# 1. *PRINCIPAL ACCOUNTING POLICIES*

The accounts are prepared in accordance with all applicable Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants (“the HKSA”), 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) Subsidiary companies**

A subsidiary company, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiary companies are considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary company is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company’s balance sheet, an investment in a subsidiary company is stated at cost less any impairment losses (Note 1(g)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the profit and loss account as they arise.

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

**(c) Associated companies**

An associated company is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associated company is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associated company's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated profit and loss account as they arise. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associated companies for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with Note 1(d).

Unrealised profits and losses resulting from transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated company, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

**(d) Goodwill arising on consolidation**

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiary companies :-

— for acquisitions before 1st April, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (Note 1(g)); and

— for acquisitions on or after 1st April, 2001, positive goodwill is amortised to the consolidated profit and loss account on a straight line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (Note 1(g)).

In respect of acquisitions of associated companies, positive goodwill is amortised to the consolidated profit and loss account on a straight line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (Note 1(g)) is included in the carrying amount of the interest in associated companies.

Negative goodwill arising on acquisitions of subsidiary and associated companies represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows :-

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

**(d) Goodwill arising on consolidation***(cont'd)*

— for acquisitions before 1st April, 2001, negative goodwill is credited to reserve; and

— for acquisitions on or after 1st April, 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

In respect of any negative goodwill not yet recognised in the consolidated profit and loss account :-

— for subsidiary companies, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

— for associated companies, such negative goodwill is included in the carrying amount of the interests in associated companies.

On disposal of a subsidiary or an associated company during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

**(e) Investments in securities**

The Group'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 in the balance sheet at cost less aggregate depreciation and impairment losses (Note 1(g)).

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 - 5 years or the remaining lease term whichever is shorter |
| Furniture, fixtures, equipment and motor vehicles | 3 - 6 years |

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

**(g) Impairment of assets**

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased :-

— property, plant and equipment;
— investments in subsidiary and associated companies; and
— positive goodwill.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised.

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

**(h) 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.

**(i) 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.

**(j) 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.

**(k) Deferred taxation**

Deferred taxation is calculated under the liability method and quantifies the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which can reasonably be expected to crystallise in the foreseeable future. Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

**(l) 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 assets and liabilities 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.

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

**(m) 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.

**(n) 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.

**(o) Borrowing costs**

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

**(p) 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.

**(q) 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 bank overdrafts and advances from banks repayable within three months from the date of the advance.

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

**(r) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group and the Company have a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(s) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment turnover and assets include items directly attributable to a segment. Segment assets include primarily inventories, trade receivables, property, plant and equipment and operating cash. Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

## 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 57 to 60.

Turnover represents sales of own bought and concession goods (less returns). The sales of own bought goods of HK$1,941,048,000 (2001 : HK$1,955,293,000) is the only significant category of revenue of the Group during the year.

**Business segment**

The Group has only one single business segment which is the sales of luxury goods. Accordingly, the segment information for this sole business segment is equivalent to the consolidated figures.

**Geographical segments**

In presenting information on the basis of geographical segments, segment turnover is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

| | | **2002** | |
|---|---|---|---|
| | | **Capital** | **Total** |
| | **Turnover** | **expenditure** | **assets** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Hong Kong | **1,562,438** | **16,155** | **1,054,367** |
| Other territories (Mainly Asia) | **785,795** | **26,773** | **465,694** |
| | **2,348,233** | **42,928** | **1,520,061** |
| Associated companies | | | **179,605** |
| Total assets | | | **1,699,666** |

| | | 2001 | |
|---|---|---|---|
| | | Capital | Total |
| | Turnover | expenditure | assets |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Hong Kong | 1,484,336 | 125,268 | 1,067,833 |
| Other territories (Mainly Asia) | 748,790 | 12,162 | 309,975 |
| | 2,233,126 | 137,430 | 1,377,808 |
| Associated companies | | | 157,690 |
| Total assets | | | 1,535,498 |

There is no major disparity in the ratios between turnover and profit in relation to the above geographical locations, hence no analysis is given of the profit contributions from the above geographical locations.

## 3. *NON-OPERATING ITEMS*

| | | **2002** **HK$'000** | 2001 *HK$'000* |
|---|---|---|---|
| Profit on disposal of subsidiary companies | (a) | **—** | 26,418 |
| Department store restructuring costs | (b) | **—** | (35,976) |
| | | **—** | (9,558) |

(a) Profit on disposal of subsidiary companies in prior year represents profit arising on partial disposal of the Group's interest in Bulgari (Hong Kong) Limited, Century Bright (Wholesale) Limited and Bulgari (Taiwan) Limited. All three subsidiary companies became associated companies of the Group after the above disposal.

(b) Department store restructuring costs in prior year represent restructuring costs for the cyber store.

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

| | **2002** **HK$'000** | 2001 *HK$'000* |
|---|---|---|
| Profit from ordinary activities before taxation is arrived at after crediting :- | | |
| Dividend income from listed securities | **—** | 2,248 |
| Interest income | **11,656** | 32,731 |
| Royalty income | **214** | 203 |
| Unrealised gain on other investments | **1,927** | — |
| and after charging :- | | |
| Auditors' remuneration | **3,281** | 2,684 |
| Cost of stocks | **1,375,483** | 1,271,273 |
| Depreciation | **62,337** | 62,746 |
| Hire of plant and machinery, and other assets under operating leases | **75** | 96 |
| Interest on bank overdrafts and loans repayable within five years | **1,884** | 700 |
| Operating lease charges in respect of land and buildings | | |
| - minimum lease payments | **253,120** | 232,276 |
| - contingent rent | **12,885** | 12,668 |
| Staff costs (including retirement costs of HK$9,015,000 (2001 : HK$1,297,000)) | **305,620** | 297,232 |
| Net realised and unrealised loss on other investments | **—** | 52,253 |

## 5. *DIRECTORS' REMUNERATION*

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

| | **2002** | 2001 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fees | **100** | 80 |
| Other emoluments | | |
| Salaries, allowances and benefits in kind | **16,282** | 12,229 |
| Discretionary bonuses | **3,940** | 12,770 |
| Retirement scheme contributions | **72** | 18 |
| | **20,394** | 25,097 |

Fees of HK$10,000 (2001 : 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 :-

| | **2002** | 2001 |
|---|---|---|
| | ***Number of directors*** | *Number of directors* |
| HK$ 0 - 1,000,000 | **4** | 4 |
| 1,000,001 - 1,500,000 | **1** | 1 |
| 2,000,001 - 2,500,000 | **1** | 1 |
| 2,500,001 - 3,000,000 | **1** | — |
| 3,000,001 - 3,500,000 | **1** | 1 |
| 4,000,001 - 4,500,000 | **1** | 2 |
| 5,500,001 - 6,000,000 | **1** | — |
| 8,000,001 - 8,500,000 | **—** | 1 |
| | **10** | 10 |

## 6. *REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS*

Among the five highest paid individuals, three (2001 : four) are directors whose remuneration is disclosed in Note 5. Details of the remuneration of the other two (2001 : one) highest paid individuals are as follows :-

| | **2002** | 2001 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowances and benefits in kind | **2,277** | 2,320 |
| Discretionary bonuses | **3,659** | 750 |
| Retirement scheme contributions | **12** | 3 |
| | **5,948** | 3,073 |

The remuneration of these two (2001 : one) individuals falls within the following bands :-

| | **2002** | 2001 |
|---|---|---|
| | ***Number of individuals*** | *Number of individuals* |
| HK$ 2,500,001 - 3,000,000 | **1** | — |
| 3,000,001 - 3,500,000 | **1** | 1 |
| | **2** | 1 |

## 7. *TAXATION*

| | **2002** | 2001 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Company and subsidiary companies :- | | |
| Hong Kong | **801** | 4,718 |
| Overseas | **6,828** | 4,776 |
| | **7,629** | 9,494 |
| Share of associated companies' taxation | **3,381** | 2,594 |
| | **11,010** | 12,088 |

Taxation in the consolidated profit and loss account includes provision for Hong Kong profits tax at 16 per cent. (2001 : 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.

The Group did not have material unprovided deferred taxation at the balance sheet date.

## 8. *PROFIT ATTRIBUTABLE TO SHAREHOLDERS*

Of the profit attributable to shareholders, a profit of HK$253,000 (2001 (restated) : HK$163,735,000) has been dealt with in the accounts of the Company.

Reconciliation of the above amount to the Company's profit for the year :-

| | **2002** | 2001 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | *(restated)* |
| Amount of consolidated profit attributable to shareholders dealt with in the Company's accounts | **253** | 163,735 |
| Final dividend from subsidiary companies attributable to the profits of the previous financial year, approved and paid during the year | **39,025** | — |
| Company's profit for the year (Note 21) | **39,278** | 163,735 |

## 9. *DIVIDENDS*

| | **2002** | 2001 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Dividends attributable to the year :- | | |
| Interim dividend declared and paid of nil cents (2001 : 5 cents) per share | **—** | 12,823 |
| Final dividend proposed after the balance sheet date of 5 cents (2001 : nil) per share | **12,823** | — |
| | **12,823** | 12,823 |

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 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$41,289,000 (2001 : HK$56,223,000) and the weighted average number of 256,455,652 (2001 : 257,132,782) shares in issue during the year.

## 11. *CHANGES IN ACCOUNTING POLICIES*

**(a) Goodwill**

In prior years, positive or negative goodwill arising on acquisition of subsidiary companies was eliminated against reserves. With effect from 1st April, 2001, in order to comply with SSAP 30 "Business Combinations" issued by the HKSA, the Group adopted a new accounting policy for goodwill as set out in Note 1(d).

The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 with the effect that the new accounting policy has been adopted prospectively and no adjustments have been made to the opening balances of retained profits and reserves and comparative information. However, any impairment arising on such goodwill is required to be accounted for in accordance with the newly issued SSAP 31 "Impairment of Assets" (Note 1(g)) retrospectively. As a result of this change, goodwill of HK$270 million previously written off to retained profits is considered impaired. However, this has no effect on the shareholders' funds.

**(b) Dividends**

In prior years, dividends proposed or declared after the balance sheet date in respect of an accounting period were recognised as a liability at the balance sheet date. With effect from 1st April, 2001, in order to comply with SSAP 9 (revised) "Events After the Balance Sheet Date" issued by the HKSA, the Group recognises a liability for dividends in the accounting period in which they are declared or proposed by directors and approved by shareholders. Consequently, dividend income from subsidiary companies is recognised as income in the Company's profit and loss account in the accounting period in which they are declared or proposed by directors and approved by shareholders.

As a result of this new accounting policy, the Company's net assets at 31st March, 2001 have been decreased by HK$39,025,000. There is no impact on the Group's net assets and profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

**(c) Provisions and contingent liabilities**

In prior years, no provision was made for the eventual costs that relate to the restoration of the alterations made to certain premises leased from third parties. With effect from 1st April, 2001, in order to comply with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets" issued by the HKSA, the best estimates of the eventual restoration costs are provided for and included in fixed assets and charged to profit and loss account on a straight line basis over the lease terms. The effect of adopting the SSAP has been adjusted to the opening balance of retained profits for the year. No restatement of other comparative information has been made.

## 12. *FIXED ASSETS*

**The Group :-**

| | **Land and buildings** | **Leasehold improvements** | **Furniture, fixtures, equipment and motor vehicles** | **Total** |
|---|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Cost :- | | | | |
| At 1st April, 2001 | 108,872 | 127,677 | 230,204 | 466,753 |
| Exchange difference | — | (3,346) | (1,073) | (4,419) |
| Adjustment for restoration costs | — | 20,296 | — | 20,296 |
| Additions | — | 25,529 | 17,399 | 42,928 |
| Disposals | — | (9,433) | (21,572) | (31,005) |
| At 31st March, 2002 | 108,872 | 160,723 | 224,958 | 494,553 |
| Aggregate depreciation :- | | | | |
| At 1st April, 2001 | 15,867 | 78,808 | 153,724 | 248,399 |
| Exchange difference | — | (2,457) | (756) | (3,213) |
| Adjustment for restoration costs | — | 7,609 | — | 7,609 |
| Charge for the year | 1,765 | 29,178 | 31,394 | 62,337 |
| Written back on disposals | — | (8,995) | (19,695) | (28,690) |
| At 31st March, 2002 | 17,632 | 104,143 | 164,667 | 286,442 |
| Net book value :- | | | | |
| At 31st March, 2002 | 91,240 | 56,580 | 60,291 | 208,111 |
| At 31st March, 2001 | 93,005 | 48,869 | 76,480 | 218,354 |

Net book value of land and buildings comprises :-

| | **The Group** | |
|---|---|---|
| | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* |
| Long leases in Hong Kong | **46,300** | 47,027 |
| Medium lease in Hong Kong | **44,940** | 45,978 |
| | **91,240** | 93,005 |

## 13. SUBSIDIARY COMPANIES

| | The Company | |
|---|---|---|
| | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* |
| | | *(restated)* |
| Unlisted shares, at cost less impairment loss | **1,832,818** | 1,832,818 |
| Amounts due from subsidiary companies | **5,715** | 5,315 |
| Amounts due to subsidiary companies | **(786,152)** | (825,056) |
| | **1,052,381** | 1,013,077 |

Particulars of principal subsidiary companies are set out on pages 57 to 60.

## 14. ASSOCIATED COMPANIES

| | The Group | |
|---|---|---|
| | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* |
| Share of net assets | **76,927** | 97,690 |
| Amounts due from associated companies | **103,372** | 73,325 |
| Amounts due to associated companies | **(694)** | (13,325) |
| | **179,605** | 157,690 |

The Group's share of the post-acquisition accumulated losses of its associated companies as at 31st March, 2002 is HK$52,824,000 (2001 : HK$56,140,000).

Particulars of principal associated companies are set out on pages 57 to 60.

## 15. STOCKS

| | The Group | |
|---|---|---|
| | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* |
| Stocks comprise :- | | |
| Finished goods | **610,380** | 477,622 |
| Raw materials | **5,971** | 8,474 |
| | **616,351** | 486,096 |

The amount of stocks (included above) carried at net realisable value is HK$89,718,000 (2001 : HK$98,027,000).

## 16. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK$92,400,000 (2001 : HK$69,814,000) and their age analysis is as follows :-

| | The Group | |
|---|---|---|
| | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* |
| Current | **85,451** | 54,147 |
| 1 to 30 days overdue | **5,754** | 6,426 |
| 31 to 60 days overdue | **517** | 3,905 |
| Over 60 days overdue | **678** | 5,336 |
| | **92,400** | 69,814 |

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

## 17. OTHER INVESTMENTS

Other investments represent unlisted debt securities stated at fair value.

## 18. BANK LOANS AND OVERDRAFTS

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

## 19. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK$89,022,000 (2001 : HK$78,474,000) and their age analysis is as follows :-

| | The Group | |
|---|---|---|
| | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* |
| Current | **79,306** | 64,984 |
| 1 to 30 days overdue | **6,351** | 8,602 |
| 31 to 60 days overdue | **1,803** | 2,810 |
| Over 60 days overdue | **1,562** | 2,078 |
| | **89,022** | 78,474 |

## 20. SHARE CAPITAL

| | **2002** | | 2001 | |
|---|---|---|---|---|
| | **Number of shares** | **Nominal value** | Number of shares | Nominal value |
| | ***Thousands*** | ***HK$'000*** | *Thousands* | *HK$'000* |
| Authorised :- | | | | |
| Ordinary shares of HK$0.30 each | **333,333** | **100,000** | 333,333 | 100,000 |
| Issued and fully paid :- | | | | |
| Ordinary shares of HK$0.30 each | | | | |
| Balance brought forward | **256,456** | **76,937** | 259,688 | 77,906 |
| Share repurchases | **—** | **—** | (3,232) | (969) |
| Balance carried forward | **256,456** | **76,937** | 256,456 | 76,937 |

At no time during the year ended 31st March, 2002 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, 2002, 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.

## 21. RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Exchange fluctuation reserve | | | | |
| Balance brought forward | **3,342** | 13,780 | **—** | — |
| Translation of accounts of overseas subsidiary and associated companies | **(13,441)** | (10,438) | **—** | — |
| Transfer from retained profits | **10,099** | — | **—** | — |
| Balance carried forward | **—** | 3,342 | **—** | — |
| Retained profits | | | | |
| Balance brought forward | | | | |
| - as previously reported | **984,004** | 962,425 | **974,701** | 970,091 |
| - prior year adjustments in respect of | | | | |
| - dividends (Note 11(b)) | **—** | 64,499 | **—** | 64,499 |
| - dividend income (Note 11(b)) | **—** | — | **(39,025)** | (163,506) |
| - restoration costs on certain premises leased from third parties (Note 11(c)) | **(4,347)** | — | **—** | — |
| - as restated | **979,657** | 1,026,924 | **935,676** | 871,084 |
| Profit for the year | **41,289** | 56,223 | **39,278** | |
| - as previously reported | | | | 39,254 |
| - prior year adjustment in respect of dividend income (Note 11(b)) | | | | 124,481 |
| - as restated | | | | 163,735 |
| Dividends approved in respect of prior year (Note 11(b)) | **—** | (64,499) | **—** | (64,499) |
| Dividends declared and paid in respect of the current year (Note 9) | **—** | (12,823) | **—** | (12,823) |
| Dividend cancelled in respect of shares repurchased | **—** | 137 | **—** | 137 |
| Premium and expenses on shares repurchased | **—** | (21,958) | **—** | (21,958) |
| Transfer to exchange fluctuation reserve | **(10,099)** | — | **—** | — |
| Balance carried forward | **1,010,847** | 984,004 | **974,954** | 935,676 |
| | **1,010,847** | 987,346 | **974,954** | 935,676 |

*Note :-*

(a) The distributable reserves of the Company at 31st March, 2002 amounted to HK$974,954,000 (2001 (restated) : HK$935,676,000).

## 22. MINORITY INTERESTS

| | The Group | |
|---|---|---|
| | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* |
| Minorities' share of net assets | **3,294** | (861) |
| Amounts due to minority shareholders | **9,786** | 9,162 |
| | **13,080** | 8,301 |

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

## 23. MATERIAL RELATED PARTY TRANSACTIONS

The following material transactions with related parties were in the opinion of the directors carried out in the ordinary and usual course of business and on normal commercial terms :-

(a) During the year, certain subsidiary companies traded with certain associated companies and companies in which certain directors of the Company have beneficial interests. Total sales to and purchases from these companies represented 3.99 per cent. (2001 : 2.95 per cent.) and 9.72 per cent. (2001 : 7.96 per cent.) of the Group's total sales and purchases for the year respectively.

(b) During the year, certain subsidiary companies paid fees to and received fees from certain associated companies and companies in which a director of the Company has a controlling interest, representing management and supporting services received from and provided to, rental received from and paid to, advertising and promotion services received from and commission expenses paid to these companies. The total fees paid to and received from these companies represented 3.08 per cent. (2001 : 4.13 per cent.) of the Group's total sales 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 ("the 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 included the fixed fee of HK$130 million and the HK$110 million referred to above of which HK$13.2 million (2001 : HK$70.6 million) and HK$ nil (2001 : HK$103.9 million) respectively were paid during the year and HK$41.5 million (2001 : HK$54.7 million) and HK$4.6 million (2001 : HK$4.6 million) respectively were included in creditors and accruals in the consolidated balance sheet as at 31st March, 2002.

## 24. COMMITMENTS

Commitments outstanding at 31st March, 2002 and not provided for in the accounts were as follows :-

(a) Capital commitments :-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Contracted for | **4,192** | 1,616 | **—** | — |
| Authorised but not contracted for | **2,389** | 16,838 | **—** | — |
| | **6,581** | 18,454 | **—** | — |

(b) At 31st March, 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows :-

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Within one year | **243,165** | 241,182 | **—** | — |
| After one year but within five years | **525,300** | 667,649 | **—** | — |
| After five years | **—** | 38,199 | **—** | — |
| | **768,465** | 947,030 | **—** | — |

The leases run for an initial period of one to nine years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay additional rent of a proportion of turnover for certain leased properties if the turnover generated from those leased properties exceed the predetermined levels. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

(c) The Group entered into agreements for forward purchases of foreign currencies totalling HK$ nil (2001 : HK$23,622,000) in the ordinary course of business.

## 25. CONTINGENT LIABILITIES

At 31st March, 2002, the Company had the following contingent liabilities in respect of :-

(a) Guarantees of HK$841,250,000 (2001 : HK$946,535,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK$200,978,000 (2001 : HK$60,530,000) 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$19,190,000 (2001 : HK$14,197,000) at the balance sheet date.

## 26. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for goodwill arising on consolidation, dividends, provisions and contingent liabilities, details of which are set out in Note 11.