



Oriental Watch Holdings Limited
(Incorporated in Bermuda with limited liability)



**ANNUAL
REPORT
2002**

Contents

	<i>PAGE(S)</i>
CORPORATE INFORMATION	2-3
NOTICE OF ANNUAL GENERAL MEETING	4-6
CHAIRMAN'S STATEMENT	7-9
DIRECTORS AND SENIOR MANAGEMENT	10-11
DIRECTORS' REPORT	12-19
AUDITORS' REPORT	20-21
CONSOLIDATED INCOME STATEMENT	22
CONSOLIDATED BALANCE SHEET	23-24
BALANCE SHEET	25
CONSOLIDATED CASH FLOW STATEMENT	26-27
CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES	28
NOTES TO THE FINANCIAL STATEMENTS	29-53
FINANCIAL SUMMARY	54

Corporate Information

BOARD OF DIRECTORS

Mr. Yeung Ming Biu (*Chairman and Managing Director*)

Mr. Siu Leung Wai (*Executive Director*)

Mr. Fung Kwong Yiu (*Executive Director*)

Madam. Yeung Man Yee, Shirley (*Executive Director*)

Mr. Chan Che Kwong, William (*Executive Director*)

Mr. Yeung Him Kit, Dennis (*Executive Director*)

Dr. Sun Ping Hsu, Samson (*Non-executive Director*)

Dr. Li Sau Hung, Eddy (*Non-executive Director*)

COMPANY SECRETARY

Mr. Lam Hing Lun, Alain

PRINCIPAL BANKERS

Wing Hang Bank Limited

Bank of America (Asia) Limited

The Bank of East Asia, Limited

DBS Kwong On Bank, Limited

Hang Seng Bank Limited

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

HONG KONG BRANCH

SHARE REGISTRARS

Secretaries Limited

5th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

HONG KONG LEGAL ADVISER

Jennifer Cheung & Co

BERMUDA LEGAL ADVISER

Conyers, Dill & Pearman

Corporate Information

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 312-8
China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the abovenamed company (the “Company”) will be held at Chater Room, Basement I., The Ritz-Carlton Hotel, 3 Connaught Road Central, Hong Kong on 30 August 2002 at 3:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2002.
2. To declare a final dividend of 4.5 cents per share for the year ended 31 March 2002.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

A. **THAT**

- (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue, a scrip dividend scheme of the Company or the exercise of the subscription rights under the share option scheme of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Right Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

B. **THAT:**

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

Notice of Annual General Meeting

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
 - (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.
- C. **THAT** conditional upon resolution no. 5B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 5B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 5A above.

By Order of the Board
Lam Hing Lun, Alain
Company Secretary

Hong Kong, 18 July 2002

Principal Office:

Room 312-8 China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) The register of members of the Company will be closed from 27 August 2002 to 30 August 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 26 August 2002.

Chairman's Statement

FINAL RESULTS

The Group's businesses were unavoidably affected by the worldwide economic slowdown and severe price competition during the first half of this financial year. The slowdown was worsened by the terrorist attacks in the United States and persisted until the end of the financial year. Hence the Group's performance was adversely affected. As the sluggish global economy has not yet improved, there is still pressure on the Group's profit margin and overall performance in the future.

For the year ended 31 March 2002, turnover of the Group was HK\$1,714 million (2001: HK\$1,599 million), representing an increase of approximately 7.2%, but the profit attributable to shareholders decreased dramatically by 18.6% to HK\$79.2 million (2001: HK\$97.3 million). Basic earnings per share for the year was 28.8 cents (2001: 35.3 cents), representing a decline of 18.4% over last year.

FINAL DIVIDEND

The Directors are pleased to propose a final dividend of 4.5 cents per share (2001: 6 cents) for the year ended 31 March 2002 to members, whose names appear on the Register of Members on 30 August 2002. The dividend will be paid on or before 18 September 2002.

BUSINESS REVIEW AND PROSPECTS

The Group will continue to strengthen the competitiveness of its existing business operations in Hong Kong. In addition, the Group will actively develop its market in China with a prudent attitude. Given the enormous potential of the China market following its entry to the World Trade Organization, the Group has set up a wholly owned subsidiary in Shanghai Wai Gao Qiao Free Trade Zone to engage in watch trading and the results are satisfactory and encouraging. The China market is opening up and the operating environment in China is improving. The Group will grasp every business opportunity for further development in China. With the Group's extensive experience accumulated from the past operations and investments in China, the management is confident that such expansion will provide a satisfactory contribution to the Group in the future.

Chairman's Statement

The current depressed economic conditions in Hong Kong, such as the record high unemployment rate, contracted retail sales, and persistent deflation, have a definite negative impact on the retail market. The Group will strive to weather these difficulties and uncertainties to bring long-term value for its shareholders. Looking ahead, the Hong Kong economy shows little indication of early recovery, and the Board believes that it will take some time to see a clear recovery in the retail market of Hong Kong. However, the abolishment of the China tourist quota will provide opportunity for the retail market and improve local consumer confidence.

Baring unforeseen circumstances and based on the results achieved to date, the Board is confident that the Group will continue to maintain profitability in the current and coming years.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2002, the aggregate purchases attributable to the Group's five largest suppliers was approximately 98% of the group's total purchases and the aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total sales. The purchases attributable to the Group's largest supplier was approximately 87%.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owned more than 5% of the share capital of any of the five largest customers or suppliers of the Group.

CAPITAL AND FINANCE

Despite the less than satisfactory results, the Group can still maintain its policy of conservative capital management with its gearing ratio at a prudent level. The financial foundation of the Group is strong with ample cash flow. At the end of the financial year under review, the Group's net assets amounted to HK\$556 million (2001: HK\$503 million) with a net asset value per share HK\$2.02 (2001: HK\$1.83). The Group's net current assets increased by approximately 16.7% to HK\$454 million (2001: HK\$389 million). Shareholders' funds at 31 March 2002 reached HK\$556 million, up by 10.5% (2001: HK\$503 million). The Group had cash on hand of HK\$93.3 million (2001: HK\$55.7 million) as at 31 March 2002 whilst bank loans and overdrafts totaled Hk\$23.8 million (2001: HK\$12.2 million). The ratio of the Group's net bank borrowings was insignificant when compared to shareholders' funds.

Chairman's Statement

APPRECIATION

On behalf of the Board of Directors, I wish to express our deep appreciation to the Group's customers and business partners for their continued support as well as to our employees for their loyal and dedicated service during the year.

By order of the Board

Yeung Ming Bui

Chairman

Hong Kong, 18 July 2002

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. YEUNG Ming Biu, aged 66, the Chairman and Managing Director of the Company, is a co-founder of the Group. He has over 50 years' experience in the watch business and is a Permanent Honorary Director of The Federation of Hong Kong Watch Trades and Industries Limited.

Mr. SIU Leung Wai, aged 67, joined the Group in 1961 and has over 43 years' experience in watch business.

Mr. Fung Kwong Yiu, aged 58, joined the Group in 1974 and has over 38 years' experience in the watch business. He is a Director of The Federation of Hong Kong Watch Trades and Industries Limited.

Madam YEUNG Man Yee, Shirley, aged 40, joined the Group in 1991. She received a higher diploma in business studies and diploma in watch and jewellery management from North Herts College in the United Kingdom and CFH Institute in Switzerland respectively. Madam Yeung is the daughter of Mr. Yeung Ming Biu.

Mr. CHAN Che Kwong, William, aged 54, joined the Group in 1993. He became Director of the Company in February 1994 and has over 22 years' experience in the watch business. He is a Director of the Federation of Hong Kong Watch Trades and Industries Limited.

Mr. YEUNG Him Kit, Dennis, aged 33, joined the Group in 1993. He became Director of the Company in July 1995. He holds a bachelor degree in commerce from the University of Toronto, Canada. Mr. Yeung is the son of Mr. Yeung Ming Biu.

NON-EXECUTIVE DIRECTORS

Dr. SUN Ping Hsu, Samson, M.B.E., J.P., aged 77, is the Chairman of Sun International Group of companies. He was deputy Chairman and a Director of Gilman & Co., Ltd. and Inchcape Hong Kong respectively from 1967 to 1985. Dr. Sun is the honorary permanent president of The Federation of Hong Kong Watch Trades and Industries Limited. He has over 49 years' experience in the manufacturing, marketing and distribution of watches, and 18 years' experience in the marketing and distribution of consumer and electronic products. He has involved in the PRC trade since 1979, and continues to be active in both trading and property development in the PRC. Dr. Sun has chaired many voluntary community services and charitable organizations. He has been the Non-executive Director of the Company since September 1993.

Directors and Senior Management

Dr. LI Sau Hung, Eddy, aged 47, has over 28 years' experience in the manufacturing business. He is the president of Hong Kong Economic & Trade Association and a member of the TDC Watch Trade Advisory Committee. Mr. Li holds a master degree of business administration and a PhD degree in economics. He was the 1991 awardee of The Ten Outstanding Young Persons and the 1993 awardee of Young Industrialists of Hong Kong. He has been the Non-executive Director of the Company since September 1993.

SENIOR MANAGEMENT

Mr. LAM Hing Lun, Alain, aged 43, joined the Group in 1992. He is the Financial Controller and Company Secretary of the Company. He is responsible for the Group's accounting, financial control and secretarial matters. He has over 18 years' experience in accounting and auditing. Mr. Lam holds a master degree of business administration from the University of Hull. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. TANG Tai Wai, David, aged 57 is the general manager of China division. He is responsible for sales and marketing in the PRC. He joined the Group in 1993 and has over 34 years' experience in the watch business.

Mr. CHAN Kam Hung, aged 54, is the shop manager of Cathay Watch Company Limited. He joined the Group in 1969 and has over 33 years' experience in the watch business.

Mr. CHOI Kwok Yum, aged 47, is the shop manager of Oriental Watch Company Limited, main shop in Central. He joined the Group in 1969 and has over 33 years' experience in the watch business.

Mr. YEUNG Chi On, aged 42, is the shop manager of La Suisse Watch Company, Limited, Hong Kong branch. He joined the Group in 1980 and has over 22 years' experience in watch business.

Mr. CHU Che Keung, aged 62, is the shop manager of La Suisse Watch Company, Limited, Kowloon branch. He joined the Group in 1966 and has over 46 years' experience in the watch business.

Mr. SHEK Man Chue, aged 44, is the shop manager of Oriental Watch Company Limited, Causeway Bay branch. He joined the Group in 1974 and has over 28 years' experience in the watch business.

Mr. CHAN Cheng Yin, aged 61, is responsible for the finance and administration of La Suisse Watch Company, Limited, Kowloon branch. He joined the Group in 1976 and has over 26 years' experience in the watch business.

Mr. WONG Man Yuen, aged 47, is the shop manager of Oriental Watch Company Limited, Yaumati branch. He joined the Group in 1970 and has over 32 years' experience in the watch business.

Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in watch trading.

During the year, the Group operated eleven retail shops: eight in Hong Kong and three in Guangdong Province in the People's Republic of China.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 22.

An interim dividend of 2.5 cents per share was paid during the year. A final dividend of 4.5 cents per share being proposed by the directors is subject to approval by the shareholders in the forthcoming annual general meeting. The total dividends declared in respect of the year are set out in note 9 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 54.

SHARE CAPITAL

Details of the authorised and issued share capital of the Company are set out in note 23 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the Group's investment properties during the year are set out in note 11 to the financial statements.

Directors' Report

OTHER PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the Group's other properties, plant and equipment during the year are set out in note 12 to the financial statements.

BORROWINGS

Bank borrowings of the Group at 31 March 2002 comprised secured short-term loans.

The repayment schedule of the Group's obligations under finance leases is set out in note 19 to the financial statements.

During the year, a mortgage loan was fully repaid when the Group disposed of an investment property.

No interest was capitalised by the Group during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Yeung Ming Bui (*Chairman and Managing Director*)

Siu Leung Wai

Fung Kwong Yiu

Chan Che Kwong, William

Yeung Man Yee, Shirley

Yeung Him Kit, Dennis

Independent non-executive directors:

Sun Ping Hsu, Samson, Dr.

Li Sau Hung, Eddy, Dr.

Directors' Report

In accordance with Bye-law 87 of the Company's Bye-laws, one third of the directors, including non-executive directors, will retire from office by rotation. However, no director holding office as Chairman or Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire. Accordingly, Madam Yeung Man Yee, Shirley and Dr. Sun Ping Hsu, Samson retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each non-executive director is the period up to his retirement as required by the Company's Bye-laws as indicated above.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 March 2002, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company under Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Yeung Ming Bui	10,787,260	6,000,000	96,800,000	—
			<i>Note (a)</i>	
Siu Leung Wai	—	—	6,069,244	<i>Note (c)</i>
			<i>Note (b)</i>	
Fung Kwong Yiu	1,803,152	—	—	<i>Note (c)</i>
Chan Che Kwong, William	9,778,515	—	—	<i>Note (d)</i>
Yeung Man Yee, Shirley	—	167,547	—	<i>Note (e)</i>
Yeung Him Kit, Dennis	—	—	—	<i>Note (f)</i>
Sun Ping Hsu, Samson, Dr.	—	—	2,000,000	—
			<i>Note (g)</i>	
Li Sau Hung, Eddy, Dr.	—	—	—	—

Directors' Report

Notes:

- (a) Mr. Yeung Ming Bui and his wife, Madam Au Po Kee, are the beneficial owners of 45% and 22.5% respectively of the issued share capital of Realtower Holdings Limited. Realtower Holdings Limited is the beneficial owner of 55% of the issued share capital of Furama Investments Limited which is the beneficial owner of 80% of the issued share capital of Datsun Holdings Limited. Datsun Holdings Limited is the beneficial owner of 96,800,000 shares in the Company.
- (b) Mr. Siu Leung Wai and his family members are the beneficial owners of the entire issued share capital of Power Dragon Holdings Limited, which is the beneficial owner of 6,069,244 shares in the Company.
- (c) Messrs. Siu Leung Wai and Fung Kwong Yiu are the beneficial owners of 21% and 6% respectively of the issued share capital of Real Champ Limited, which is the beneficial owner of 20% of the issued share capital of Datsun Holdings Limited.
- (d) Mr. Chan Che Kwong, William is the beneficial owner of 10% of the issued share capital of Furama Investments Limited and 10% of the issued share capital of Y.H. Chan Limited. Y.H. Chan Limited is the beneficial owner of 25% of the issued share capital of Furama Investments Limited and also directly holds 294,365 shares in the Company.
- (e) Madam Yeung Man Yee, Shirley is the beneficial owner of 7.5% of the issued share capital of Realtower Holdings Limited.
- (f) Mr. Yeung Him Kit, Dennis is the beneficial owner of 10% and 7% of the issued share capitals of Realtower Holdings Limited and Real Champ Limited respectively.
- (g) Dr. Sun Ping Hsu, Samson and his family members are beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 2,000,000 shares in the Company.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Company, none of the directors or their associates as at 31 March 2002 had any interest in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme (the "Scheme") adopted at a special general meeting of the Company held on 20 September 1993, the directors of the Company may grant options as incentives to directors or employees of the Company or its subsidiaries to subscribe for shares in the Company within a period of ten years commencing from 20 September 1993. The subscription price of the shares is set to be the higher of the nominal value of the Company's shares or an amount which is 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options. Exercise prices are subject to adjustment as provided in the Scheme.

Directors' Report

The maximum number of shares in respect of which options may be granted cannot exceed 10% of the issued share capital of the Company from time to time within the ten-year and the maximum number of shares in respect of which options may be granted to any one employee cannot exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

Options granted must be accepted by written notice from the grantees with an undertaking to hold the options on the conditions subject to which it was offered and to be bound by the terms of the Scheme accompanied by a remittance in favour of the Company of HK\$1 as consideration for the grant of the options within 21 days inclusive of, and from, the date of the making of offer for grant by the Company.

On 30 October 1996, the Company granted options to certain directors and employees of the Group to subscribe for a total of 24,000,000 shares of HK\$0.10 each in the Company at an exercise price of HK\$0.77 per share as follows:

Name of director	Number of shares for which options were granted
Yeung Ming Bui	3,000,000
Siu Leung Wai	2,500,000
Fung Kwong Yiu	2,000,000
Chan Che Kwong, William	2,500,000
Yeung Man Yee, Shirley	2,000,000
Yeung Him Kit, Dennis	<u>2,000,000</u>
	14,000,000
Employees	<u>10,000,000</u>
	<u><u>24,000,000</u></u>

The options were exercisable within five years from the date of grant. None was exercised and all had lapsed in October 2001.

No other options have been granted.

Directors' Report

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate. Similarly, none of the spouses or children under the age of 18 of the directors or chief executives had any rights to subscribe for securities of the Company or had exercised any such rights during the year.

RESERVES

Details of the movements during the year in the reserves of the Group and of the Company are set out in note 25 to the financial statements.

In addition to accumulated profits, the contributed surplus of the Company is also available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended). However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

At 31 March 2002, the sum of the accumulated profits and contributed surplus accounts of the Company amounted to approximately HK\$124 million.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, according to the register maintained under Section 16(1) of the SDI Ordinance, the following persons, in addition to those directors who are listed above under "Directors' interests in shares of the Company", are interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares
Datsun Holdings Limited	96,800,000
Furama Investments Limited	96,800,000
Realtower Holdings Limited	96,800,000

Directors' Report

Realtower Holdings Limited holds 55% of the issued share capital of Furama Investments Limited which holds 80% of the issued share capital of Datsun Holdings Limited. Accordingly, both Realtower Holdings Limited and Furama Investments Limited are deemed under the SDI Ordinance to be interested in the 96,800,000 shares in the Company which are held by Datsun Holdings Limited.

Messrs. Yeung Ming Bui, Siu Leung Wai, Fung Kwong Yiu, Chan Che Kwong, William and Yeung Him Kit, Dennis and Madam Au Po Kee (wife of Mr. Yeung Ming Bui) and Madam Yeung Man Yee, Shirley are deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Datsun Holdings Limited in the manner described under "Directors' interests in shares of the Company".

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31 March 2002.

CONNECTED TRANSACTION

As announced by the Company on 21 March 2002, the Group entered into an agreement on that date to acquire the remaining 40% equity interest in Garwood Holdings Limited which was then held by a minority shareholder, together with the benefit of aggregate advances of HK\$8,480,000 made to the Group, for a cash consideration of approximately HK\$1,882,000. This transaction with the minority shareholder, Carterland Holdings Limited, constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

After the acquisition, Garwood Holdings Limited became a wholly-owned subsidiary of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or similar rights as at 31 March 2002. There was no exercise of options, warrants or similar rights during the year.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$35,400.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

YEUNG MING BIU

CHAIRMAN AND MANAGING DIRECTOR

Hong Kong, 18 July 2002

Auditors' Report

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中 111 號
永安中心 26 樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF ORIENTAL WATCH HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 22 to 53 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Auditors' Report

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 18 July 2002

Consolidated Income Statement

For the year ended 31 March 2002

	NOTES	2002 HK\$'000	2001 HK\$'000
Turnover		1,713,574	1,598,968
Cost of sales		(1,538,597)	(1,392,757)
Gross profit		174,977	206,211
Other operating income		9,879	13,010
Distribution costs		(26,137)	(27,719)
Administrative expenses		(63,884)	(74,575)
Gain on disposal of investment properties		5,170	–
Deficit on revaluation of an investment property		(2,100)	–
Profit from operations	5	97,905	116,927
Finance costs	6	(1,009)	(973)
Profit before taxation		96,896	115,954
Taxation	8	(16,389)	(19,347)
Profit before minority interests		80,507	96,607
Minority interests		(1,265)	720
Profit for the year attributable to shareholders		<u>79,242</u>	<u>97,327</u>
Dividends	9	<u>19,267</u>	<u>24,785</u>
Earnings per share	10		
Basic		<u>28.8 cents</u>	<u>35.3 cents</u>
Diluted		<u>28.5 cents</u>	<u>35.1 cents</u>

Consolidated Balance Sheet

At 31 March 2002

	NOTES	2002 HK\$'000	2001 HK\$'000 (As restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	13,500	46,550
Other properties, plant and equipment	12	79,142	81,556
Negative goodwill	13	(3,828)	—
Investments in securities	15	13,848	4,991
		102,662	133,097
Current assets			
Inventories	16	405,812	354,140
Debtors, deposits and prepayments	17	16,778	8,694
Investments in securities	15	1,217	5,102
Taxation recoverable		3,526	1,850
Pledged bank deposits		22,300	—
Other bank balances and cash		71,013	55,712
		520,646	425,498
Current liabilities			
Creditors and accrued charges	18	40,259	28,303
Taxation payable		2,409	3,021
Obligations under finance leases — amount due within one year	19	141	76
Short-term bank loans (secured)		19,717	—
Mortgage loan — amount due within one year	20	—	1,287
Bank overdrafts (unsecured)		4,140	3,953
		66,666	36,640
Net current assets		453,980	388,858
Total assets less current liabilities		556,642	521,955

Consolidated Balance Sheet

At 31 March 2002

	NOTES	2002 HK\$'000	2001 HK\$'000 (As restated)
Non-current liabilities			
Obligations under finance leases — amount due after one year	19	124	63
Mortgage loan — amount due after one year	20	—	6,968
Amount due to a minority shareholder of subsidiaries	21	—	15,200
Deferred taxation	22	353	370
		<u>477</u>	<u>22,601</u>
Minority interests		<u>—</u>	<u>(3,835)</u>
		<u>477</u>	<u>18,766</u>
Net assets		<u>556,165</u>	<u>503,189</u>
CAPITAL AND RESERVES			
Share capital	23	27,525	27,525
Reserves	25	528,640	475,664
Shareholders' funds		<u>556,165</u>	<u>503,189</u>

The financial statements on pages 22 to 53 were approved and authorised for issue by the Board of Directors on 18 July 2002 and are signed on its behalf by:

YEUNG MING BIU
CHAIRMAN AND MANAGING
DIRECTOR

YEUNG HIM KIT, DENNIS
DIRECTOR

Balance Sheet

At 31 March 2002

	NOTES	2002 HK\$'000	2001 HK\$'000 (As restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment in subsidiaries	14	122,614	122,614
Current assets			
Amounts due from subsidiaries		98,093	97,307
Taxation recoverable		2,054	1,841
Bank balances and cash		113	47
		100,260	99,195
Current liabilities			
Creditors and accrued charges		6,452	8,386
Net current assets		93,808	90,809
Net assets		216,422	213,423
CAPITAL AND RESERVES			
Share capital	23	27,525	27,525
Reserves	25	188,897	185,898
Shareholders' funds		216,422	213,423

YEUNG MING BIU
CHAIRMAN AND MANAGING
DIRECTOR

YEUNG HIM KIT, DENNIS
DIRECTOR

Consolidated Cash Flow

For the year ended 31 March 2002

	NOTES	2002 HK\$'000	2001 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	<u>49,651</u>	<u>71,391</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(23,396)	(24,876)
Interest and finance lease charges paid		(1,009)	(973)
Interest received		<u>2,186</u>	<u>4,268</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(22,219)</u>	<u>(21,581)</u>
TAXATION			
Hong Kong Profits Tax paid		(18,500)	(32,942)
Taxation paid outside Hong Kong		<u>(194)</u>	<u>(229)</u>
CASH OUTFLOW FROM TAXATION		<u>(18,694)</u>	<u>(33,171)</u>
INVESTING ACTIVITIES			
Pledge of bank deposits		(22,300)	—
Purchase of investments in securities		(8,907)	(7,282)
Purchase of other properties, plant and equipment		(2,319)	(6,580)
Acquisition of additional interest in subsidiaries		(1,882)	—
Purchase of investment properties		—	(16,216)
Proceeds from disposal of investment properties		33,250	—
Proceeds on maturity of investments in securities		3,900	3,799
Proceeds from disposal of other properties, plant and equipment		<u>—</u>	<u>279</u>
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		<u>1,742</u>	<u>(26,000)</u>
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		<u>10,480</u>	<u>(9,361)</u>

Consolidated Cash Flow

For the year ended 31 March 2002

	NOTES	2002 HK\$'000	2001 HK\$'000
FINANCING	27		
Bank loans raised		19,717	—
Repayment of mortgage loan		(8,255)	(1,120)
Repayment of advances to a minority shareholder		(6,720)	(8,800)
Repayment of obligations under finance leases		(108)	(76)
Consideration paid for repurchase of own shares		—	(1,232)
		<u> </u>	<u> </u>
NET CASH INFLOW (OUTFLOW) FROM FINANCING		4,634	(11,228)
		<u> </u>	<u> </u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		15,114	(20,589)
		<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		51,759	72,348
		<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28	66,873	51,759
		<u> </u>	<u> </u>

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 March 2002

	NOTES	2002 HK\$'000	2001 HK\$'000
Profit for the year attributable to shareholders		79,242	97,327
Surplus arising on revaluation of investment properties	11	<u>—</u>	<u>2,334</u>
Total recognised gains		<u>79,242</u>	<u>99,661</u>
Prior period adjustments arising as a result of changes in accounting policies:	2		
— derecognition of liability in respect of the 2000 final dividend			16,606
— restatement of goodwill as an asset and retrospective recognition of accumulated amortisation charges thereon			<u>(151)</u>
			<u>16,455</u>

Notes to the Financial Statements

For the year ended 31 March 2002

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its principal subsidiaries are engaged in watch trading.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company and its subsidiaries (collectively hereinafter referred to as the "Group") has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants for the first time. 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 year have been restated in order to achieve a consistent presentation. More importantly, the adoption of these new or revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior years.

Dividends proposed or declared after the balance sheet date

SSAP 9 (Revised) "Events after the balance sheet date" ("SSAP 9 (Revised)") specifies that dividends declared after the balance sheet date should be disclosed as a separate component of equity. In prior years, dividends declared after the balance sheet date were recognised as liabilities in the balance sheet.

SSAP 9 (Revised) has been applied retrospectively, resulting in the increase in accumulated profits of HK\$16,606,000 at 1 April 2000 and HK\$16,515,000 at 1 April 2001.

The adoption of SSAP 9 (Revised) has also resulted in the derecognition of dividends declared by subsidiaries of the Company after the balance sheet date but before the financial report was authorised for issue in prior years. The adoption of SSAP 9 (Revised) has resulted in a decrease in accumulated profits of the Company of HK\$8,000,000 at both 1 April 2000 and 1 April 2001.

Leases

SSAP 14 (Revised) "Leases" ("SSAP 14 (Revised)") has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment is required. Disclosures of the Group's leasing arrangements have been modified so as to comply with the requirement of SSAP 14 (Revised).

Notes to the Financial Statements

For the year ended 31 March 2002

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

(Continued)

Goodwill

The Group has adopted SSAP 30 "Business combinations" ("SSAP 30") and has elected to restate goodwill which had previously been charged to reserves. Accordingly, the amount of such goodwill has been remeasured in accordance with the requirements of SSAP 30.

Accumulated amortisation in respect of goodwill between date of acquisition of the subsidiary and the date of adoption of SSAP 30 has been recognised retrospectively.

Goodwill is recognised as an asset and amortised over its estimated useful life of not more than twenty years. The effect of the change in respect of the accounting policy on goodwill is to decrease the accumulated profits of the Group by HK\$151,000 at both 1 April 2000 and 1 April 2001.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group made up to 31 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 inter-company 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 is recognised as an asset and amortised over its useful economic life of not more than twenty years.

Notes to the Financial Statements

For the year ended 31 March 2002

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 is presented separately in the balance sheet as a deduction from assets and is 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.

Turnover

Turnover represents the net amount received and receivable for goods sold during the year.

Revenue recognition

Income from sales of goods is recognised when the goods are delivered and title has passed.

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

Rental income is recognised on a straight line basis over the duration of the leases.

Dividend income is recognised when the right to receive payment is established.

Investment properties

Investment properties are completed properties which are held for their investment potential and rental income derived therefrom is negotiated at arm's length.

Investment properties are stated at their open market values based on professional valuation at the balance sheet date. Any surplus or deficit arising on revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance in the reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a surplus arises on a subsequent revaluation, an amount of the surplus is credited to the income statement to the extent of the deficit previously charged.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

No depreciation is provided on investment properties unless the unexpired term of the relevant lease is twenty years or less.

On disposal of an investment property, any balance in the investment property revaluation reserve which is attributable to the disposed property is credited to the income statement.

Other properties, plant and equipment

Other properties, plant and equipment are stated at cost less accumulated depreciation and amortisation and any identified impairment loss.

The cost or valuation of buildings is depreciated over their estimated useful lives of thirty to fifty years using the straight line method. The cost of leasehold land is amortised on a straight line basis over the remaining term of the relevant leases.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives, using the reducing balance method, at 20% per annum.

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.

On the subsequent sale of a non-investment property, any attributable property revaluation surplus not yet transferred to accumulated profits will be transferred to accumulated profits.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or the duration of the leases, where shorter.

Impairment

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

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

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

A lease is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. Any asset held under a finance lease is capitalised at its fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as finance lease obligations. Finance charges, which represents the difference between the total leasing commitments and the principal amount at the date of inception of the lease, are charged to the income statement over the period of the 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 rentals are charged to the income statement on a straight-line basis over the period of the relevant lease terms.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group intends to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

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

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

Investment in subsidiaries

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

Inventories

Inventories comprise goods held for resale and are stated at the lower of cost on a specific identification basis and net realisable value.

Notes to the Financial Statements

For the year ended 31 March 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expenses 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.

Retirement benefits scheme contributions

Contributions payable to the Group's defined contribution retirement benefits scheme and mandatory provident fund scheme are charged to the income statement in the period to which they relate.

Foreign currencies

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

Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances.

Notes to the Financial Statements

For the year ended 31 March 2002

4. SEGMENT INFORMATION

The Group's turnover and profit from operations are derived from one business segment, watch trading of which in excess of 90% is derived from operations in Hong Kong.

The Group's watch trading operations are located in the Special Administrative Region of Hong Kong ("Hong Kong") and other parts of the People's Republic of China (the "PRC").

The following is an analysis of the sales and contribution of the Group's watch trading business:

	Profit (loss) Sales		Profit (loss) from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	1,669,858	1,589,904	96,408	117,874
PRC	43,716	9,064	(1,573)	(947)
	<u>1,713,574</u>	<u>1,598,968</u>		
Profit from watch trading			94,835	116,927
Gain on disposal of investment properties			5,170	—
Deficit arising on revaluation of an investment property			(2,100)	—
Profit from operations			<u>97,905</u>	<u>116,927</u>

Notes to the Financial Statements

For the year ended 31 March 2002

5. PROFIT FROM OPERATIONS

	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors	52,082	61,146
Retirement benefits scheme contributions, net of forfeited contributions of HK\$16,000 (2001: HK\$37,000)	2,692	2,623
Total staff costs	54,774	63,769
Depreciation on		
– owned assets	4,341	4,609
– assets held under finance leases	86	51
	4,427	4,660
Amortisation of premium on acquisition of held-to-maturity securities	54	67
Auditors' remuneration	1,256	1,273
Loss on disposal of other properties, plant and equipment	540	285
Unrealised losses on listed trading securities	–	425
and after crediting:		
Amortisation of discount on acquisition of held-to-maturity securities	4	4
Release of negative goodwill arising on acquisition of subsidiaries to income (included in other operating income)	200	–
Interest income	2,186	4,268
Realised gains on listed trading securities	–	369
Unrealised gains on listed trading securities	15	–

Notes to the Financial Statements

For the year ended 31 March 2002

6. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on bank borrowings		
– wholly repayable within five years	965	478
– not wholly repayable within five years	–	465
	965	943
Finance lease charges	44	30
	1,009	973

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2002	2001
	HK\$'000	HK\$'000
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	216	216
	216	216
Emoluments of the executive directors:		
Salaries and other benefits	8,896	8,827
Performance related incentive bonuses	7,733	18,486
Retirement benefits scheme contributions	1,112	1,080
	17,741	28,393
Total directors' emoluments	17,957	28,609

The emoluments of the directors are within the following bands:

	2002	2001
	Number of directors	Number of directors
Up to HK\$1,000,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$2,000,001 to HK\$2,500,000	2	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	2	1
HK\$4,000,001 to HK\$4,500,000	1	1
HK\$5,000,001 to HK\$5,500,000	–	2
HK\$6,000,001 to HK\$6,500,000	–	1

In both years, the five highest paid employees of the Group were five of the executive directors.

Notes to the Financial Statements

For the year ended 31 March 2002

8. TAXATION

	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
– charge for the year	16,317	18,747
– (over)underprovision in prior years	(173)	310
	16,144	19,057
Taxation outside Hong Kong	262	229
Deferred taxation (credit) charge (note 22)	(17)	61
	16,389	19,347

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits of the Group which are derived from Hong Kong. Taxation outside Hong Kong is calculated at the rate prevailing in the respective jurisdiction outside Hong Kong in which the Group operates.

9. DIVIDENDS

	2002	2001
	HK\$'000	HK\$'000
Proposed final dividend of 4.5 cents (2001: 6 cents) per share	12,386	16,515
Interim dividend paid of 2.5 cents (2001: 3 cents) per share	6,881	8,270
	19,267	24,785

The final dividend for the year ended 31 March 2002, which has been proposed by the directors, is subject to the approval by shareholders in the forthcoming annual general meeting. The amount is calculated on the basis of the proposed dividend rate of 4.5 cents per share and the 275,253,200 shares in issue at the date of approval and authorisation for issue of these financial statements by the directors.

Notes to the Financial Statements

For the year ended 31 March 2002

10. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share for the year are based on the following data:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to shareholders and earnings for the purpose of basic and diluted earnings per share	<u>79,242</u>	<u>97,327</u>
	Number of shares	Number of shares
Weighted average number of shares for the purpose of calculating basic earnings per share	275,253,200	275,959,184
Potential dilutive shares issuable under the Company's share option scheme	<u>2,872,972</u>	<u>1,269,373</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	<u>278,126,172</u>	<u>277,228,557</u>

11. INVESTMENT PROPERTIES

	The Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Investment properties comprise properties in Hong Kong held		
— under a long lease	—	22,000
— under medium-term leases	13,500	24,550
	<u>13,500</u>	<u>46,550</u>

The movements during the year are as follows:

Valuation at the beginning of the year	46,550	28,000
Disposals during the year	(30,950)	—
Cost of acquisition during the year	—	16,216
(Deficit) surplus arising on revaluation at the balance sheet date	<u>(2,100)</u>	<u>2,334</u>
Valuation at the end of the year	<u>13,500</u>	<u>46,550</u>

Notes to the Financial Statements

For the year ended 31 March 2002

11. INVESTMENT PROPERTIES (Continued)

During the year, the Group disposed of two investment properties for an aggregate consideration of HK\$33,250,000 to separate independent third parties. The gain on disposal of these investment properties is approximately HK\$5,170,000 of which HK\$2,870,000 has been released to the income statement from the Group's investment property revaluation reserve account (note 25).

The Group's remaining investment property was revalued as at 31 March 2002 on an open market value basis by Excellence Surveyors Limited, an independent firm of professional property valuers.

The deficit arising on revaluation of the Group's investment property as at 31 March 2002 of HK\$2,100,000 is charged to the income statement while the revaluation surplus of HK\$2,334,000 as at 31 March 2001 was credited to the investment property revaluation reserve.

As at 31 March 2001, an investment property with a carrying value of HK\$22,000,000 and the rentals thereon were pledged to secure a mortgage loan granted to the Group (note 20).

12. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Leasehold properties HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP				
COST OR VALUATION				
At 1 April 2001	70,096	34,496	2,316	106,908
Additions	—	2,553	—	2,553
Disposals	—	(1,840)	—	(1,840)
At 31 March 2002	<u>70,096</u>	<u>35,209</u>	<u>2,316</u>	<u>107,621</u>
Comprising:				
At cost	67,996	35,209	2,316	105,521
At valuation — 1996	2,100	—	—	2,100
	<u>70,096</u>	<u>35,209</u>	<u>2,316</u>	<u>107,621</u>
DEPRECIATION AND AMORTISATION				
At 1 April 2001	5,002	19,475	875	25,352
Provided for the year	627	3,512	288	4,427
Eliminated on disposals	—	(1,300)	—	(1,300)
At 31 March 2002	<u>5,629</u>	<u>21,687</u>	<u>1,163</u>	<u>28,479</u>
NET BOOK VALUES				
At 31 March 2002	<u>64,467</u>	<u>13,522</u>	<u>1,153</u>	<u>79,142</u>
At 31 March 2001	<u>65,094</u>	<u>15,021</u>	<u>1,441</u>	<u>81,556</u>

Notes to the Financial Statements

For the year ended 31 March 2002

12. OTHER PROPERTIES, PLANT AND EQUIPMENT (Continued)

	2002 HK\$'000	2001 HK\$'000
Leasehold properties comprise properties:		
– in Hong Kong held under long leases	63,507	64,124
– outside Hong Kong held under a medium-term lease	960	970
	<u>64,467</u>	<u>65,094</u>

One of the leasehold properties in Hong Kong was previously an investment property. This property is carried in the books on the basis of a valuation carried out by Messrs. Knight Frank & Kan, an independent firm of professional property valuers, on an open market value basis as at 31 March 1996 when it was still being rented to an outside party. This former investment property has since been occupied by the Group. It is not the Group's policy to revalue leasehold properties other than investment properties, therefore, the property is currently stated at its 1996 valuation amount less accumulated depreciation and amortisation on the same basis as other leasehold properties. Had all leasehold properties been stated in the financial statements at their original costs, less accumulated depreciation and amortisation since its acquisition, their net book value at 31 March 2002 would be approximately HK\$63,558,000 (2001: HK\$64,185,000).

Included in other properties, plant and equipment is an amount of approximately HK\$350,000 (2001: HK\$202,000) representing the aggregate net book value of computer equipment and a motor vehicle held under finance leases.

13. NEGATIVE GOODWILL

	The Group HK\$'000
GROSS AMOUNT	
Arising on acquisition during the year of additional interest in subsidiaries previously not held by the Group and balance at 31 March 2002	4,028
AMORTISATION	
Released to income during the year and balance at 31 March 2002	<u>(200)</u>
NET BOOK VALUE	
At 31 March 2002	<u><u>3,828</u></u>

The negative goodwill arose on the Group's acquisition of the remaining 40% equity interest in certain subsidiaries which was previously held by a minority shareholder. The negative goodwill is released to income on a straight line basis over twenty years representing the estimated average useful life of the depreciable assets acquired.

Notes to the Financial Statements

For the year ended 31 March 2002

14. INVESTMENT IN SUBSIDIARIES

	The Company 2002 & 2001
	<i>HK\$'000</i>
Unlisted shares, at cost	123,614
Less: Impairment loss	(1,000)
	<u>122,614</u>

Details of the Company's principal subsidiaries at 31 March 2002 are set out in note 34.

Impairment loss was recognised in respect of the Company's investment in a subsidiary which had been inactive and had negative net worth.

15. INVESTMENTS IN SECURITIES

	Held-to-maturity securities		Trading securities		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Debt securities						
Cost	13,890	8,950	—	—	13,890	8,950
Add: Cumulative amortisation of discount on acquisition	12	8	—	—	12	8
Less: Cumulative amortisation of premium on acquisition	(54)	(67)	—	—	(54)	(67)
Carrying value at 31 March	13,848	8,891	—	—	13,848	8,891
(b) Equity securities						
Carrying value at 31 March	—	—	1,217	1,202	1,217	1,202
Total carrying value at 31 March	13,848	8,891	1,217	1,202	15,065	10,093
Total market value at 31 March	13,957	9,001	1,217	1,202	15,173	10,203

Notes to the Financial Statements

For the year ended 31 March 2002

15. INVESTMENTS IN SECURITIES (Continued)

	Held-to-maturity securities		Trading securities		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysis of the carrying value for reporting purpose:						
Non-current	13,848	4,991	–	–	13,848	4,991
Current	–	3,900	1,217	1,202	1,217	5,102
	13,848	<u>8,891</u>	1,217	<u>1,202</u>	15,065	<u>10,093</u>
Comprising:						
– Securities listed in Hong Kong	–	–	1,217	1,202	1,217	1,202
– Securities listed overseas	–	3,900	–	–	–	3,900
– Unlisted securities	13,848	4,991	–	–	13,848	4,991
	13,848	<u>8,891</u>	1,217	<u>1,202</u>	15,065	<u>10,093</u>

The held-to-maturity securities comprise interest bearing notes. The face value of these notes at 31 March 2002 is approximately HK\$13,600,000 (2001: HK\$8,900,000).

16. INVENTORIES

At 31 March 2002, the Group had inventories of HK\$152,515,000 (2001: HK\$134,152,000) which were carried at net realisable value.

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Trade debtors	9,420	4,100
Deposits and prepayments	7,358	4,594
	16,778	<u>8,694</u>

Notes to the Financial Statements

For the year ended 31 March 2002

17. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

The Group maintains a general credit policy of not more than 30 days for its established and major customers. The following is an ageing analysis of the trade debtors of the Group at 31 March 2002:

	2002	2001
	HK\$'000	HK\$'000
0-30 days	9,340	2,493
31-60 days	80	854
61-90 days	—	218
Over 90 days	—	535
	9,420	4,100

18. CREDITORS AND ACCRUED CHARGES

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Trade creditors	30,139	14,744
Other creditors and accrued charges	10,120	13,559
	40,259	28,303

The following is an ageing analysis of trade creditors of the Group at 31 March 2002:

	2002	2001
	HK\$'000	HK\$'000
0-60 days	27,977	14,526
61-90 days	1,973	193
Over 90 days	189	25
	30,139	14,744

Notes to the Financial Statements

For the year ended 31 March 2002

19. OBLIGATIONS UNDER FINANCE LEASES

The Group's obligations under financial leases are secured by the lessor's charge over the assets held by the Group under the finance leases. The lease term is ranging from 3 to 5 years. The finance leases are on a fixed repayment basis and interest rates are fixed at the contract date.

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Gross amounts payable under finance leases:		
– within one year	201	105
– in the second to the fifth year inclusive	180	88
	381	193
Less: Finance charges	(116)	(54)
Present value of the obligations under finance leases	265	139
Payable as follows:		
– within one year shown under current liabilities	141	76
– after one year	124	63
	265	139

20. MORTGAGE LOAN

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Amount due within one year shown under current liabilities	–	1,287
Amount due in the second year	–	1,383
Amount due in the third to fifth year	–	4,825
Amount due after five years	–	760
Amount due after one year shown as non-current	–	6,968
Total	–	8,255

The mortgage loan was secured by an investment property of the Group and carried interest at prevailing market rates. During the year, the mortgage loan was repaid on disposal of that investment property.

Notes to the Financial Statements

For the year ended 31 March 2002

21. AMOUNT DUE TO A MINORITY SHAREHOLDER OF SUBSIDIARIES

The amount in the prior year represented advances made by a minority shareholder to finance the operations of those subsidiaries in which the minority shareholder had an equity interest. The amount was unsecured and interest free. During the year, the Group acquired the remaining interests in those subsidiaries from the minority shareholder, including the benefit of the minority shareholder's advances to the Group.

Details of the movements in the amount due to the minority shareholder are set out in note 27.

22. DEFERRED TAXATION

	The Group	
	2002 HK\$'000	2001 HK\$'000
Balance at the beginning of the year	370	309
(Credit) charge in the year (note 8)	(17)	61
Balance at the end of the year	<u>353</u>	<u>370</u>

The deferred tax liability represents the taxation effect of timing differences arising as a result of the excess of depreciation allowances claimed for tax purposes over the amount of depreciation charged in the financial statements. Surpluses or deficits arising on property revaluations do not constitute timing differences for taxation purposes as profits or losses on future disposals of the Group's properties would not be taxable or deductible.

The Group has not recognised in the financial statements a deferred taxation asset of approximately HK\$3,800,000 as at 31 March 2002 (2001: HK\$6,200,000) in respect of tax losses of certain subsidiaries which are available to set off against future assessable profits as it is not certain that the tax benefit will be realised in the foreseeable future.

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

Notes to the Financial Statements

For the year ended 31 March 2002

23. SHARE CAPITAL

	Number of shares	Nominal value <i>HK\$'000</i>
Authorised:		
Shares of HK\$0.10 each		
At 1 April 2000, 31 March 2001 and 31 March 2002	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 1 April 2000	276,759,200	27,676
Repurchases of own shares during the year ended 31 March 2001	<u>(1,506,000)</u>	<u>(151)</u>
At 31 March 2001 and 31 March 2002	<u>275,253,200</u>	<u>27,525</u>

There has been no change in the authorised and issued share capital of the Company during the current year.

24. SHARE OPTIONS

On 30 October 1996, the Company granted options to directors and employees of the Group to subscribe for 24,000,000 shares of HK\$0.10 each in the Company at an exercise price of HK\$0.77 per share. None of these granted options was exercised and all of them lapsed in October 2001.

No other option has been granted.

Notes to the Financial Statements

For the year ended 31 March 2002

25. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Goodwill reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP										
Balance at 1 April 2000, as previously reported	53,126	274	536	807	–	5,180	(151)	–	325,582	385,354
– derecognition of liability in respect of the 2000 final dividend (note 2)	–	–	–	–	–	–	–	16,606	–	16,606
– restatement of goodwill, as an asset, arising from an acquisition of a subsidiary in the past and retrospective recognition of amortisation charges (note 2)	–	–	–	–	–	–	151	–	(151)	–
Balance at 1 April 2000, as restated	53,126	274	536	807	–	5,180	–	16,606	325,431	401,960
Surplus arising on revaluation of investment properties at 31 March 2001 (note 11)	–	–	2,334	–	–	–	–	–	–	2,334
Transfer on repurchases of own shares during the year	–	151	–	–	–	–	–	–	(151)	–
Premium paid on repurchase of own shares	(1,081)	–	–	–	–	–	–	–	–	(1,081)
Profit for the year	–	–	–	–	–	–	–	–	97,327	97,327
2001 dividends	–	–	–	–	–	–	–	–	–	–
– interim proposed	–	–	–	–	–	–	–	8,270	(8,270)	–
– final proposed	–	–	–	–	–	–	–	16,515	(16,515)	–
Dividends paid	–	–	–	–	–	–	–	(24,876)	–	(24,876)
Balance at 31 March 2001, as restated	52,045	425	2,870	807	–	5,180	–	16,515	397,822	475,664
Realised on disposal of investment properties	–	–	(2,870)	–	–	–	–	–	–	(2,870)
Profit for the year	–	–	–	–	–	–	–	–	79,242	79,242
2002 dividends	–	–	–	–	–	–	–	–	–	–
– interim proposed	–	–	–	–	–	–	–	6,881	(6,881)	–
– final proposed	–	–	–	–	–	–	–	12,386	(12,386)	–
Dividends paid	–	–	–	–	–	–	–	(23,396)	–	(23,396)
Balance at 31 March 2002	<u>52,045</u>	<u>425</u>	<u>–</u>	<u>807</u>	<u>–</u>	<u>5,180</u>	<u>–</u>	<u>12,386</u>	<u>457,797</u>	<u>528,640</u>
THE COMPANY										
Balance at 1 April 2000, as previously reported	53,126	274	–	–	122,183	–	–	–	15,775	191,358
– derecognition of liability in respect of the 2000 final dividend (note 2)	–	–	–	–	–	–	–	16,606	–	16,606
– derecognition of dividend income from subsidiaries (note 2)	–	–	–	–	–	–	–	–	(8,000)	(8,000)
Balance at 1 April 2000, as restated	53,126	274	–	–	122,183	–	–	16,606	7,775	199,964
Transfer on repurchases of own shares during the year	–	151	–	–	–	–	–	–	(151)	–
Premium paid on repurchases of own shares	(1,081)	–	–	–	–	–	–	–	–	(1,081)
Profit for the year	–	–	–	–	–	–	–	–	11,891	11,891
2001 dividends	–	–	–	–	–	–	–	–	–	–
– interim proposed	–	–	–	–	–	–	–	8,270	(8,270)	–
– final proposed	–	–	–	–	–	–	–	16,515	(16,515)	–
Dividends paid	–	–	–	–	–	–	–	(24,876)	–	(24,876)
Balance at 31 March 2001, as restated	52,045	425	–	–	122,183	–	–	16,515	(5,270)	185,898
Profit for the year	–	–	–	–	–	–	–	–	26,395	26,395
2002 dividends	–	–	–	–	–	–	–	–	–	–
– interim proposed	–	–	–	–	–	–	–	6,881	(6,881)	–
– final proposed	–	–	–	–	–	–	–	12,386	(12,386)	–
Dividends paid	–	–	–	–	–	–	–	(23,396)	–	(23,396)
Balance at 31 March 2002	<u>52,045</u>	<u>425</u>	<u>–</u>	<u>–</u>	<u>122,183</u>	<u>–</u>	<u>–</u>	<u>12,386</u>	<u>1,858</u>	<u>188,897</u>

Notes to the Financial Statements

For the year ended 31 March 2002

25. RESERVES (Continued)

The special reserve of the Group comprises the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capitals and special reserves of those companies which were acquired by the Company pursuant to a group reorganisation in 1993. The special reserves of these acquired subsidiaries represent the credit arising on reduction of their paid up share capitals under the group reorganisation.

The contributed surplus of the Company arose as a result of the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the Company's shares which were issued to acquire these subsidiaries under the group reorganisation.

26. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Profit before taxation	96,896	115,954
Gain on disposal of investment properties	(5,170)	—
Deficit arising on revaluation of an investment property	2,100	—
Interest income	(2,186)	(4,268)
Interest and finance lease charges	1,009	973
Depreciation	4,427	4,660
Release of negative goodwill to income	(200)	—
Amortisation of premium on acquisition of held-to-maturity securities	54	67
Amortisation of discount on acquisition of held-to-maturity securities	(4)	(4)
Unrealised (gains) losses on listed trading securities	(15)	425
Realised gains on listed trading securities	—	(369)
Loss on disposal of other properties, plant and equipment	540	285
Increase in inventories	(51,672)	(42,332)
(Increase) decrease in debtors, deposits and prepayments	(8,084)	432
Increase (decrease) in creditors and accrued charges	11,956	(4,432)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>49,651</u>	<u>71,391</u>

Notes to the Financial Statements

For the year ended 31 March 2002

27. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium accounts HK\$'000	Secured short-term bank loans HK\$'000	Obligations under finance leases HK\$'000	Mortgage loan HK\$'000	Amount due to a minority share- holder of subsidiaries HK\$'000	Minority interests HK\$'000
Balance at 1 April 2000	80,802	—	215	9,375	24,000	(3,115)
Consideration paid for repurchases of own shares	(1,232)	—	—	—	—	—
Repayments during the year	—	—	(76)	(1,120)	(8,800)	—
Losses attributable to minority shareholder	—	—	—	—	—	(720)
Balance at 31 March 2001	79,570	—	139	8,255	15,200	(3,835)
New bank loans raised	—	19,717	—	—	—	—
Inception of a finance lease	—	—	234	—	—	—
Repayments during the year	—	—	(108)	(8,255)	(6,720)	—
Assignment to the Group of the benefit of an amount due to a minority shareholder upon the Group's acquisition of the remaining interest in certain subsidiaries (note 21)	—	—	—	—	(8,480)	—
Elimination of minority interests as a result of the Group's acquisition of additional interest in certain subsidiaries as stated above	—	—	—	—	—	2,570
Profit attributable to minority shareholder	—	—	—	—	—	1,265
Balance at 31 March 2002	<u>79,570</u>	<u>19,717</u>	<u>265</u>	<u>—</u>	<u>—</u>	<u>—</u>

28. ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash	71,013	55,712
Bank overdrafts	(4,140)	(3,953)
	<u>66,873</u>	<u>51,759</u>

Notes to the Financial Statements

For the year ended 31 March 2002

29. CONTINGENT LIABILITIES

	The Company	
	2002	2001
	HK\$'000	HK\$'000
Extent of guarantees given to banks to secure credit facilities granted to subsidiaries	<u>168,800</u>	<u>242,900</u>

The Group had no contingent liabilities at the balance sheet date.

30. PLEDGE OF ASSETS

At 31 March 2002, bank deposits of the Group of HK\$22,300,000 (2001: nil) were pledged to secure short-term bank loans for a subsidiary.

Certain properties of the Group with an aggregate carrying value of approximately HK\$13,200,000 at 31 March 2002 (2001: HK\$37,900,000) were pledged to a bank to secure credit facilities for the Group.

31. CAPITAL COMMITMENTS

Neither the Company nor the Group had any significant capital commitments at the balance sheet date.

32. OPERATING LEASE COMMITMENTS

The Group as lessor:

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Rental income from investment properties credited to the income statement during the year (less outgoings: nil)	<u>2,004</u>	<u>2,644</u>

The Group's investment properties are rented to outside parties for periods up to two years at fixed predetermined amounts. At the balance sheet date, the Group had contracted with tenants to receive the following future lease payments:

	2002	2001
	HK\$'000	HK\$'000
Within one year	774	1,494
In the second year	258	—
	<u>1,032</u>	<u>1,494</u>

Notes to the Financial Statements

For the year ended 31 March 2002

32. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessee:

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Lease payments for land and buildings charged to the income statement during the year	<u>10,426</u>	<u>9,599</u>

While the Company had no operating lease commitments, its subsidiaries had the following commitments under non-cancellable operating leases in respect of land and buildings payable as follows:

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year	8,004	8,860
In the second and third years	6,469	6,746
	<u>14,473</u>	<u>15,606</u>

Under the leases entered into by the Group, all lease payments are fixed and predetermined. None of the lease periods is in excess of three years.

33. RETIREMENT BENEFITS SCHEMES

The Group continues to operate a defined contribution retirement benefits scheme for its employees in Hong Kong. The assets of the scheme are held separately in a fund under the control of an independent trustee. The retirement benefits scheme contributions charged to the income statement represent the contributions payable by the Group to the fund at rates specified in the scheme. When employees leave the scheme prior to becoming fully vested in the contributions, the forfeited contributions will be used to reduce future contributions payable by the Group. There was no significant amount of unutilised forfeited contributions at the balance sheet date.

With the introduction of the Mandatory Provident Fund Scheme (the "Scheme") in Hong Kong, all employees who are not members of the Group's defined contribution retirement benefits scheme are required to join the Scheme.

Employees of subsidiaries operating in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. These 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 required contributions.

Notes to the Financial Statements

For the year ended 31 March 2002

34. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation/ equity interest held operation	Nominal value of issued ordinary share/ registered capital	Proportion of interest held by the Company		Principal activity
			Directly	Indirectly	
Cathay Watch Company Limited 國泰表行有限公司	Hong Kong	HK\$1,000	100%	—	Watch trading
Excel Dragon International Limited 龍景國際有限公司	Hong Kong	HK\$2	—	100%	Property holding
Fenmount International Limited	British Virgin Islands/PRC	US\$1	100%	—	Watch trading
Garwood Holdings Limited	British Virgin Islands/ Hong Kong	US\$10	100%	—	Investment holding
La Suisse Watch Company Limited 瑞士表行有限公司	Hong Kong	HK\$1,000	100%	—	Watch trading
Maxly Limited 萬事利有限公司	Hong Kong	HK\$1,000	100%	—	Watch trading
Oriental Watch (China) Company Limited 東方錶行(中國)有限公司	Hong Kong	HK\$1,000	—	100%	Watch trading and investment holding
Oriental Watch Company Limited 東方錶行有限公司	Hong Kong	HK\$1,000	100%	—	Watch trading
Unex Development Limited 宇立發展有限公司	Hong Kong	HK\$2	—	100%	Property holding
上海東舫表行國際貿易有限公司	PRC	US\$200,000	—	100%	Watch trading

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities as at 31 March 2002.

Financial Summary

	Year ended 31 March				
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
RESULTS					
Turnover	<u>1,200,854</u>	<u>1,250,763</u>	<u>1,527,847</u>	<u>1,598,968</u>	<u>1,713,574</u>
Profit before taxation	31,793	36,305	120,481	115,954	96,896
Share of losses of associates	<u>(140)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	31,653	36,305	120,481	115,954	96,896
Taxation	<u>(5,733)</u>	<u>(7,530)</u>	<u>(21,674)</u>	<u>(19,347)</u>	<u>(16,389)</u>
Profit before minority interests	25,920	28,775	98,807	96,607	80,507
Minority interests	<u>(2,436)</u>	<u>3,070</u>	<u>6,008</u>	<u>720</u>	<u>(1,265)</u>
Profit for the year attributable to shareholders	<u>23,484</u>	<u>31,845</u>	<u>104,815</u>	<u>97,327</u>	<u>79,242</u>
At 31 March					
	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000
ASSETS AND LIABILITIES					
Total assets	508,144	448,349	510,683	558,595	623,308
Total liabilities	(188,048)	(107,333)	(84,162)	(59,241)	(67,143)
Minority interests	<u>(5,963)</u>	<u>(2,893)</u>	<u>3,115</u>	<u>3,835</u>	<u>—</u>
Shareholders' funds	<u>314,133</u>	<u>338,123</u>	<u>429,636</u>	<u>503,189</u>	<u>556,165</u>

Note: Certain comparative figures in prior years have been restated as a result of the adoption of new and revised statements of standard accounting practice.