

## 1. **PRINCIPAL ACCOUNTING POLICIES**

The accounts are prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”). The following are the significant accounting policies adopted by the Group :-

**(a) Basis of preparation of the accounts**

The measurement basis used in the preparation of the accounts is historical cost modified by the marking to market of certain investments in securities as explained in the accounting policy set out in Note 1(e).

**(b) Basis of consolidation**

The consolidated accounts of the Group incorporate the accounts of the Company and all its subsidiary companies made up to 31st March each year, together with the Group’s share of the results of its associated companies. Results of subsidiary and associated companies acquired or disposed of during the year are included from their effective dates of acquisition or up to the dates of disposal as applicable. All material intercompany transactions and balances are eliminated on consolidation.

**(c) Goodwill arising on consolidation**

Goodwill arising on consolidation represents the excess of the cost of investment in subsidiary and associated companies over the fair value of the separable net assets acquired and is written off against reserves in the year of acquisition.

On disposal of a subsidiary or an associated company, any attributable amount of purchased goodwill which has previously been written off against reserves is included in the calculation of the profit or loss arising on disposal.

**(d) Associated companies**

An associated company is a company, not being a subsidiary company of the Group, in which the Group’s interest is for the long-term and, having regard to the disposition of the other shareholdings, the Group is in a position to exercise significant influence over that company’s financial and operating policy decisions. Investment in associated companies is stated in the consolidated balance sheet at the Group’s share of the net assets of the associated companies. The consolidated profit and loss account includes the Group’s share of the results of the associated companies for the year.

**(e) Investments in securities**

The Group’s and the Company’s policies for investments in securities are as follows :-

- (i) Other securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.
- (ii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the profit and loss account as they arise.

Dividends are recognised when the rights to receive payment are established. In the case of listed investments, this is taken to be when the share price of the investment goes ex-dividend. For unlisted investments, this is taken to be, for interim dividends, when the directors declare such dividends and, for final dividends, when the shareholders of the investee companies at the general meeting approve the dividends proposed by the directors.

**1. PRINCIPAL ACCOUNTING POLICIES***(cont'd)*

**(f) Fixed assets and depreciation**

Fixed assets are stated at cost less aggregate depreciation.

Leasehold land, buildings, leasehold improvements, furniture, fixtures, equipment and motor vehicles are depreciated on a straight line basis over their anticipated useful lives as follows :-

Leasehold land	over the remaining lease term
Buildings	50 years or the remaining lease term whichever is shorter
Leasehold improvements	4 - 10 years or the remaining lease term whichever is shorter
Furniture, fixtures, equipment and motor vehicles	3 - 10 years

The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets are not discounted to their present values.

**(g) Website/portal development costs**

Development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's website/portal and related technology development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Such costs are therefore recognised as an expense in the period in which they are incurred or become unavoidable.

**(h) Stocks**

Stocks are carried at the lower of cost and net realisable value.

Cost is calculated using the FIFO method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of stocks, arising from an increase in net realisable value, is recognised as a reduction in the amount of stocks recognised as an expense in the period in which the reversal occurs.

**(i) Operating leases**

Payments under operating leases are charged to the profit and loss account on a straight line basis over the periods of the respective leases.

## 1. **PRINCIPAL ACCOUNTING POLICIES***(cont'd)*

### (j) **Deferred taxation**

Deferred taxation is calculated under the liability method and quantifies the taxation effect arising from timing differences which can reasonably be expected to materialise in the foreseeable future. Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

### (k) **Translation of foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Foreign currency monetary balances are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Except as noted below, exchange differences are dealt with in the profit and loss account.

The accounts of overseas subsidiary and associated companies denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising on such translation are dealt with in the exchange fluctuation reserve.

### (l) **Retirement costs**

The Group operates defined contribution retirement schemes for its employees. The assets of the defined contribution retirement schemes are held separately from the Group's assets and are administered by independent trustees.

Contributions to the defined contribution retirement schemes are made by either the Group only or by both the Group and the related employees at rates ranging from 2 per cent. to 10 per cent. of the employees' basic salaries.

In the prior years, the Group also operated defined benefit retirement schemes.

**1. PRINCIPAL ACCOUNTING POLICIES***(cont'd)*

**(m) Revenue recognition**

*(i) Sales of goods*

Revenue arising from sales of goods is recognised on delivery of goods to customers.

*(ii) Interest income*

Interest income is accrued on a time proportioned basis on the principal outstanding and at the rate applicable.

*(iii) Royalty income*

Royalty income is accrued on a time proportioned basis over the term of the royalty agreement.

**(n) Borrowing costs**

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred.

**(o) Related parties**

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

**(p) Cash equivalents**

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

## 2. **TURNOVER / SEGMENTAL INFORMATION**

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are set out on pages 51 to 54.

Turnover represents sales less returns of own bought and concession goods. The analysis of the Group's turnover and operating profit after finance costs by principal activities and geographical locations are as follows :-

### Principal activities :-

	Group turnover		Operating profit after finance costs	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retailing	1,903,728	2,627,919	52,012	73,032
Wholesaling	<u>329,398</u>	<u>422,200</u>	<u>58,766</u>	<u>27,768</u>
	<u>2,233,126</u>	<u>3,050,119</u>	110,778	100,800
Others			<u>(32,060)</u>	<u>78,090</u>
			<u>78,718</u>	<u>178,890</u>

### Geographical location of operations :-

	Group turnover	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong	1,671,250	2,097,117
Asia	561,876	674,208
Europe		
United Kingdom	—	239,913
Other countries	—	33,932
North America	—	4,949
	<u>2,233,126</u>	<u>3,050,119</u>

*Note* : During the year ended 31st March, 2000, the Group disposed of its entire interest in Harvey Nichols Group plc, S.T. Dupont, Sandgraw Limited and Tommy Hilfiger Handbags and Small Leather Goods Inc. on 3rd June, 1999. During the year ended 31st March, 2001, the floor space of two department stores was reduced, and three subsidiary companies became associated companies of the Group after partial disposal of the Group's interest therein. Moreover, during the two year periods ended 31st March, 2000 and 31st March, 2001, the Group closed several of its retail outlets in connection with a restructuring of its business. For the purpose of comparison, the turnover for the year ended 31st March, 2000 after adjustment for the above factors is HK\$2,274.4 million.

For the purposes of Statement of Standard Accounting Practice Number 18 "Revenue", the Board of Directors consider the only significant category of revenue during the year to be sales of own bought goods of HK\$1,955,293,000 (2000 : HK\$2,739,841,000).

### 3. *NON-OPERATING ITEMS*

		<b>2001</b>	2000
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit on disposal of subsidiary companies	(a)	<b>26,418</b>	320,011
Department store restructuring costs	(b)	<b>(35,976)</b>	(68,800)
Website/portal development costs	(c)	<u>—</u>	<u>(240,000)</u>
		<b><u>(9,558)</u></b>	<b><u>11,211</u></b>

- (a) Profit on disposal of subsidiary companies represents profit arising on partial disposal of the Group's interest in Century Bright Limited (now known as "Bulgari (Hong Kong) Limited"), Century Bright (Wholesale) Limited and Century Bright Taiwan Limited (now known as "Bulgari (Taiwan) Limited") during the year. All three subsidiary companies became associated companies of the Group after the above disposal. Profit on disposal of subsidiary companies in the prior year represents profit arising on disposal of the Group's entire interest in Harvey Nichols Group plc, S.T. Dupont, Sandgraw Limited and Tommy Hilfiger Handbags and Small Leather Goods Inc..
- (b) Department store restructuring costs represent restructuring costs for the cyber store in the current year and the two Seibu department stores in Hong Kong in the prior year.
- (c) Website/portal and related technology development costs in respect of the Group's Cybermall development in the prior year were recognised in the prior year's profit and loss account as the directors considered that they did not satisfy the criteria for recognition as an asset (Notes 1(g) and 22(c)).

#### 4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit from ordinary activities before taxation is arrived at after crediting :-		
Dividend income from listed securities	2,248	721
Interest income	32,731	40,210
Net realised and unrealised gain on other investments	—	68,399
Royalty income	<u>203</u>	<u>3,076</u>
and after charging :-		
Auditors' remuneration	2,684	4,064
Cost of stocks	1,271,273	1,828,390
Depreciation	62,746	128,104
Hire of plant and machinery, and other assets under operating leases	96	1,427
Interest on bank overdrafts and loans repayable within five years	700	7,751
Operating lease charges in respect of land and buildings	244,944	260,459
Staff costs (including retirement costs of HK\$1,297,000 (2000 : HK\$1,945,000))	297,232	356,397
Net realised and unrealised loss on other investments	<u>52,253</u>	<u>—</u>

## 5. DIRECTORS' REMUNERATION

The aggregate remuneration of the directors of the Company disclosed in accordance with Sections 161 and 161A of the Companies Ordinance and the Listing Rules is as follows :-

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	80	80
Other emoluments		
Salaries, allowances and benefits in kind	12,229	11,703
Discretionary bonuses	12,770	4,720
Retirement scheme contributions	18	—
	<u>25,097</u>	<u>16,503</u>

Fees of HK\$10,000 (2000 : HK\$10,000) were paid to each of the independent non-executive directors during the year.

The remuneration of the directors falls within the following bands :-

	2001 <i>Number of directors</i>	2000 <i>Number of directors</i>
HK\$ 0 - 1,000,000	4	4
1,000,001 - 1,500,000	1	—
1,500,001 - 2,000,000	—	2
2,000,001 - 2,500,000	1	1
2,500,001 - 3,000,000	—	1
3,000,001 - 3,500,000	1	—
4,000,001 - 4,500,000	2	—
7,500,001 - 8,000,000	—	1
8,000,001 - 8,500,000	1	—
	<u>10</u>	<u>9</u>

## 6. REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Among the five highest paid individuals, four (2000 : two) are directors whose remuneration is disclosed in Note 5. Details of the remuneration of the other (2000 : three) highest paid individual is as follows :-

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,320	6,750
Discretionary bonuses	750	4,600
Retirement scheme contributions	3	—
	<u>3,073</u>	<u>11,350</u>

The remuneration of this (2000 : three) individual falls within the following band :-

	2001 <i>Number of individuals</i>	2000 <i>Number of individuals</i>
HK\$ 2,500,001 - 3,000,000	—	1
3,000,001 - 3,500,000	1	—
4,000,001 - 4,500,000	—	2
	<u>1</u>	<u>3</u>

## 7. TAXATION

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Company and subsidiary companies :-		
Hong Kong	4,718	15,754
Overseas	4,776	14,798
	<u>9,494</u>	<u>30,552</u>
Share of associated companies' taxation	2,594	1,780
	<u>12,088</u>	<u>32,332</u>

Taxation in the consolidated profit and loss account includes provision for Hong Kong profits tax at 16 per cent. (2000 : 16 per cent.) on the estimated assessable profits for the year. Provision for overseas taxation is calculated based on the relevant legislation and on the estimated assessable profits of the individual company concerned.

## 8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders, a profit of HK\$39,254,000 (2000 : HK\$476,112,000) has been dealt with in the accounts of the Company.

## 9. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Special dividend of nil cents (2000 : 680 cents) per share	—	1,823,241
Interim dividend of 5 cents (2000 : nil cents) per share	<b>12,823</b>	—
Proposed final dividend of nil cents (2000 : 25 cents) per share	—	<u>64,499</u>
	<b><u>12,823</u></b>	<b><u>1,887,740</u></b>

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share in the current year is based on the profit after taxation and minority interests of HK\$56,223,000 (2000 : HK\$151,461,000) and the weighted average number of 257,132,782 (2000 : 265,850,136) shares in issue during the year.

## 11. FIXED ASSETS

### The Group :-

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost :-				
At 1st April, 2000	108,872	304,893	255,122	668,887
Exchange difference	—	(5,350)	(1,700)	(7,050)
Additions	—	61,732	75,698	137,430
Disposals	—	(227,055)	(91,283)	(318,338)
Disposal of subsidiary companies	—	(6,543)	(7,633)	(14,176)
At 31st March, 2001	<u>108,872</u>	<u>127,677</u>	<u>230,204</u>	<u>466,753</u>
Aggregate depreciation :-				
At 1st April, 2000	14,102	277,935	186,997	479,034
Exchange difference	—	(4,156)	(1,255)	(5,411)
Charge for the year	1,765	22,964	38,017	62,746
Written back on disposals	—	(211,770)	(63,224)	(274,994)
Written back on disposal of subsidiary companies	—	(6,165)	(6,811)	(12,976)
At 31st March, 2001	<u>15,867</u>	<u>78,808</u>	<u>153,724</u>	<u>248,399</u>
Net book value :-				
At 31st March, 2001	<u>93,005</u>	<u>48,869</u>	<u>76,480</u>	<u>218,354</u>
At 31st March, 2000	<u>94,770</u>	<u>26,958</u>	<u>68,125</u>	<u>189,853</u>

Disposal of fixed assets included those arising from the department store restructuring during the year and the loss on disposal thereof of HK\$35,722,000 was included in department store restructuring costs for the year (Note 3(b)).

Net book value of land and buildings comprises :-

	The Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Long leases in Hong Kong	47,027	47,755
Medium lease in Hong Kong	45,978	47,015
	<u>93,005</u>	<u>94,770</u>

## 12. SUBSIDIARY COMPANIES

	<b>The Company</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares, at cost less provision	<b>1,832,818</b>	1,832,818
Amounts due from subsidiary companies	<b>5,315</b>	2,365
Amounts due to subsidiary companies	<b>(786,031)</b>	(721,725)
	<b><u>1,052,102</u></b>	<b><u>1,113,458</u></b>

Particulars of principal subsidiary companies are set out on pages 51 to 54.

## 13. ASSOCIATED COMPANIES

	<b>The Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets	<b>97,690</b>	51,122
Amounts due from associated companies	<b>73,325</b>	43,161
Amounts due to associated companies	<b>(13,325)</b>	(794)
	<b><u>157,690</u></b>	<b><u>93,489</u></b>

The Group's share of the post-acquisition accumulated losses of its associated companies as at 31st March, 2001 is HK\$56,140,000 (2000 : HK\$54,597,000).

Particulars of principal associated companies are set out on pages 51 to 54.

## 14. STOCKS

	<b>The Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Stocks comprise :-		
Finished goods	<b>477,622</b>	604,817
Raw materials	<b>8,474</b>	12,786
	<b><u>486,096</u></b>	<b><u>617,603</u></b>

The amount of stocks (included above) carried at net realisable value is HK\$98,027,000 (2000 : HK\$112,734,000).

### 15. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK\$69,814,000 (2000 : HK\$102,401,000) and their age analysis is as follows :-

	<b>The Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	<b>54,147</b>	75,657
1 to 30 days overdue	<b>6,426</b>	12,870
31 to 60 days overdue	<b>3,905</b>	5,595
Over 60 days overdue	<b>5,336</b>	8,279
	<b>69,814</b>	102,401

The Group has a credit policy with terms ranged from 30 days to 60 days.

### 16. OTHER INVESTMENTS

	<b>The Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	<b>HK\$'000</b>
Listed equity securities, at market value :-		
In Hong Kong	—	246,918
Outside Hong Kong	—	6,641
	—	253,559
Unlisted debt securities	<b>15,308</b>	15,243
	<b>15,308</b>	268,802

### 17. BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are unsecured and repayable within one year.

### 18. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$78,474,000 (2000 : HK\$148,594,000) and their age analysis is as follows :-

	The Group	
	2001 HK\$'000	2000 HK\$'000
Current	64,984	129,616
1 to 30 days overdue	8,602	12,296
31 to 60 days overdue	2,810	3,860
Over 60 days overdue	<u>2,078</u>	<u>2,822</u>
	<u><b>78,474</b></u>	<u><b>148,594</b></u>

### 19. SHARE CAPITAL

	2001		2000	
	Number of shares (Thousands)	Nominal value HK\$'000	Number of shares (Thousands)	Nominal value HK\$'000
Authorised :-				
Ordinary shares of HK\$0.30 each	<u>333,333</u>	<u>100,000</u>	<u>333,333</u>	<u>100,000</u>
Issued and fully paid :-				
Ordinary shares of HK\$0.30 each				
Balance brought forward	259,688	77,906	268,124	80,437
Share repurchases	<u>(3,232)</u>	<u>(969)</u>	<u>(8,436)</u>	<u>(2,531)</u>
Balance carried forward	<u><b>256,456</b></u>	<u><b>76,937</b></u>	<u><b>259,688</b></u>	<u><b>77,906</b></u>

The Company repurchased on the Stock Exchange and then cancelled 3,232,000 ordinary shares of HK\$0.30 each as follows :-

Month/Year	Number of Shares Purchased	Highest Price Paid per Share HK\$	Lowest Price Paid per Share HK\$	Aggregate Price Paid (Before Expenses) HK\$
April 2000	1,443,000	8.30	7.10	11,179,150
May 2000	250,000	7.50	7.45	1,871,500
June 2000	543,500	9.10	8.15	4,886,200
September 2000	570,500	5.85	5.00	3,039,225
October 2000	<u>425,000</u>	4.60	3.98	<u>1,840,678</u>
	<u><b>3,232,000</b></u>			<u><b>22,816,753</b></u>

**19. SHARE CAPITAL***(cont'd)*

An amount of HK\$21,958,000 representing the premium and brokerage expenses on the aforesaid repurchases has been charged against retained profits (Note 20).

Save as disclosed above, at no time during the year ended 31st March, 2001 was there any purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares.

On 31st August, 2000, the Company adopted a share option scheme pursuant to which the Board of Directors may, at its discretion, invite employees, including executive directors, of the Company and/or any of its subsidiary companies, to take up options to subscribe for shares of the Company at HK\$1.00 per option up to a maximum aggregate number of shares equal to 10 per cent. of the total issued share capital of the Company. The subscription price of a share payable by a participant upon the exercise of an option will be determined by the Board of Directors at its absolute discretion, save that such price will not be less than a minimum price which is the highest of :-

- (i) the nominal value of a share;
- (ii) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option; and
- (iii) 80 per cent. of the average of the closing prices of shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option.

The period during which an option may be exercised will be determined by the Board of Directors at its absolute discretion, save that no option may be exercised later than 10 years after it has been granted. No option may be granted more than 10 years after the adoption date of the scheme.

As at 31st March, 2001, no share options were granted to any of the directors or employees of the Company or any of its subsidiary companies under the above share option scheme.

## 20. RESERVES

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Contributed surplus				
Balance brought forward	—	—	—	1,770,513
Dividends	—	—	—	(1,770,513)
Balance carried forward	—	—	—	—
Exchange fluctuation reserve				
Balance brought forward	13,780	—	—	—
Translation of accounts of overseas subsidiary and associated companies	(10,438)	13,780	—	—
Balance carried forward	3,342	13,780	—	—
Capital reserve				
Balance brought forward	—	6,261	—	—
Exchange difference	—	(158)	—	—
Capital reserve realised on disposal of subsidiary companies	—	(6,103)	—	—
Balance carried forward	—	—	—	—
Retained profits				
Balance brought forward	962,425	2,442,821	970,091	678,975
Profit for the year	56,223	151,461	39,254	476,112
Dividends (Note 9)	(12,823)	(1,887,740)	(12,823)	(117,227)
Dividend cancelled in respect of shares repurchased	137	—	137	—
Premium and expenses on shares repurchased (Note 19)	(21,958)	(67,769)	(21,958)	(67,769)
Goodwill written back on disposal of subsidiary companies	—	325,725	—	—
Goodwill arising on consolidation written off	—	(2,073)	—	—
Balance carried forward	984,004	962,425	974,701	970,091
	<b>987,346</b>	<b>976,205</b>	<b>974,701</b>	<b>970,091</b>

Notes :-

- The excess value of the Company's share of the net assets of the subsidiary companies acquired in 1991 pursuant to the Group reorganisation scheme over the nominal value of the new shares of the Company issued in exchange was credited to the contributed surplus account. Under the Companies Act 1981 of Bermuda (as amended) and the new bye-laws of the Company, the contributed surplus is distributable to shareholders. In the prior year, the whole contributed surplus was distributed as special dividend.
- The distributable reserves of the Company at 31st March, 2001 amounted to HK\$974,701,000 (2000 : HK\$970,091,000).

## 21. MINORITY INTERESTS

	The Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Minorities' share of net assets	(861)	22,543
Amounts due to minority shareholders	<u>9,162</u>	<u>50,842</u>
	<u><u>8,301</u></u>	<u><u>73,385</u></u>

The amounts due to minority shareholders are interest free, unsecured and have no fixed repayment terms.

## 22. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the year, certain subsidiary companies traded on normal commercial terms with companies in which certain directors of the Company have beneficial interests. Total sales to and purchases from these companies represented 2.95 per cent. (2000 : 1.56 per cent.) and 7.96 per cent. (2000 : 4.69 per cent.) of the Group's total sales and purchases for the year respectively.
- (b) During the year, certain subsidiary companies paid fees to companies in which a director of the Company has a controlling interest, representing their proportion of overhead expenses incurred by, advertising and promotion services received from and commission expenses paid to these companies. The total fees paid to these companies represented 9.40 per cent. (2000 : 6.84 per cent.) of the Group's total expenses for the year.
- (c) On 30th December, 1999, a subsidiary company entered into a Consultancy and Professional Services Agreement with a related company in which a director of the Company has a controlling interest. This agreement (together with the supplemental agreement entered into on 29th April, 2000) provided for, inter alia :-
- (i) the design, development, construction and delivery in full operating status on or before 30th September, 2000 of six portals in an internet based retail network ("Cybermall");
  - (ii) the electronic interface between the Cybermall and physical mall and the related technological infrastructure; and
  - (iii) technical advice and recommendations on the ongoing upgrading and improvement of the Cybermall.

Under this agreement, the related company agreed and warranted that the services would be provided for an all inclusive fixed fee of HK\$130 million which represented the agreed estimate of the actual direct costs and time expended by the specialist personnel engaged in fulfilling the contract and without any profit margin and element of mark-up. The subsidiary company would be invoiced for the above services on a monthly basis.

The agreement also required the subsidiary company to pay third party suppliers HK\$110 million for the related specialised hardware and software specified by the related company for the Cybermall project.

The subsidiary company may only terminate the agreement in the event of willful default by the related company and the fixed fee referred to above is payable in full if the subsidiary company terminates the agreement in any other circumstances.

Website/portal and related technology development costs in the consolidated profit and loss account in the prior year included the fixed fee of HK\$130 million and the HK\$110 million referred to above of which HK\$70.6 million (2000 : HK\$4.7 million) and HK\$103.9 million (2000 : HK\$1.5 million) respectively were paid during the year and HK\$54.7 million (2000 : HK\$125.3 million) and HK\$4.6 million (2000 : HK\$108.5 million) respectively were included in creditors and accruals in the consolidated balance sheet as at 31st March, 2001.

## 23. COMMITMENTS

Commitments outstanding at 31st March, 2001 and not provided for in the accounts were as follows :-

- (a) Capital commitments :-

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Contracted for	1,616	27,326	—	—
Authorised but not contracted for	16,838	130,549	—	—
	<u>18,454</u>	<u>157,875</u>	<u>—</u>	<u>—</u>

- (b) Commitments under operating leases in respect of land and buildings to make payments within one year :-

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Lease expiring :-				
Within one year	25,226	61,106	—	—
After one year but within five years	93,685	76,904	—	—
Over five years	122,271	91,883	—	—
	<u>241,182</u>	<u>229,893</u>	<u>—</u>	<u>—</u>

In addition, during the year, a subsidiary company entered into a licence agreement for licensed space for its retail operations. The licence fee payable to the licensor in respect of the licence agreement is calculated at a certain percentage of the turnover derived by the subsidiary company from the licensed space. The licence is for a period of five years with an option to renew for an additional five years.

- (c) The Group entered into agreements for forward purchases of foreign currencies totalling HK\$23,622,000 (2000 : HK\$20,248,000) in the ordinary course of business.

## 24. CONTINGENT LIABILITIES

At 31st March, 2001, the Company had the following contingent liabilities in respect of :-

- (a) Guarantees of HK\$946,535,000 (2000 : HK\$1,136,932,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK\$60,530,000 (2000 : HK\$81,678,000) at the balance sheet date.
- (b) Guarantees given to licensors to guarantee the performance by certain subsidiary companies of obligations under certain agreements. The amount due under the agreements was HK\$14,197,000 (2000 : HK\$11,786,000) at the balance sheet date.