

**1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are the manufacture, assembly and sale of electronic watches, trading of watch movements and watch parts, property development and investment and trading of securities.

**2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

**Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders’ funds of the Group and the Company as at 31st March, 2001 by HK\$5,842,990.

**Leases**

In accordance with SSAP 14 (Revised) “Leases”, some amendments were introduced to the basis of accounting for leases and to the disclosures specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

**Segment reporting**

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

**Goodwill**

In the current year, the Group has adopted SSAP 30 “Business combinations” and has not elected to restate goodwill previously credited to reserves. Accordingly, negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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 have been eliminated on consolidation.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition of subsidiaries prior to 1st April, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

**Subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

**Joint venture**

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of net assets of the jointly controlled entities less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities is included in the consolidated income statement.

**Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed.

Income from properties developed for sale is recognised on the execution of a binding sales agreement.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

Revenue from trading of securities is recognised on a trade date basis when the relevant sale and purchase contract is entered into.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Management fee income is recognised when services are rendered.

**Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any valuation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the valuation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

**Property, plant and equipment**

Property, plant and equipment other than properties under development are stated at cost less depreciation and any identified impairment loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment (continued)**

Depreciation is provided to write off the cost of property, plant and equipment other than properties under development over their estimated useful lives after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

|  |  |
|--|--|
| Freehold land                            | Nil  |
| Leasehold land                           | Over the terms of the leases                         |
| Buildings                                | Over the shorter of the terms of leases, or 50 years |
| Leasehold improvements                   | 20% - 33 $\frac{1}{3}$ %                             |
| Plant and machinery                      | 25%  |
| Motor vehicles                           | 25%  |
| Furniture, fixtures and office equipment | 14.3% - 25%  |
| Tools and moulds                         | 33 $\frac{1}{3}$ % - 100%                            |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the terms of the leases.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**Leased assets**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the dates of acquisitions. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair values of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

**Properties under development for long-term investment**

Property under development for long-term investment purposes is stated at cost which includes the cost of land, development expenditure, other attributable expenses and capitalised borrowing costs incurred less any identified impairment loss.

**Development costs**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life (i.e. 8 years).

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Club debentures**

Club debentures are stated at cost less any identified impairment loss.

**Antiques and pictures**

Antiques and pictures are stated at cost less any identified impairment loss.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as revaluation decrease under that accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

**Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

**Inventory of unsold properties**

Completed properties remaining unsold at the year end are stated at the lower of cost and net realisable value.

**Foreign currencies**

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

**Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

**Retirement benefit scheme**

The pension costs charged to the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme or Mandatory Provident Fund Scheme.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

## 4. SEGMENT INFORMATION

### Business segments

For management purposes, the Group is currently organised into five divisions - manufacture of watches, trading of watch movements, property development, property investment and trading of securities. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

|                            |   |  |
|----------------------------|---|--|
| Manufacture of watches     | – | manufacture, assembly and sale of electronic watches and watch parts.            |
| Trading of watch movements | – | trading of watch movements and watch parts.                                      |
| Property development       | – | development and sale of properties.  |
| Property investment        | – | holding of properties for investment and leasing purposes.                       |
| Trading of securities      | – | trading of local and overseas market securities which commenced during the year. |

Segment information about these businesses is presented below.

### 2002

|                     | Manufacture<br>of watches<br><i>HK\$</i> | Trading<br>of watch<br>movements<br><i>HK\$</i> | Property<br>development<br><i>HK\$</i> | Property<br>investment<br><i>HK\$</i> | Trading<br>of securities<br><i>HK\$</i> | Eliminations<br><i>HK\$</i> | Consolidated<br><i>HK\$</i> |
|---------------------|--|---|--|---------------------------------------|---|-----------------------------|-----------------------------|
| <b>REVENUE</b>      |  |   |  |                                       |   |                             |                             |
| External sales      | 321,908,476                              | 366,413,446                                     | –                                      | 6,260,516                             | 177,756,235                             | –                           | 872,338,673                 |
| Inter-segment sales | 16,250                                   | 5,277,303                                       | –                                      | –                                     | –                                       | (5,293,553)                 | –                           |
| Total revenue       | <u>321,924,726</u>                       | <u>371,690,749</u>                              | <u>–</u>                               | <u>6,260,516</u>                      | <u>177,756,235</u>                      | <u>(5,293,553)</u>          | <u>872,338,673</u>          |

Inter-segment sales are charged at prevailing market values

### RESULT

|  |                   |                     |                    |                     |                    |          |                     |
|--|-------------------|---------------------|--------------------|---------------------|--------------------|----------|---------------------|
| Segment result                                     | <u>29,195,317</u> | <u>(10,750,055)</u> | <u>(9,020,059)</u> | <u>(32,191,742)</u> | <u>(3,808,649)</u> | <u>–</u> | (26,575,188)        |
| Interest income                                    |                   |                     |                    |                     |                    |          | 3,280,082           |
| Unallocated corporate expenses                     |                   |                     |                    |                     |                    |          | <u>(4,479,688)</u>  |
| Loss from operations                               |                   |                     |                    |                     |                    |          | (27,774,794)        |
| Finance costs                                      |                   |                     |                    |                     |                    |          | (13,768,240)        |
| Share of results of jointly<br>controlled entities |                   |                     | <u>(758,500)</u>   |                     |                    |          | <u>(758,500)</u>    |
| Loss before taxation                               |                   |                     |                    |                     |                    |          | (42,301,534)        |
| Taxation   |                   |                     |                    |                     |                    |          | <u>(3,133,546)</u>  |
| Net loss for the year                              |                   |                     |                    |                     |                    |          | <u>(45,435,080)</u> |

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2002

**4. SEGMENT INFORMATION (CONTINUED)**

**BALANCE SHEET**

|   | <b>Manufacture<br/>of watches<br/>HK\$</b> | <b>Trading<br/>of watch<br/>movements<br/>HK\$</b> | <b>Property<br/>development<br/>HK\$</b> | <b>Property<br/>investment<br/>HK\$</b> | <b>Trading<br/>of securities<br/>HK\$</b> | <b>Eliminations<br/>HK\$</b> | <b>Consolidated<br/>HK\$</b> |
|---|--|--|--|---|---|------------------------------|------------------------------|
| <b>ASSETS</b>                               |  |  |  |   |   |                              |                              |
| Segment assets                              | 162,496,077                                | 115,126,848  | 166,743,885                              | 193,253,501                             | 158,438                                   | –                            | 637,778,749                  |
| Interests in jointly<br>controlled entities |  |  | 3,298,941                                |   |   |                              | 3,298,941                    |
| Unallocated corporate assets                |  |  |  |   |   |                              | 73,305,139                   |
| Consolidated total assets                   |  |  |  |   |   |                              | <u>714,382,829</u>           |
| <b>LIABILITIES</b>                          |  |  |  |   |   |                              |                              |
| Segment liabilities                         | 45,471,672                                 | 41,530,504   | 15,431,129                               | 3,356,074                               | 4,000                                     | –                            | 105,793,379                  |
| Unallocated corporate liabilities           |  |  |  |   |   |                              | 308,208,727                  |
| Consolidated total liabilities              |  |  |  |   |   |                              | <u>414,002,106</u>           |

**OTHER INFORMATION**

|   | <b>Manufacture<br/>of watches<br/>HK\$</b> | <b>Trading<br/>of watch<br/>movements<br/>HK\$</b> | <b>Property<br/>development<br/>HK\$</b> | <b>Property<br/>investment<br/>HK\$</b> | <b>Trading<br/>of securities<br/>HK\$</b> | <b>Unallocated<br/>HK\$</b> | <b>Consolidated<br/>HK\$</b> |
|---|--|--|--|---|---|-----------------------------|------------------------------|
| Capital additions                         | 9,439,864                                  | 721,142  | 85,422,064                               | 358,120                                 | –   | –                           | 95,941,190                   |
| Depreciation and amortisation             | 14,235,707                                 | 3,025,874  | 103,662                                  | 2,972,766                               | –   | 633,370                     | 20,971,379                   |
| Impairment losses recognised<br>in income | –  | –  | 2,963,839                                | –                                       | –   | –                           | 2,963,839                    |

**2001**

|                     | <b>Manufacture<br/>of watches<br/>HK\$</b> | <b>Trading<br/>of watch<br/>movements<br/>HK\$</b> | <b>Property<br/>development<br/>HK\$</b> | <b>Property<br/>investment<br/>HK\$</b> | <b>Trading<br/>of securities<br/>HK\$</b> | <b>Eliminations<br/>HK\$</b> | <b>Consolidated<br/>HK\$</b> |
|---------------------|--|--|--|---|---|------------------------------|------------------------------|
| <b>REVENUE</b>      |  |  |  |   |   |                              |                              |
| External sales      | 359,556,368                                | 427,560,573  | 398,000,000                              | 3,839,230                               | –   | –                            | 1,188,956,171                |
| Inter-segment sales | 10,000                                     | 7,175,796  | –  | –                                       | –   | (7,185,796)                  | –                            |
| Total revenue       | <u>359,566,368</u>                         | <u>434,736,369</u>                                 | <u>398,000,000</u>                       | <u>3,839,230</u>                        | <u>–</u>                                  | <u>(7,185,796)</u>           | <u>1,188,956,171</u>         |

Inter-segment sales are charged at prevailing market values

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2002

**4. SEGMENT INFORMATION (CONTINUED)**

|                                   | Manufacture<br>of watches<br><i>HK\$</i> | Trading<br>of watch<br>movements<br><i>HK\$</i> | Property<br>development<br><i>HK\$</i> | Property<br>investment<br><i>HK\$</i> | Trading<br>of securities<br><i>HK\$</i> | Eliminations<br><i>HK\$</i> | Consolidated<br><i>HK\$</i> |
|-----------------------------------|--|---|--|---------------------------------------|---|-----------------------------|-----------------------------|
| <b>RESULT</b>                     |  |   |  |                                       |   |                             |                             |
| Segment result                    | 39,777,196                               | 14,404,671                                      | (4,892,118)                            | (69,332,651)                          | –                                       | –                           | (20,042,902)                |
| Interest income                   |  |   |  |                                       |   |                             | 3,201,909                   |
| Unallocated corporate expenses    |  |   |  |                                       |   |                             | (3,507,169)                 |
| Loss from operations              |  |   |  |                                       |   |                             | (20,348,162)                |
| Finance costs                     |  |   |  |                                       |   |                             | (24,830,979)                |
| Gain on disposals of subsidiaries |  |   |  |                                       |   |                             | 18,059,155                  |
| Loss before taxation              |  |   |  |                                       |   |                             | (27,119,986)                |
| Taxation                          |  |   |  |                                       |   |                             | (11,855,902)                |
| Net loss for the year             |  |   |  |                                       |   |                             | (38,975,888)                |

**BALANCE SHEET**

|  | Manufacture<br>of watches<br><i>HK\$</i> | Trading<br>of watch<br>movements<br><i>HK\$</i> | Property<br>development<br><i>HK\$</i> | Property<br>investment<br><i>HK\$</i> | Trading<br>of securities<br><i>HK\$</i> | Eliminations<br><i>HK\$</i> | Consolidated<br><i>HK\$</i> |
|--|--|---|--|---------------------------------------|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>                            |  |   |  |                                       |   |                             |                             |
| Segment assets                           | 180,113,204                              | 222,558,432                                     | 123,432,109                            | 178,220,321                           | –                                       | –                           | 704,324,066                 |
| Interests in jointly controlled entities |  |   | 31,718,599                             |                                       |   |                             | 31,718,599                  |
| Unallocated corporate assets             |  |   |  |                                       |   |                             | 67,715,713                  |
| Consolidated total assets                |  |   |  |                                       |   |                             | 803,758,378                 |
| <b>LIABILITIES</b>                       |  |   |  |                                       |   |                             |                             |
| Segment liabilities                      | 86,659,449                               | 64,609,820                                      | 15,070,405                             | 3,182,590                             | –                                       | –                           | 169,522,264                 |
| Unallocated corporate liabilities        |  |   |  |                                       |   |                             | 281,913,433                 |
| Consolidated total liabilities           |  |   |  |                                       |   |                             | 451,435,697                 |

**OTHER INFORMATION**

|  | Manufacture<br>of watches<br><i>HK\$</i> | Trading<br>of watch<br>movements<br><i>HK\$</i> | Property<br>development<br><i>HK\$</i> | Property<br>investment<br><i>HK\$</i> | Trading<br>of securities<br><i>HK\$</i> | Unallocated<br><i>HK\$</i> | Consolidated<br><i>HK\$</i> |
|--|--|---|--|---------------------------------------|---|----------------------------|-----------------------------|
| Capital additions                      | 24,933,281                               | 1,366,532                                       | 137,479,408                            | 45,359,066                            | –                                       | –                          | 209,138,287                 |
| Depreciation and amortisation          | 10,518,794                               | 4,478,813                                       | 199,595                                | 3,538,995                             | –                                       | 452,156                    | 19,188,353                  |
| Impairment losses recognised in income | –  | –   | 3,456,272                              | –                                     | –                                       | –                          | 3,456,272                   |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

### 4. SEGMENT INFORMATION (CONTINUED)

#### Geographical segments

The Group's operations are located in Hong Kong, North America and Europe.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

|               | Sales revenue by<br>geographical market |                      | Contribution to (loss) profit<br>from operations |                     |
|---------------|---|----------------------|--|---------------------|
|               | 2002<br>HK\$                            | 2001<br>HK\$         | 2002<br>HK\$                                     | 2001<br>HK\$        |
| Hong Kong     | 584,757,655                             | 852,172,489          | (43,976,025)                                     | (49,035,710)        |
| North America | 187,999,945                             | 234,079,920          | 11,701,172                                       | 23,020,024          |
| Europe        | 91,916,898                              | 90,110,390           | 4,029,380  | 5,456,186           |
| Others        | 7,664,175                               | 12,593,372           | 470,679  | 211,338             |
|               | <u>872,338,673</u>                      | <u>1,188,956,171</u> | <u>(27,774,794)</u>                              | <u>(20,348,162)</u> |

The following is an analysis of the carrying amount of segment assets, additions to investment properties, property, plant and equipment, properties under development and development costs, analysed by the geographical area in which the assets are located:

#### 2002

|   | Carrying<br>amount of<br>total assets<br>HK\$ | Additions to<br>investment<br>properties<br>HK\$ | Additions to<br>property, plant<br>and equipment<br>HK\$ | Additions<br>to properties<br>under<br>development<br>HK\$ | Additions to<br>development<br>costs<br>HK\$ |
|---|---|--|--|--|--|
| Hong Kong                                   | 398,855,178                                   | –  | 4,143,236  | –  | 498,563                                      |
| North America                               | 255,347,546                                   | –  | 5,128,729  | 84,672,437   | –  |
| Europe                                      | 38,798,662                                    | –  | 1,343,169  | –  | –  |
| Others                                      | 3,082,502                                     | –  | 155,056  | –  | –  |
| Total segment assets                        | 696,083,888                                   | –  | 10,770,190   | 84,672,437   | 498,563                                      |
| Interests in jointly<br>controlled entities | 3,298,941                                     |  |  |  |  |
| Unallocated corporate assets                | 15,000,000                                    |  |  |  |  |
|   | <u>714,382,829</u>                            |  |  |  |  |

#### 2001

|   | Carrying<br>amount of<br>total assets<br>HK\$ | Additions to<br>investment<br>properties<br>HK\$ | Additions to<br>property, plant<br>and equipment<br>HK\$ | Additions<br>to properties<br>under<br>development<br>HK\$ | Additions to<br>development<br>costs<br>HK\$ |
|---|---|--|--|--|--|
| Hong Kong                                   | 525,150,989                                   | 43,114,654                                       | 10,463,767   | 132,476,521  | 195,000                                      |
| North America                               | 199,081,218                                   | –  | 14,856,980   | 3,456,272  | –  |
| Europe                                      | 39,756,680                                    | –  | 4,037,390  | –  | –  |
| Others                                      | 8,050,892                                     | –  | 537,703  | –  | –  |
| Total segment assets                        | 772,039,779                                   | 43,114,654                                       | 29,895,840   | 135,932,793  | 195,000                                      |
| Interests in jointly<br>controlled entities | 31,718,599                                    |  |  |  |  |
|   | <u>803,758,378</u>                            |  |  |  |  |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

## 5. OTHER OPERATING INCOME

|   | 2002<br>HK\$     | 2001<br>HK\$     |
|---|------------------|------------------|
| Bank interest income  | 3,280,082        | 3,201,909        |
| Net exchange gain   | 112,986          | 5,433,669        |
| Gain on disposal of property, plant and equipment                             | 50,830           | –                |
| Sundry income   | 1,618,333        | 574,419          |
| Overprovision of formation expenses in respect of jointly controlled entities | 1,218,513        | –                |
| Management fee income received from jointly controlled entities (note)        | 865,814          | –                |
|   | <b>7,146,558</b> | <b>9,209,997</b> |

*Note:*

Management fee income was charged at a fixed percentage on the total certified construction costs incurred by the projects undertaken by the jointly controlled entities.

## 6. OTHER OPERATING EXPENSES

Amounts represent the provision for impairment loss on property under development for long-term investment.

## 7. LOSS FROM OPERATIONS

|  | 2002<br>HK\$       | 2001<br>HK\$      |
|--|--------------------|-------------------|
| Loss from operations has been arrived at after charging:                     |                    |                   |
| Amortisation of development costs  | 300,000            | 300,000           |
| Auditors' remuneration   | 873,386            | 994,500           |
| Depreciation of:   |                    |                   |
| Owned assets   | 17,447,512         | 15,725,337        |
| Assets held under finance leases   | 3,223,867          | 3,163,016         |
|  | <b>20,671,379</b>  | <b>18,888,353</b> |
| Loss on disposal of property, plant and equipment                            | –                  | 801,395           |
| Minimum lease payments for operating leases in respect of land and buildings | 5,585,590          | 1,801,876         |
| Staff costs  | 101,735,693        | 100,193,397       |
| Less: Amount capitalised to properties under development                     | –                  | (18,468,982)      |
|  | <b>101,735,693</b> | <b>81,724,415</b> |
| and after crediting:   |                    |                   |
| Gross rental income from investment properties                               | 6,260,516          | 3,839,230         |
| Less: Outgoings  | (705,117)          | (519,888)         |
| Net rental income from investment properties                                 | <b>5,555,399</b>   | <b>3,319,342</b>  |

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$3,877,958 (2001: HK\$3,358,507) are included in staff costs.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

### 8. FINANCE COSTS

|  | 2002<br>HK\$ | 2001<br>HK\$ |
|--|--------------|--------------|
| Interest on:   |              |              |
| Bank loans and overdrafts                                |              |              |
| Wholly repayable within five years                       | 7,688,253    | 25,587,886   |
| Not wholly repayable within five years                   | 8,050,362    | 14,162,581   |
| Obligations under finance leases                         | 993,464      | 1,106,630    |
|  | 16,732,079   | 40,857,097   |
| Total borrowing costs                                    | 16,732,079   | 40,857,097   |
| Less: Amount capitalised to properties under development | (2,963,839)  | (16,026,118) |
|  | 13,768,240   | 24,830,979   |

### 9. DIRECTORS' AND EMPLOYEES' REMUNERATION

#### (a) Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

|  | 2002<br>HK\$ | 2001<br>HK\$ |
|--|--------------|--------------|
| Fees                                   |              |              |
| Executive directors                    | 250,000      | 250,000      |
| Independent non-executive directors    | 350,000      | 350,000      |
|  | 600,000      | 600,000      |
| Other emoluments (executive directors) |              |              |
| Salaries and other benefits            | 20,885,065   | 18,907,985   |
|  | 21,485,065   | 19,507,985   |

Included in salaries and other benefits is an amount of HK\$3,401,865 (2001: HK\$4,025,785) in respect of accommodation provided to the directors of the Company.

The emoluments of the directors are within the following bands:

|                               | Number of directors |      |
|-------------------------------|---------------------|------|
|                               | 2002                | 2001 |
| HK\$ nil – HK\$1,000,000      | 2                   | 3    |
| HK\$2,500,001 – HK\$3,000,000 | 1                   | –    |
| HK\$3,000,001 – HK\$3,500,000 | 1                   | 3    |
| HK\$3,500,001 – HK\$4,000,000 | 1                   | –    |
| HK\$4,000,001 – HK\$4,500,000 | –                   | 1    |
| HK\$4,500,001 – HK\$5,000,000 | –                   | 1    |
| HK\$5,000,001 – HK\$5,500,000 | 2                   | –    |
|                               | 7                   | 8    |

#### (b) Employees' emoluments

The five top paid employees are all executive directors of the Group whose emoluments have been disclosed in note (a) above.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

## 10. TAXATION

|                                     | 2002<br>HK\$ | 2001<br>HK\$ |
|-------------------------------------|--------------|--------------|
| The (charge) credit comprises:      |              |              |
| Hong Kong Profits Tax               |              |              |
| Current year                        | (2,808,234)  | (3,803,254)  |
| Over(under)provision in prior years | 114,236      | (8,101,209)  |
| Tax refund                          | –            | 543,591      |
|                                     | (2,693,998)  | (11,360,872) |
| Other jurisdictions                 | (461,536)    | (616,091)    |
|                                     | (3,155,534)  | (11,976,963) |
| Deferred taxation (note 28)         | 21,988       | 121,061      |
|                                     | (3,133,546)  | (11,855,902) |

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profit for the year.

Tax refund represented 10% of 1997/98 profits tax refunded under Section 87 of Inland Revenue Ordinance.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 8th December, 1999, the Inland Revenue Department (“IRD”) commenced a review of the accounting records of certain subsidiaries of the Group. The directors understood that the principal scope of the IRD review was in respect of the deductibility of certain expenses for the period from 1st April, 1993 to 31st March, 1999. The IRD had completed the review and issued notices of assessment/revisted assessment on certain subsidiaries of the Company on 29th June, 2001 amounting to HK\$9,609,260, which had been included in the underprovision in prior years above for 2001.

## 11. DIVIDEND

On 28th August, 2001, a dividend of HK0.5 cent per share amounting to HK\$5,839,681 was paid to shareholders as the final dividend in respect of 2001.

## 12. LOSS PER SHARE

The calculation of loss per share is based on the net loss for the year of HK\$45,435,080 (2001: HK\$38,975,888) and on the weighted average number of 1,167,560,624 (2001: 1,175,184,838) shares in issue during the year.

## 13. INVESTMENT PROPERTIES

|  | THE GROUP    |              |
|--|--------------|--------------|
|  | 2002<br>HK\$ | 2001<br>HK\$ |
| At 1st April   | 170,800,000  | 57,500,000   |
| Additions  | –            | 43,114,654   |
| Transferred from (to) inventory of unsold properties | 44,826,150   | (43,000,000) |
| Transferred to leasehold improvements                | (1,217,433)  | –            |
| Transferred from leasehold land and buildings        | –            | 176,959,185  |
| Revaluation decrease                                 | (29,408,717) | (63,773,839) |
|  | 185,000,000  | 170,800,000  |
| At 31st March  |              |              |

Investment properties were valued at their open market values at 31st March, 2002 by DTZ Debenham Tie Leung Limited, International Property Advisers, on an open market existing use basis. This revaluation gave rise to a decrease of HK\$29,408,717.

At the balance sheet date, the investment properties are situated in Hong Kong under long leases.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st March, 2002

**14. PROPERTY, PLANT AND EQUIPMENT**

|  | Land and buildings in Hong Kong held under long leases<br><i>HK\$</i> | Land and buildings in Hong Kong held under medium-term leases<br><i>HK\$</i> | Freehold land and buildings outside Hong Kong<br><i>HK\$</i> | Land and buildings outside Hong Kong held under medium-term leases<br><i>HK\$</i> | Leasehold improvements<br><i>HK\$</i> | Plant and machinery<br><i>HK\$</i> | Motor vehicles<br><i>HK\$</i> | Furniture, fixtures and office equipment<br><i>HK\$</i> | Tools and moulds<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|--|---|--|--|---|---------------------------------------|------------------------------------|-------------------------------|---|---------------------------------|----------------------|
| <b>THE GROUP</b>                       |   |  |  |   |                                       |                                    |                               |   |                                 |                      |
| <b>COST</b>                            |   |  |  |   |                                       |                                    |                               |   |                                 |                      |
| At 1st April, 2001                     | 57,690,869  | –  | 16,344,004   | 9,159,083   | 29,942,518                            | 51,874,372                         | 22,464,022                    | 52,286,847  | 43,909,747                      | 283,671,462          |
| Exchange difference                    | –   | –  | (208,992)  | (58,953)  | –                                     | –                                  | –                             | (35,117)  | –                               | (303,062)            |
| Additions                              | –   | –  | 3,683  | 427,798   | 1,896,687                             | 3,467,450                          | 2,384,404                     | 2,394,068   | 196,100                         | 10,770,190           |
| Transferred from investment properties | –   | –  | –  | –   | 1,217,433                             | –                                  | –                             | –   | –                               | 1,217,433            |
| Disposals                              | –   | –  | –  | –   | –                                     | –                                  | (1,039,807)                   | (14,206)  | (3,501,083)                     | (4,555,096)          |
| Reclassifications                      | (15,396,068)  | 15,396,068   | –  | –   | –                                     | 4,806,288                          | –                             | (4,806,288)   | –                               | –                    |
| At 31st March, 2002                    | 42,294,801  | 15,396,068   | 16,138,695   | 9,527,928   | 33,056,638                            | 60,148,110                         | 23,808,619                    | 49,825,304  | 40,604,764                      | 290,800,927          |
| <b>DEPRECIATION</b>                    |   |  |  |   |                                       |                                    |                               |   |                                 |                      |
| At 1st April, 2001                     | 5,753,793   | –  | 499,222  | 1,480,436   | 20,610,418                            | 35,294,815                         | 17,765,965                    | 37,898,847  | 42,466,132                      | 161,769,628          |
| Exchange difference                    | –   | –  | (415)  | (15,327)  | –                                     | –                                  | –                             | (6,448)   | –                               | (22,190)             |
| Reclassifications                      | (1,642,046)   | 1,642,046  | –  | –   | –                                     | 1,316,993                          | –                             | (1,316,993)   | –                               | –                    |
| Provided for the year                  | 568,068   | 302,462  | 141,892  | 335,971   | 5,526,533                             | 7,475,129                          | 2,814,911                     | 2,672,085   | 834,328                         | 20,671,379           |
| Eliminated on disposals                | –   | –  | –  | –   | –                                     | –                                  | (1,039,807)                   | (13,386)  | (3,501,083)                     | (4,554,276)          |
| At 31st March, 2002                    | 4,679,815   | 1,944,508  | 640,699  | 1,801,080   | 26,136,951                            | 44,086,937                         | 19,541,069                    | 39,234,105  | 39,799,377                      | 177,864,541          |
| <b>NET BOOK VALUES</b>                 |   |  |  |   |                                       |                                    |                               |   |                                 |                      |
| At 31st March, 2002                    | 37,614,986  | 13,451,560   | 15,497,996   | 7,726,848   | 6,919,687                             | 16,061,173                         | 4,267,550                     | 10,591,199  | 805,387                         | 112,936,386          |
| At 31st March, 2001                    | 51,937,076  | –  | 15,844,782   | 7,678,647   | 9,332,100                             | 16,579,557                         | 4,698,057                     | 14,388,000  | 1,443,615                       | 121,901,834          |

The net book values of property, plant and equipment held under finance leases are as follows:

|  | <b>2002</b><br><b>HK\$</b> | 2001<br><b>HK\$</b> |
|--|----------------------------|---------------------|
| Plant and machinery                      | <b>6,092,342</b>           | 8,386,229           |
| Motor vehicles                           | <b>2,357,437</b>           | 2,521,000           |
| Furniture, fixtures and office equipment | <b>2,715,521</b>           | –                   |
|  | <b><u>11,165,300</u></b>   | <u>10,907,229</u>   |

**15. PROPERTIES UNDER DEVELOPMENT**

|                               | <b>THE GROUP</b>           |                     |
|-------------------------------|----------------------------|---------------------|
|                               | <b>2002</b><br><b>HK\$</b> | 2001<br><b>HK\$</b> |
| At 1st April                  | <b>76,317,426</b>          | 220,101,771         |
| Exchange difference           | <b>(1,437,801)</b>         | (6,035,600)         |
| Additions                     | <b>84,672,437</b>          | 135,932,793         |
| Provision for impairment loss | <b>(2,963,839)</b>         | (3,456,272)         |
| On disposal of a subsidiary   | –                          | (270,225,266)       |
| At 31st March                 | <b><u>156,588,223</u></b>  | <u>76,317,426</u>   |

At 31st March, 2002, interest of HK\$5,226,433 (2001: HK\$2,262,594) was capitalised to properties under development.

At the balance sheet date, the properties under development are situated on freehold lands outside Hong Kong.