

17 Other receivables, deposits and prepayments

Included in the Group's other receivables, deposits and prepayments at 31 March 2001 is an advance of approximately of HK\$9,346,000 to a third party entity. The advance is unsecured and interest bearing at the rate of 6.35% per annum. The amount of the advance together with the accrued interest has been settled in full to the Group during the year.

18 Trade payables and deposits received

	Group	
	2002	2001
	HK\$'000	HK\$'000
Trade payables (Note)	43,786	45,610
Deposits received	7,580	1,891
	<u>51,366</u>	<u>47,501</u>

Note:

At 31 March 2002, the ageing analysis of the trade payables was as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
0-30 days	16,310	20,000
31-60 days	9,405	11,647
61-90 days	9,668	5,111
Over 90 days	8,403	8,852
	<u>43,786</u>	<u>45,610</u>



NOTES TO THE ACCOUNTS

19 Share capital

	Authorised			
	4.5% convertible cumulative redeemable preference shares of US\$100,000 each		Ordinary shares of HK\$0.10 each	
	No. of shares	US\$'000	No. of shares (thousands)	HK\$'000
At 31 March 2000, 2001 and 2002	<u>40</u>	<u>4,000</u>	<u>1,000,000</u>	<u>100,000</u>
	Issued and fully paid			
	4.5% convertible cumulative redeemable preference shares of US\$100,000 each		Ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000 (equivalent)	No. of shares (thousands)	HK\$'000
At 31 March 2000 and 2001	40	30,960	413,800	41,380
Exercise of share options	<u>—</u>	<u>—</u>	<u>400</u>	<u>40</u>
At 31 March 2002	<u>40</u>	<u>30,960</u>	<u>414,200</u>	<u>41,420</u>

- (1) There are no movements in the authorised share capital of the Company during the year.
- (2) During the year, 400,000 shares of HK\$0.1 each were issued at HK\$0.675 per share as a result of the exercise of share options of the Company.
- (3) On 18 July 2002 the Directors announced that the holder of all the existing preference shares in the Company had consented to the amendment of certain rights attached to the preference shares. The consent is subject to the (i) the approval of the amendments by the Stock Exchange; (ii) the granting of listing of, and permission to deal in, the shares issuable on conversion of the preference shares after the amendments by the Stock Exchange; and (iii) ratification by the independent shareholders at an extraordinary general meeting of the Company of the amendments and the amendments of the articles of association of the Company to approve the amendments.

Details of the amendments are set out on pages 21 to 24.

NOTES TO THE ACCOUNTS

20 Reserves

	Group		Company	
	2002 HK\$'000	2001 HK\$'000 Restated	2002 HK\$'000	2001 HK\$'000 Restated
Share premium				
At 1 April	88,595	88,595	175,896	175,896
Surplus arising from exercise of share options	230	–	230	–
At 31 March	88,825	88,595	176,126	175,896
Property revaluation reserve				
At 1 April	17,268	5,861	–	–
Surplus on revaluation	–	11,407	–	–
At 31 March	17,268	17,268	–	–
Exchange fluctuation reserve				
At 1 April	(49,133)	(46,045)	–	–
Exchange differences	350	(3,088)	–	–
At 31 March	(48,783)	(49,133)	–	–
Capital reserve (Note (b))				
At 1 April	22,138	20,618	–	–
Transfer from retained profits	2,923	1,520	–	–
At 31 March	25,061	22,138	–	–
	82,371	78,868	176,126	175,896

- (a) Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions and dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions or dividend payments, the Company is able to pay its debts as they fall due in the ordinary course of business.
- (b) The capital reserve represents transfers made to the statutory reserve fund set up by subsidiaries, which are wholly foreign-owned investment enterprises in Mainland China, pursuant to the local regulations. According to the regulations, the reserve fund may be used for making up losses, if any, and increasing capital.



NOTES TO THE ACCOUNTS

21 Retained profits

	Group		Company	
	2002 HK\$'000	2001 HK\$'000 Restated	2002 HK\$'000	2001 HK\$'000 Restated
At 1 April, as previously reported	150,251	148,293	6,615	5,425
Effect of adopting SSAP 9 (revised)				
– dividend proposed (Note (a))	1,035	2,069	1,035	2,069
– dividend income (Note (b))	–	–	(5,000)	(6,000)
At 1 April, as restated	151,286	150,362	2,650	1,494
Profit for the year	31,211	22,865	6,113	6,687
Transfer to capital reserve	(2,923)	(1,520)	–	–
Dividends	(3,463)	(5,531)	(3,463)	(5,531)
Goodwill written off	–	(14,890)	–	–
At 31 March	176,111	151,286	5,300	2,650
Representing:				
Final dividend proposed	2,072	1,035	2,072	1,035
Other	174,039	150,251	3,228	1,615
At 31 March	176,111	151,286	5,300	2,650

Note:

- (a) The previously recorded final ordinary share dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31 March 2000 and 2001 were HK\$2,069,000 and HK\$1,035,000, respectively. Under the Group's new accounting policy as described in Note 1(r), these have been written back against opening retained profits at 1 April 2000 and 2001 and are now changed in the period in which they were proposed.
- (b) The previously recorded final ordinary dividends receivable from subsidiaries proposed and declared after the balance sheet date but recorded as assets in the accounts for the years ended 31 March 2000 and 2001 were HK\$6,000,000 and HK\$5,000,000 respectively. Under the Group's new accounting policy as described in Note 1(r), these have been written back against opening retained profits at 1 April 2000 and 2001 and are now credited in the period in which they were proposed.

NOTES TO THE ACCOUNTS

22 Long-term liabilities

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Loans from banks and financial institutions – secured (Note (a))				
Wholly repayable within five years	196,377	52,935	150,000	–
Not wholly repayable within five years	9,886	11,053	–	–
	206,263	63,988	150,000	–
Obligations under finance leases wholly repayable within five years (Note (b))	1,946	4,495	–	–
Deferred taxation (Note (c))	835	1,578	–	–
	209,044	70,061	–	–
Current portion included in current liabilities	(66,340)	(44,950)	(22,500)	–
	142,704	25,111	127,500	–

(a) At 31 March 2002, the loans from banks and financial institutions were repayable as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	64,628	42,116	22,500	–
In the second year	96,824	7,654	90,000	–
In the third to fifth years inclusive	42,183	9,488	37,500	–
More than five years	2,628	4,730	–	–
	206,263	63,988	150,000	–



NOTES TO THE ACCOUNTS

22 Long-term liabilities (continued)

(b) At 31 March 2002, the Group's finance lease liabilities were repayable as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	1,772	3,140
In the second year	67	1,705
In the third to fifth year	195	—
	<u>2,034</u>	<u>4,845</u>
Future finance charges on finance leases	(88)	(350)
	<u>1,946</u>	<u>4,495</u>

The present value of finance lease liabilities is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	1,712	2,834
In the second year	55	1,661
In the third to fifth year	179	—
	<u>1,946</u>	<u>4,495</u>

(c) Deferred taxation

	Group	
	2002 HK\$'000	2001 HK\$'000
At 1 April	1,578	1,217
Transfer from profit and loss account (Note 5)	(743)	361
	<u>835</u>	<u>1,578</u>
At 31 March	<u>835</u>	<u>1,578</u>
Provided in respect of:		
Accelerated depreciation allowances	<u>835</u>	<u>1,578</u>

There was no material unprovided deferred taxation at 31 March 2002 and 2001.

22 Long-term liabilities (continued)

(c) Deferred taxation (continued)

No provision has been made for deferred tax liability in respect of timing differences relating to the surplus from the revaluation of certain leasehold land and buildings of the Group. The revaluation does not constitute a timing difference for taxation purposes because management of the Group intends to operate these properties on a long-term basis.

23 Note to the consolidated cash flow statement

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

	Group	
	2002	2001
	HK\$'000	HK\$'000
Profit before taxation	31,911	27,222
Gain on disposal of fixed assets	(1,862)	(4)
Depreciation of owned fixed assets	42,158	39,385
Depreciation of fixed assets held under finance leases	1,757	1,889
Amortisation of goodwill	392	–
Revaluation deficit in leasehold land and buildings not covered by previous surplus	–	3,634
Increase in inventories	(30,423)	(17,834)
Increase in trade receivables	(21,168)	(30,382)
Decrease in other receivables, deposits and prepayments	18,763	2,950
(Decrease)/increase in trade payables and deposits received	(6,466)	1,637
(Decrease)/increase in other payables and accrued charges	(8,659)	15,402
Interest income	(1,933)	(1,709)
Interest expense	16,638	17,561
Interest element of finance leases	218	522
Net cash inflow from operating activities	41,326	60,273



NOTES TO THE ACCOUNTS

23 Note to the consolidated cash flow statement (continued)

(b) Acquisition of a business/subsidiary

	Group	
	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed assets	1,110	11,801
Inventories	6,333	1,066
Trade receivables	3,695	1,695
Other receivables, deposits and prepayments	1,532	549
Bank balances and cash	–	19
Trade payables	(10,331)	–
Other payables and accrued charges	(1,178)	(8,930)
Taxation	–	(540)
	<u>1,161</u>	<u>5,660</u>
Goodwill	<u>23,537</u>	<u>14,890</u>
	<u>24,698</u>	<u>20,550</u>
Satisfied by		
Cash	<u>24,698</u>	<u>20,550</u>

(c) Analysis of the net cash outflow in respect of the acquisition of a business/subsidiary:

	Group	
	2002 HK\$'000	2001 HK\$'000
Cash consideration	24,698	20,550
Bank balances and cash in hand acquired	–	(19)
Net cash outflow in respect of the acquisition of a business/subsidiary	<u>24,698</u>	<u>20,531</u>

23 Note to the consolidated cash flow statement (continued)

(d) Analysis of changes in financing during the year – Group

	Loans from banks and financial institutions		Obligations under finance leases		Share capital (including share premium)		Minority interests	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	63,988	44,977	4,495	7,585	160,935	160,935	-	-
Exercise of share options	-	-	-	-	270	-	-	-
New bank loans raised	159,896	59,907	-	-	-	-	-	-
Repayment of loans borrowed from banks and financial institutions	(17,621)	(40,896)	-	-	-	-	-	-
Inception of finance leases	-	-	289	-	-	-	-	-
Payment of capital element of finance leases	-	-	(2,838)	(3,090)	-	-	-	-
Contribution from minority shareholders	-	-	-	-	-	-	4,644	-
	<u>206,263</u>	<u>63,988</u>	<u>1,946</u>	<u>4,495</u>	<u>161,205</u>	<u>160,935</u>	<u>4,644</u>	<u>-</u>
At 31 March	206,263	63,988	1,946	4,495	161,205	160,935	4,644	-

(e) Analysis of cash and cash equivalents

	Group	
	2002 HK\$'000	2001 HK\$'000
Pledged bank deposits	-	15,000
Bank balances and cash	68,750	59,749
Trust receipt loans	(42,206)	(137,676)
Short-term bank loans with maturity less than three months	(13,000)	-
Less: Deposits with maturity more than three months from date of deposits	-	(3,096)
	<u>13,544</u>	<u>(66,023)</u>

Included in bank balances and cash of the Group as at 31 March 2002 were HK\$36,619,000 (2001: HK\$35,064,000) which were denominated in Renminbi.

(f) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$289,000 (2001: Nil).



NOTES TO THE ACCOUNTS

24 Contingent liabilities

As at 31 March 2002, the Group had contingent liabilities not provided for in the accounts as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Issued letters of credit	35,753	22,101
Shipping guarantees	318	1,432
Bills discounted	—	1,990
	<u>36,071</u>	<u>25,523</u>

The Company has executed guarantees with respect to banking facilities made available to its subsidiaries. At 31 March 2002, such facilities granted amounted to approximately HK\$600,629,000 (2001:HK\$391,320,000).

25 Banking and other facilities

At 31 March 2002, the total amount of the Group's banking and other facilities utilised amounted to approximately HK\$299,486,000 (2001: HK\$182,901,000). The facilities are secured by:

- (a) a leasehold commercial building in Hong Kong, plant and machinery and motor vehicles (Note 12);
- (b) corporate guarantees executed by the Company.

During the year, the creditor banks have released fixed deposits pledged by the Group (2001: HK\$15,000,000) as collaterals for the banking and other facilities.

26 Commitments

At 31 March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Not later than one year	2,580	2,061
Later than one year and not later than five years	1,115	1,567
	<u>3,695</u>	<u>3,628</u>

The Company did not have any significant commitments at 31 March 2002 and 2001.

27 Ultimate holding company

The Directors regard Rare Diamond Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

28 Approval of accounts

The accounts were approved by the Board of Directors on 22 July 2002.