

NOTES TO INTERIM ACCOUNTS

1. Principal accounting policies

These unaudited consolidated interim accounts (“interim accounts”) are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, (as applicable to interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. These interim accounts should be read in conjunction with the Annual Report 2001.

The accounting policies adopted in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2001 except that the Group has changed certain of its accounting policies following the adoption of the new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001; set out as follows:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 10 (revised)	: Accounting for investments in associates
SSAP 14 (revised)	: Leases
SSAP 17 (revised)	: Property, plant and equipment
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group’s accounting policies and the major effect of adopting these new policies are set out below:

- Goodwill arising on acquisition of subsidiary companies on or after 1st April 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than 20 years. In prior years, goodwill on acquisition was taken directly to reserve. This change in accounting policy has no effect on the accounts for the period.
- In prior years, the Group capitalised an internally generated trademarks and patents amounting to HK\$1,000,000. The adoption of SSAP 29 has meant that the internally generated trademark did not meet the recognition criteria prescribed in the new standard. In accordance with the transitional provision of SSAP 29, this change in accounting policy has been applied retrospectively and as a result, trademarks and patents and reserves of the Group as at 31st March 2001 and 31st March 2000 have decreased by HK\$1,000,000.

2. Turnover and contribution to profit before taxation

An analysis of the Group’s turnover and contribution to the profit before taxation by principal activities and markets is as follows:

	Turnover Unaudited		Contribution to profit before taxation Unaudited	
	Six months ended 30th September		Six months ended 30th September	
	2001 HK’000	2000 HK’000	2001 HK’000	2000 HK’000
Analysis by principal activities:				
Investment	1,298	906	(4,166)	(7,115)
Property	18,589	58,970	17,770	20,734
Retailing and trading	564,606	533,298	9,206	15,871
Group administration overheads	–	–	(13,554)	(13,026)
	<u>584,493</u>	<u>593,174</u>	<u>9,256</u>	<u>16,464</u>

	Turnover Unaudited		Contribution to profit before taxation Unaudited	
	Six months ended 30th September		Six months ended 30th September	
	2001 HK'000	2000 HK'000	2001 HK'000	2000 HK'000
Analysis by principal markets:				
Hong Kong	354,729	385,461	2,640	17,619
South East and Far East Asia	128,811	117,820	3,208	(1,075)
Europe	86,525	71,964	16,671	11,951
North America	8,096	10,262	(395)	(499)
Others	6,332	7,667	686	1,494
Group administration overheads	–	–	(13,554)	(13,026)
	<u>584,493</u>	<u>593,174</u>	<u>9,256</u>	<u>16,464</u>

3. Operating profit before financing

	Unaudited Six Months ended 30th September	
	2001 HK\$'000	2000 HK\$'000
Operating profit before financing is stated after charging:		
Depreciation		
Owned fixed assets	26,413	23,319
Leased fixed assets	179	168
Amortisation of trademarks and patents	1,229	1,042
Loss on disposal of fixed assets	211	1,539
Loss on sales of marketable securities	17	–
Provision for stock obsolescence and stocks written off	–	3,354
Provision for doubtful debts and bad debts written off	3,248	1,141
and after crediting:		
Net provision for stock obsolescence and stocks written back	<u>1,259</u>	<u>–</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited Six Months ended 30th September	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax		
Current taxation	–	(405)
Under provision in respect of prior years	(726)	–
Overseas profits tax		
Current taxation	(491)	(169)
Over/(under) provision in respect of prior years	727	(206)
	<u>(490)</u>	<u>(780)</u>

5. Interim dividends

The Directors do not recommend the payment of an interim dividend for the period (2000: nil).

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$8,766,000 (2000: HK\$15,684,000) and on the weighted average number of 936,340,023 shares (2000: 936,340,023 shares) in issue during the period.

The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$8,766,000 (2000: HK\$15,684,000) and on the weighted average number of 936,340,023 shares (2000: 936,340,023 shares) in issue during the period plus the weighted average number of 1,388,430 shares (2000: 5,857,627 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

7. Debtors and prepayments

The Group allows an average credit period of 60 days to its trade debtors. Included in debtors and prepayments are trade debtors (net of provision for doubtful debts) with the following aging analysis:

	Unaudited 30th September 2001 HK\$'000	31st March 2001 HK\$'000
Trade debtors		
Below 60 days	32,504	31,782
Over 60 days	23,814	18,160
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	56,318	49,942
Deposits, prepayments and other debtors	253,117	250,361
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	<u>309,435</u>	<u>300,303</u>

8. Creditors and accruals

Included in creditors and accruals are trade creditors with the following aging analysis:

	Unaudited 30th September 2001 HK\$'000	31st March 2001 HK\$'000
Trade creditors		
Below 60 days	70,986	67,344
Over 60 days	79,759	63,306
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	150,745	130,650
Other creditors and accruals	224,899	233,206
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	<u>375,644</u>	<u>363,856</u>

9. Share capital

There was no change in the Company's share capital during the half year ended 30th September 2001. During the period, no further share options were granted by the Company and no share options outstanding as at 31st March 2001 were exercised by the option holders except that 3,000,000 share options previously held by Mrs Sudarat Sagarino have lapsed upon her resignation from the board on 23rd August 2001.

10. Reserves

	Unaudited <i>HK\$'000</i>
Balance as at 1st April 2001	
As previously reported	663,699
Prior period adjustment (<i>note 1(b)</i>)	(1,000)
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As restated	662,699
Exchange gains arising on translation of overseas subsidiary companies not recognised in the profit and loss account	3,313
Profit retained for the six months ended 30th September 2001	8,766
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Balance as at 30th September 2001	<u>674,778</u>

11. Other long term liabilities

	Unaudited	31st March
	30th September	2001
	2001	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>		
Bank loans, secured	(a) 312,574	317,659
Bank loans, unsecured	(a) 1,002	–
Obligations under finance leases	(b) 3,250	3,104
Loan from a related company	(c) 33,000	43,200
Loan from a director	15,835	14,720
Construction costs and retention money payable	5,090	8,531
	<hr/>	<hr/>
	370,751	387,214
Amount payable within one year included under current liabilities	23,747	27,630
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	<u>347,004</u>	<u>359,584</u>

(a) The bank loans are repayable as follows:

	Bank loans, secured		Bank loans, unsecured	
	Unaudited	Unaudited	Unaudited	Unaudited
	30th September	31st March	30th September	31st March
	2001	2001	2001	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not exceeding 1 year	15,934	10,248	547	–
More than 1 year, but not exceeding 2 years	251,438	20,787	455	–
More than 2 years, but not exceeding 5 years	39,881	277,011	–	–
More than 5 years	5,321	9,613	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>312,574</u>	<u>317,659</u>	<u>1,002</u>	<u>–</u>

- (b) The obligations under finance leases are repayable as follows:

	Minimum lease payments		Present value	
	Unaudited 30th September 2001 HK\$'000	31st March 2001 HK\$'000	Unaudited 30th September 2001 HK\$'000	31st March 2001 HK\$'000
Not exceeding 1 year	1,330	1,228	1,266	1,182
More than 1 year, but not exceeding 2 years	978	905	924	863
More than 2 years, but not exceeding 5 years	937	930	886	885
More than 5 years	174	174	174	174
	<u>3,419</u>	<u>3,237</u>	<u>3,250</u>	<u>3,104</u>
Future finance charges on finance leases	<u>(169)</u>	<u>(133)</u>		
	<u>3,250</u>	<u>3,104</u>		

- (c) The loan payable is unsecured and carries interest at prime rate. Except for the loan amount of HK\$27,000,000 which is not repayable on or before 1st October 2002, the balance is repayable within one year.

12. Contingent liabilities

	Unaudited 30th September 2001 HK\$'000	31st March 2001 HK\$'000
(a) Bills discounted	<u>7,161</u>	<u>5,865</u>
(b) The status of the Group's arbitrations and liability for latent defects in respect of the sale of Titus Square were fully disclosed in the Annual Report 2001 except that determination of the arbitration with the contractor for the Titus Square development is now anticipated in 2002.		

13. Commitments

	Unaudited 30th September 2001 HK\$'000	31st March 2001 HK\$'000
(a) Commitments in respect of expenditure on leasehold improvements		
Contracted but not provided for	1,616	1,597
Authorised but not contracted for	<u>1,353</u>	<u>–</u>
	<u>2,969</u>	<u>1,597</u>
(b) The details of a subsidiary company's commitment to repurchase a property previously sold were fully disclosed in the Annual Report 2001. The transaction has not been completed up to the date of this report.		

14. Related party transactions

	Unaudited Six Months ended 30th September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchases of goods from related companies	18,795	16,269
Rental income received from related companies	957	975
Interest income received from a related company	2,308	2,235
Interest expense paid to a related company	<u>1,001</u>	<u>1,499</u>

The terms of these related party transactions have not changed from those disclosed in the Annual Report 2001. In addition, purchases of watch products amounting to HK\$16,315,000 and purchases of optical products amounting to HK\$1,264,000 during the period also constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These connected transactions were announced on 15th August 2001 and 15th October 2001 for watch products and optical products respectively.

15. Subsequent events

Subsequent to the balance sheet date, the Group entered into agreement for the disposal of a property to a third party at a consideration of HK\$21,000,000.