

1 Principal activities

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 46 to 48.

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 ("HKSA"). The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties and marketable 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
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 revised new standards is set out in the accounting policies below.

(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 unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and 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.

2 Principal accounting policies *(Continued)***(c) Goodwill/negative goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions occurring on or after 1st April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

The carrying amount of goodwill is reviewed annually and provision is made where, in the opinion of directors, there is a long term impairment in value.

In previous years, goodwill on acquisitions was taken directly to reserves. This accounting policy has been changed to conform with SSAP30 and such change has no effect to the accounts for the year.

(d) Subsidiary companies

A company is a subsidiary if the Group has the power to exercise control governing the financial and operating policies of the company. In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. 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 dividend income received and receivable.

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 and accumulated impairment losses.

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 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.

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 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.

(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.

In prior years, the Group capitalised an internally generated trademarks and patents amounting to HK\$1,000,000. Upon the adoption of SSAP 29, the internally generated trademarks and patents did not meet the recognition criteria provided in this new accounting standard. In accordance with the transitional provision of SSAP 29, this change in accounting policy has been applied retrospectively and as a result, trademarks and patents and reserves of the Group as at 31st March 2001 and 2000 have decreased by HK\$1,000,000.

(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. Profit or loss 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.

2 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) 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 mandatory provident fund scheme. 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 into account of the principal outstanding and the effective interest rate applicable; and
- (vi) profits on disposals of completed properties, when the sale and purchase agreements are completed.

2 Principal accounting policies *(Continued)***(r) Dividends**

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively.

(s) Segment reporting

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

Unallocated items represent net corporate expenses or income. Segment assets consist primarily of fixed assets, trademarks and patents, stocks, debtors and prepayments and exclude cash and bank balances. Segment liabilities consist mainly of creditors and accruals and exclude taxation payable, loans from shareholders, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on location of its markets and customers. Total assets and capital expenditure are based on where the assets are located.

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

NOTES TO THE ACCOUNTS

3 Turnover

Turnover represents the following and comprises revenues from:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Sales of goods	1,173,777	1,146,433
Gross rental income	34,654	36,907
Sales of properties	–	39,000
Sales of marketable securities	376	11,701
Dividend income	1,456	1,180
Interest income	7,300	8,052
	1,217,563	1,243,273

NOTES TO THE ACCOUNTS
4 Segment information

Primary reporting format – business segments

	2002				Group HK\$'000
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	
Turnover	1,988	51,722	1,176,306	(12,453)	1,217,563
Segment results	1,971	17,842	43,293		63,106
Net corporate expenses					(28,527)
Operating profit before financing					34,579
Finance costs					(36,234)
Loss before taxation					(1,655)
Taxation					(8,079)
Loss after taxation					(9,734)
Minority interests					–
Loss attributable to shareholders					(9,734)
Segment assets	11,222	874,694	673,038		1,558,954
Unallocated assets					55,865
Total assets					1,614,819
Segment liabilities	5,839	52,659	230,374		288,872
Minority interests	–	–	1,461		1,461
Unallocated liabilities					578,587
Total liabilities					868,920
Capital expenditure	2,674	177	27,080		29,931
Depreciation	1,199	6,892	45,427		53,518
Amortisation of trademarks and patents	–	–	2,351		2,351
Impairment charge	–	12,154	–		12,154
Loss on disposals of fixed assets	–	–	1,721		1,721
Provision for stock obsolescence and stocks written off	–	–	8,277		8,277
Provision for doubtful debts and bad debts written off	9	4,615	1,920		6,544

NOTES TO THE ACCOUNTS

4 Segment information (Continued)

Primary reporting format – business segments (Continued)

	2001				Group HK\$'000
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	
Turnover	13,260	94,487	1,149,603	(14,077)	1,243,273
Segment results	3,409	72,660	42,686		118,755
Profit on repurchase of convertible notes					14,847
Foreign exchange gain on convertible notes					6,248
Net corporate expenses					(36,659)
Operating profit before financing					103,191
Finance costs					(44,709)
Profit before taxation					58,482
Taxation					(3,084)
Profit after taxation					55,398
Minority interests					–
Profit attributable to shareholders					55,398
Segment assets	11,112	941,749	704,187		1,657,048
Unallocated assets					61,844
Total assets					1,718,892
Segment liabilities	11,054	88,941	263,861		363,856
Minority interests	–	–	1,408		1,408
Unallocated liabilities					597,295
Total liabilities					962,559
Capital expenditure	105	277	63,429		63,811
Depreciation	673	7,072	44,443		52,188
Amortisation of trademarks and patents	–	–	3,087		3,087
Loss on disposals of fixed assets	432	255	1,360		2,047
Provision for stock obsolescence and stocks written off	–	–	7,570		7,570
Provision for doubtful debts and bad debts written off	–	4,471	6,733		11,204

NOTES TO THE ACCOUNTS

4 Segment information (Continued)

Secondary reporting format – geographical segments

	2002			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	745,659	13,875	1,296,309	15,318
South East and Far East Asia	277,787	10,403	229,957	12,869
Europe	167,830	38,211	67,184	1,446
North America	14,118	(887)	9,669	20
PRC Mainland	12,169	1,504	11,700	278
	1,217,563	63,106	1,614,819	29,931

	2001			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	795,873	90,932	1,395,048	34,061
South East and Far East Asia	252,608	(948)	232,258	28,631
Europe	160,355	27,216	70,948	775
North America	19,275	(918)	8,880	92
PRC Mainland	15,162	2,473	11,758	252
	1,243,273	118,755	1,718,892	63,811

5 Other income

	2002 HK\$'000	2001 HK\$'000
Building management fee income	12,450	12,925
Profit on sales of spare parts	–	1,152
Sundries	12,937	11,020
	25,387	25,097

NOTES TO THE ACCOUNTS

6 Operating profit before financing

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Operating profit before financing is stated after charging/(crediting):		
Depreciation		
Owned fixed assets	53,120	51,347
Leased fixed assets	398	841
Auditors' remuneration		
Current year	3,993	3,634
Under provision in respect of prior years	28	253
Operating leases		
Land and buildings	167,838	161,101
Plant and machinery	546	880
Amortisation of trademarks and patents	2,351	3,087
Outgoings in respect of investment properties	2,323	3,283
Loss on disposals of fixed assets	1,721	2,047
Loss on sales of marketable securities	17	9,851
Provision for stock obsolescence and stocks written off	8,277	7,570
Provision for doubtful debts and bad debts written off	6,544	11,204
Staff costs	192,534	191,846
Net exchange losses/(gains)	1,881	(3,371)

7 Finance costs

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	31,643	35,439
Interest on bank loans not wholly repayable within five years	1,505	1,924
Interest on other loans wholly repayable within five years	2,920	7,256
Interest on finance leases	166	90
	36,234	44,709

8 Emoluments of directors and senior management

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees		
– executive directors	480	480
– non-executive directors	340	340
Salaries, allowances and benefits in kind	10,016	10,890
Pension contributions	216	229
Executive Bonus Scheme	–	2,479
	11,052	14,418

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. No bonus was paid or is payable to the eligible directors under the Executive Bonus Scheme for the year.

Emoluments paid to independent non-executive directors for the year included directors' fees amounting to HK\$160,000 (2001: HK\$160,000). During the year, none of the directors has waived their directors' fees (2001: Nil).

The emoluments were paid to the directors as follows:

Emolument bands	2002 Number of directors	2001 Number of directors
HK\$ Nil – HK\$500,000	4	4
HK\$500,001 – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	4	2
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
	10	10

In addition to the above analysis for directors, there was one employee (2001: one) whose emoluments were among the five highest in the Group. Details of the emoluments paid to this employee were:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,219	1,085
Pension contributions	104	96
Bonuses	1,005	1,125
	2,328	2,306

NOTES TO THE ACCOUNTS

9 Retirement benefits

The Group's contribution to retirement schemes during the year was HK\$6,666,914 (2001: HK\$5,020,433) less forfeiture utilised of HK\$463,316 (2001: HK\$1,668,077).

10 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Company and subsidiary companies:		
Hong Kong profits tax		
Current	(29)	(28)
Under provision in respect of prior years	(4,325)	(46)
	(4,354)	(74)

Overseas profits tax		
Current	(4,794)	(4,465)
Over provision in respect of prior years	1,069	1,306
Deferred taxation	-	149
	(3,725)	(3,010)

	(8,079)	(3,084)

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Accelerated depreciation allowances	(762)	2,097
Other timing differences	636	5,701
	(126)	7,798

10 Taxation (Continued)

Unprovided deferred taxation assets are analysed as follows:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Accelerated depreciation allowances	2,611	3,373
Other timing differences	14,339	13,703
	16,950	17,076

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

11 (Loss)/profit attributable to shareholders

(Loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$2,871,000 (2001: loss of HK\$2,515,000).

12 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$9,734,000 (2001: profit of HK\$55,398,000) and on the weighted average number of 936,340,023 shares (2001: 936,340,023 shares) in issue during the year.

The exercise of the share options granted by the Group would have an anti-dilutive effect on the loss per share for the year ended 31 March 2002.

13 Fixed assets

	Land and buildings	Investment properties	Plant, equipment and others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Group				
Cost or valuation				
At 31st March 2001	374,729	592,650	278,524	1,245,903
Translation differences	4,431	–	873	5,304
Additions	187	–	29,744	29,931
Disposals	(21,827)	–	(13,541)	(35,368)
Revaluation deficit	–	(26,900)	–	(26,900)
At 31st March 2002	357,520	565,750	295,600	1,218,870
Accumulated depreciation				
At 31st March 2001	81,390	–	191,573	272,963
Translation differences	2,262	–	814	3,076
Charge for the year	10,481	–	43,037	53,518
Impairment charge	12,154	–	–	12,154
Disposals	(1,171)	–	(11,767)	(12,938)
At 31st March 2002	105,116	–	223,657	328,773
Net book value				
At 31st March 2002	252,404	565,750	71,943	890,097
At 31st March 2001	293,339	592,650	86,951	972,940

Investment properties of the Group were valued on the open market value basis at 31st March 2002 by DTZ Debenham Tie Leung Limited and B.I. Appraisals Limited, independent property valuers. All other fixed assets are stated at cost less accumulated depreciation and impairment charge, if any.

13 Fixed assets (Continued)

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

	2002	Group
	HK\$'000	2001
		HK\$'000
Hong Kong:		
Long term leases (over 50 years)	–	20,824
Medium term leases (10 – 50 years)	714,450	758,545
Overseas:		
Freehold	51,724	51,993
Medium term leases (10 – 50 years)	51,256	52,126
Short term leases (under 10 years)	724	2,501
	818,154	885,989

- (b) At 31st March 2002, certain of the Group's land and buildings amounting to HK\$175,899,000 (2001: HK\$238,217,000), investment properties amounting to HK\$564,550,000 (2001: HK\$592,050,000) and plant and equipment amounting to HK\$1,717,000 (2001: HK\$2,164,000) were pledged to secure banking facilities granted to the Group.
- (c) At 31st March 2002, the net book value of fixed assets held under finance leases amounted to HK\$1,523,000 (2001: HK\$1,621,000).

14 Subsidiary companies

	2002	2001
	HK\$'000	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	(123,383)	(120,432)
	487,922	490,873

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 46 to 48.

NOTES TO THE ACCOUNTS

15 Investment securities

	2002 <i>HK\$'000</i>	Group 2001 <i>HK\$'000</i>
Unlisted overseas shares, at cost	4,299	4,299

16 Trademarks and patents

	Group <i>HK\$'000</i>
At 1st April 2001, as previously reported	26,485
Prior period adjustment upon adopting SSAP 29 (<i>note 2(i)</i>)	(1,000)
At 1st April 2001, as restated	25,485
Less: Amortisation	(2,351)
At 31st March 2002	23,134

17 Stocks

	2002 <i>HK\$'000</i>	Group 2001 <i>HK\$'000</i>
Raw materials	145,884	146,529
Work-in-progress	8,138	11,164
Finished goods	296,843	294,013
	450,865	451,706
Provision	(95,823)	(98,115)
	355,042	353,591

At 31st March 2002, finished goods that are carried at net realisable value amounted to HK\$3,500,624 (2001: HK\$4,153,683).

NOTES TO THE ACCOUNTS

18 Debtors and prepayments

	2002 HK\$'000	Group 2001 HK\$'000
Trade debtors (<i>note a</i>)		
Below 60 days	11,934	31,782
Over 60 days	19,511	18,160
	31,445	49,942
Deposits, prepayments and other debtors (<i>note b</i>)	254,872	250,361
	286,317	300,303

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\$170,885,000 (2001: HK\$162,708,000). The amounts receivable are unsecured, interest free and have no fixed terms of repayment except for a receivable of HK\$158,438,000 (2001: HK\$153,823,000) which carries interest at 3% per annum and is repayable on demand.

19 Marketable securities

	2002 HK\$'000	Group 2001 HK\$'000
Overseas listed shares, at market value	65	430

20 Creditors and accruals

	2002 HK\$'000	Group 2001 HK\$'000
Trade creditors		
Below 60 days	63,478	67,344
Over 60 days	45,733	63,306
	109,211	130,650
Other creditors and accruals (<i>note</i>)	179,661	233,206
	288,872	363,856

Note:

Included in creditors and accruals are amounts due to related companies of HK\$25,372,000 (2001: HK\$15,867,000) which are unsecured, interest free and have no fixed terms of repayment.

21 Share capital

	Number of shares of HK\$0.1 each	Nominal value HK\$'000
Authorised:		
At 31st March 2002 and 2001	1,600,000,000	160,000
Issued and fully paid:		
At 31st March 2002 and 2001	936,340,023	93,634

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 2002, the outstanding options granted to directors and employees under the Scheme was 22,000,000, of which 6,000,000 options are exercisable at HK\$1.3632 per share during the period from 6th August 1997 to 5th August 2002, 8,000,000 options are exercisable at HK\$0.15 per share during the period from 26th October 1998 to 25th October 2003, and 8,000,000 are exercisable at HK\$0.248 per share during the period from 17th January 2000 to 16th January 2005. No new options have been granted nor any outstanding options have been exercised during the year.

22 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 2000, as previously reported	2,848,462	443	(2,217,643)	631,262
Prior period adjustment (<i>note 2(i)</i>)	–	–	(1,000)	(1,000)
At 1st April 2000, as restated	2,848,462	443	(2,218,643)	630,262
Retained profit for the year	–	–	55,398	55,398
Exchange translation	–	–	(22,961)	(22,961)
At 31st March 2001, as restated	2,848,462	443	(2,186,206)	662,699
At 1st April 2001, as previously reported	2,848,462	443	(2,185,206)	663,699
Prior period adjustment (<i>note 2(i)</i>)	–	–	(1,000)	(1,000)
At 1st April 2001, as restated	2,848,462	443	(2,186,206)	662,699
Loss for the year	–	–	(9,734)	(9,734)
Exchange translation	–	–	(700)	(700)
At 31st March 2002	2,848,462	443	(2,196,640)	652,265

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 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
Loss for the year	–	–	(2,871)	(2,871)
At 31st March 2002	4,085,186	443	(3,697,620)	388,009

Under the laws of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable. At 31st March 2002, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK\$387,566,000 (2001: HK\$390,437,000).

NOTES TO THE ACCOUNTS

23 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.

24 Other long term liabilities

	Note	2002 HK\$'000	Group 2001 HK\$'000
Bank loans, unsecured	(a)	737	–
Bank loans, secured	(a)	295,327	317,659
Loan from a related company	(b)	33,000	43,200
Loan from a director	(c)	15,245	14,720
Obligations under finance leases	(d)	1,117	3,104
Construction costs and retention money payable		–	8,531
		345,426	387,214
Amount payable within one year included under current liabilities		26,330	27,630
		319,096	359,584
(a) The bank loans are repayable as follows:			
Not exceeding one year		19,824	10,248
More than one year, but not exceeding two years		254,799	20,787
More than two years, but not exceeding five years		20,600	277,011
More than five years		841	9,613
		296,064	317,659

Of the gross amounts shown above for the Group, bank loans not wholly repayable within five years amounted to HK\$23,571,000 (2001: HK\$41,113,000).

- (b) The loan payable is unsecured, carries interest at prime rate. Except for the loan amount of HK\$27,000,000 (2001: HK\$27,000,000) which is not repayable on or before 1st April 2003, the balance is repayable within one year.
- (c) The loan payable is unsecured, carries interest at 2.875% per annum above the prevailing Swiss interbank cost of funds and is extended to be wholly repayable on 30th April 2004.

NOTES TO THE ACCOUNTS

24 Other long term liabilities (Continued)

(d) The obligations under finance leases are repayable as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Not exceeding one year	582	1,228
More than one year, but not exceeding two years	489	905
More than two years, but not exceeding five years	221	930
More than five years	–	174
	1,292	3,237
Future finance charges on finance leases	(175)	(133)
	1,117	3,104
The present value of finance lease liabilities is as follows:		
Not exceeding one year	506	1,182
More than one year, but not exceeding two years	436	863
More than two years, but not exceeding five years	175	885
More than five years	–	174
	1,117	3,104

25 Contingent liabilities

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
(a) Guarantees to secure banking facilities for subsidiary companies	–	–	1,035,696	949,812
Other guarantees				
Subsidiary companies	–	–	4,659	2,210
(b) Bills discounted	6,396	5,865	–	–
(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	9,923	9,112	–	–

(d) The contractor for Stelux House has submitted claims for extensions 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 the contractor. 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 contractor to put these claims and counter-claims to arbitration and hearing will take place in the fourth quarter of the year 2002.

26 Commitments

	2002 <i>HK\$'000</i>	Group 2001 <i>HK\$'000</i>
(a) Commitments in respect of expenditure on leasehold improvements		
Contracted but not provided for	557	1,597
Authorised but not contracted for	–	–
	557	1,597

(b) Commitments under operating leases

At 31st March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2002 <i>HK\$'000</i>	Group 2001 <i>HK\$'000</i>
Land and buildings		
Not later than one year	165,240	173,197
Later than one year but not later than five years	96,695	155,497
Later than five years	3,239	14,171
	265,174	342,865
Plant and machinery		
Not later than one year	14	426
Later than one year but not later than five years	–	13
	14	439
	265,188	343,304

(c) Future minimum lease receivables

At 31st March 2002, the Group had future aggregate minimum leases receivable under non-cancellable operating leases as follows:

	2002 <i>HK\$'000</i>	Group 2001 <i>HK\$'000</i>
Land and buildings		
Not later than one year	30,662	36,252
Later than one year but not later than five years	24,700	55,364
	55,362	91,616

26 Commitments (Continued)

- (d) 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, which was extended to a date on or before 2nd September 2002 during the year. Subsequent to the year end date, the subsidiary company has exercised the option and the purchase will be completed by the end of July 2002.

27 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:

		2002	2001
		HK\$'000	HK\$'000
Purchases of goods from related companies	(a)	32,069	47,819
Rental income received from related companies	(b)	1,863	1,950
Interest income received from a related company	(c)	4,615	4,471
Interest expense paid to a related company	(d)	2,034	3,059
Interest expense paid to a director	(e)	886	138

- (a) Purchases of goods from related companies were conducted in the normal course of business at prices and terms no less favourable than those available to third party customers.
- (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 three years expiring on 14th August 2001. The leases were entered into on normal commercial terms as stated in the connected transactions press announcement dated 13th August 1998. On 19th July 2001, the Group entered into new lease agreements with International Optical Manufacturing Company Limited and Yee Hing Company Limited for a period of three years expiring on 14th August 2004 at a monthly rental of HK\$95,040 and HK\$55,900 respectively. The leases were entered into on normal commercial terms as stated in the connected transactions press announcement dated 19th July 2001.

27 Related party transactions (Continued)

- (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% (2001: 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) Interest expense on loan from a director was calculated at 2.875% per annum above the prevailing Swiss interbank cost of funds.

28 Notes to the consolidated cash flow statement

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

	2002	2001
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(1,655)	58,482
Depreciation	53,518	52,188
Provision for impairment in value of land and buildings	12,154	–
Loss on disposals of fixed assets	1,721	2,047
Loss/(net profit) on disposals of land and buildings	5,621	(18,083)
Deficit/(net surplus) on revaluation of investment properties	26,900	(25,517)
Amortisation of trademarks and patents	2,351	3,087
Decrease in marketable securities	365	21,552
Net interest and dividends	27,478	35,477
(Increase)/decrease in stocks	(1,451)	8,321
Decrease in debtors and prepayments	7,226	12,381
Decrease in creditors and accruals	(30,349)	(14,723)
Forfeiture of deposit received on disposal of land and buildings	(14,133)	–
Write back of provision for construction cost payable	(20,570)	–
Profit on repurchase of convertible notes	–	(14,847)
Foreign exchange gain on convertible notes	–	(6,248)
Net unrealised loss on marketable securities	–	283
Translation difference	1,881	(3,371)
Net cash inflow from operating activities	71,057	111,029

NOTES TO THE ACCOUNTS

28 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 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
Net cash outflow from financing	(4,108)	–	–	–	(15,867)	(19,975)
Exchange differences	513	–	53	–	–	566
Inception of finance lease	815	–	–	–	–	815
Reclassification to current liabilities	(8,531)	–	–	–	–	(8,531)
Balance at 31st March 2002	537,169	–	1,461	3,892	–	542,522

29 Ultimate holding company

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

30 Approval of accounts

The accounts set out on pages 14 to 48 were approved by the board of directors on 19th July 2002.