

## 1. General

The Company was incorporated in Bermuda on 12th August, 1994 under the Companies Act 1981 of Bermuda as an exempted company and its shares were listed on both the London Stock Exchange and The Stock Exchange of Hong Kong Limited ("Stock Exchange"). On 3rd April, 2002, the listing of the Company's shares on the London Stock Exchange was cancelled.

After the cancellation of the listing of the Company's shares on the London Stock Exchange, the United Kingdom, accounting disclosure requirements applicable to this listing are no longer applicable to the Group and the presentation of comparative financial statements has been amended accordingly.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 40.

## 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 ("SSAP"s) 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 and disclosures for the prior period have been restated in order to achieve a consistent presentation. The adoption of these new and revised SSAPs has had no significant effect on the amounts and disclosures reported for the current or prior periods.

## 3. Significant Accounting Policies

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

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 are eliminated on consolidation.



# Notes to the Financial Statements

*For the year ended 31st March, 2002*

## 3. Significant Accounting Policies (Continued)

### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

### **Negative goodwill**

Negative goodwill arising on acquisitions 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.

Negative goodwill arising on acquisitions after 1st April, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

### **Investments in subsidiaries**

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

### **Revenue recognition**

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

Rental income, including rental invoiced in advance, from properties let under operating leases, is recognised on a straight line basis over the period of the relevant leases.

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.



## 3. Significant Accounting Policies (Continued)

### 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 each balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the revaluation reserve is charged to the income statement.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property disposed of is credited in 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 are stated at cost less depreciation and amortisation, and accumulated impairment losses.

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

Depreciation and amortisation are provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Land held on medium-term leases	Over twenty five years or the terms of the leases, if shorter
Buildings	Over twenty five years or the terms of the leases, if shorter
Leasehold improvements	20 – 33 $\frac{1}{3}$ %
Plant and machinery	20%
Furniture and equipment	20 – 33 $\frac{1}{3}$ %
Motor vehicles	20%
Computer system	33 $\frac{1}{3}$ %

In previous years, certain leasehold improvements, furniture and equipment and computer system were depreciated at 20% per annum. The directors have re-assessed the useful lives of these assets and have decided that with effect from 1st April, 2001, certain of these assets are to be depreciated at 33 $\frac{1}{3}$ % per annum. The change in depreciation rate has increased the depreciation charge for the year by approximately HK\$3,756,000.

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



# Notes to the Financial Statements

*For the year ended 31st March, 2002*

## 3. Significant Accounting Policies (Continued)

### **Trademarks**

Trademarks are stated at cost less amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of trademarks over a period of ten years, their estimated useful lives, using the straight line method.

### **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. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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.

### **Assets held under finance leases**

A lease is classified as a finance lease whenever the term of the lease transfers substantially all the risks and rewards of ownership of the asset concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. 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 value of the assets acquired, are charged to the income statement over the period of the relevant lease 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 rental expenses and income are charged and credited respectively to the income statement on a straight line basis over the lease terms.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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 of sale.

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

### **Inventories**

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



## 3. Significant Accounting Policies (Continued)

### **Convertible loan stock**

Convertible loan stock are separately disclosed and regarded as liabilities unless conversion actually occurs. The costs incurred in connection with the issue of convertible loan stock are deferred and amortised on a straight line basis over the lives of the convertible loan stock from the date of issue of the loan stock to their final redemption date. If any of the loan stock are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the income statement.

### **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 the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### **Retirement benefits scheme**

Contributions payable by the Group to its defined contribution retirement benefits scheme are charged to the income statement.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 4. Turnover

Turnover represents the aggregate of net amounts received and receivable from third parties and is summarised as follows:

	2002 HK\$'000	2001 HK\$'000
Continuing operations:		
Assembly of watches and manufacture of cases	152,422	160,655
Retail of complete watches and bags	68,256	77,940
Property investments and property holding	134	193
	<u>220,812</u>	<u>238,788</u>
Discontinued operation:		
Trading of watch movements	–	1,570
	<u>220,812</u>	<u>240,358</u>

## 5. Loss from Operation

	2002 HK\$'000	2001 HK\$'000
Loss from operation has been arrived at after charging:		
Staff costs		
– Directors' remuneration (note 8)	3,004	5,551
– Salaries and allowances	30,542	32,203
– Retirement benefits scheme contributions	1,080	1,483
	<u>34,626</u>	<u>39,237</u>
Amortisation of trademarks (included in administrative expenses)	14	14
Auditors' remuneration	397	400
Depreciation and amortisation		
– assets owned by the Group	11,617	9,536
– assets held under finance leases	274	143
Impairment losses recognised in respect of property, plant and equipment (included in administrative expenses)	4,747	–
Loss on disposal of property, plant and equipment	172	140
Management fee paid to a shareholder	560	–
and after crediting:		
Interest income	34	50
Net foreign exchange profits	31	3,875
Rental income, net of outgoings of HK\$19,000 (2001: HK\$8,000)	<u>115</u>	<u>185</u>



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 6. Finance Costs

	2002 HK\$'000	2001 HK\$'000
Amortisation on issue cost of convertible loan stock	443	443
Release of issue cost of convertible loan stock		
– on redemption	2,947	1,401
– on conversion	–	13
	2,947	1,414
Interest expense on:		
Bank loans and overdrafts		
– wholly repayable within five years	1,119	2,705
– not wholly repayable within five years	24	–
Loan from a director	385	–
Loans from a shareholder	1,173	–
Obligations under finance leases	86	46
Convertible loan stock	2,895	3,189
	5,682	5,940
	9,072	7,797



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 7. Discontinued Operation

During the year ended 31st March, 2001, the Group ceased trading in watch movements.

The results of the trading of watch movements, which had been included in the consolidated income statement, were as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover	–	1,570
Cost of sales	–	(1,504)
Gross profit	–	66
Distribution costs	–	(1)
Administrative expenses	–	(50)
Other operating income	–	48
Operating profit	–	63
Finance costs	–	(53)
Profit before taxation	–	10
Taxation	–	–
Profit for the year	–	10

## 8. Directors' Remuneration

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	–	–
Non-executive	54	139
Independent non-executive	310	120
Other emoluments:		
Executive directors:		
Salaries and allowances	2,563	5,111
Contributions to provident funds	77	181
Non-executive director	–	–
Independent non-executive directors	–	–
Total directors' emoluments	3,004	5,551



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 8. Directors' Remuneration (Continued)

Directors' emoluments include the use of rent free accommodation with an estimated rateable value of HK\$228,000 (2001: HK\$234,000) per annum provided by the Group to one (2001: one) of the directors.

The directors' emoluments were within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	10	5
HK\$1,000,001 to HK\$1,500,000	1	2

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the year, no directors waived any emoluments.

## 9. Employees' Emoluments

The five highest paid individuals in the Group included one (2001: three) directors of the Company whose emoluments are set out in note 8 above. The aggregate emoluments of the remaining four (2001: two) individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and allowances	5,465	1,732
Contributions to provident funds	90	65
	5,555	1,797

Their emoluments were within the following bands:

	2002 Number of employees	2001 Number of employees
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	3	1
HK\$2,000,001 to HK\$2,500,000	1	—



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 10. Taxation

The charge comprises:

Hong Kong Profits Tax calculated at 16% (2001: 16%)  
of the estimated assessable profits

– current year (see note (a) below)

– underprovision in respect of prior years

People's Republic of China ("PRC") Income Tax  
(see note (b) below)

2002 HK\$'000	2001 HK\$'000
15	34
–	28
90	169
105	231

Notes:

(a) A portion of the Group's profit neither arose in, nor was derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

(b) PRC Income Tax is calculated at the rate prevailing in the relevant jurisdiction.

Details of unrecognised deferred taxation are set out in note 33.

## 11. Loss for the Year

Of the Group's loss for the year of HK\$33,552,000 (2001: HK\$31,491,000), a loss of HK\$32,839,000 (2001: HK\$34,532,000) has been dealt with in the financial statements of the Company.

## 12. Loss Per Ordinary Share

The calculation of basic loss per ordinary share is based on the Group's loss for the year of HK\$33,552,000 (2001: HK\$31,491,000) and on the weighted average of 131,899,864 (2001: 130,305,613) ordinary shares in issue during the year.

The computation of diluted loss per ordinary share does not assume the exercise of the outstanding share options as their exercise would result in a reduction in the loss per ordinary share in both years.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 13. Investment Properties

	HK\$'000
At 1st April, 2001	4,600
Deficit arising on revaluation	(600)
At 31st March, 2002	<u>4,000</u>

The Group's investment properties were held under medium-term leases in Hong Kong and were revalued at 31st March, 2002 by Chesterton Petty Limited, a firm of independent professional property valuers, on an open market, existing use basis. The deficit on revaluation has been charged to the consolidated income statement.

The Group's investment properties are held for rental under operating leases.

## 14. Property, Plant and Equipment

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Computer system HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st April, 2001	31,628	21,827	16,350	16,449	3,076	6,026	95,356
Additions	–	1,361	1,498	1,307	500	543	5,209
Disposals	–	(669)	(60)	(2,515)	(413)	–	(3,657)
At 31st March, 2002	<u>31,628</u>	<u>22,519</u>	<u>17,788</u>	<u>15,241</u>	<u>3,163</u>	<u>6,569</u>	<u>96,908</u>
DEPRECIATION AND AMORTISATION AND IMPAIRMENT LOSSES							
At 1st April, 2001	11,156	17,768	13,128	11,905	2,803	4,427	61,187
Provided for the year	1,902	3,746	1,090	3,712	162	1,279	11,891
Disposals	–	(653)	(10)	(2,385)	(413)	–	(3,461)
Impairment losses recognised	4,747	–	–	–	–	–	4,747
At 31st March, 2002	<u>17,805</u>	<u>20,861</u>	<u>14,208</u>	<u>13,232</u>	<u>2,552</u>	<u>5,706</u>	<u>74,364</u>
NET BOOK VALUE							
At 31st March, 2002	<u>13,823</u>	<u>1,658</u>	<u>3,580</u>	<u>2,009</u>	<u>611</u>	<u>863</u>	<u>22,544</u>
At 31st March, 2001	<u>20,472</u>	<u>4,059</u>	<u>3,222</u>	<u>4,544</u>	<u>273</u>	<u>1,599</u>	<u>34,169</u>



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 14. Property, Plant and Equipment (Continued)

During the year, the directors of the Company reviewed the carrying value of the Group's leasehold land and buildings with reference to:

- (i) their valuations, on an open market, existing use basis, made by a firm of independent professional property valuers, and
- (ii) their estimated future cash flows using a discount rate of 6% to estimate the present value of the future cash flows.

Impairment losses of approximately HK\$4,747,000 were identified and charged to the consolidated income statement.

The net book value of leasehold land and buildings shown above comprises:

	2002 HK\$'000	2001 HK\$'000
Medium-term leases:		
In Hong Kong	7,700	10,867
In PRC	6,123	9,605
	<u>13,823</u>	<u>20,472</u>

At 31st March, 2002, the net book value of property, plant and equipment included assets held under finance leases amounted to HK\$1,668,000 (2001: HK\$322,000).

## 15. Trademarks

	HK\$'000
THE GROUP	
COST	
At 1st April, 2001 and 31st March, 2002	<u>139</u>
AMORTISATION	
At 1st April, 2001	97
Provided for the year	<u>14</u>
At 31st March, 2002	<u>111</u>
NET BOOK VALUE	
At 31st March, 2002	<u>28</u>
At 31st March, 2001	<u>42</u>



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 16. Interest in Subsidiaries/Amounts due from Subsidiaries

	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	151,227	54,780
Less: Impairment losses recognised	(124,508)	(54,780)
	<u>26,719</u>	<u>–</u>
Amounts due from subsidiaries	2,564	66,774
Less: Impairment losses recognised	–	(53,728)
	<u>2,564</u>	<u>13,046</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms.

During the year, the directors of the Company have reviewed the carrying amounts of the assets of subsidiaries. In light of the current market conditions and the existing production plan, the directors have identified certain assets which are considered to have a negligible recoverable amount as at the balance sheet date. Accordingly, the whole amount has been recognised in the consolidated income statement as impairment losses for the current year.

Particulars of the Company's principal subsidiaries at 31st March, 2002 are set out in note 40.

## 17. Inventories

		THE GROUP	
		2002	2001
		HK\$'000	HK\$'000
Raw materials and consumables		6,005	8,594
Work-in-progress		3,987	5,588
Finished goods		17,856	23,026
		<u>27,848</u>	<u>37,208</u>

All the inventories, excluding those fully provided for at nil carrying value, were carried at cost.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 18. Trade Receivables

The Group allows an average credit period of 60 days to its trade customers. The following is an aging analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 - 30 days	13,068	18,837
31 - 60 days	3,686	6,247
61 - 120 days	331	2,174
Over 120 days	357	87
	<u>17,442</u>	<u>27,345</u>

## 19. Trade Payables

The following is an aging analysis of trade payables at the balance sheet date:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 - 30 days	6,524	14,582
31 - 60 days	2,538	6,714
61 - 120 days	8,381	13,997
Over 120 days	3,523	5,762
	<u>20,966</u>	<u>41,055</u>

## 20. Other Loans

The other loans were unsecured, non-interest bearing and were fully repaid during the year.

## 21. Loans from a Director/a Shareholder

The amounts are unsecured, carry interest at prime rate plus 2% and are repayable on demand.

## 22. Amount due to a Related Company

The amount represents balance with Wang On Group Limited ("Wang On"), a substantial shareholder of the Company. The amount is unsecured, non-interest bearing and has no fixed repayment terms.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 23. Obligations under Finance Leases

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>THE GROUP</b>				
Amounts payable under finance leases:				
Within one year	571	174	479	144
In the second to fifth year inclusive	990	205	912	183
	<u>1,561</u>	<u>379</u>	<u>1,391</u>	<u>327</u>
Less: future finance charges	(170)	(52)	–	–
Present value of lease obligations	<u>1,391</u>	<u>327</u>	<u>1,391</u>	<u>327</u>
Less: Amount due within one year (shown under current liabilities)			(479)	(144)
Amount due after one year			<u>912</u>	<u>183</u>
Analysis of repayments:				
– within one year			479	144
– between one to two years			513	87
– between two to five years			399	96
			<u>1,391</u>	<u>327</u>

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease period is 3 years. For the year ended 31st March, 2002, the average effective borrowing rate was 8%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 24. Secured Bank Loans

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Secured bank loans	–	653
Due within one year	–	134
Due after one year	–	519
	–	653
The maturity of the secured bank loans is as follows:		
On demand or within one year	–	134
More than one year, but not exceeding two years	–	147
More than two years, but not exceeding five years	–	372
	–	653
Less: Amount due within one year shown under current liabilities	–	(134)
	–	519

The bank loans, which carried interest at prevailing market rates in Hong Kong, were secured by fixed and floating charges on the property, plant and equipment of the Group (see note 35).



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 25. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 (2001: HK\$0.10) each		
Authorised:		
At 31st March, 2001 and 31st March, 2002	800,000,000	80,000
Issued and fully paid:		
At 1st April, 2000	111,645,914	11,164
Issued by private placement	20,000,000	2,000
Conversion of convertible loan stock	253,950	26
At 31st March, 2001 and 31st March, 2002	131,899,864	13,190

There were no movements in the share capital of the Company during the year ended 31st March, 2002.

## 26. Share Options

During the year, no options were granted or exercised and the outstanding share options at 31st March, 2002 under the Company's share option scheme are as follows:

Date of grant	Exercisable period	Exercise price	Outstanding at 31.3.2002 Number of shares
9th December, 1999	9th December, 1999 to 8th December 2009	HK\$0.285 per share	3,980,000
3rd March, 2000	3rd March, 2000 to 2nd March, 2010	HK\$0.820 per share	2,000,000
			5,980,000



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 27. Reserves

Movements in reserves were as follows:

	Other reserves								
	Share	Contributed	Revaluation				Accumulated		Total
	premium	surplus	reserve	Special	Capital	General	Total	losses	
	HK\$'000	HK\$'000	HK\$'000	reserve	reserve	reserve	HK\$'000	HK\$'000	
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
		(note b)		(note a)					
THE GROUP									
At 1st April, 2000	3,849	–	160	(27,150)	609	54,589	28,048	(38,410)	(6,353)
Shares issued at premium	13,200	–	–	–	–	–	–	–	13,200
Share issue expenses	(1,743)	–	–	–	–	–	–	–	(1,743)
Conversion of convertible loan stock	87	–	–	–	–	–	–	–	87
Deficit arising on revaluation of investment properties	–	–	(160)	–	–	–	–	–	(160)
Loss for the year	–	–	–	–	–	–	–	(31,491)	(31,491)
At 31st March, 2001 and 1st April, 2001	15,393	–	–	(27,150)	609	54,589	28,048	(69,901)	(26,460)
Loss for the year	–	–	–	–	–	–	–	(33,552)	(33,552)
At 31st March, 2002	15,393	–	–	(27,150)	609	54,589	28,048	(103,453)	(60,012)
THE COMPANY									
At 1st April, 2000	3,849	18,494	–	–	–	54,589	54,589	(81,505)	(4,573)
Shares issued at premium	13,200	–	–	–	–	–	–	–	13,200
Share issue expenses	(1,743)	–	–	–	–	–	–	–	(1,743)
Conversion of convertible loan stock	87	–	–	–	–	–	–	–	87
Loss for the year	–	–	–	–	–	–	–	(34,532)	(34,532)
At 31st March, 2001 and 1st April, 2001	15,393	18,494	–	–	–	54,589	54,589	(116,037)	(27,561)
Loss for the year	–	–	–	–	–	–	–	(32,839)	(32,839)
At 31st March, 2002	15,393	18,494	–	–	–	54,589	54,589	(148,876)	(60,400)



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 27. Reserves (Continued)

Notes:

- (a) The special reserve of the Group represents the difference between the nominal value of ordinary shares issued by the Company and the aggregate nominal value of the issued ordinary share capital of the subsidiaries acquired pursuant to a group reorganisation in 1995.
- (b) The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the ordinary share capital issued by the Company under a group reorganisation in 1995, less capitalisation on bonus issue of shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- a. it is, or would after the payment be, unable to pay its liabilities as they become due; or
- b. the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31st March, 2002 and 2001, the Company had no reserves available for distribution to its shareholders.

## 28. Convertible Loan Stock

	THE GROUP AND THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
£29,006 (2001: £2,756,816) 9.5% convertible unsecured loan stock 2008 ("CL Stock")	321	30,490
Less: Issue cost	6,032	6,032
Accumulated release on redemption	(4,348)	(1,401)
Accumulated release on conversion	(13)	(13)
Accumulated amortisation of issue cost	(1,640)	(1,197)
	31	3,421
	290	27,069



# Notes to the Financial Statements

*For the year ended 31st March, 2002*

## 28. Convertible Loan Stock (Continued)

On 12th January, 1999, the Company issued CL Stock with a nominal value of £3,807,552 divided into 3,807,552 stock units. The CL Stock bear interest at the rate of 9.5% per annum, payable every half year on 31st March and 30th September of each year, and are redeemable at par on 30th September, 2008 or, if later, the date falling 30 days after the final conversion date in respect of the year 2008.

Holders of the CL Stock are entitled to convert their units biannually at any time within 30 calendar days after the despatch of the interim report or final report of the Company up to and including 29th September, 2008 on the following bases, subject to adjustment:

- (a) in respect of any conversion in any of the years 1999 to 2001 (both years inclusive), 25 ordinary shares for every stock unit (i.e. a theoretical conversion price of HK\$0.50 for each ordinary share (taking an exchange rate of £1 = HK\$12.5)); or
- (b) in respect of any conversion in any of the years 2002 to 2008 (both years inclusive), 14.286 ordinary shares for every stock unit (i.e. a theoretical conversion price of HK\$0.87 for each ordinary share (taking an exchange rate of £1 = HK\$12.5)).

During the year ended 31st March, 2001, the Company placed 20 million new ordinary shares of HK\$0.10 each with third parties, the net proceeds of approximately HK\$13.5 million were used as to approximately HK\$12.4 million to redeem £1 million of convertible loan stock units and, as to the balance of the net proceeds, for general working capital purposes. In addition, 253,950 ordinary shares of the Company were issued in respect of the conversion of an aggregate sum of 10,158 stock units.

During the year ended 31st March, 2002, the Company repaid £2,727,810 CL Stock and the balances of CL Stock remained outstanding at 31st March, 2002 amounted to HK\$321,000 (£29,006) which has been classified as a current liability.

## 29. Loans from a Shareholder

The amounts are unsecured and carry interest at prime rate plus 2%. Subsequent to 31st March, 2002, the repayment of the loans has been revised such that the full amount is to be repayable in one lump sum in July 2005.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 30. Reconciliation of Loss Before Taxation to Net Cash (Outflow) Inflow from Operating Activities

	2002 HK\$'000	2001 HK\$'000
Loss before taxation	(33,682)	(31,260)
Interest income	(34)	(50)
Interest expenses	5,596	5,894
Interest on obligations under finance leases	86	46
Depreciation and amortisation	11,891	9,679
Impairment losses recognised respect of property, plant and equipment	4,747	—
Amortisation of issue cost of convertible loan stock	443	443
Release of issue cost on redemption of convertible loan stock	2,947	1,401
Amortisation of trademarks	14	14
Exchange differences on translation of convertible loan stock	—	(3,695)
Deficit arising on revaluation of investment properties	600	640
Loss on disposal of property, plant and equipment	172	140
Decrease in inventories	9,360	12,343
Decrease (increase) in trade and other receivables	8,401	(6,109)
(Decrease) increase in trade and other payables	(19,403)	14,840
Increase in amount due to a related company	223	—
Net cash (outflow) inflow from operating activities	(8,639)	4,326



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 31. Analysis of Changes in Financing During the Year

	Share capital and premium HK\$'000	Convertible loan stock HK\$'000	Bank loans HK\$'000	Obligations under finance leases HK\$'000	Loan from a director HK\$'000	Loans from a shareholder HK\$'000	Other loans HK\$'000	Minority interests HK\$'000
At 1st April, 2000	15,013	41,433	773	192	-	-	-	-
Proceeds from issue of new shares	15,200	-	-	-	-	-	-	-
Redemption of convertible loan stock	-	(12,400)	-	-	-	-	-	-
Conversion of convertible loan stock	113	(126)	-	-	-	-	-	-
Expenses incurred on issue of new shares	(1,743)	-	-	-	-	-	-	-
Amortisation of issue cost	-	443	-	-	-	-	-	-
Release of issue cost on redemption of convertible loan stock	-	1,401	-	-	-	-	-	-
Release of issue cost on conversion of convertible loan stock	-	13	-	-	-	-	-	-
Exchange differences on translation	-	(3,695)	-	-	-	-	-	-
Inception of finance leases	-	-	-	300	-	-	-	-
Repayment during the year	-	-	(120)	(165)	-	-	3,640	-
At 31st March, 2001 and 1st April, 2001	28,583	27,069	653	327	-	-	3,640	-
Redemption of convertible loan stock	-	(30,169)	-	-	-	-	-	-
Release of issue cost on redemption of convertible loan stock	-	2,947	-	-	-	-	-	-
Release of issue cost on conversion of convertible loan stock	-	443	-	-	-	-	-	-
Inception of finance leases	-	-	-	1,432	-	-	-	-
Borrowing raised	-	-	-	-	8,774	65,750	-	-
Contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	235
Share of losses for the year	-	-	-	-	-	-	-	(235)
Repayment during the year	-	-	(653)	(368)	-	-	(3,640)	-
At 31st March, 2002	28,583	290	-	1,391	8,774	65,750	-	-



## 32. Major Non-cash Transactions

During the year ended 31st March, 2002, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of finance leases of HK\$1,432,000 (2001: HK\$300,000).

During the year ended 31st March, 2001, 253,950 ordinary shares of the Company were issued for the conversion of an aggregate sum of 10,158 stock units.

## 33. Unrecognised Deferred Taxation

### THE GROUP

At 31st March, 2002, the Group had an unrecognised deferred tax asset mainly representing the tax effect of timing differences arising as a result of estimated tax losses of approximately HK\$53 million (2001: HK\$43 million) available to set off against future assessable profits. The deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

### THE COMPANY

The Company had no material unprovided deferred taxation arising during the year or at the balance sheet date.

## 34. Retirement Benefit Schemes

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the ORSO Scheme) and a Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after December 2000 are required to join the MPF Scheme.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the government. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to the consolidated income statement of approximately HK\$1 million (31.3.2001: HK\$1.5 million) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 35. Pledge of Assets

At 31st March, 2002, the Group had pledged its land and buildings, investment properties and plant and machinery with an aggregate net book value of approximately HK\$11,700,000 (2001: HK\$15,467,000) to a bank to secure general banking facilities granted to the Group.

As at 31st March, 2001, the Company had created a debenture in favour of a bank by way of fixed and floating charges over all its assets to secure general banking facilities granted to the Group. The debenture was released during the year ended 31st March, 2002.

## 36. Capital Commitments

At the balance sheet date, neither the Group nor the Company had any significant capital commitments.

## 37. Contingent Liabilities

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bills discounted with recourse	<u>905</u>	<u>2,093</u>	<u>—</u>	<u>—</u>
Guarantees given to bankers in respect of banking facilities granted to subsidiaries	<u>—</u>	<u>—</u>	<u>8,000</u>	<u>3,500</u>
			(Note)	(Note)

Note: The Company has also given an unlimited corporate guarantee to a bank in respect of banking facilities granted to its subsidiaries.

The extent of banking facilities utilised by the subsidiaries as at 31st March, 2002 amounted to approximately HK\$5.5 million (2001: HK\$25.4 million).



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 38. Operating Lease Arrangements

The Group as lessee:

	2002 HK\$'000	2001 HK\$'000
Operating lease payment in respect of land and buildings	<u>566</u>	<u>696</u>

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	502	280
In the second to fifth year inclusive	<u>142</u>	<u>29</u>
	<u>644</u>	<u>309</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties and retail shops. Leases are negotiated for a term ranging from 1 to 2 years. Certain lease rentals are based on turnover of the relevant retail shops.

The Group as lessor:

Property rental income earned during the year was HK\$134,000 (2001: HK\$193,000). The properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2002 HK\$'000	2001 HK\$'000
Within one year	202	126
In the second to fifth year inclusive	<u>151</u>	<u>81</u>
	<u>353</u>	<u>207</u>

At the balance sheet date, the Company did not have any operating lease arrangement.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 39. Related Party Transaction and Balances

During the current year, the Group has the following transactions with the related parties:

- (a) Interest expenses amounting to approximately HK\$385,000 and HK\$1,173,000 were incurred for the term loans advanced to the Group by Mr. Leung Wai Ho (“Mr. Leung”) and Rich Time Strategy Limited (“Rich Time”) respectively. Mr. Leung is a director of the Company and Rich Time is a substantial shareholder of the Company.
- (b) Management fee amounting to HK\$560,000 (2001: Nil) was paid to Wang On.

As at 31st March, 2001, Mr. Leung Wai Ho provided an unlimited personal guarantee and a guarantee to the extent of HK\$3,500,000, without charge, to two banks in respect of general banking facilities granted to the Group. The guarantees were released during the year.

## 40. Principal Subsidiaries

Particulars of the principal subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and paid up share capital	Proportion of issued share capital held by the Company		Principal activity
			Directly	Indirectly	
Always Prosperous Limited	Hong Kong	HK\$500,000	–	100%	Property investment
Dailywin Watch Products Mfg. Limited (“Dailywin Watch”)	Hong Kong	HK\$2,500,000 non-voting deferred (note 1) HK\$1,000 ordinary	–	– 100%	Manufacture of watch cases, assembly of watches and trading in watches
Dongguan Dailywin Watch Company Limited (“Dongguan Dailywin”)	PRC	HK\$55,800,000 registered capital (note 2)	–	95%	Manufacture of watch cases, assembly of watches and trading in watches
Great Prime International Holdings Limited	British Virgin Islands	US\$25,001	100%	–	Investment holding
Tensfine Investments Limited	Hong Kong	HK\$10,000	–	100%	Property holding
東莞市時尚風采貿易有限公司 (“Trendi Image”)	PRC	RMB5,500,000 registered capital	–	note 3	Trading in watches



## 40. Principal Subsidiaries (Continued)

Notes:

- (1) The deferred shares in Dailywin Watch, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up. The company has been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.
- (2) Dongguan Dailywin is a joint venture limited liability company established in the PRC for a term of 15 years starting 15th January, 1992, subject to extension. The registered capital of Dongguan Dailywin is owned as to 95% by the Group and 5% by an independent PRC third party.
- (3) Trendi Image is a private limited liability company established in the PRC on 29th December, 1999. The registered capital of Trendi Image was previously owned as to 90% by Mr. Leung Wai Ho ("Mr. Leung"); 5% by Mr. Tsang Pui Sing, Aloysius ("Mr. Tsang") and 5% by an independent third party. Pursuant to a deed entered into between Mr. Leung, Mr. Tsang and D & S Concepts (HK) Limited ("D&S"), a wholly owned subsidiary of the Company, Mr. Leung and Mr. Tsang has each agreed, inter alia, (a) to assign to D&S all past, present and future benefits received by them as owners of the registered capital of Trendi Image; (b) to vote at board meetings, general meetings or otherwise of Trendi Image in accordance with instructions of D&S; and (c) not to dispose of his interest in Trendi Image unless authorised by D&S. In return, D&S has agreed to (a) provide all funding and financing for Trendi Image as and when requested by Mr. Leung and Mr. Tsang; and (b) indemnify Mr. Leung and Mr. Tsang for any costs, expenses or losses incurred by them by reason of their carrying on Trendi Image's business. By virtue of this deed, Mr. Leung and Mr. Tsang have effectively transferred their entire economic interests in Trendi Image to D&S.

During the year ended 31st March, 2001, there were changes in the shareholders of Trendi Image and the shares held by Mr. Leung and Mr. Tsang were transferred to Mr. Chen Wei Lik (陳偉力) and Mr. Chen Fu Yiu (陳富堯). The registered capital was owned as to 48% held by Mr. Chen Wei Lik (陳偉力), 47% held by Mr. Chen Fu Yiu (陳富堯) and 5% by an independent third party. Pursuant to a deed entered into between Mr. Chen Wei Lik (陳偉力) and Mr. Chen Fu Yiu (陳富堯) and D&S on the same terms as above, Mr. Chen Wei Lik (陳偉力) and Mr. Chen Fu Yiu (陳富堯) had effectively transferred their entire economic interests in Trendi Image to D&S.

During the year ended 31st March, 2002, the registered capital of Trendi Image has been increased from RMB500,000 to RMB5,500,000. The increase in paid up capital attributable to Mr. Chen Wei Lik (陳偉力) and Mr. Chen Fu Yiu (陳富堯) aggregating RMB4,750,000 was funded by D & S on the basis that Mr. Chen Wei Lik (陳偉力) and Mr. Chen Fu Yiu (陳富堯) each entered into a new deed on substantially the same terms as described above.

On the basis of the various deeds mentioned above, the directors are of the opinion that the Group has effective control over Trendi Image and accordingly has accounted for Trendi Image as a subsidiary.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 41. Post Balance Sheet Events

Subsequent to 31st March, 2002, the following significant events took place:

- (a) The listing of the Company's shares on the London Stock Exchange was cancelled on 3rd April, 2002.
- (b) As announced on 3rd April, 2002 and 29th April, 2002, the Company entered into placing agreements to place a total of 58,020,000 new ordinary shares of HK\$0.10 each, at a price of HK\$0.10 per share to independent investors.
- (c) As announced on 29th April, 2002, the board of directors of the Company proposed to approve (i) the adjustment of the nominal value of all the shares of HK\$0.10 each in the capital of the Company (the "Shares") in issue by reducing the nominal value of all the issued Shares from HK\$0.10 each to HK\$0.01 each by cancelling HK\$0.09 of the capital paid up on each of the issued Shares ("Capital Reduction"); (ii) the adjustment of the par value of all the unissued Shares in the authorised share capital of the Company from HK\$0.10 each to HK\$0.01 each; and (iii) the partial elimination of the accumulated losses of the Company as at 31st March, 2001 by utilising the entire credit arising from the Capital Reduction.

All the above proposals were approved by shareholders in a special general meeting held on 17th May, 2002.

- (d) On 22nd May, 2002, the Company entered into a sale and purchase agreement with Wang On and Town Heath International Holdings Company Limited ("Town Health") for the acquisition of an effective interest of approximately 99.79% in Wai Yuen Tong Medicine Company Limited ("Wai Yuen Tong") through the acquisition of the entire issued share capital of Reliance City Investments Limited and Plenty Time Investments Limited for an aggregate consideration of HK\$220 million. The aggregate consideration was satisfied (a) as to HK\$136 million by the issue of 10,308,888,666 and 3,291,111,334 ordinary shares of the Company at HK\$0.01 per share to Wang On and Town Health respectively, (b) as to HK\$84 million by the issue of HK\$64 million and HK\$20 million convertible notes to Wang On and Town Health respectively. Wai Yuen Tong is engaged in the manufacture, processing, retailing and sale of traditional Chinese medicine. The acquisition constitutes a connected transaction for the Company under the Listing Rules since Wang On is a substantial shareholder (as defined under the Listing Rules) of the Company and is deemed to be a connected person of the Company.

In order to facilitate the acquisition of Wai Yuen Tong by the Company, the board of directors proposed to increase the authorised share capital of the Company from HK\$80,000,000 to HK\$600,000,000 by the creation of 52,000,000,000 new ordinary shares.

The acquisition of Wai Yuen Tong and the proposal for increase in authorised share capital were approved by the independent shareholders of the Company at a special general meeting held on 3rd July, 2002.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 41. Post Balance Sheet Events (Continued)

As explained above, the acquisition of Wai Yuen Tong does not require any immediate cash payment, and Wai Yuen Tong generates cash into the Group through its revenue from operation. In the opinion of the directors, the cashflow generating from Wai Yuen Tong will be sufficient to satisfy its own working capital requirement and will also assist in satisfying the working capital requirements of the Group's existing business. Accordingly, the directors consider that the Group has sufficient working capital for its present requirement.

## 42. Business and Geographical Segments

### Business segments

For management purposes, the Group is currently organised into three operating divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and operating results and segment assets and liabilities by business segments is as follows:

For the year ended 31st March, 2002

	Assembly of watches and manufacture of cases HK\$'000	Retail of complete watches and bags HK\$'000	Property investments and property holding HK\$'000	Elimination HK\$'000	Total HK\$'000
By principal activity					
REVENUE					
External sales	152,422	68,256	134	–	220,812
Inter segment sales *	28,501	25,147	216	(53,864)	–
Total revenue	180,923	93,403	350	(53,864)	220,812
CONTRIBUTION TO LOSS FROM OPERATION	(1,323)	(13,698)	(2,724)		(17,745)
Central administrative expenses					(6,865)
Finance costs					(9,072)
Loss before taxation					(33,682)
Taxation					(105)
Loss before minority interests					(33,787)
Minority interests					235
Loss for the year					(33,552)



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 42. Business and Geographical Segments (Continued)

For the year ended 31st March, 2002 (Continued)

	Assembly of watches and manufacture of cases HK\$'000	Retail of complete watches and bags HK\$'000	Property investments and property holding HK\$'000	Elimination HK\$'000	Total HK\$'000
ASSETS AND LIABILITIES AT 31ST MARCH, 2002					
ASSETS					
Segmental assets	42,978	33,255	6,803		83,036
Unallocated corporate assets					424
					<u>83,460</u>
LIABILITIES					
Segmental liabilities	(34,562)	(18,690)	(113)		(53,365)
Unallocated corporate liabilities					(76,917)
					<u>(130,282)</u>
OTHER INFORMATION FOR THE YEAR ENDED 31ST MARCH, 2002					
Capital expenditure	3,267	1,907	35		5,209
Depreciation and amortisation	4,773	6,930	202		11,905
Impairment losses recognised	<u>2,645</u>	<u>—</u>	<u>2,102</u>		<u>4,747</u>

\* Inter segment sales are charged at terms determined and agreed between group companies.



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 42. Business and Geographical Segments (Continued)

For the year ended 31st March, 2001

	CONTINUING OPERATIONS			DISCONTINUED OPERATION		
	Assembly of watches and manufacture of cases HK\$'000	Retail of complete watches and bags HK\$'000	Property investments and property holding HK\$'000	Trading of watch movements HK\$'000	Elimination HK\$'000	Total HK\$'000
By principal activity						
REVENUE						
External sales	160,655	77,940	193	1,570	–	240,358
Inter segment sales *	43,206	27,504	270	2,338	(73,318)	–
Total revenue	203,861	105,444	463	3,908	(73,318)	240,358
CONTRIBUTION TO (LOSS)						
PROFIT FROM OPERATION	(10,718)	(12,011)	(459)	63		(23,125)
Central administrative expenses						(338)
Finance costs						(7,797)
Loss before taxation						(31,260)
Taxation						(231)
Loss before minority interests						(31,491)
Minority interests						–
Loss for the year						(31,491)
ASSETS AND LIABILITIES AT 31ST MARCH, 2001						
ASSETS						
Segmental assets		57,526	43,935	9,664	–	111,125
Unallocated corporate assets						57
						111,182
LIABILITIES						
Segmental liabilities		(75,800)	(20,390)	(788)	–	(96,978)
Unallocated corporate liabilities						(27,474)
						(124,452)



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 42. Business and Geographical Segments (Continued)

For the year ended 31st March, 2001 (Continued)

	CONTINUING OPERATIONS			DISCONTINUED OPERATION	Elimination HK\$'000	Total HK\$'000
	Assembly of watches and manufacture of cases HK\$'000	Retail of complete watches and bags HK\$'000	Property investments and property holding HK\$'000	Trading of watch movements HK\$'000		
OTHER INFORMATION FOR THE YEAR ENDED 31ST MARCH, 2001						
Capital expenditure	2,312	4,458	–	–		6,770
Depreciation and amortisation	7,161	2,335	196	1		9,693

\* Inter segment sales are charged at terms determined and agreed between group companies.

### Geographical segments

The Group's operations are mainly located in United States of America and the PRC, other than Hong Kong.

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

	Turnover		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
United States of America	115,470	112,660	(1,000)	(7,516)
The PRC, other than Hong Kong	70,756	77,959	(13,720)	(12,011)
Hong Kong	9,151	13,497	(2,802)	(1,179)
Others	25,435	36,242	(223)	(2,419)
	<u>220,812</u>	<u>240,358</u>	<u>(17,745)</u>	<u>(23,125)</u>
Central administrative expenses			(6,865)	(338)
Loss from operation			<u>(24,610)</u>	<u>(23,463)</u>



# Notes to the Financial Statements

For the year ended 31st March, 2002

## 42. Business and Geographical Segments (Continued)

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
United States of America	5,643	14,931	—	—
The PRC, other than Hong Kong	56,148	71,856	4,196	6,021
Hong Kong	18,155	22,510	1,013	749
Others	3,514	1,885	—	—
	<u>83,460</u>	<u>111,182</u>	<u>5,209</u>	<u>6,770</u>