (Continued)

### 10. FIXED ASSETS

#### Group

	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture and equipment HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost				
At 1st April, 2000	36,967	45,547	8,532	91,046
Additions	—	6,573	2,859	9,432
<b>At 31st March, 2001</b>	<b>36,967</b>	<b>52,120</b>	<b>11,391</b>	<b>100,478</b>
Accumulated depreciation				
At 1st April, 2000	8,063	38,303	6,481	52,847
Charge for the year	832	4,570	962	6,364
<b>At 31st March, 2001</b>	<b>8,895</b>	<b>42,873</b>	<b>7,443</b>	<b>59,211</b>
Net book value				
<b>At 31st March, 2001</b>	<b>28,072</b>	<b>9,247</b>	<b>3,948</b>	<b>41,267</b>
At 31st March, 2000	28,904	7,244	2,051	38,199

The net book value of fixed assets held by the Group under finance leases amounted to nil (2000: HK\$817,000). The finance leases were fully repaid during the current year.

The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	18,731	19,272
Leases of between 10 to 50 years	9,341	9,632
	<b>28,072</b>	<b>28,904</b>

## 10. FIXED ASSETS (Continued)

## Company

	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture and equipment HK\$'000	Total HK\$'000
Cost			
At 1st April, 2000	1,603	11,148	12,751
Additions	—	157	157
	<u>1,603</u>	<u>11,305</u>	<u>12,908</u>
<b>At 31st March, 2001</b>	<b>1,603</b>	<b>11,305</b>	<b>12,908</b>
Accumulated depreciation			
At 1st April, 2000	251	8,807	9,058
Charge for the year	36	695	731
	<u>287</u>	<u>9,502</u>	<u>9,789</u>
<b>At 31st March, 2001</b>	<b>287</b>	<b>9,502</b>	<b>9,789</b>
Net book value			
<b>At 31st March, 2001</b>	<b>1,316</b>	<b>1,803</b>	<b>3,119</b>
At 31st March, 2000	<u>1,352</u>	<u>2,341</u>	<u>3,693</u>

The Company's leasehold land and buildings are all situated in Hong Kong and held on leases of over 50 years.

## Notes to the Accounts (Continued)

### 11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	126,778	100,479
Less: provision for permanent diminution in value	<u>(6,594)</u>	<u>(6,594)</u>
	120,184	93,885
Amounts due from subsidiaries	555,461	340,193
Dividend receivable	<u>8,000</u>	<u>12,000</u>
	683,645	446,078
Amounts due to subsidiaries	<u>(171,398)</u>	<u>(292)</u>
	<u>512,247</u>	<u>445,786</u>

The amounts due from/to subsidiaries are unsecured, interest free except for receivables of HK\$165,683,000 (2000: HK\$96,523,000) and payables of HK\$11,927,000 (2000: HK\$169,000) which bear interest at rates ranging from 4.5% to 8.5% (2000: 6.0% to 8.75%) per annum, and have no fixed terms of repayment.

Details of subsidiaries as at 31st March, 2001 and 2000 are as follows:

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by		Principal activities
		Group	Company	
<b>Incorporated and operating in Hong Kong:</b>				
Goldlens Limited	600,000 ordinary shares of HK\$1 each	75	75 (2000: 70)	Jewellery manufacturing
Jacqueline Emporium Limited	1,000 ordinary shares of HK\$100 each	100	—	Watch trading
King Fook Commodities Company Limited	50,000 ordinary shares of HK\$100 each	100	—	Commodities broking
King Fook Gold & Jewellery Company Limited	546,750 ordinary shares of HK\$100 each	100	100	Investment holding and trading

## 11. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by		Principal activities
		Group	Company	
<b>Incorporated and operating in Hong Kong:</b> (Continued)				
King Fook Jewellery Group Limited	600,000 ordinary shares of HK\$100 each	100	100	Gold ornament, jewellery and watch retailing and bullion trading
King Fook Investment Company Limited	2,500,000 ordinary shares of HK\$1 each	100	100 (2000: Nil)	Investment holding
King Fook International Money Exchange (Kowloon) Limited	65,000 ordinary shares of HK\$100 each	100	—	Investment holding
King Fook Holding Management Limited	50 ordinary shares of HK\$100 each	100	100	Dormant
King Fook Resources Limited	2 ordinary shares of HK\$10 each	100	100	Dormant
King Fook Securities Company Limited	10,000,000 (2000: 6,000,000) ordinary shares of HK\$1 each	100	—	Securities broking
King Shing Bullion Traders & Finance Company Limited	60,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook Jewellery Designing & Trading Company Limited	5,000 ordinary shares of HK\$100 each	100	—	Dormant
Mario Villa Limited	2,000,000 ordinary shares of HK\$1 each	100	100	Gold refining, assaying and bullion trading

## Notes to the Accounts (Continued)

### 11. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by		Principal activities
		Group	Company	
<b>Incorporated and operating in Hong Kong: (Continued)</b>				
Polyview International Limited	2 ordinary shares of HK\$1 each	100	100	Watch trading
Yatheng Investments Limited	10,000 ordinary shares of HK\$1 each	100	—	Property subletting
Young's Diamond Corporation (International) Limited	100,000 ordinary shares of HK\$100 each	97.8	97.8	Diamond wholesaling
Young's Diamond Factory Limited	2,000 ordinary shares of US\$10 each	97.8	—	Diamond wholesaling
<b>Incorporated and operating in Republic of Liberia:</b>				
Elias Holdings Limited	1 ordinary share with no par value	100	100	Investment holding
<b>Established and operating in the People's Republic of China:</b>				
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	US\$1,000,000	100	100	Dormant
<b>Incorporated and operating in British Virgin Islands:</b>				
Most Worth Investments Limited	100 ordinary shares of US\$1 each	100	100	Investment holding

**12. INVESTMENT IN AN ASSOCIATED COMPANY**

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net liabilities	(270)	(146)
Amount due from an associated company	<u>530</u>	<u>241</u>
	<u><u>260</u></u>	<u><u>95</u></u>
Unlisted share, at cost	<u><u>1</u></u>	<u><u>1</u></u>

The amount due from an associated company is unsecured, interest free and has no fixed terms of repayment.

Details of the associated company, incorporated and operating in Hong Kong and held indirectly by the Company, as at 31st March, 2001 and 2000 are as follows:

<b>Name</b>	<b>Particulars of issued shares held</b>	<b>Percentage of equity interest held</b>	<b>Principal activity</b>
Lucky General Hong Kong Limited	Ordinary share of HK\$1 each	50	Operating a hair salon

**13. NON-TRADING INVESTMENTS**

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Equity securities, at fair value		
Listed in Hong Kong	32,052	—
Listed outside Hong Kong	18,060	48,040
Unlisted	<u>—</u>	<u>17,900</u>
	<u><u>50,112</u></u>	<u><u>65,940</u></u>

**14. OTHER ASSETS**

	<b>Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Statutory deposits	<u><u>2,200</u></u>	<u><u>2,400</u></u>

## Notes to the Accounts (Continued)

### 15. STOCKS

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Jewellery	<b>265,790</b>	241,793
Gold ornament and bullion	<b>52,699</b>	43,152
Watches and gift	<b>219,787</b>	194,172
	<b><u>538,276</u></b>	<u>479,117</u>

At 31st March, 2001, the carrying amount of stocks that are carried at net realisable value amounted to HK\$18,342,000 (2000: HK\$21,379,000).

### 16. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Trade debtors	<b>31,229</b>	80,534	—	—
Deposits and prepayments	<b>9,823</b>	10,595	<b>390</b>	420
Other receivables	<b>2,881</b>	3,233	—	117
	<b><u>43,933</u></b>	<u>94,362</u>	<b><u>390</u></b>	<u>537</u>

At 31st March, 2001, the ageing analysis of the trade debtors were as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>24,726</b>	73,994
31 – 90 days	<b>1,539</b>	519
More than 90 days	<b>4,964</b>	6,021
	<b><u>31,229</u></b>	<u>80,534</u>

The majority of the Group's sales comes from retailing and bullion trading and are on cash basis. The trade debtors as at the year end mainly consist of receivables of the securities broking business, the credit terms of which are in accordance with securities broking industry practice.



**17. TRADING INVESTMENTS**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	<u>9,065</u>	<u>—</u>

**18. HELD-TO-MATURITY SECURITIES**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Unlisted securities, at amortised cost	<u>2,767</u>	<u>—</u>

**19. CREDITORS AND ACCRUALS**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Trade payables	17,910	42,063	—	—
Other payables and accruals	15,739	20,640	8,072	14,567
Deposits received	<u>4,040</u>	<u>8,575</u>	<u>44</u>	<u>44</u>
	<u>37,689</u>	<u>71,278</u>	<u>8,116</u>	<u>14,611</u>

At 31st March, 2001, the ageing analysis of the trade payables were as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Within 30 days	17,910	41,638
31 – 90 days	<u>—</u>	<u>425</u>
	<u>17,910</u>	<u>42,063</u>

## Notes to the Accounts (Continued)

### 20. SHARE CAPITAL

	2001 HK\$'000	2000 HK\$'000
<i>Authorised:</i>		
620,000,000 ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
<i>Issued and fully paid:</i>		
435,071,650 ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

### 21. RESERVES

#### Group

	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment property revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2000	24,753	(104)	—	37,199	17,575	300,398	379,821
Exchange translation differences	—	110	—	—	—	—	110
Reserve realised upon disposal of non-trading investments	—	—	—	(4,871)	—	—	(4,871)
Deficit on revaluation of non- trading investments	—	—	—	(7,837)	—	—	(7,837)
Profit for the year retained	—	—	—	—	—	9,023	9,023
<b>At 31st March, 2001</b>	<u>24,753</u>	<u>6</u>	<u>—</u>	<u>24,491</u>	<u>17,575</u>	<u>309,421</u>	<u>376,246</u>
<i>Retained by:</i>							
Company and subsidiaries	24,753	6	—	24,491	17,575	309,691	376,516
Associated company	—	—	—	—	—	(270)	(270)
	<u>24,753</u>	<u>6</u>	<u>—</u>	<u>24,491</u>	<u>17,575</u>	<u>309,421</u>	<u>376,246</u>
At 1st April, 1999	24,753	(355)	16,268	—	17,575	276,748	334,989
Exchange translation differences	—	251	—	—	—	—	251
Reserve realised upon disposal of associated companies	—	—	(16,268)	—	—	—	(16,268)
Surplus on revaluation of non- trading investments	—	—	—	37,199	—	—	37,199
Profit for the year retained	—	—	—	—	—	23,650	23,650
<b>At 31st March, 2000</b>	<u>24,753</u>	<u>(104)</u>	<u>—</u>	<u>37,199</u>	<u>17,575</u>	<u>300,398</u>	<u>379,821</u>
<i>Retained by:</i>							
Company and subsidiaries	24,753	(104)	—	37,199	17,575	300,544	379,967
Associated company	—	—	—	—	—	(146)	(146)
	<u>24,753</u>	<u>(104)</u>	<u>—</u>	<u>37,199</u>	<u>17,575</u>	<u>300,398</u>	<u>379,821</u>

**21. RESERVES** (Continued)**Company**

	<b>Share premium</b> HK\$'000	<b>Retained profits</b> HK\$'000	<b>Total</b> HK\$'000
At 1st April, 2000	17,575	187,606	205,181
Profit for the year retained	—	7,494	7,494
<b>At 31st March, 2001</b>	<b>17,575</b>	<b>195,100</b>	<b>212,675</b>
At 1st April, 1999	17,575	179,875	197,450
Profit for the year retained	—	7,731	7,731
At 31st March, 2000	17,575	187,606	205,181

**22. NON-CURRENT LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>2001</b> HK\$'000	2000 HK\$'000	<b>2001</b> HK\$'000	2000 HK\$'000
Obligations under finance leases	—	1,013	—	415
Current portion of finance leases	—	(1,013)	—	(415)
Provision for long service payments	5,257	7,350	3,703	5,661
	<b>5,257</b>	<b>7,350</b>	<b>3,703</b>	<b>5,661</b>

The movements of provision for long service payments are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2001</b> HK\$'000	2000 HK\$'000	<b>2001</b> HK\$'000	2000 HK\$'000
At the beginning of the year	7,350	9,433	5,661	7,339
Payments	(1,286)	(270)	(1,286)	(132)
Write back (note 3)	(807)	(1,813)	(672)	(1,546)
<b>At the end of the year</b>	<b>5,257</b>	<b>7,350</b>	<b>3,703</b>	<b>5,661</b>

The balances as at 31st March, 2001 and 2000 represent full provision for entitlements of the Group's employees to long service payments on termination of their employment under the required circumstances specified in the Employment Ordinance which are not covered by the Group's provident fund schemes.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit before finance costs to net cash outflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Operating profit before finance costs	21,811	36,826
Depreciation	6,364	5,854
Loss on disposal, write off and write down of fixed assets	—	2,283
Profit on disposal of associated companies	—	(13,825)
Profit on disposal of other asset	(2,880)	—
Profit on disposal of non-trading investments	(27,076)	—
Net realised and unrealised losses on trading investments	506	—
Increase in amount due from an associated company	(289)	(241)
Increase in stocks	(59,159)	(14,545)
Decrease/(increase) in debtors, deposits and prepayments	50,429	(38,272)
(Decrease)/increase in creditors and accruals	(33,589)	18,839
(Decrease)/increase in gold loans	(8,755)	7,045
Decrease in provision for long service payments	(2,093)	(2,083)
Interest income	(4,436)	(3,012)
Dividend income	(379)	—
	<u>(59,546)</u>	<u>(1,131)</u>

(b) Analysis of changes in financing during the year

	Advance from an associated company HK\$'000	Finance lease obligations HK\$'000
Balance at 1st April, 2000	—	1,013
Net cash outflow from financing	—	(1,013)
<b>Balance at 31st March, 2001</b>	<u>—</u>	<u>—</u>
Balance at 1st April, 1999	2,333	2,728
Net cash outflow from financing	(2,333)	(1,715)
Balance at 31st March, 2000	<u>—</u>	<u>1,013</u>

24. COMMITMENTS

(a) Capital commitments for purchase of fixed assets

	<b>Group</b>	
	2001	2000
	HK\$'000	HK\$'000
Contracted but not provided for	<u>590</u>	<u>420</u>

The Company had no capital commitment as at 31st March, 2001 and 2000.

(b) Commitments under operating leases

	<b>Group</b>		<b>Company</b>	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31st March, the Group/Company had commitments to make payments in the next twelve months under operating leases which expire as follows:				
Land and buildings				
— within one year	1,116	26,833	103	727
— in the second to fifth year inclusive	<u>34,685</u>	<u>803</u>	<u>274</u>	<u>—</u>
	<u>35,801</u>	<u>27,636</u>	<u>377</u>	<u>727</u>

(c) Other commitments

	<b>Group and Company</b>	
	2001	2000
	HK\$'000	HK\$'000
Foreign exchange forward contracts	<u>23,350</u>	<u>19,995</u>

## 25. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the Group's business:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Operating lease rentals on land and buildings paid to related companies:		
Stanwick Properties Limited ( <i>note a</i> )	<b>6,387</b>	6,074
Contender Limited ( <i>note b</i> )	<b>13,633</b>	14,198
Consultancy fee paid to a related company ( <i>note c</i> )	<b>1,800</b>	1,800

- (a) The operating lease rental was paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group in King Fook Building, Des Voeux Road Central, Hong Kong on normal commercial terms. Stanwick is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth are directors of the Company and Yeung Chi Shing Estates Limited. These directors together with other members of their family have a controlling interest in Yeung Chi Shing Estates Limited.

- (b) The operating lease rental was paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar") (a substantial shareholder of the Company), for the shop premises occupied by a subsidiary on the ground and first floors of the Miramar Hotel on normal commercial terms. Mr. Tang Yat Sun, Richard, Dr. Ho Tim, Dr. Sin Wai Kin, Mr. Yue King Cheong, Robert and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.
- (c) The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides consultation services to the Group for the year ended 31st March, 2001 at fees totalling HK\$1,800,000 (2000: HK\$1,800,000). Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.

## 26. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 13th July, 2001.