

Notes to the Financial Statements

For the year ended 31st March 2003

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.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41.

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. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and inclusion of the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Further details of those new and revised SSAPs are as follows:

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries denominated in currencies other than Hong Kong dollars at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

Cash Flow Statements

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest income, interest expenses and dividend paid, which were previously presented under a separate heading, are classified as investing, operating and financing cash flows, as appropriate. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the consolidated cash flow statement.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

Employee Benefits

SSAP 34 "Employee Benefits" introduces measurement rules for employee benefits, including retirement benefit plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined contribution retirement benefit plan. The adoption of this SSAP has not had any material effect on the results for the current period or prior account period.

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 and associates 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.

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 the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

Goodwill is amortised on a straight line basis over its useful economic life.

Notes to the Financial Statements

For the year ended 31st March 2003

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 at the date of acquisition over the cost of acquisition.

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.

Investments in Subsidiaries

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

Interests in Associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Revenue Recognition

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

Service fee income is recognised when services are provided.

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 respective leases.

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

Franchise fee income is recognised on a straight line basis over the franchise period.

Investment Properties

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)***Investment Properties** *(continued)*

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 accumulated 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	2% or the terms of the leases, if shorter
Buildings	2% 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	20 – 33 $\frac{1}{3}$ %

Notes to the Financial Statements

For the year ended 31st March 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, Plant and Equipment *(continued)*

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

Trademarks

Trademarks are stated at cost less accumulated 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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets Held under Finance Leases *(continued)*

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.

Inventories

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

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.

Deferred Franchise Income

Deferred franchise income represents initial franchise fee received which is recognised as income over the franchise period.

Research and Development

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

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.

Notes to the Financial Statements

For the year ended 31st March 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 subsidiaries outside Hong Kong 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 Benefit Scheme

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

4. TURNOVER

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

	2003 HK\$'000	2002 HK\$'000
Assembly of watches and manufacture of cases	109,298	152,422
Sales of pharmaceutical products	83,340	—
Retail of complete watches and bags	67,148	68,256
Property investments and property holding	38	134
	259,824	220,812

Notes to the Financial Statements

For the year ended 31st March 2003

5. LOSS FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs		
— Directors' remuneration (<i>note 7</i>)	1,750	3,004
— Other staff costs	43,873	30,542
— Other staff's retirement benefit scheme contributions	1,731	1,080
	47,354	34,626
Amortisation of goodwill (included in administrative expenses)	7,002	—
Amortisation of trademarks (included in administrative expenses)	45	14
Auditors' remuneration		
— current year	579	397
— underprovision in a prior year	89	—
Depreciation and amortisation		
— assets owned by the Group	8,060	11,617
— assets held under finance leases	122	274
Impairment losses recognised in respect of property, plant and equipment (included in administrative expenses)	3,000	4,747
Loss on disposal of property, plant and equipment	540	172
Deficit on revaluation of investment properties	400	600
Management fee paid to a shareholder	960	560
Research and development expenses	1,000	—
and after crediting:		
Interest income	47	34
Net foreign exchange profits	—	31
Release of deferred franchise income	175	—
Rental income, net of outgoings of HK\$28,000 (2002: HK\$19,000)	17	115

Notes to the Financial Statements

For the year ended 31st March 2003

6. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Amortisation of issue cost of convertible loan stock	31	443
Release of issue cost of convertible loan stock on redemption	—	2,947
Interest expense on:		
Bank borrowings		
— wholly repayable within five years	606	1,119
— not wholly repayable within five years	—	24
Convertible notes	2,258	—
Convertible loan stock	4	2,895
Loans from a shareholder	5,028	1,173
Loan from a director	621	385
Obligations under finance leases	103	86
	8,620	5,682
	8,651	9,072

Notes to the Financial Statements

For the year ended 31st March 2003

7. DIRECTORS' REMUNERATION

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	—	—
Non-executive	—	54
Independent non-executive	420	310
Other emoluments:		
Executive directors:		
Salaries and other benefits	1,300	2,563
Retirement benefit scheme contributions	30	77
Independent non-executive directors	—	—
Total directors' emoluments	1,750	3,004

For the year ended 31st March 2003, directors' emoluments included the use of rent free accommodation with an estimated rateable value of HK\$203,000 (2002: HK\$417,000) per annum provided by the Group to one (2002: one) of the directors.

The directors' emoluments were within the following bands:

	2003 Number of directors	2002 Number of directors
Nil to HK\$1,000,000	6	10
HK\$1,000,001 to HK\$1,500,000	—	1

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.

Notes to the Financial Statements

For the year ended 31st March 2003

8. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group included nil (2002: one) director of the Company whose emoluments are set out in note 7 above. The aggregate emoluments of the remaining five (2002: four) individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and allowances	6,456	5,465
Retirement benefit scheme contributions	198	90
	6,654	5,555

The emoluments of the remaining five (2002: four) highest paid individuals were within the following bands:

	2003 Number of employees	2002 Number of employees
Nil to HK\$1,000,000	1	—
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	—	1

9. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	2,184	15
PRC Income Tax	118	90
	2,302	105

Hong Kong Profits Tax and PRC Income Tax had been provided at the rate of 16% (2002: 16%) and 27% (2002: 27%) respectively, on the estimated assessable profit for the year.

Details of deferred taxation are set out in note 32.

10. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$28,946,000 (2002: HK\$33,552,000) and on the weighted average number of 10,276,225,398 (2002: 131,899,864) shares in issue during the year.

No diluted loss per share has been presented as the exercise and conversion of the share options, convertible loan stock and convertible notes would reduce the loss per share for both years.

Notes to the Financial Statements

For the year ended 31st March 2003

11. INVESTMENT PROPERTIES

THE GROUP

HK\$'000

VALUATION

At 1st April 2002	4,000
Deficit arising on revaluation	(400)

At 31st March 2003	3,600
---------------------------	--------------

The Group's investment properties were held under medium-term leases in Hong Kong and were revalued at 31st March 2003 by Vigers Hong Kong Limited, a firm of independent professional property valuers, on an open market and existing use basis. The deficit on revaluation has been charged to the income statement.

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

Notes to the Financial Statements

For the year ended 31st March 2003

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold		Furniture		Motor	Computer	Total
	land and	Leasehold	Plant and	and	vehicles	system	
	buildings	improvements	machinery	equipment			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
COST							
At 1st April 2002	31,628	22,519	17,788	15,241	3,163	6,569	96,908
Additions	—	1,924	1,460	1,952	1,136	444	6,916
Acquired on acquisition							
of subsidiaries	7,706	2,657	4,406	11,796	—	2,546	29,111
Disposals	—	(597)	—	(1,873)	(844)	—	(3,314)
At 31st March 2003	39,334	26,503	23,654	27,116	3,455	9,559	129,621
DEPRECIATION AND AMORTISATION AND IMPAIRMENT LOSSES							
At 1st April 2002	17,805	20,861	14,208	13,232	2,552	5,706	74,364
Provided for the year	2,019	1,927	1,070	2,012	197	957	8,182
Acquired on acquisition							
of subsidiaries	994	622	2,628	11,189	—	1,163	16,596
Impairment losses							
recognised	3,000	—	—	—	—	—	3,000
Disposals	—	(466)	—	(1,381)	(675)	—	(2,522)
At 31st March 2003	23,818	22,944	17,906	25,052	2,074	7,826	99,620
NET BOOK VALUE							
At 31st March 2003	15,516	3,559	5,748	2,064	1,381	1,733	30,001
At 31st March 2002	13,823	1,658	3,580	2,009	611	863	22,544

Notes to the Financial Statements

For the year ended 31st March 2003

12. 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 in view of the recurring operating loss of the assembly of watches and manufacture of cases business. The value in use of this business is determined with reference to the estimated future cash flows using a discount rate of 6%. Impairment losses of approximately HK\$3,000,000 were identified and charged to the consolidated income statement.

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

	2003 HK\$'000	2002 HK\$'000
Medium-term leases:		
In Hong Kong	13,875	7,700
In PRC	1,641	6,123
	15,516	13,823

At 31st March 2003, the net book value of property, plant and equipment included assets held under finance leases of HK\$1,904,000 (2002: HK\$1,668,000).

13. GOODWILL

	THE GROUP HK\$'000
COST	
Arising on acquisition of subsidiaries and balance at 31st March 2003 (<i>note 33</i>)	186,632
AMORTISATION	
Provided for the year and balance at 31st March 2003	(7,002)
NET BOOK VALUE	
At 31st March 2003	179,630

The goodwill is amortised, on a straight-line basis, over a period of 20 years.

Notes to the Financial Statements

For the year ended 31st March 2003

14. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	151,227	151,227
Less: Impairment loss recognised	(134,508)	(124,508)
	16,719	26,719
Amounts due from subsidiaries	227,070	—
	243,789	26,719
Amounts due from subsidiaries	—	2,564
Amounts due to subsidiaries	4,468	—

The amounts due from subsidiaries of HK\$227,070,000 are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

Other than as mentioned above, the amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

During the year, the directors considered that in the light of the recurring operating losses of certain subsidiaries and unfavourable market conditions, the amounts recoverable from certain subsidiaries should be reduced to their estimated net realisable value with reference to their identifiable net assets. Accordingly, an impairment loss of HK\$10,000,000 in respect of the investments in subsidiaries has been recognised and charged to the income statement for the year.

Details of the Company's principal subsidiaries at 31st March 2003 are set out in note 41.

Notes to the Financial Statements

For the year ended 31st March 2003

15. INTERESTS IN ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	1,968	—
Amounts due from associates	1,855	—

The amounts due from associates are unsecured, interest-free and are repayable on demand.

Details of the Group's associates at 31st March 2003 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Attributable proportion of nominal value of issued share capital indirectly held by the Company	Principal activity
Creation Sino Limited	Hong Kong	HK\$2,500,000	50%	Retailing of Chinese pharmaceutical products
Winning Forever Limited	Hong Kong	HK\$2,500,000	50%	Retailing of Chinese pharmaceutical products
Wise Hope Limited	Hong Kong	HK\$2	50%	Inactive

Notes to the Financial Statements

For the year ended 31st March 2003

16. LOAN RECEIVABLE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Principal	890	—
Interest accruals	47	—
	937	—
Less: Amount due with one year shown under current assets	(129)	—
	808	—

The loan is unsecured, interest-bearing at 5.25% per annum and is repayable before 27th November 2006 by 59 monthly instalments.

17. TRADEMARKS

	THE GROUP HK\$'000
COST	
At 1st April 2002	139
Acquired on acquisition of subsidiaries	235
Addition	293
At 31st March 2003	667
AMORTISATION	
At 1st April 2002	111
Acquired on acquisition of subsidiaries	8
Provided for the year	45
At 31st March 2003	164
NET BOOK VALUE	
At 31st March 2003	503
At 31st March 2002	28

Notes to the Financial Statements

For the year ended 31st March 2003

18. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials and consumables	13,731	6,005
Work-in-progress	8,583	3,987
Finished goods	25,665	17,856
	47,979	27,848

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

19. TRADE AND OTHER 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	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	13,337	13,068
31 – 60 days	7,363	3,686
61 – 120 days	2,915	331
Over 120 days	91	357
	23,706	17,442
Other receivables	7,962	4,725
	31,668	22,167

Notes to the Financial Statements

For the year ended 31st March 2003

20. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 30 days	7,751	6,524
31 – 60 days	4,971	2,538
61 – 120 days	5,827	8,381
Over 120 days	5,790	3,523
	24,339	20,966
Other payables	31,660	27,212
	55,999	48,178

21. LOANS FROM AND INTEREST PAYABLE TO A DIRECTOR/A SHAREHOLDER

The loans are unsecured, interest-bearing at prime rate plus 2% per annum and are repayable on demand.

22. AMOUNT DUE TO A RELATED COMPANY

The amount as at 31st March 2002 represented the balance with Wang On Group Limited (“Wang On”), a substantial shareholder of the Company. The amount was unsecured, non-interest bearing and was fully repaid during the year.

Notes to the Financial Statements

For the year ended 31st March 2003

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	681	571	614	479
In the second to fifth year inclusive	940	990	887	912
	1,621	1,561	1,501	1,391
Less: future finance charges	(120)	(170)	—	—
Present value of lease obligations	1,501	1,391	1,501	1,391
Less: Amount due within one year shown under current liabilities			(614)	(479)
Amount due after one year			887	912

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 2003, 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 2003

24. BANK AND OTHER BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank borrowings — unsecured	11,175	—
Trust receipt loans — secured	6,104	5,545
	17,279	5,545
The maturity of the above borrowings is as follows:		
On demand or within one year	13,947	5,545
More than one year, but not exceeding two years	1,668	—
More than two years, but not exceeding five years	1,664	—
	17,279	5,545
Less: Amount due within one year shown under current liabilities	(13,947)	(5,545)
Amount due after one year	3,332	—

25. DEFERRED FRANCHISE INCOME

	2003 HK\$'000	2002 HK\$'000
Acquired on acquisition of subsidiaries	722	—
Additions	228	—
Less: Recognised in the current year	(175)	—
Unamortised deferred franchise income carried forward	775	—
Less: Amount due within one year shown under current liabilities	(240)	—
	535	—

Notes to the Financial Statements

For the year ended 31st March 2003

26. CONVERTIBLE LOAN STOCK

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
£590 (2002: £29,006) 9.5% convertible unsecured loan stock 2008 ("CL Stock")	6	321
Less: Issue cost	6,032	6,032
Accumulated release on redemption	(4,348)	(4,348)
Accumulated release on conversion	(13)	(13)
Accumulated amortisation of issue cost	(1,671)	(1,640)
	—	31
	6	290

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

26. CONVERTIBLE LOAN STOCK *(continued)*

- (b) in respect of any conversion in any of the years 2003 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 2002, the Company repaid £2,727,810 CL Stock and the balance of CL Stock outstanding at 31st March 2002 amounted to HK\$321,000 (£29,006) which had been classified as a current liability.

During the year ended 31st March 2003, the Company repaid £28,416 CL Stock and the balance of CL Stock outstanding at 31st March 2003 amounted to HK\$6,000 (£590) which has been classified as a current liability.

Notes to the Financial Statements

For the year ended 31st March 2003

27. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each at 1st April 2001 and 31st March 2002	800,000,000	80,000
Reduction in share capital (<i>note ii(a)</i>)	—	(72,000)
Cancellation during the year (<i>note ii(b)</i>)	(610,080,136)	(6,101)
Increase during the year (<i>note ii (c)</i>)	7,810,080,136	78,101
	8,000,000,000	80,000
Increase during the year (<i>note iii</i>)	52,000,000,000	520,000
Ordinary shares of HK\$0.01 each at 31st March 2003	60,000,000,000	600,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at 1st April 2001 and 31st March 2002	131,899,864	13,190
Issue of shares by private placements (<i>note i</i>)	58,020,000	5,802
Reduction in share capital (<i>note ii(a)</i>)	—	(17,093)
Issue of 13,600,000,000 shares to acquire subsidiaries (<i>note iv</i>)	13,600,000,000	136,000
Issue upon conversion of convertible notes (<i>note v</i>)	2,000,000,000	20,000
At 31st March 2003	15,789,919,864	157,899

Notes:

- (i) During the year, the Company issued and allotted 26,370,000 and 31,650,000 ordinary shares of HK\$0.10 each at HK\$0.10 per share as a result of private placements of shares to institutional investors.

27. SHARE CAPITAL (*continued*)

Notes: (continued)

- (ii) Pursuant to resolutions passed at a special general meeting held on 17th May 2002, a reduction of the Company's share capital was approved as follows:
 - (a) the nominal value of each issued ordinary share of the Company was reduced from HK\$0.10 per share to HK\$0.01 per share by the cancellation of HK\$0.09 of the capital paid up thereon;
 - (b) all of the authorised but unissued share capital of the Company was cancelled;
 - (c) thereafter the authorised share capital of the Company was increased to the original authorised share capital of HK\$80,000,000 by the creation of 7,810,080,136 new ordinary shares of HK\$0.01 each;
 - (d) the amount of the paid up capital of the issued shares so cancelled was credited to accumulated losses account.
- (iii) Pursuant to resolution passed at a special general meeting held on 3rd July 2002, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$600,000,000 by the creation of an additional 52,000,000,000 new ordinary shares of HK\$0.01 each.
- (iv) Details of the acquisition are set out in note 33.
- (v) The Company further issued and allotted a total of 2,000,000,000 ordinary shares of HK\$0.01 each upon the exercise of the conversion rights by the holders of the convertible notes.

28. SHARE OPTIONS

Pursuant to the share option scheme approved and adopted by the Company on 16th October 1997 (the "1997 Scheme") for the purpose of providing incentives to directors and eligible employees, which will expire on 16th October 2007, the Board of Directors of the Company may, at their discretion, grant options to directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the terms of the 1997 Scheme.

Options may be granted at a nominal consideration and will entitle the holder thereof to subscribe for shares during a period of ten years from the date the option is granted and accepted or from a later date as determined by the Board at a price (subject to adjustments as provided therein) equal to the higher of the nominal value of the shares and 80 per cent. of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options.

Notes to the Financial Statements

For the year ended 31st March 2003

28. SHARE OPTIONS (continued)

The maximum number of shares in respect of which options may be granted under the 1997 Scheme shall not exceed 10 per cent. of the share capital of the Company in issue from time to time (except shares issued pursuant to the 1997 Scheme) and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25 per cent. of the maximum number of shares in respect of which options may be granted under the 1997 Scheme.

The following table details movements in the Company's share options during the year:

				Number of shares subject to options		
				Exercise	Outstanding	Outstanding
				price	at	at 31.3.2002
	Date	Exercisable period	per share	1.4.2001	Reclassification	31.3.2003
	of grant		HK\$		(note 2)	
Category 1: Former directors						
Tsang Pui Sing,	9.12.1999	9.12.1999 – 8.12.2009	0.285	1,200,000	(1,200,000)	—
Aloysius (note 1)	3.3.2000	3.3.2000 – 2.3.2010	0.820	1,000,000	(1,000,000)	—
Leong Weng Kin	9.12.1999	9.12.1999 – 8.12.2009	0.285	1,100,000	(1,100,000)	—
(note 1)	3.3.2000	3.3.2000 – 2.3.2010	0.820	1,000,000	(1,000,000)	—
				4,300,000	(4,300,000)	—
Category 2:						
Employees	9.12.1999	9.12.1999 – 8.12.2009	0.285	1,680,000	2,300,000	3,980,000
	3.3.2000	3.3.2000 – 2.3.2010	0.820	—	2,000,000	2,000,000
				1,680,000	4,300,000	5,980,000
Total all categories				5,980,000	—	5,980,000

No share options were granted or exercised during the year.

Notes to the Financial Statements

For the year ended 31st March 2003

28. SHARE OPTIONS (continued)

Notes:

1. Mr. Tsang Pui Sing, Aloysius, and Mr. Leong Weng Kin resigned as directors of the Company on 28th August 2001.
2. During the year ended 31st March 2002, the share options granted to the Company's former directors after their resignation were reclassified as share options granted to the employees.

29. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	General reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY					
At 1st April 2001	15,393	18,494	54,589	(116,037)	(27,561)
Loss for the year	—	—	—	(32,839)	(32,839)
At 1st April 2002	15,393	18,494	54,589	(148,876)	(60,400)
Credit arising from reduction					
in share capital	—	—	—	17,093	17,093
Loss for the year	—	—	—	(27,953)	(27,953)
At 31st March 2003	15,393	18,494	54,589	(159,736)	(71,260)

The general reserve represented the amount arised from reduction of par value of the Company's ordinary shares during the year ended 31st March 1999.

The Company did not have any distributable reserve at the balance sheet dates.

Notes to the Financial Statements

For the year ended 31st March 2003

30. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY HK\$'000
Issued during the year	84,000
Converted during the year	(20,000)
Balance at 31st March 2003	64,000

On 9th July 2002, the Company issued convertible notes of HK\$84 million to satisfy partial consideration for the acquisition of approximately 99.79% interest in WYT. The convertible notes carry interest at 3.8% per annum and are redeemable on 8th July 2005 unless it was previously converted or redeemed. The holders of the convertible notes have the option to convert the convertible notes into ordinary shares of the Company of HK\$0.01 each at any time during the period from 9th July 2002 to 8th July 2005.

During the year, the Company issued and allotted 2,000,000,000 ordinary shares of HK\$0.01 each upon the exercise of the conversion rights by the holders of the convertible notes.

At 31st March 2003, all the convertible notes were held by Rich Time Strategy Limited, a substantial shareholder of the Company.

31. LOANS FROM A SHAREHOLDER

The amounts are unsecured, interest-bearing at prime rate plus 2% per annum and are repayable in one lump sum in July 2005.

32. DEFERRED TAXATION

THE GROUP

At 31st March 2003, the Group had recognised a deferred tax liability of approximately HK\$217,000 representing the tax effect of the timing difference between tax allowance and accounting depreciation as a result of the acquisition of subsidiaries.

At 31st March 2003, 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\$43 million (2002: HK\$53 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.

Notes to the Financial Statements

For the year ended 31st March 2003

33. ACQUISITION OF SUBSIDIARIES

On 9th July 2002, the Group acquired approximately 99.79% interest in WYT at an aggregate consideration of HK\$220 million which was satisfied by the issue of 13,600,000,000 ordinary shares of the Company at HK\$0.01 per share and the issue of convertible notes of HK\$84 million.

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Property, plant and equipment	12,515	—
Interests in associates	2,333	—
Amounts due from associates	3,262	—
Loan receivable	972	—
Trademarks	227	—
Inventories	11,779	—
Trade and other receivables	17,992	—
Amount due from a related company	954	—
Bank and cash balances	3,303	—
Trade and other payables	(14,480)	—
Taxation payable	(2,159)	—
Deferred franchise income	(722)	—
Deferred taxation	(217)	—
Minority interests	(75)	—
Net assets	35,684	—
Goodwill	186,632	—
	222,316	—
Satisfied by:		
Issue of ordinary shares (<i>note</i>)	136,000	—
Issue of convertible notes	84,000	—
Expenses paid in cash	2,316	—
	222,316	—
Analysis of net inflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Total cash consideration paid for legal and professional charges	(2,316)	—
Bank balances and cash acquired	3,303	—
	987	—

33. ACQUISITION OF SUBSIDIARIES *(continued)*

The subsidiaries acquired during the year contributed HK\$83,340,000 to the group's turnover and a profit of HK\$15,469,000 to the Group's operating results.

Note: The shares were issued at HK\$0.01 per share which represents a discount of approximately 76% to the closing price of HK\$0.042 per share as quoted on the Stock Exchange on 9th July 2002, being the trading date immediately before the completion of the acquisition of the WYT. In the opinion of the directors, the market price of HK\$0.042 per share does not reflect the fair value of WYT because of the fluctuation of the Company's share price due to market volatility. The directors have therefore arrived at the fair value of WYT with reference to a valuation performed by Vigers Hong Kong Limited, an independent firm of professional valuers, on a fair market value basis. Based on this valuation, the fair value of WYT at the time of acquisition by the Company was HK\$ 220 million and the fair value of the Company's shares issued for the acquisition was HK\$0.01 per share.

Had the market price of HK\$0.042 been used, the value of the consideration for the acquisition of the WYT would have been increased by HK\$435.2 million.

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March 2003, the major non-cash transactions are as follows:

- (a) The Group acquired approximately 99.79% interest in WYT at an aggregate consideration of HK\$220 million which was satisfied by the issue of ordinary shares and convertible notes of HK\$136 million and HK\$84 million respectively.
- (b) The Company issued and allotted 2,000,000,000 ordinary shares of HK\$0.01 each upon the exercise of the conversion rights by the holders of the convertible notes.
- (c) The Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of lease contracts of HK\$789,000.

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 lease contracts of HK\$1,432,000.

Notes to the Financial Statements

For the year ended 31st March 2003

35. 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 income statement of approximately HK\$1,731,000 (2002: HK\$1,080,000) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

At the balance sheet date, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefit scheme, available to reduce the contribution payable in the future years.

36. PLEDGE OF ASSETS

At 31st March 2003, the Group had pledged its leasehold land and buildings and investment properties with an aggregate net book value of approximately HK\$10,882,000 (2002: HK\$11,700,000) to a bank to secure general banking facilities granted to the Group.

37. CAPITAL COMMITMENTS

At 31st March 2003, the Group had capital commitment of HK\$377,000 in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements.

At 31st March 2003, the Company had no significant capital commitments.

Notes to the Financial Statements

For the year ended 31st March 2003

38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bills discounted with recourse	1,370	905	—	—
Guarantees given to bankers in respect of banking facilities granted to				
— subsidiaries	—	—	7,500	8,000
— a third party	1,489	—	—	—
	1,489	—	7,500	8,000
			(note)	(note)

Note: The Company has given a 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 2003 amounted to approximately HK\$5.0 million (2002: HK\$5.5 million).

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2003	2002
	HK\$'000	HK\$'000
Operating lease payment in respect of land and buildings	3,963	566

Notes to the Financial Statements

For the year ended 31st March 2003

39. OPERATING LEASE ARRANGEMENTS *(continued)*

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

	2003 HK\$'000	2002 HK\$'000
Within one year	8,935	502
In the second to fifth year inclusive	9,970	142
	18,905	644

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 3 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\$45,000 (2002: HK\$134,000). The properties held have committed tenants for the next three years.

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

	2003 HK\$'000	2002 HK\$'000
Within one year	72	202
In the second to fifth year inclusive	144	151
	216	353

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 2003

40. RELATED PARTY TRANSACTION AND BALANCES

During the year, the Group had the following connected transactions:

Name of related party	Transactions	2003 HK\$'000	2002 HK\$'000
Wang On Group Limited and its subsidiaries (the "Wang On Group")	Interest on term loans paid by the Group (note iii)	5,028	1,173
	Interest on convertible notes paid by the Group (note iv)	1,865	—
	Management fee paid by the Group (note v)	960	560
Town Health International Holdings Company Limited and its subsidiaries (the "Town Health Group") (note i)	Interest on convertible notes paid by the Group (note iv)	393	—
	Sales of pharmaceutical products by the Group (note vi)	1,750	—
	Management fee received by the Group (note vi)	85	—
	Advertising and promotion fee received by the Group (note vi)	57	—
Leung Wai Ho (note ii)	Interest on terms loans paid by the Group (note iii)	621	385

Notes to the Financial Statements

For the year ended 31st March 2003

40. RELATED PARTY TRANSACTION AND BALANCES *(continued)*

Notes:

- (i) Town Health International Holdings Company Limited is a substantial shareholder of the Company.
- (ii) Leung Wai Ho is a director of the Company.
- (iii) Interest is calculated at 2% above prime rate per annum.
- (iv) Interest is calculated at 3.8% per annum.
- (v) Management fee is mutually agreed and determined by the relevant parties.
- (vi) These transactions were entered with the Town Health Group in accordance with the relevant franchise agreement.

In addition, the Group acquired approximately 99.79% interest in WYT from the Wang On Group and the Town Health Group, respectively, at an aggregate consideration of HK\$220 million. WYT is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of manufacturing, processing and retailing of traditional Chinese medicine. Further details of the transaction are set out in a circular of the Company dated 17th June 2002. The acquisition was approved by shareholders in a special general meeting held on 3rd July 2002 and was completed in July 2002.

Details of the balances with related parties as at the balance sheet date are set out in the balance sheets and notes 15, 21, 22, 30 and 31 respectively.

Notes to the Financial Statements

For the year ended 31st March 2003

41. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st March 2003 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
Billion Good Investment Limited	Hong Kong	HK\$2	—	100%	Property holding
Dailywin Watch Products Mfg. Limited ("Dailywin Watch")	Hong Kong	HK\$1,000 ordinary	—	—	Manufacture of watch cases, assembly of watches and trading in watches
		HK\$2,500,000 non-voting deferred (note i)	—	100%	
Dongguan Dailywin Watch Company Limited ("Dongguan Dailywin")	PRC	HK\$55,800,000 registered capital (note ii)	—	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
Wai Yuen Tong Medicine Company Limited	Hong Kong	HK\$217,374 ordinary HK\$17,373,750 non-voting deferred (note iii)	—	99.79%	Manufacture and trading of Chinese pharmaceutical products
東莞市時尚風采貿易有限公司 ("Trendi Image")	PRC	RMB5,500,000 registered capital	—	note iv	Trading in watches

Notes to the Financial Statements

For the year ended 31st March 2003

41. PRINCIPAL SUBSIDIARIES (continued)

Notes:

- (i) 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 Group has been granted an option by the holders of the deferred shares to acquire these shares at a nominal amount.
- (ii) 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.
- (iii) The non-voting deferred shares carry no voting rights or rights to dividends. On the winding-up of the company, the non-voting deferred shares have a right to repayment in proportion to the amounts paid up on all ordinary and deferred shares after the first HK\$1,000,000,000 thereof has been distributed among the holders of the ordinary shares.
- (iv) Trendi Image is a private limited liability company established in the PRC. The registered capital of Trendi Image is owned as to 48% by Mr. Chen Wei Lik 陳偉力 and 47% Mr. Chen Fu Yiu 陳富堯 and 5% by an independent third party. Pursuant to various deeds entered into between Mr. Chen Wei Lik 陳偉力, Mr. Chen Fu Yiu 陳富堯 and D & S Concepts (HK) Limited ("D&S"), a wholly owned subsidiary of the Company, Mr. Chen Wei Lik 陳偉力 and Mr. Chen Fu Yiu 陳富堯 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. Chen Wei Lik 陳偉力 and Mr. Chen Fu Yiu 陳富堯; and (b) indemnify Mr. Chen Wei Lik 陳偉力 and Mr. Chen Fu Yiu 陳富堯 for any costs, expenses or losses incurred by them by reason of their carrying on Trendi Image's business. By virtue of these deeds, Mr. Chen Wei Lik 陳偉力 and Mr. Chen Fu Yiu 陳富堯 have effectively transferred their entire economic interests in Trendi Image to D&S.

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.

42. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Notes to the Financial Statements

For the year ended 31st March 2003

42. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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 2003

	Assembly of watches and manufacture of cases HK\$'000	Retail of complete watches and bags HK\$'000	Property investments and property holding HK\$'000	Sales of pharmaceutical products HK\$'000	Elimination HK\$'000	Total HK\$'000
By principal activity						
TURNOVER						
External sale	109,298	67,148	38	83,340	—	259,824
Inter segment sales*	26,862	14,764	216	—	(41,842)	—
	136,160	81,912	254	83,340	(41,842)	259,824
SEGMENT RESULTS	(4,797)	(7,345)	(734)	15,469	—	2,593
Amortisation of goodwill relating to pharmaceutical business						(7,002)
Central administrative expenses						(13,566)
Finance costs						(8,651)
Share of results of associates						11
Loss before taxation						(26,615)
Taxation						(2,302)
Loss before minority interests						(28,917)
Minority interests						(29)
Loss for the year						(28,946)
* Inter-segment sales are charged at terms determined and agreed between group companies.						
ASSETS AND LIABILITIES AT 31ST MARCH 2003						
ASSETS						
Segmental assets	29,131	30,782	6,208	67,208	—	133,329
Interests in associates				1,968	—	1,968
Goodwill				179,630	—	179,630
Unallocated corporate assets						4,758
						319,685
LIABILITIES						
Segmental liabilities	32,001	19,643	114	24,540	—	76,298
Unallocated corporate liabilities						157,353
						233,651

Notes to the Financial Statements

For the year ended 31st March 2003

42. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

	Assembly of watches and manufacture of cases <i>HK\$'000</i>	Retail of complete watches and bags <i>HK\$'000</i>	Property investments and property holding <i>HK\$'000</i>	Sales of pharmaceutical products <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
OTHER INFORMATION						
FOR THE YEAR ENDED						
31ST MARCH 2003						
Amortisation of trademarks	14	—	—	31	—	45
Capital expenditure	1,534	3,264	—	2,411	—	7,209
Depreciation and amortisation of property, plant and equipment	3,732	2,546	204	1,700	—	8,182
Deficit on revaluation of investment properties	—	—	400	—	—	400
Goodwill arising on acquisition of subsidiaries	—	—	—	186,632	—	186,632
Impairment losses recognised	3,000	—	—	—	—	3,000

Notes to the Financial Statements

For the year ended 31st March 2003

42. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

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					
TURNOVER					
External sales	152,422	68,256	134	—	220,812
Inter segment sales*	28,501	25,147	216	(53,864)	—
	180,923	93,403	350	(53,864)	220,812
SEGMENT RESULTS	(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)

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

Notes to the Financial Statements

For the year ended 31st March 2003

42. BUSINESS AND GEOGRAPHICAL SEGMENTS *(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
					83,460
LIABILITIES					
Segmental liabilities	34,562	18,690	113	—	53,365
Unallocated corporate liabilities					76,917
					130,282
OTHER INFORMATION					
FOR THE YEAR ENDED					
31ST MARCH 2002					
Amortisation of trademarks	14	—	—	—	14
Capital expenditure	3,267	1,907	35	—	5,209
Depreciation and amortisation of property, plant and equipment	4,773	6,930	202	—	11,905
Deficit on revaluation of investment properties	—	—	600	—	600
Impairment losses recognised	2,645	—	2,102	—	4,747

42. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

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:

	2003 HK\$'000	2002 HK\$'000
United States of America	69,253	115,470
The PRC, other than Hong Kong	75,168	70,756
Hong Kong	82,443	9,151
Others	32,960	25,435
	259,824	220,812

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, goodwill and trademarks	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
United States of America	1,897	5,643	—	—
The PRC, other than Hong Kong	44,919	56,148	3,884	4,196
Hong Kong	272,356	18,119	190,184	1,013
Others	477	3,514	—	—
	319,649	83,424	194,068	5,209