

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(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 ("HKSA"). They have been prepared under the historical cost convention as modified by the revaluation of investments in securities.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for accounting periods commencing on or after 1st July, 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(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 and jointly controlled entities.

The results of subsidiaries 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 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 unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

Notes to the Accounts (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

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

(c) Subsidiaries

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

The Company's investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(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 consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

The Company's investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend income.

(e) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

The Company's investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of the jointly controlled entities are accounted for by the Company on the basis of dividend income.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(f) Goodwill/negative goodwill**

Goodwill/negative goodwill on acquisition of subsidiaries/associated companies/jointly controlled entities occurring on or after 1st April, 2001 is included as intangible assets and is amortised over its estimated useful life in accordance with the provisions of SSAP 30. For acquisitions prior to 1st April, 2001, goodwill/negative goodwill was written off against/taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill/negative goodwill has not been retroactively restated. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

(g) 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.

(h) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Notes to the Accounts (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Fixed assets (Continued)

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 less accumulated impairment losses 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%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the fixed asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

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.

(i) 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.

(j) 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)**(j) 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 as an expense immediately.

(k) 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(m) 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.

Notes to the Accounts (Continued)**1. PRINCIPAL ACCOUNTING POLICIES** (Continued)**(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.

(m) 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.

(n) 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.

(o) 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, associated companies and jointly controlled entities 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.

(p) 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.

(q) Dividends

In accordance with the revised SSAP 9 issued by the HKSA, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date, and the Group no longer recognises dividends proposed or declared by subsidiaries after the balance sheet date as income and an asset at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform with the changed policy.

The effect of this change on the Group's and Company's opening retained profits as at 1st April, 2001 and 2000 is summarised in note 22.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments are presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated results represent the gain or loss from investments in securities less corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables, operating cash and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets (note 10).

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:

	2002 HK\$'000	Restated 2001 HK\$'000
Gold ornament, jewellery, watch and gift retailing	500,934	565,157
Bullion trading	241,555	310,368
Commission from securities broking	8,084	15,651
Diamond wholesaling	<u>14,794</u>	<u>23,297</u>
	<u><u>765,367</u></u>	<u><u>914,473</u></u>

Primary reporting format — business segments

The Group is organised into three main business segments:

- (i) Retailing and bullion trading
- (ii) Securities broking
- (iii) Diamond wholesaling

Notes to the Accounts (Continued)**2. TURNOVER AND SEGMENT INFORMATION** (Continued)**Primary reporting format — business segments** (Continued)

	Retailing and bullion trading 2002 HK\$'000	Securities broking 2002 HK\$'000	Diamond wholesaling 2002 HK\$'000	Group 2002 HK\$'000
Turnover	<u>742,489</u>	<u>8,084</u>	<u>14,794</u>	<u>765,367</u>
Segment results	<u>8,695</u>	<u>(3,476)</u>	<u>641</u>	5,860
Unallocated results				<u>(14,294)</u>
Operating loss before finance costs				(8,434)
Finance costs				<u>(7,924)</u>
Operating loss				(16,358)
Share of loss of an associated company				<u>(297)</u>
Loss before taxation				(16,655)
Taxation				<u>578</u>
Loss after taxation				(16,077)
Minority interests				<u>13</u>
Loss attributable to shareholders				<u>(16,064)</u>
Segment assets	559,551	27,515	13,357	600,423
Investment in a jointly controlled entity	4,624			4,624
Unallocated assets				<u>71,640</u>
Total assets				<u>676,687</u>
Segment liabilities	50,885	10,101	2,913	63,899
Unallocated liabilities				149,338
Minority interests				<u>378</u>
Total liabilities				<u>213,615</u>
Capital expenditure				
— segment	3,513	221	2	3,736
— unallocated				771
Depreciation				
— segment	4,106	954	93	5,153
— unallocated				727
Impairment of fixed assets	738			738

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

	Retailing and bullion trading 2001 HK\$'000	Securities broking 2001 HK\$'000	Diamond wholesaling 2001 HK\$'000	Group 2001 HK\$'000
Turnover	<u>875,525</u>	<u>15,651</u>	<u>23,297</u>	<u>914,473</u>
Segment results	<u>3,053</u>	<u>571</u>	<u>3,424</u>	7,048
Unallocated results				<u>14,763</u>
Operating profit before finance costs				21,811
Finance costs				<u>(12,245)</u>
Operating profit				9,566
Share of loss of an associated company				<u>(124)</u>
Profit before taxation				9,442
Taxation				<u>(400)</u>
Profit after taxation				9,042
Minority interests				<u>(19)</u>
Profit attributable to shareholders				<u>9,023</u>
Segment assets	592,730	43,666	13,991	650,387
Investment in an associated company				260
Unallocated assets				<u>68,741</u>
Total assets				<u>719,388</u>
Segment liabilities	29,613	17,981	3,488	51,082
Unallocated liabilities				182,901
Minority interests				<u>391</u>
Total liabilities				<u>234,374</u>
Capital expenditure				
— segment	6,490	2,749	36	9,275
— unallocated				157
Depreciation				
— segment	4,717	818	98	5,633
— unallocated				731

Secondary reporting format — geographical segments

Over 90% of the Group's revenues, results, assets and liabilities are derived from activities in Hong Kong.

Notes to the Accounts (Continued)

3. OPERATING LOSS/PROFIT BEFORE FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Operating loss/profit before finance costs is stated after crediting and charging the following:		
<i>Crediting</i>		
Dividend income from listed investments	1,371	379
Interest income	1,836	4,436
Gain on disposal of a subsidiary	646	—
Gain on disposal of non-trading listed investments	—	27,076
Gain on disposal of other asset	—	2,880
Gain on disposal of held-to-maturity securities	164	—
Net realised and unrealised gains on trading listed investments	108	—
Rental income less outgoings		
— owned land and buildings	454	322
— operating subleases	1,150	935
Write back of provision for long service payments (<i>note 23</i>)	<u>1,949</u>	<u>807</u>
<i>Charging</i>		
Auditors' remuneration	1,094	1,142
Contributions to provident funds*	2,933	3,235
Cost of stocks sold	653,495	780,693
Depreciation		
— owned fixed assets	5,880	5,962
— leased fixed assets	—	402
Impairment of fixed assets	738	—
Loss on disposal of fixed assets	104	—
Net realised and unrealised losses on trading listed investments	—	506
Operating leases — land and buildings	34,979	38,018
Provision for stocks	7,800	2,200
Staff costs (including contributions to provident funds and directors' emoluments except fees)	<u>46,364</u>	<u>57,098</u>

* As permitted under the rules of the provident fund schemes, all forfeited contributions for the two years ended 31st March, 2002 and 2001 have been credited to the employers' balance in respect of the remaining members' accounts.

4. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on		
— bank loans and overdrafts	7,545	11,612
— gold loans	122	602
— loan from a director	257	—
Interest element of finance lease	<u>—</u>	<u>31</u>
	<u>7,924</u>	<u>12,245</u>

5. TAXATION

No provision for Hong Kong profits tax has been made in the current year as the Group has no assessable profit for the year. In the prior year, Hong Kong profits tax had been provided at the rate of 16% on the estimated assessable profit for that year.

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

	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	—	400
Over provision in prior years	<u>(578)</u>	<u>—</u>
	<u>(578)</u>	<u>400</u>
Deferred tax credit for the year not recognised in the accounts in respect of tax losses	<u>1,353</u>	<u>4,569</u>
Deferred tax asset at the year end not recognised in the accounts in respect of tax losses	<u>13,917</u>	<u>12,564</u>

6. LOSS/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss (2001: profit) attributable to shareholders includes a loss of HK\$4,643,000 (2001 as restated: profit of HK\$11,494,000) which is dealt with in the accounts of the Company.

Notes to the Accounts (Continued)**7. DIVIDEND**

	2002	Restated
	HK\$'000	2001
		HK\$'000
2000 final dividend paid of HK 0.5 cent per ordinary share (<i>Note</i>)	<u>—</u>	<u>2,175</u>

Note: The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31st March, 2000 was HK\$2,175,000. Under the Group's new accounting policy as described in note 1(q), this has been written back against retained profits as at 1st April, 2000 in note 22 and is now charged in the period in which it was proposed.

8. LOSS/EARNINGS PER SHARE

The calculation of loss (2001: earnings) per share is based on the Group's loss attributable to shareholders of HK\$16,064,000 (2001: profit of HK\$9,023,000) and the total number of 435,071,650 (2001: 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:

	2002	2001
	HK\$'000	HK\$'000
Fees	150	150
Salaries, allowances, benefits in kind and other emoluments	652	673
Provident fund contributions	<u>30</u>	<u>23</u>
	<u>832</u>	<u>846</u>

The emoluments were paid to the directors as follows:

Emoluments band	Number of directors	
	2002	2001
HK\$ Nil – HK\$1,000,000	<u>11</u>	<u>12</u>

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)**(a) Directors' remuneration** (Continued)

None of the directors has waived or agreed to waive any emoluments in respect of the year ended 31st March, 2002 (2001: Nil).

For the year under review, directors' fees paid and/or payable to independent non-executive directors amounted to HK\$32,000 (2001: HK\$32,000).

(b) Five highest paid individuals

None of the directors is among the Group's five highest paid individuals. Details of emoluments of the five (2001: five) highest paid individuals are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,583	2,675
Provident fund contributions	162	215
	<u>2,745</u>	<u>2,890</u>
	Number of individuals	
	2002	2001
Emoluments band		
HK\$ Nil – HK\$1,000,000	<u>5</u>	<u>5</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, 2001	36,967	52,120	11,391	100,478
Additions	—	4,383	124	4,507
Disposals	—	(4,558)	(3,642)	(8,200)
At 31st March, 2002	36,967	51,945	7,873	96,785
Accumulated depreciation and impairment losses				
At 1st April, 2001	8,895	42,873	7,443	59,211
Charge for the year	832	4,044	1,004	5,880
Disposals	—	(3,081)	(2,056)	(5,137)
Impairment	—	738	—	738
At 31st March, 2002	9,727	44,574	6,391	60,692
Net book value				
At 31st March, 2002	27,240	7,371	1,482	36,093
At 31st March, 2001	28,072	9,247	3,948	41,267

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

	2002 HK\$'000	2001 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	18,189	18,731
Leases of between 10 to 50 years	9,051	9,341
	27,240	28,072

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, 2001	1,603	11,305	12,908
Additions	—	768	768
At 31st March, 2002	1,603	12,073	13,676
Accumulated depreciation			
At 1st April, 2001	287	9,502	9,789
Charge for the year	37	689	726
At 31st March, 2002	324	10,191	10,515
Net book value			
At 31st March, 2002	1,279	1,882	3,161
At 31st March, 2001	1,316	1,803	3,119

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

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	Restated 2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	126,358	126,778
Less: provision for impairment losses	(14,594)	(6,594)
	111,764	120,184
Amounts due from subsidiaries	532,164	555,461
	643,928	675,645
Amounts due to subsidiaries	(182,580)	(171,398)
	461,348	504,247

Notes to the Accounts (Continued)**11. INVESTMENTS IN SUBSIDIARIES** (Continued)

The amounts due from/to subsidiaries are unsecured, interest free except for receivables of HK\$122,803,000 (2001: HK\$165,683,000) and payables of HK\$82,559,000 (2001: HK\$11,927,000) which bear interest at rates ranging from 1.5% to 6.4375% (2001: 4.5% to 8.5%) per annum, and have no fixed terms of repayment.

Details of subsidiaries as at 31st March, 2002 are as follows:

Name	Particulars of issued share/registered capital	Percentage of equity interest held by		Principal activities
		Group	Company	
Incorporated and operating in Hong Kong:				
Jacqueline Emporium Limited	1,000 ordinary shares of HK\$100 each	100	—	Watch trading
King Fook China Resources Limited (formerly King Fook Resources Limited)	2 ordinary shares of HK\$10 each	100	100	Dormant
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
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	Investment holding
King Fook International Money Exchange (Kowloon) Limited	65,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook Holding Management Limited	50 ordinary shares of HK\$100 each	100	100	Dormant

11. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by		Principal activities
		Group	Company	
Incorporated and operating in Hong Kong: (Continued)				
King Fook Securities Company Limited	10,000,000 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 (ceased operation in 2002)
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

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	
Incorporated and operating in Republic of Liberia:				
Elias Holdings Limited	1 ordinary share with no par value	100	100	Investment holding
Established and operating in the People's Republic of China:				
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	US\$1,000,000	100	100	Dormant
Incorporated and operating in British Virgin Islands:				
Most Worth Investments Limited	100 ordinary shares of US\$1 each	100	100	Investment holding

Other than Goldlens Limited which was disposed of during the year ended 31st March, 2002, there has been no change in the Group's and the Company's interest in subsidiaries.

12. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net liabilities	—	(270)
Amount due from an associated company	—	530
	<u>—</u>	<u>260</u>
Unlisted shares, at cost	—	1
	<u>—</u>	<u>1</u>

The associated company was disposed of during the year.

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

12. INVESTMENT IN AN ASSOCIATED COMPANY (Continued)

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

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

13. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	<u>4,624</u>	<u>—</u>

Details of the jointly controlled entity, established and operating in the People's Republic of China ("PRC") and held indirectly by the Company, as at 31st March, 2002 are as follows:

Name	Principal activity
山東天承景福貴金屬精煉有限公司	Gold refining and assaying

Pursuant to the joint venture agreement dated 25th January, 2002, the Group established a jointly controlled entity in the PRC with a PRC company. The jointly controlled entity is a limited liability company with a registered capital of RMB10,000,000 and has a joint venture period of 15 years. The Group has 49% interest in ownership and profit sharing and 40% interest in voting power in the jointly controlled entity. The jointly controlled entity has not commenced operation as at 31st March, 2002.

14. NON-TRADING INVESTMENTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Equity securities, at market value		
Listed in Hong Kong	30,903	32,052
Listed outside Hong Kong	<u>13,270</u>	<u>18,060</u>
	<u>44,173</u>	<u>50,112</u>

Notes to the Accounts (Continued)**15. OTHER ASSETS**

	Group	
	2002	2001
	HK\$'000	HK\$'000
Statutory deposits	<u>2,200</u>	<u>2,200</u>

16. STOCKS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Jewellery	224,796	265,790
Gold ornament and bullion	27,262	52,699
Watches and gift	<u>243,126</u>	<u>219,787</u>
	<u>495,184</u>	<u>538,276</u>

At 31st March, 2002, the carrying amount of stocks that are carried at net realisable value amounted to HK\$53,629,000 (2001: HK\$18,342,000).

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	23,745	31,229	—	—
Deposits and prepayments	7,258	9,823	814	390
Other receivables	<u>20,546</u>	<u>2,881</u>	<u>903</u>	<u>—</u>
	<u>51,549</u>	<u>43,933</u>	<u>1,717</u>	<u>390</u>

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 30 days	19,107	24,726
31–90 days	763	1,539
More than 90 days	<u>3,875</u>	<u>4,964</u>
	<u>23,745</u>	<u>31,229</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.

18. TRADING INVESTMENTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Equity securities, at market value Listed in Hong Kong	<u>13,233</u>	<u>9,065</u>

19. HELD-TO-MATURITY SECURITIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted securities, at amortised cost	<u>—</u>	<u>2,767</u>

20. CREDITORS AND ACCRUALS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	16,945	17,910	—	—
Other payables and accruals	12,555	15,739	2,874	8,072
Deposits received	4,066	4,040	37	44
	<u>33,566</u>	<u>37,689</u>	<u>2,911</u>	<u>8,116</u>

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 30 days	<u>16,945</u>	<u>17,910</u>

21. SHARE CAPITAL

	2002	2001
	HK\$'000	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>

Notes to the Accounts (Continued)

22. RESERVES

Group

	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investments revaluation reserve HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2001	24,753	6	24,491	17,575	309,421	376,246
Exchange translation differences	—	60	—	—	—	60
Deficit on revaluation of non- trading investments	—	—	(5,938)	—	—	(5,938)
Loss for the year	—	—	—	—	(16,064)	(16,064)
At 31st March, 2002	24,753	66	18,553	17,575	293,357	354,304
<i>Retained by:</i>						
Company and subsidiaries	24,753	66	18,553	17,575	293,357	354,304
At 1st April, 2000						
As previously reported	24,753	(104)	37,199	17,575	300,398	379,821
Effect of adopting SSAP 9 (revised) (note 1q)						
— 2000 final dividend proposed by the Company	—	—	—	—	2,175	2,175
As restated	24,753	(104)	37,199	17,575	302,573	381,996
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	—	—	—	—	9,023	9,023
2000 final dividend paid (note 7)	—	—	—	—	(2,175)	(2,175)
At 31st March, 2001	24,753	6	24,491	17,575	309,421	376,246
<i>Retained by:</i>						
Company and subsidiaries	24,753	6	24,491	17,575	309,691	376,516
An associated company	—	—	—	—	(270)	(270)
	24,753	6	24,491	17,575	309,421	376,246

22. RESERVES (Continued)

Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2001			
As previously reported	17,575	195,100	212,675
Effect of adopting SSAP 9 (revised) (<i>note 1q</i>)			
— 2001 final dividend proposed by a subsidiary	—	(8,000)	(8,000)
	<u>17,575</u>	<u>187,100</u>	<u>204,675</u>
As restated	17,575	187,100	204,675
Loss for the year	—	(4,643)	(4,643)
	<u>17,575</u>	<u>182,457</u>	<u>200,032</u>
At 31st March, 2002	<u>17,575</u>	<u>182,457</u>	<u>200,032</u>
At 1st April, 2000			
As previously reported	17,575	187,606	205,181
Effect of adopting SSAP 9 (revised) (<i>note 1q</i>)			
— 2000 final dividend proposed by the Company	—	2,175	2,175
— 2000 final dividend proposed by a subsidiary	—	(12,000)	(12,000)
	<u>17,575</u>	<u>177,781</u>	<u>195,356</u>
As restated	17,575	177,781	195,356
Profit for the year	—	11,494	11,494
2000 final dividend paid (<i>note 7</i>)	—	(2,175)	(2,175)
	<u>17,575</u>	<u>187,100</u>	<u>204,675</u>
At 31st March, 2001	<u>17,575</u>	<u>187,100</u>	<u>204,675</u>

23. NON-CURRENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Provision for long service payments	1,854	5,257	1,656	3,703
Bank loan, unsecured	60,000	—	60,000	—
	<u>61,854</u>	<u>5,257</u>	<u>61,656</u>	<u>3,703</u>

The bank loan is wholly repayable in the third year.

Notes to the Accounts (Continued)

23. NON-CURRENT LIABILITIES (Continued)

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

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At the beginning of the year	5,257	7,350	3,703	5,661
Payments	(1,454)	(1,286)	(301)	(1,286)
Write back (note 3)	(1,949)	(807)	(1,746)	(672)
	<u>1,854</u>	<u>5,257</u>	<u>1,656</u>	<u>3,703</u>

The balances as at 31st March, 2002 and 2001 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.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	2001 HK\$'000
Operating (loss)/profit before finance costs	(8,434)	21,811
Depreciation	5,880	6,364
Loss on disposal of fixed assets	104	—
Gain on disposal of a subsidiary	(646)	—
Gain on disposal of held-to-maturity securities	(164)	—
Gain on disposal of other asset	—	(2,880)
Gain on disposal of non-trading investments	—	(27,076)
Impairment of fixed assets	738	—
Net realised and unrealised (gains)/losses on trading investments	(108)	506
Increase in amount due from an associated company	(112)	(289)
Decrease/(increase) in stocks	43,092	(59,159)
(Increase)/decrease in debtors, deposits and prepayments	(7,407)	50,429
Decrease in creditors and accruals	(3,569)	(33,589)
Increase/(decrease) in gold loans	14,834	(8,755)
Decrease in provision for long service payments	(3,403)	(2,093)
Interest income	(1,836)	(4,436)
Dividend income	(1,371)	(379)
	<u>37,598</u>	<u>(59,546)</u>

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Loan from a director HK\$'000	Bank loans HK\$'000	Finance lease obligations HK\$'000
Balance at 1st April, 2001	—	—	—
Net cash inflow from financing	20,000	67,803	—
Balance at 31st March, 2002	20,000	67,803	—
Balance at 1st April, 2000	—	—	1,013
Net cash outflow from financing	—	—	(1,013)
Balance at 31st March, 2001	—	—	—

(c) Sale of a subsidiary

Net assets disposed of:	2002
	HK\$'000
Fixed assets	38
Bank balances and cash	3
Creditors and accruals	(687)
	(646)
Gain on disposal of a subsidiary	646
Consideration	—

The above disposal is satisfied by cash consideration of HK\$1.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2002
	HK\$'000
Sales proceeds	—
Cash and cash equivalents disposed of	(3)
Net cash outflow in respect of the disposal of a subsidiary	(3)

Notes to the Accounts (Continued)**25. COMMITMENTS****(a) Capital commitments for purchase of fixed assets**

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for	149	590	149	—

(b) Commitments under operating leases

At 31st March, the Group/Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2002	Restated 2001	2002	Restated 2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Land and buildings				
Not later than one year	31,485	35,801	628	377
Later than one year and not later than five years	22,609	53,127	—	228
	54,094	88,928	628	605

The comparative figures have been restated to comply with SSAP 14 (revised) on Leases which is effective for accounting periods commencing on or after 1st July, 2000.

At 31st March, 2002, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$2,655,000 (2001: HK\$780,000).

(c) Future rental receivables

At 31st March, the Group/Company had future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of the Group's land and buildings as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	273	248	144	—
Later than one year and not later than five years	84	42	84	—
	357	290	228	—

25. COMMITMENTS (Continued)

(d) Other commitments

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
Foreign exchange forward contracts	16	23,350

26. 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 during the year:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Operating lease rentals on land and buildings paid to related companies:		
Stanwick Properties Limited (<i>note a</i>)	6,368	6,387
Contender Limited (<i>note b</i>)	11,197	13,633
Consultancy fee paid to a related company (<i>note c</i>)	1,710	1,800
Interest expense paid to a director (<i>note d</i>)	257	—

- (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. 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. Mr. Tang Yat Sun, Richard, Dr. Ho Tim, Dr. Sin Wai Kin 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.

Notes to the Accounts (Continued)**26. RELATED PARTY TRANSACTIONS** (Continued)

- (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, 2002 at fees totaling HK\$1,710,000 (2001: 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.
- (d) The Group has borrowed an unsecured short term loan of HK\$20,000,000 from a director of the Company during the year. The loan is repayable within 12 months from the balance sheet date. Interest was charged on the loan at 2% to 4.5% per annum.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 12th July, 2002.