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 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, 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 consolidated 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 consolidated 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 consolidated 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 consolidated profit and loss account on the date of retirement or disposal.

Restoration costs are provided for and included in fixed assets and charged to the consolidated profit and loss account on a straight line basis over the lease terms.

(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 consolidated 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 year 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 year 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 year 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 year in which the reversal occurs.

(j) Operating leases

Payments under operating leases are charged to the consolidated profit and loss account on a straight line basis over the periods of the respective leases. Contingent rentals are charged to the consolidated profit and loss account in the year in which they are incurred.

(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. Exchange differences are dealt with in the consolidated profit and loss account.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

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

(m) Employee benefits

(i) The Group operates the following principal retirement schemes :-

Defined contribution retirement schemes

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.

Defined benefit retirement schemes

The Group's net obligation in respect of defined benefit retirement schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine the present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by an independent qualified actuary using the projected unit credit method.

When the benefits of a scheme are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated profit and loss account.

In calculating the Group's obligation in respect of a scheme, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent. of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion is recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the scheme. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the net total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

(ii) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment of settlement is deferred and the effect would be material, these amounts are stated at their present values.

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

(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.

(iv) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(o) Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the year 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 and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(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.

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

(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 year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(t) Changes in accounting policies

(i) SSAP 11 (Revised) "Foreign currency translation"

The profit and loss accounts of overseas subsidiary and associated companies are translated into Hong Kong dollars at the average exchange rates during the year. This is a change in accounting policy from prior years where these were translated at the exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.

(ii) SSAP 34 "Employee benefits"

Employee entitlements to annual leave are recognised when they accrue to employees. Under SSAP 34 "Employee benefits", which is adopted by the Group with effect from 1st April, 2002, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. This represents a change in accounting policy as in previous years no provision was made for this liability. As a result of the new accounting policy, the Group's net assets as at the year end have been decreased by HK$4,715,000 (at 31st March, 2002 : HK$4,715,000). There is no impact on the Group's profit attributable to shareholders for the years 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 years.

Defined benefit retirement schemes provide benefits to the employees based on their final pay and number of years of service. In prior years, contributions to defined benefit retirement schemes were charged against the consolidated profit and loss account in the year in which they were payable to the schemes. The contributions were determined in accordance with the relevant law and approved by the relevant government authorities. The assets of the schemes are held separately from those of the Group in independently administered funds.

With effect from 1st April, 2002, in order to comply with SSAP 34 "Employee benefits" issued by the HKSA, the Group has adopted a new policy for defined benefit retirement schemes as set out in note l (m). The new accounting policy has been adopted prospectively, with the effect of the adoption on the opening balance of retained profits recognised on a straight-line basis over a maximum of five years from 1st April, 2002. The transitional net liability recognised during the year was HK$921,000.

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$2,037,549,000 (2002 : HK$1,941,048,000) 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.

		2003	
	Turnover	**Capital expenditure**	**Total assets**
	HK$'000	***HK$'000***	***HK$'000***
Hong Kong	**1,589,347**	**42,182**	**1,108,105**
Other territories (Mainly Asia)	**857,534**	**20,936**	**466,800**
	2,446,881	**63,118**	**1,574,905**
Associated companies			**170,967**
Total assets			**1,745,872**

		2002	
	Turnover	Capital expenditure	Total 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

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

		2003 HK$'000	2002 HK$'000
Website/portal development costs written back	(a)	**44,031**	—
Impairment loss on cyber store fixed assets	(b)	**(29,320)**	—
		14,711	—

(a) 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 of the specialist personnel engaged in fulfilling the agreement 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 accrued and expensed in the year ended 31st March, 2000 included the fixed fee of HK$130 million and the HK$110 million referred to above. HK$41.5 million and HK$4.6 million respectively were included in creditors and accruals in the consolidated balance sheet as at 31st March, 2002. HK$2.1 million (2002 : HK$13.2 million) and HK$Nil (2002 : HK$Nil) respectively were paid during the year.

This agreement expired on 30th September, 2002 and the total amount invoiced by the related company and third party suppliers in respect of the agreement amounted to HK$90.6 million and HK$105.4 million respectively. The related company has confirmed that it will not seek payment of the remaining amount of fixed fee included in the originally agreed estimate as this has not been incurred in view of the reduction in the actual direct costs due to the change in market conditions. Accordingly, the amount of HK$44.0 million has been credited to and included in the consolidated profit and loss account for the year ended 31st March, 2003.

(b) Impairment loss on cyber store fixed assets is in respect of the physical mall for which the estimated future cash flows are negative and which are not considered to have a recoverable amount.

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2003	2002
	HK$'000	*HK$'000*
Profit from ordinary activities before taxation is arrived at after crediting :-		
Interest income	**8,551**	11,656
Royalty income	**1,243**	214
Realised and unrealised gain on other investments	**1,056**	1,927
and after charging :-		
Auditors' remuneration	**3,472**	3,281
Cost of stocks	**1,436,319**	1,375,483
Depreciation	**55,449**	62,337
Hire of plant and machinery, and other assets under operating leases	**150**	75
Interest on bank overdrafts and loans repayable within five years	**3,324**	1,884
Operating lease charges in respect of land and buildings		
— minimum lease payments	**261,510**	253,120
— contingent rent	**63,363**	12,885
Staff costs	**282,526**	305,620
Including :-		
Contributions to defined contribution retirement schemes	**7,807**	9,015
Increase in liability for defined benefit retirement schemes (Note 24)	**2,473**	—

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 :-

	2003	2002
	HK$'000	*HK$'000*
Fees	**480**	100
Other emoluments		
Salaries, allowances and benefits in kind	**16,042**	16,282
Discretionary bonuses	**11,030**	3,940
Retirement scheme contributions	**78**	72
	27,630	20,394

5. *DIRECTORS' REMUNERATION(cont'd)*

Fees of HK$10,000 (2002 : HK$10,000) were paid to each of the directors during the year except for the two independent non-executive directors who held office as at 31st March, 2002 who were paid fees of HK$200,000 each.

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

	2003 **Number of directors**	2002 Number of directors
HK$ 0 - 1,000,000	**5**	4
1,000,001 - 1,500,000	**1**	1
2,000,001 - 2,500,000	**—**	1
2,500,001 - 3,000,000	**1**	1
3,000,001 - 3,500,000	**1**	1
4,000,001 - 4,500,000	**1**	1
5,500,001 - 6,000,000	**—**	1
7,000,001 - 7,500,000	**1**	—
7,500,001 - 8,000,000	**1**	—
	11	10

6. *REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS*

Among the five highest paid individuals, four (2002 : three) are directors whose remuneration is disclosed in Note 5. Details of the remuneration of the other (2002 : two) highest paid individual is as follows :-

	2003 ***HK$'000***	2002 *HK$'000*
Salaries, allowances and benefits in kind	**—**	2,277
Discretionary bonuses	**3,135**	3,659
Retirement scheme contributions	**—**	12
	3,135	5,948

The remuneration of this (2002 : two) individual falls within the following band :-

	2003 ***Number of individuals***	2002 *Number of individuals*
HK$ 2,500,001 - 3,000,000	**—**	1
3,000,001 - 3,500,000	**1**	1
	1	2

7. *TAXATION*

	2003	2002
	HK$'000	*HK$'000*
Company and subsidiary companies :-		
Hong Kong	**(20)**	801
Overseas	**9,863**	6,828
	9,843	7,629
Share of associated companies' taxation	**2,646**	3,381
	12,489	11,010

Taxation in the consolidated profit and loss account includes provision for Hong Kong profits tax at 16 per cent. (2002 : 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$15,600,000 (2002 : HK$253,000) has been dealt with in the accounts of the Company.

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

	2003	2002
	HK$'000	*HK$'000*
Amount of consolidated profit attributable to shareholders dealt with in the Company's accounts	**15,600**	253
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)	**15,600**	39,278

9. DIVIDENDS

(a) Dividends attributable to the year :-

	2003	2002
	HK$'000	*HK$'000*
Final dividend proposed after the balance sheet date of 7.5 cents (2002 : 5 cents) per share	**19,234**	12,823

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

(b) Dividends attributable to the previous financial year, approved and paid during the year :-

	2003	2002
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 5 cents (for the year ended 31st March, 2001 : Nil) per share	**12,823**	—

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$67,482,000 (2002 : HK$41,289,000) and the weighted average number of 256,455,652 (2002 : 256,455,652) shares in issue during the year.

11. *FIXED ASSETS*

The Group :-

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Total *HK$'000*
Cost :-				
At 1st April, 2002	108,872	160,723	224,958	494,553
Exchange difference	—	324	122	446
Additions	—	45,015	18,103	63,118
Disposals	—	(6,579)	(17,179)	(23,758)
At 31st March, 2003	108,872	199,483	226,004	534,359
Aggregate depreciation :-				
At 1st April, 2002	17,632	104,143	164,667	286,442
Exchange difference	—	173	96	269
Charge for the year	1,766	27,210	26,473	55,449
Impairment loss (Note 3 (b))	—	25,501	3,819	29,320
Written back on disposals	—	(6,026)	(16,067)	(22,093)
At 31st March, 2003	19,398	151,001	178,988	349,387
Net book value :-				
At 31st March, 2003	89,474	48,482	47,016	184,972
At 31st March, 2002	91,240	56,580	60,291	208,111

Net book value of land and buildings comprises :-

	The Group	
	2003 *HK$'000*	2002 *HK$'000*
Long leases in Hong Kong	**45,571**	46,300
Medium lease in Hong Kong	**43,903**	44,940
	89,474	91,240

12. SUBSIDIARY COMPANIES

	The Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,863,753**	1,863,753
Amounts due from subsidiary companies	**1,920**	5,715
Amounts due to subsidiary companies	**(779,709)**	(786,152)
	1,085,964	1,083,316
Impairment loss	**(30,935)**	(30,935)
	1,055,029	1,052,381

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

13. ASSOCIATED COMPANIES

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Share of net assets	**75,007**	76,927
Amounts due from associated companies	**96,659**	103,372
Amounts due to associated companies	**(699)**	(694)
	170,967	179,605

The Group's share of the post-acquisition accumulated losses of its associated companies as at 31st March, 2003 is HK$54,760,000 (2002 : HK$52,824,000).

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

14. STOCKS

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Stocks comprise :-		
Finished goods	**565,834**	610,380
Raw materials	**4,542**	5,971
	570,376	616,351

The amount of stocks (included above) carried at net realisable value is HK$89,862,000 (2002 : HK$89,718,000).

15. *DEBTORS, DEPOSITS AND PREPAYMENTS*

Included in debtors, deposits and prepayments are trade debtors of HK$69,204,000 (2002 : HK$92,400,000) and their age analysis is as follows :-

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Current	**63,952**	85,451
1 to 30 days overdue	**2,159**	5,754
31 to 60 days overdue	**696**	517
Over 60 days overdue	**2,397**	678
	69,204	92,400

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

16. *OTHER INVESTMENTS*

Other investments in prior year represent unlisted debt securities stated at fair value.

17. *CASH AND CASH EQUIVALENTS*

	The Group		The Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash on hand and balances with banks	**590,006**	411,879	**62**	59
Cash and cash equivalents in the balance sheets	**590,006**	411,879	**62**	59
Bank overdraft (Note 18)	**(16,480)**	(21,160)		
Cash and cash equivalents in the consolidated cash flow statement	**573,526**	390,719		

18. BANK LOANS AND OVERDRAFTS

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Bank overdrafts (Note 17)	**16,480**	21,160
Bank loans	**112,191**	137,112
	128,671	158,272

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$100,981,000 (2002 : HK$89,022,000) and their age analysis is as follows :-

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Current	**78,904**	79,306
1 to 30 days overdue	**18,209**	6,351
31 to 60 days overdue	**1,585**	1,803
Over 60 days overdue	**2,283**	1,562
	100,981	89,022

20. SHARE CAPITAL

	2003		2002	
	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 and carried forward	**256,456**	**76,937**	256,456	76,937

At no time during the year ended 31st March, 2003 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, 2003, 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	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Exchange fluctuation reserve				
Balance brought forward	**—**	3,342	**—**	—
Translation of accounts of overseas subsidiary and associated companies	**—**	(13,441)	**—**	—
Transfer from retained profits	**—**	10,099	**—**	—
Balance carried forward	**—**	—	**—**	—
Retained profits				
Balance brought forward				
— as previously reported	**1,010,847**	979,657	**974,954**	935,676
— prior year adjustment in respect of employee benefits (Note 1 (t)(ii))	**(4,715)**	(4,715)	**—**	—
— as restated	**1,006,132**	974,942	**974,954**	935,676
Dividends approved/paid in respect of prior year (Note 9 (b))	**(12,823)**	—	**(12,823)**	—
Profit for the year	**67,482**	41,289	**15,600**	39,278
Translation of accounts of overseas subsidiary and associated companies	**106**	—	**—**	—
Transfer to exchange fluctuation reserve	**—**	(10,099)	**—**	—
Balance carried forward	**1,060,897**	1,006,132	**977,731**	974,954
	1,060,897	1,006,132	**977,731**	974,954

Note :-

(a) The distributable reserves of the Company at 31st March, 2003 amounted to HK$977,731,000 (2002 : HK$974,954,000).

22. MINORITY INTERESTS

	The Group	
	2003	2002
	HK$'000	*HK$'000*
Minorities' share of net assets	**9,115**	3,294
Amounts due to minority shareholders	**9,786**	9,786
	18,901	13,080

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 3.73 per cent. (2002 : 3.99 per cent.) and 3.57 per cent. (2002 : 9.72 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 2.20 per cent. (2002 : 3.08 per cent.) of the Group's total sales for the year.

24. *DEFINED BENEFIT RETIREMENT SCHEMES*

	2003
	HK$'000
Defined benefit retirement scheme liability	**(1,280)**

The Group makes contributions to two defined benefit retirement schemes that provide retirement benefits for employees upon retirement. The Group's schemes were valued by an independent actuary as at 31st March, 2002 and 31st March, 2003 using the projected unit credit method to account for the Group's retirement schemes costs in accordance with SSAP 34 "Employee benefits".

(a) The amount recognised in the consolidated balance sheet is as follows :-

	2003
	HK$'000
Present value of funded obligations	**(8,447)**
Fair value of scheme assets	**3,519**
Unrecognised transitional liability	**3,648**
	(1,280)

24. DEFINED BENEFIT RETIREMENT SCHEMES *(cont'd)*

(b) Movements in net liability recognised in the consolidated balance sheet are as follows :-

	2003
	HK$'000
At 1st April, 2002	**—**
Contributions paid	**1,181**
Expense recognised in the profit and loss account	**(2,473)**
Exchange difference	**12**
At 31st March, 2003	**(1,280)**

(c) Expense recognised in the consolidated profit and loss account is as follows :-

	2003
	HK$'000
Current service cost	**1,365**
Interest cost	**259**
Expected return on scheme assets	**(72)**
Net transitional liability recognised	**921**
	2,473

The expense is recognised in the following line items in the consolidated profit and loss account :-

	2003
	HK$'000
Selling and distribution expenses	**1,692**
Administrative expenses	**781**
	2,473
Actual return on scheme assets	**72**

(d) The principal actuarial assumptions used as at 31st March, 2003 are as follows :-

Discount rate	**3.75%**
Expected rate of return on scheme assets	**3.75%**
Future salary increase	**1.50%**

25. COMMITMENTS

Commitments outstanding at 31st March, 2003 and not provided for in the accounts were as follows :-

(a) Capital commitments :-

	The Group		The Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for	**268**	4,192	**—**	—
Authorised but not contracted for	**154**	2,389	**—**	—
	422	6,581	**—**	—

(b) At 31st March, 2003, the total future minimum lease payments under non-cancellable operating leases are payable as follows :-

	The Group		The Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**254,707**	243,165	**—**	—
After one year but within five years	**398,176**	525,300	**—**	—
	652,883	768,465	**—**	—

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$2,195,000 (2002 : HK$Nil) in the ordinary course of business.

26. CONTINGENT LIABILITIES

At 31st March, 2003, the Group had contingent liabilities in respect of guarantees of HK$32,474,000 (2002 : HK$Nil) given to banks to secure facilities granted to an associated company. The facilities were utilised to the extent of HK$22,697,000 (2002 : HK$Nil) at the balance sheet date.

At 31st March, 2003, the Company had the following contingent liabilities in respect of :-

(a) Guarantees of HK$794,369,000 (2002 : HK$841,250,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK$174,559,000 (2002 : HK$200,978,000) 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$15,162,000 (2002 : HK$19,190,000) at the balance sheet date.

27. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for cash and cash equivalents in the consolidated cash flow statement and the consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity in order to comply with SSAP 15 (revised) and SSAP 1 (revised) respectively. As a result, certain advances from banks have been excluded from the definition of cash equivalents and cash flows from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively.