

**1 Principal activities**

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 47 to 50.

**2 Principal accounting policies**

The principal accounting policies adopted in the preparation of the accounts are as follows:

**(a) Basis of preparation**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention as modified by the revaluation of investment properties and marketable securities.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice No. 12 (“SSAP 12”) “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003. As a result, the Group has changed its accounting policy for deferred taxation as detailed in note 2(n) below.

**(b) Consolidation**

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st March. The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The profit or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

**(c) Goodwill/negative goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Negative goodwill represents the excess of the fair value of the Group’s share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group’s plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

**2 Principal accounting policies** *(Continued)***(c) Goodwill/negative goodwill** *(Continued)*

The carrying amount of goodwill is reviewed annually and provision is made where, in the opinion of directors, there is a long term impairment in value.

**(d) Subsidiary companies**

A company is a subsidiary company if the Group, directly or indirectly, controls more than half of the voting power, has the power to govern the financial and operating policies, appoints or removes the majority of the members of the board of directors or casts majority of votes at the meetings of the board of directors. In the Company's balance sheet, the investments in subsidiary companies are stated at cost less provision for impairment losses. Provision is made when, in the opinion of directors, there is a diminution in value other than temporary in nature.

The results of subsidiary companies are accounted for by the Company on the basis of dividend income received and receivable.

**(e) Fixed assets and depreciation**

Fixed assets other than investment properties (note 2(f)) are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is amortised over the unexpired period of the lease. Buildings are depreciated over the lesser of the unexpired lease term or 40 to 50 years.

Depreciation of other fixed assets is provided at rates calculated to write off their cost over their estimated useful lives or, if shorter, the relevant finance lease periods, using straight line method at the following rates:

Equipment	10 to 33 $\frac{1}{3}$ %
Furniture and fixtures	7 to 33 $\frac{1}{3}$ %
Motor vehicles	20 to 25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the carrying value of the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

**(f) Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

**2 Principal accounting policies** *(Continued)***(f) Investment properties** *(Continued)*

Investment properties are valued annually by independent professional valuers. Increases in valuations are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously charged.

No depreciation is provided on investment properties held on leases of more than twenty years.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

**(g) Assets under leases***(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated on the basis described in note 2(e).

*(ii) Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Payments made under the operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

**(h) Investment securities**

Investment securities are held for non-trading purpose and long-term. Investment securities are stated at cost less provision for diminution in value other than temporary in nature.

**(i) Trademarks**

Watch brand trademarks are stated at cost less amortisation. Cost is amortised over the estimated useful economic life of 20 years on a straight-line basis.

**(j) Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes the cost of direct labour, materials and an appropriate proportion of production overhead expenditure, and is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**2 Principal accounting policies** *(Continued)***(k) Marketable securities**

Marketable securities are stated at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in market value of marketable securities are recognised in the profit and loss account. Profits or losses upon the disposals of marketable securities representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

**(l) Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**(m) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**(n) Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 25 to the accounts, opening accumulated losses at 1st April 2002 have been increased by HK\$1,192,000 and those at 1st April 2003 have been reduced by HK\$8,020,000 respectively, which represent the unprovided net deferred tax liabilities and assets as at such dates. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$25,019,000 and HK\$16,999,000 respectively. The loss for the year ended 31st March 2003 has been reduced by HK\$9,142,000.

**2 Principal accounting policies** *(Continued)***(o) Recognition of revenue**

Revenue is recognised when it is probable that the economic benefits will accrue to the Group and when the revenue can be measured reliably on the following bases:

- (i) invoiced value of goods net of discounts and allowances, when the goods are delivered to the customers;
- (ii) rental income, on a straight-line basis;
- (iii) sales of marketable securities, when the significant risks and rewards of ownership have been transferred to the purchasers;
- (iv) dividend income, when the shareholder's right to receive payment is established;
- (v) interest income, in proportion to time, taking account of the principal outstanding and the effective interest rate applicable; and
- (vi) building management fee income, when the services are rendered.

**(p) Employee benefit cost**

The Group operates and participates in a number of defined contribution plans and a small defined benefit plan. The assets of the defined contribution plans are held separately from those of the Group in independently administered funds. Contributions under the defined contribution schemes are charged to the profit and loss account in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(q) Translation of foreign currencies**

Transactions in foreign currencies are converted at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiary companies denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising are dealt with as a movement in reserves.

**2 Principal accounting policies** *(Continued)*

**(r) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

**(s) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

**3 Turnover**

Turnover represents the following and comprises revenues from:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales of goods	<b>1,177,453</b>	1,154,340
Gross rental income	<b>32,454</b>	34,848
Dividend income for unlisted investments	<b>1,084</b>	1,946
Interest income	<b>7,033</b>	6,988
	<b>1,218,024</b>	1,198,122

**4 Segment information**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated items represent net corporate expenses or income. Segment assets consist primarily of fixed assets, investment securities, trademarks, stocks, debtors and prepayments and exclude deferred tax assets and bank balances and cash. Segment liabilities consist mainly of creditors and accruals and exclude taxation payable, deferred tax liabilities, loans from shareholders, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on location of its markets and customers. Total assets and capital expenditure are based on where the assets are located.

*Primary reporting format – business segments*

	2004				Group HK\$'000
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	
Turnover	1,113	48,097	1,179,551	(10,737)	1,218,024
Segment results	1,113	90,634	60,033		151,780
Net corporate expenses					(32,442)
Operating profit before financing					119,338
Finance costs					(27,120)
Profit before taxation					92,218
Taxation charge					(7,556)
Profit after taxation					84,662
Minority interests					–
Profit attributable to shareholders					84,662
Segment assets	9,600	908,051	679,720		1,597,371
Unallocated assets					79,947
Total assets					1,677,318
Segment liabilities	5,038	30,093	234,688		269,819
Minority interests	–	–	1,606		1,606
Unallocated liabilities					585,534
Total liabilities and minority interests					856,959
Capital expenditure	233	11	45,531		45,775
Depreciation	4,163	3,019	43,100		50,282
Amortisation charge of trademarks	–	–	2,405		2,405
Write-back of impairment of land and buildings	–	(2,800)	–		(2,800)
Write-back of deficit on revaluation of investment properties	–	(25,500)	–		(25,500)
Compensation received from arbitration	–	(30,080)	–		(30,080)
Loss on disposal of other fixed assets	–	–	221		221
Provision for stock obsolescence and stock written off	–	–	20,022		20,022
Provision for doubtful debts and bad debts written off	–	–	2,605		2,605

**NOTES TO THE ACCOUNTS**
**4 Segment information (Continued)**
*Primary reporting format – business segments (Continued)*

	2003 (As restated)				Group HK\$'000
	Investment HK\$'000	Property HK\$'000	Retail and trading HK\$'000	Eliminations HK\$'000	
Turnover	2,042	50,623	1,156,480	(11,023)	1,198,122
Segment results	2,042	(16,247)	31,539		17,334
Net corporate expenses					(26,276)
Operating loss before financing					(8,942)
Finance costs					(29,040)
Loss before taxation					(37,982)
Taxation credit					5,908
Loss after taxation					(32,074)
Minority interests					–
Loss attributable to shareholders					(32,074)
Segment assets	12,053	832,797	669,349		1,514,199
Unallocated assets					61,794
Total assets					1,575,993
Segment liabilities	4,977	12,506	228,663		246,146
Minority interests	–	–	1,473		1,473
Unallocated liabilities					610,148
Total liabilities and minority interests					857,767
Capital expenditure	935	–	45,009		45,944
Depreciation	4,330	3,125	43,905		51,360
Amortisation charge of trademarks	–	–	2,422		2,422
Impairment of land and buildings	–	2,800	2,000		4,800
Deficit on revaluation					
of investment properties	–	33,230	–		33,230
Loss on disposal of other fixed assets	–	–	463		463
Provision for stock obsolescence					
and stock written off	–	–	13,261		13,261
Provision for doubtful debts					
and bad debts written off	34	4,753	4,257		9,044



## NOTES TO THE ACCOUNTS

### 4 Segment information (Continued)

Secondary reporting format – geographical segments

	2004			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	665,768	88,019	1,293,958	16,414
South East and Far East Asia	330,524	42,187	283,503	22,299
Europe	185,737	24,804	75,044	3,832
North America	13,624	(2,803)	259	334
Mainland China	22,371	(427)	24,554	2,896
	<b>1,218,024</b>	<b>151,780</b>	<b>1,677,318</b>	<b>45,775</b>

	2003 (As restated)			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	702,719	(40,346)	1,229,643	14,670
South East and Far East Asia	278,482	19,245	246,434	29,447
Europe	197,911	37,364	73,883	1,199
North America	9,213	490	8,280	26
Mainland China	9,797	581	17,753	602
	<b>1,198,122</b>	<b>17,334</b>	<b>1,575,993</b>	<b>45,944</b>

### 5 Other income

	2004 HK\$'000	2003 HK\$'000
Building management fee income	11,194	11,813
Sundries	7,148	8,573
	<b>18,342</b>	<b>20,386</b>

**NOTES TO THE ACCOUNTS****6 Operating profit/(loss) before financing**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Operating profit/(loss) before financing is stated after charging/(crediting):		
Cost of stocks sold	<b>441,344</b>	455,976
Depreciation		
Owned fixed assets	<b>49,633</b>	50,757
Leased fixed assets	<b>649</b>	603
Auditors' remuneration		
Current year	<b>3,867</b>	3,583
Over provision in respect of prior years	<b>(64)</b>	(245)
Operating leases		
Land and buildings	<b>174,906</b>	177,871
Machinery	<b>497</b>	535
Amortisation charge of trademarks	<b>2,405</b>	2,422
Outgoings in respect of investment properties	<b>1,768</b>	1,807
Loss on disposal of fixed assets	<b>221</b>	463
Provision for stock obsolescence and stocks written off	<b>20,022</b>	13,261
Provision for doubtful debts and bad debts written off	<b>2,605</b>	9,044
Legal expenses written off	–	10,842
Net exchange (gains)/losses	<b>(3,292)</b>	977
Compensation received from arbitration	<b>(30,080)</b>	–

As disclosed in note 26(d) to the 2003 Annual Accounts, the Group was entitled to counter-claim liquidated damages and other costs or losses from the contractor for Stelux House. The arbitrator awarded in favour of the Group in March 2004 and compensation received from the contractor of HK\$30,080,000 was recognised this year.

**7 Finance costs**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	<b>23,920</b>	25,817
Interest on other loans wholly repayable within five years	<b>3,142</b>	3,084
Interest on finance leases	<b>58</b>	139
	<b>27,120</b>	29,040

**8 Staff costs**

The amount of staff costs (including directors' emoluments as disclosed in note 9) charged to the profit and loss account represents:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and allowances	<b>222,348</b>	212,397
Pension contributions less forfeiture utilised ( <i>note</i> )	<b>11,504</b>	11,191
Unutilised annual leave	–	3,361
Social security costs	<b>2,543</b>	1,829
Other allowances	<b>1,099</b>	183
	<b>237,494</b>	228,961

*Note:*

The Group operated under the Occupation Retirement Scheme Ordinance up to 30th November 2000 for employees in Hong Kong. With effect from 1st December 2000, a mandatory provident fund (“MPF”) scheme is set up which is available to eligible employees of the Group, including executive directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

Forfeited contributions totaling HK\$534,000 (2003: HK\$718,000) arising from employees leaving the scheme were utilised to offset contributions during the year. The MPF scheme cost charged to the consolidated profit and loss account represents contributions payable by the Company to the fund.

The Group also operates a number of defined contribution schemes, covering all the main territories in which it operates, the assets of which are held in trustee administered funds. Contributions to these schemes are calculated at rates ranging from 12% to 16% of basic salaries.

The Group also contributes to employee retirement schemes established by municipal governments in respect of certain subsidiaries incorporated in Mainland China. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the profit and loss account in the year to which the contributions relate.

**9 Directors' and senior management's emoluments**

**(a) Directors' emoluments**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees		
– executive directors	<b>400</b>	400
– non-executive directors	<b>240</b>	340
Salaries, allowances and benefits in kind	<b>8,251</b>	8,900
Pensions contributions	<b>262</b>	274
Executive Bonus Scheme	<b>6,442</b>	–
	<b>15,595</b>	9,914

Emoluments paid to independent non-executive directors for the year include directors' fees amounting to HK\$160,000 (2003: HK\$160,000). During the year, none of the directors waived their directors' fees (2003: Nil).

The emoluments of the directors fell within the following bands:

	<b>Number of directors</b>	
	<b>2004</b>	2003
<b>Emolument bands</b>		
HK\$nil – HK\$500,000	<b>3</b>	4
HK\$1,500,001 – HK\$2,000,000	–	4
HK\$2,000,001 – HK\$2,500,000	<b>3</b>	–
HK\$2,500,001 – HK\$3,000,000	<b>1</b>	1
HK\$5,500,001 – HK\$6,000,000	<b>1</b>	–
	<b>8</b>	9

**(b) Senior management's emoluments**

In addition to the above analysis for directors, there was one (2003: one) employee whose emoluments were among the five highest in the Group. Details of the emoluments paid to this employee were:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	<b>1,698</b>	1,573
Pensions contributions	<b>98</b>	89
Bonuses	<b>1,220</b>	1,151
	<b>3,016</b>	2,813

**10 Taxation (charge)/credit**

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year less relief for available tax losses. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	<b>2004</b>	(As restated)
	<b>HK\$'000</b>	2003
		<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	(70)	(62)
Overseas profits tax	(3,875)	(3,249)
(Under)/over provisions in respect of prior years	(1,340)	77
	(5,285)	(3,234)
Deferred taxation ( <i>note 27</i> )	(2,271)	9,142
<b>Taxation (charge)/credit</b>	<b>(7,556)</b>	<b>5,908</b>

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
Profit/(loss) before taxation	<b>92,218</b>	(37,982)
Theoretical tax at weighted average rate of 24.18% (2003: 5.81%)	(22,295)	2,205
Income not subject to taxation	10,769	4,857
Expenses not deductible for taxation purpose	(7,988)	(10,994)
Temporary differences not recognised	(468)	(1,373)
Increase in deferred taxation liabilities due to change in tax rate	–	(795)
Utilisation of previously unrecognised tax losses	20,460	17,086
Tax losses not recognised	(3,976)	(5,066)
Withholding tax	(2,769)	–
(Under)/over provision in prior years	(1,340)	77
Others	51	(89)
<b>Taxation (charge)/credit</b>	<b>(7,556)</b>	<b>5,908</b>

## NOTES TO THE ACCOUNTS

### 11 Profit/(loss) attributable to shareholders

Profit/(loss) attributable to shareholders includes a loss of the Company to the extent of HK\$2,366,000 (2003: HK\$2,491,000).

### 12 Dividends

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Final, proposed, of HK\$0.02 (2003: Nil) per ordinary share	<b>18,867</b>	–

At a meeting held on 15th July, 2004, the directors proposed a final dividend of HK\$0.02 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2005.

### 13 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share are based on the Group's profit attributable to shareholders of HK\$84,662,000 (2003: loss attributable to shareholders of HK\$32,074,000 as restated).

The basic earnings per share is based on the weighted average number of 939,566,798 shares (2003: 936,340,023 shares) in issue during the year. The diluted earnings per share is based on 939,630,798 shares which is the weighted average number of shares in issue during the year plus the weighted average number of 64,000 shares deemed to be issued at no consideration if all outstanding options had been exercised.

No diluted loss per share was presented for the year ended 31st March 2003 as the exercise of the Group's outstanding share options would have an anti-dilutive effect on the loss per share.

**NOTES TO THE ACCOUNTS**
**14 Fixed assets**

	<b>Land and buildings</b> <i>HK\$'000</i>	<b>Investment properties</b> <i>HK\$'000</i>	<b>Equipment and others</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Group</b>				
Cost or valuation				
At 31st March 2003	367,110	532,520	302,638	1,202,268
Changes in exchange rates	14,203	–	8,153	22,356
Additions	2,606	–	43,169	45,775
Disposals	–	–	(28,657)	(28,657)
Revaluation surplus	–	25,500	–	25,500
<b>At 31st March 2004</b>	<b>383,919</b>	<b>558,020</b>	<b>325,303</b>	<b>1,267,242</b>
Accumulated depreciation and impairment				
At 31st March 2003	119,393	–	237,487	356,880
Changes in exchange rates	5,236	–	5,911	11,147
Charge for the year	10,438	–	39,844	50,282
Disposals	–	–	(27,926)	(27,926)
Write-back of impairment	(2,800)	–	–	(2,800)
<b>At 31st March 2004</b>	<b>132,267</b>	<b>–</b>	<b>255,316</b>	<b>387,583</b>
Net book value				
<b>At 31st March 2004</b>	<b>251,652</b>	<b>558,020</b>	<b>69,987</b>	<b>879,659</b>
At 31st March 2003	247,717	532,520	65,151	845,388

**14 Fixed assets (Continued)**

The analysis of cost or valuation of the above assets as at 31st March 2004 is as follows:

	<b>Land and buildings HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>Equipment and others HK\$'000</b>	<b>Total HK\$'000</b>
At cost	383,919	–	325,303	709,222
At 2004 professional valuation	–	558,020	–	558,020
	<b>383,919</b>	<b>558,020</b>	<b>325,303</b>	<b>1,267,242</b>

The analysis of cost or valuation of the above assets as at 31st March 2003 is as follows:

	<b>Land and buildings HK\$'000</b>	<b>Investment properties HK\$'000</b>	<b>Equipment and others HK\$'000</b>	<b>Total HK\$'000</b>
At cost	367,110	–	302,638	669,748
At 2003 professional valuation	–	532,520	–	532,520
	<b>367,110</b>	<b>532,520</b>	<b>302,638</b>	<b>1,202,268</b>

Investment properties of the Group were valued on the open market value basis at 31st March 2004 by DTZ Debenham Tie Leung Limited, independent property valuer. All other fixed assets are stated at cost less accumulated depreciation and impairment provision, if any.

- (a) The Group's interests in investment properties and other properties at their net book values, are analysed as follows:

	<b>Group</b>	
	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Hong Kong:		
Medium term leases (10 – 50 years)	<b>698,122</b>	674,067
Overseas:		
Freehold	<b>52,239</b>	49,644
Medium term leases (10 – 50 years)	<b>49,946</b>	48,762
Short term leases (under 10 years)	<b>9,365</b>	7,764
	<b>809,672</b>	780,237

- (b) At 31st March 2004, certain of the Group's land and buildings amounting to HK\$174,616,000 (2003: HK\$169,155,000) and investment properties amounting to HK\$557,000,000 (2003: HK\$531,500,000) were pledged to secure banking facilities granted to the Group.



## NOTES TO THE ACCOUNTS

### 14 Fixed assets (Continued)

- (c) The carrying amount of the other properties would have been HK\$253,652,000 (2003: HK\$252,517,000) had they been stated at cost less accumulated depreciation.
- (d) At 31st March 2004, the net book value of fixed assets held under finance leases amounted to HK\$925,000 (2003: HK\$1,632,000).

### 15 Subsidiary companies

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares at cost less provision	495,150	495,150
Amounts due from subsidiary companies	116,155	116,155
Amounts due to subsidiary companies	(127,258)	(126,694)
	<b>484,047</b>	484,611

The amounts receivable from and payable to subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

Details of principal subsidiary companies are given on pages 47 to 50.

### 16 Investment securities

	Group	
	2004 HK\$'000	2003 HK\$'000
Unlisted overseas shares, at cost	4,299	4,299

### 17 Trademarks

	Group	
	2004 HK\$'000	2003 HK\$'000
Opening net book amount	21,284	23,134
Changes in exchange rates	281	572
Amortisation charge	(2,405)	(2,422)
Closing net book amount	<b>19,160</b>	21,284
Cost	46,434	46,153
Accumulated amortisation	(27,274)	(24,869)
Net book amount	<b>19,160</b>	21,284

**18 Stocks**

	2004 HK\$'000	Group 2003 HK\$'000
Raw materials	130,342	131,461
Work-in-progress	4,871	6,617
Finished goods	325,669	316,687
	<b>460,882</b>	454,765
Provision	(111,497)	(98,557)
	<b>349,385</b>	356,208

At 31st March 2004, stocks that are carried at net realisable value amounted to HK\$4,411,000 (2003: HK\$4,531,000).

**19 Debtors and prepayments**

	2004 HK\$'000	Group 2003 HK\$'000
Trade debtors ( <i>note a</i> )		
Below 60 days	19,312	14,035
Over 60 days	19,915	18,984
	<b>39,227</b>	33,019
Deposits, prepayments and other debtors ( <i>note b</i> )	305,567	249,637
	<b>344,794</b>	282,656

*Notes:*

- (a) The Group allows an average credit period of 60 days to its trade debtors.
- (b) Included in the balances are amounts due from related companies of HK\$179,223,000 (2003: HK\$174,356,000), of which a balance owing by Bangkok Land Public Company Limited, in which the estate of Mr Wong Chue Meng is a substantial shareholder, is made up as follows:

	2004 HK\$'000	2003 HK\$'000
Property development consultancy fee receivable	147,324	147,294
Interest receivable	28,049	23,144
	<b>175,373</b>	170,438
Less: provision	(24,198)	(24,198)
	<b>151,175</b>	146,240

Of the gross amount receivable, HK\$168,096,000 (2003: HK\$163,191,000) carries interest at 3% per annum and is repayable on demand. In addition, HK\$50,000,000 (2003: HK\$50,000,000) of the balance receivable has been pledged to secure banking facilities granted to the Group.

All other balances due from related companies are unsecured, interest free and have no fixed terms of repayment.

## NOTES TO THE ACCOUNTS

### 20 Marketable securities

	2004 HK\$'000	Group 2003 HK\$'000
Overseas listed shares, at market value	74	74
Quoted bonds, at market value	–	4,290
	74	4,364

### 21 Bank balances and cash

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Restricted balances	2,024	2,014	–	–
Unrestricted balances	51,013	34,761	2	4
	53,037	36,775	2	4

The restricted balances have been pledged to secure banking facilities granted to the Group.

### 22 Creditors and accruals

	2004 HK\$'000	Group 2003 HK\$'000
Trade creditors		
Below 60 days	81,622	67,546
Over 60 days	63,151	67,354
	144,773	134,900
Other creditors and accruals ( <i>note</i> )	132,408	111,246
	277,181	246,146

*Note:*

Included in other creditors and accruals are amounts due to related companies of HK\$7,373,000 (2003: HK\$7,842,000) which are unsecured, interest free and have no fixed terms of repayment.

### 23 Loans from shareholders

The loans, which were provided by the estate of Mr Wong Chue Meng and are unsecured, interest free and have no fixed terms of repayment.

**24 Share capital**

	<b>Number of shares of HK\$0.1 each</b>	<b>Amount HK\$'000</b>
Authorised:		
At 31st March 2003 and 2004	1,600,000,000	160,000
Issued and fully paid:		
At 1st April 2002 and 31st March 2003	936,340,023	93,634
At 1st April 2003	936,340,023	93,634
Issue of shares (note (i))	7,000,000	700
<b>At 31st March 2004</b>	<b>943,340,023</b>	<b>94,334</b>

On 25th June 1997, a share option scheme for the executive directors and employees of the Company and its subsidiary companies (the "Scheme") was approved and adopted by the shareholders pursuant to which the directors were authorised to grant options to executive directors and employees of the Company or its subsidiary companies to subscribe for shares of the Company for a period of ten years. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 5% of the total shares in issue. Movements in the number of share options outstanding during the year are as follows:

	<b>Number of options</b>	
	<b>2004</b>	<b>2003</b>
At the beginning of the year	<b>16,000,000</b>	22,000,000
Exercised (note (i))	<b>(7,000,000)</b>	–
Lapsed	<b>(1,000,000)</b>	(6,000,000)
At the end of the year (note (ii))	<b>8,000,000</b>	16,000,000

**24 Share capital (Continued)**

- (i) Options exercised on 25th September 2003, 2nd October 2003 and 3rd October 2003 resulted in 1,000,000, 1,000,000 and 5,000,000 shares being issued at HK\$0.15 each, yielding the following proceeds, before transaction costs of HK\$8,000:

	2004 HK\$'000	2003 HK\$'000
Ordinary share capital – at par	700	–
Share premium	350	–
<b>Proceeds</b>	<b>1,050</b>	–
Fair value of shares issued at exercise date of:		
– 25th September 2003 (note a)	330	–
– 2nd October 2003 (note b)	295	–
– 3rd October 2003 (note b)	1,425	–

Note:

- (a) An employee of the Group in aggregate exercised options for 1,000,000 shares at an exercise price of HK\$0.15 per share.
- (b) Certain directors of the Group in aggregate exercised options for 6,000,000 shares at an exercise price of HK\$0.15 per share.
- (ii) Share options outstanding at the end of the year have the following terms:

Expiry date	Exercise price HK\$	Number of options		Vested percentage	
		2004	2003	2004	2003
Directors					
25th October 2003	0.150	–	6,000,000	–	100%
16th January 2005	0.248	8,000,000	8,000,000	100%	100%
		8,000,000	14,000,000		
Other employees					
25th October 2003	0.150	–	2,000,000	–	100%
		8,000,000	16,000,000		

**NOTES TO THE ACCOUNTS**
**25 Reserves**

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>(a) Group</b>				
At 31st March 2002, as previously reported	2,848,462	443	(2,196,640)	652,265
Effect of adopting revised SSAP 12 ( <i>note 2(n)</i> )	–	–	(1,192)	(1,192)
At 31st March 2002, as restated	2,848,462	443	(2,197,832)	651,073
Loss for the year	–	–	(32,074)	(32,074)
Changes in exchange rates	–	–	5,593	5,593
At 31st March 2003	2,848,462	443	(2,224,313)	624,592
At 31st March 2003, as previously reported	2,848,462	443	(2,232,333)	616,572
Effect of adopting revised SSAP 12 ( <i>note 2(n)</i> )	–	–	8,020	8,020
At 31st March 2003, as restated	2,848,462	443	(2,224,313)	624,592
Issue of shares	–	350	–	350
Profit for the year	–	–	84,662	84,662
Changes in exchange rates	–	–	16,421	16,421
<b>At 31st March 2004</b>	<b>2,848,462</b>	<b>793</b>	<b>(2,123,230)</b>	<b>726,025</b>
Representing:				
2004 Final dividend proposed				18,867
Others				707,158
<b>Total reserves as at 31st March 2004</b>				<b>726,025</b>
<b>(b) Company</b>				
At 31st March 2002	4,085,186	443	(3,697,620)	388,009
Loss for the year	–	–	(2,491)	(2,491)
At 31st March 2003	4,085,186	443	(3,700,111)	385,518
Issue of shares	–	350	–	350
Loss for the year	–	–	(2,366)	(2,366)
<b>At 31st March 2004</b>	<b>4,085,186</b>	<b>793</b>	<b>(3,702,477)</b>	<b>383,502</b>
Representing:				
2004 Final proposed dividend				18,867
Others				364,635
<b>Total reserves as at 31st March 2004</b>				<b>383,502</b>

Under the laws of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable. At 31st March 2004, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK\$382,709,000 (2003: HK\$385,075,000).

**26 Long term liabilities**

		Group	
	Note	2004 HK\$'000	2003 HK\$'000
Bank loans, unsecured	(a)	–	157
Bank loans, secured	(a)	<b>268,860</b>	285,472
Loan from a related company	(b)	<b>24,580</b>	34,250
Loan from a director	(c)	<b>13,444</b>	13,444
Obligations under finance leases	(d)	<b>663</b>	1,133
		<b>307,547</b>	334,456
Amount repayable within one year included under current liabilities		<b>(57,278)</b>	(26,049)
		<b>250,269</b>	308,407

(a) The bank loans are repayable as follows:

Not exceeding one year	<b>19,025</b>	21,248
More than one year, but not exceeding two years	<b>239,211</b>	16,109
More than two years, but not exceeding five years	<b>10,624</b>	248,272
	<b>268,860</b>	285,629

(b) The related company is Active Lights Company Limited, a subsidiary company of Yee Hing Company Limited, the ultimate holding company. The loan is unsecured, bears interest at prime rate and wholly repayable within one year (2003: HK\$30,000,000 which is not repayable on or before 1st April 2004).

(c) The loan balance was wholly repaid on 30th April 2004. It was unsecured, and bore interest at 1.5% per annum above US Dollar best lending rate (for the period from 30th March 2001 to 26th March 2003: 2.875% per annum above the prevailing Swiss interbank cost of funds).

## NOTES TO THE ACCOUNTS

### 26 Long term liabilities (Continued)

(d) The obligations under finance leases are payable as follows:

	2004 HK\$'000	Group 2003 HK\$'000
Not exceeding one year	270	610
More than one year, but not exceeding two years	166	229
More than two years, but not exceeding five years	320	367
More than five years	40	104
	796	1,310
Future finance charges on finance leases	(133)	(177)
Present value of finance lease liabilities	663	1,133
The present value of finance lease liabilities is as follows:		
Not exceeding one year	229	551
More than one year, but not exceeding two years	138	199
More than two years, but not exceeding five years	262	301
More than five years	34	82
	663	1,133

### 27 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	26,910	25,019
Deferred tax liabilities	(20,748)	(16,999)
	6,162	8,020



## NOTES TO THE ACCOUNTS

### 27 Deferred taxation (Continued)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Deferred tax assets/(liabilities)			Total HK\$'000
	Tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Other temporary difference HK\$'000	
At 1st April 2002	9,397	(15,903)	5,314	(1,192)
Transfer to profit and loss account (note 10)	6,103	771	2,268	9,142
Translation differences	31	41	(2)	70
At 31st March 2003	15,531	(15,091)	7,580	8,020
Transfer to profit and loss account (note 10)	861	(5,125)	1,993	(2,271)
Translation differences	478	106	(171)	413
<b>At 31st March 2004</b>	<b>16,870</b>	<b>(20,110)</b>	<b>9,402</b>	<b>6,162</b>

Deferred tax assets are recognised for tax loss to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st March 2004, the Group has unrecognised tax losses of HK\$369,920,000 (2003: HK\$431,152,000) to carry forward against future taxable income. These tax losses have no expiry date except HK\$10,557,000 (2003: HK\$37,913,000) will be expired on 31st March 2007.

**28 Notes to the consolidated cash flow statement**
**(a) Reconciliation of profit/(loss) before taxation to cash generated from operations**

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit/(loss) before taxation	<b>92,218</b>	(37,982)
Depreciation	<b>50,282</b>	51,360
Gain on disposal of land and buildings	–	(110)
Loss on disposal of other fixed assets	<b>221</b>	463
(Write-back of)/deficit on revaluation of investment properties	<b>(25,500)</b>	33,230
(Write-back of impairment)/impairment of land and buildings	<b>(2,800)</b>	4,800
Compensation received from arbitration	<b>(30,080)</b>	–
Amortisation of trademarks	<b>2,405</b>	2,422
Interest income	<b>(7,033)</b>	(6,988)
Interest expenses	<b>27,120</b>	29,040
Dividend income	<b>(1,084)</b>	(1,946)
Net exchange (gains)/losses	<b>(3,573)</b>	405
<hr/>		
Operating profit before working capital changes	<b>102,176</b>	74,694
Decrease/(increase) in stocks	<b>6,823</b>	(1,166)
(Increase)/decrease in debtors and prepayments	<b>(3,950)</b>	3,244
Increase/(decrease) in creditors and accruals	<b>11,786</b>	(43,798)
(Increase)/decrease in balances with related companies	<b>(3,531)</b>	2,172
<hr/>		
Cash generated from operations	<b>113,304</b>	35,146

**28 Notes to the consolidated cash flow statement (Continued)**
**(b) Analysis of changes in financing during the year**

	Bank loans and long term loans <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>	Share capital (including premium) <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Restricted bank balances <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 31st March 2002	536,052	1,117	94,077	1,461	–	632,707
Net cash inflow/(outflow) from financing	16,221	(789)	–	–	(2,014)	13,418
Inception of finance lease	–	759	–	–	–	759
Changes in exchange rates	4,007	46	–	12	–	4,065
Balance at 31st March 2003	556,280	1,133	94,077	1,473	(2,014)	650,949
Net cash (outflow)/inflow from financing	(33,448)	(593)	1,050	–	(10)	(33,001)
Inception of finance lease	–	81	–	–	–	81
Changes in exchange rates	241	42	–	133	–	416
<b>Balance at 31st March 2004</b>	<b>523,073</b>	<b>663</b>	<b>95,127</b>	<b>1,606</b>	<b>(2,024)</b>	<b>618,445</b>

**29 Contingent liabilities**

	Group		Company	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
(a) Guarantees to secure banking facilities for subsidiary companies	–	–	<b>768,910</b>	1,169,637
Other guarantees for subsidiary companies	–	–	<b>2,374</b>	2,246
(b) Bills discounted	<b>5,448</b>	7,262	–	–

**30 Operating lease arrangements**

(a) Lessee

At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>2004</b> <i>HK\$'000</i>	<b>Group</b> 2003 <i>HK\$'000</i>
Land and buildings		
Not later than one year	<b>165,607</b>	152,488
Later than one year but not later than five years	<b>132,273</b>	126,706
	<b>297,880</b>	279,194
Machinery		
Not later than one year	–	17
	<b>297,880</b>	279,211

(b) Lessor

At 31st March 2004, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	<b>2004</b> <i>HK\$'000</i>	<b>Group</b> 2003 <i>HK\$'000</i>
Land and buildings		
Not later than one year	<b>21,496</b>	29,400
Later than one year but not later than five years	<b>12,841</b>	13,459
	<b>34,337</b>	42,859

**31 Related party transactions**

The following is a summary of significant transactions between the Group and related parties, which were undertaken in the normal course of business during the year:

		<b>2004</b>	2003
		<b>HK\$'000</b>	HK\$'000
Purchases of goods from related companies	(a)	<b>37,753</b>	34,886
Rental income received and receivable from related companies	(b)	<b>1,812</b>	1,811
Interest income receivable from a related company (note 19(b))		<b>4,905</b>	4,753
Interest expense paid to a related company (note 26(b))		<b>1,450</b>	1,774
Interest expense paid to a director (note 26(c))		<b>774</b>	746

(a) The related companies are companies which are subsidiaries of Yee Hing Company Limited, the ultimate holding company, or controlled by certain substantial shareholders of the Company. Purchases of goods were conducted at prices and terms no less favourable than those available from third party suppliers.

(b) On 14th August 2001, Stelux Holdings Limited, a wholly owned subsidiary company of the Company, entered into lease agreements with Yee Hing Company Limited and International Optical Manufacturing Company Limited, a 60% owned subsidiary company of Yee Hing Company Limited, the ultimate holding company, for the lease of office premises at Stelux House for a period of up to three years expiring on 14th August 2004 at a monthly rental of HK\$95,040 and HK\$55,900 respectively.

**32 Subsequent event**

On 15th July 2004, the board of directors proposed to transfer the credit balance of the contributed surplus account to the profit and loss appropriation account of the Company, subject to the approval of the shareholders at the upcoming Special General Meeting to be held on 6th September 2004.

**33 Ultimate holding company**

In the opinion of the directors, the ultimate holding company is Yee Hing Company Limited, incorporated in Hong Kong.

**34 Approval of accounts**

The accounts were approved by the board of directors on 15th July 2004.