

**1. Principal activities**

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 51 to 54.

**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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except that, as disclosed in the accounting policies below, investment properties and marketable securities are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1st January 2005. In the current year, the Group has early adopted Hong Kong Accounting Standard No. 40 ("HKAS 40") "Investment Property" and Hong Kong Accounting Standard Interpretation No. 21 "Income Taxes-Recovery of Revalued Non-Depreciable Assets" ("HKAS-INT 21") in the accounts for the year ended 31st March 2005.

The adoption of HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the profit and loss account as part of other operating income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account. Any subsequent increases were credited to the profit and loss account up to the amount previously charged.

As at 31st March 2004, the valuation of investment properties was less than their original costs and the revaluation deficits had already been charged to the profit and loss account in prior years and there was no balance in the investment properties revaluation reserve. Consequently, no prior year adjustment to the retained earnings and investment properties revaluation reserve is required upon adoption of HKAS 40.

The adoption of revised HKAS-Int 21 has resulted in a change of accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would result from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKAS-Int 21 resulted in a decrease in deferred tax liabilities as at 31st March 2004 by HK\$2,110,000 and an increase in tax charge for the year ended 31st March 2004 by HK\$1,949,000. As a result, reserves as at 1st April 2004 and 2003 have been increased by HK\$2,110,000 and HK\$4,059,000 respectively.

For the other new HKFRSs, the Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

**2. Principal accounting policies** *(Continued)***(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 related exchange reserves and 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) 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 costs 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 dividends received and receivable.

**(d) Fixed assets and depreciation**

Fixed assets other than investment properties (note 2(e)) 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 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.

**2. Principal accounting policies** *(Continued)***(d) Fixed assets and depreciation** *(Continued)*

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.

**(e) Investment properties**

Investment properties are properties held for long-term rental yields. Investment properties are carried at fair value, representing open market value determined annually by independent qualified valuers. Changes in fair values are recorded in the profit and loss account.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

The fair values of investment properties are determined by independent valuers on an open market value basis.

**(f) 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(d).

*(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 lessors are charged to the profit and loss account on a straight-line basis over the lease periods.

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

**(h) Investment securities**

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

**(i) 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.

**(j) 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.

**(k) 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.

**(l) 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.

**(m) 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 income tax is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**2. Principal accounting policies** *(Continued)***(n) 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 into account the principal outstanding and the effective interest rate applicable; and
- (vi) building management fee income, when the services are rendered.

**(o) 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.

**(p) 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 sheets 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 accounts are translated at the average rates. Exchange differences arising are dealt with as a movement in reserves.

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

**(q) 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, it will then be recognised as a 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.

**(r) 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>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Sales of goods	<b>1,389,138</b>	1,177,453
Gross rental income	<b>24,366</b>	32,454
Dividend income from unlisted investments	<b>1,195</b>	1,084
Interest income	<b>6,872</b>	7,033
	<b>1,421,571</b>	1,218,024

**4. Segment information**

In accordance with the Group's internal financial reporting policy, 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 provision for executive bonus, taxation payable, deferred tax liabilities, loans from a director and a shareholder 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.

**NOTES TO THE ACCOUNTS**
**4. Segment information (Continued)**

Primary reporting format – business segments

	2005						Group HK\$'000
	Retail and trading			Property HK\$'000	Investment HK\$'000	Eliminations HK\$'000	
	Watch HK\$'000	Optical HK\$'000	Hipo.fant HK\$'000				
Turnover	916,247	386,174	88,719	39,830	1,257	(10,656)	1,421,571
Segment results	91,455	26,885	(24,493)	173,014	1,257		268,118
Net corporate expenses							(41,981)
Operating profit before financing							226,137
Finance costs							(19,035)
Profit before taxation							207,102
Taxation charge							(36,082)
Profit after taxation							171,020
Minority interests							–
Profit attributable to shareholders							171,020
Segment assets	579,212	141,961	21,023	982,753	8,014	–	1,732,963
Unallocated assets							97,654
Total assets							1,830,617
Segment liabilities	162,396	67,475	5,946	26,954	6,794	–	269,565
Unallocated liabilities							595,111
Total liabilities							864,676
Capital expenditure	33,541	18,240	511	7	305	–	52,604
Depreciation	31,518	14,233	2,350	3,235	4,108	–	55,444
Impairment of fixed assets	–	–	1,162	–	–	–	1,162
Amortisation charge of trademarks	2,378	–	–	–	–	–	2,378
Surplus on revaluation of investment properties	–	–	–	(154,330)	–	–	(154,330)
Loss on disposal of fixed assets	74	–	22	–	–	–	96
Provision for stock obsolescence and write-offs	18,765	2,541	16,962	–	–	–	38,268
Provision for doubtful debts and bad debts written off	539	15	–	–	–	–	554

## NOTES TO THE ACCOUNTS

### 4. Segment information (Continued)

Primary reporting format – business segments (Continued)

	2004 (As restated)						Group HK\$'000
	Retail and trading			Property HK\$'000	Investment HK\$'000	Eliminations HK\$'000	
	Watch HK\$'000	Optical HK\$'000	Hipo.fant HK\$'000				
Turnover	785,670	313,313	80,568	48,097	1,113	(10,737)	1,218,024
Segment results	59,315	14,395	(13,677)	90,634	1,113		151,780
Net corporate expenses							(32,442)
Operating profit before financing							119,338
Finance costs							(27,120)
Profit before taxation							92,218
Taxation charge							(9,505)
Profit after taxation							82,713
Minority interests							–
Profit attributable to shareholders							82,713
Segment assets	518,450	119,172	42,098	908,051	9,600	–	1,597,371
Unallocated assets							79,947
Total assets							1,677,318
Segment liabilities	165,075	62,286	7,327	30,093	5,038	–	269,819
Unallocated liabilities							583,424
Total liabilities							853,243
Capital expenditure	29,464	14,140	1,927	11	233	–	45,775
Depreciation	27,738	12,397	2,965	3,019	4,163	–	50,282
Amortisation charge of trademarks	2,405	–	–	–	–	–	2,405
Write-back of impairment of land and buildings	–	–	–	(2,800)	–	–	(2,800)
Surplus on revaluation of investment properties	–	–	–	(25,500)	–	–	(25,500)
Compensation received from arbitration	–	–	–	(30,080)	–	–	(30,080)
Loss on disposal of fixed assets	51	170	–	–	–	–	221
Provision for stock obsolescence and write-offs	19,298	(291)	1,015	–	–	–	20,022
Provision for doubtful debts and bad debts written off	2,605	–	–	–	–	–	2,605



## NOTES TO THE ACCOUNTS

### 4. Segment information (Continued)

Secondary reporting format – geographical segments

	2005			
	Turnover HK\$'000	Segment results HK\$'000	Total assets HK\$'000	Capital Expenditure HK\$'000
Hong Kong	774,592	193,300	1,342,689	10,506
South East and Far East Asia	415,937	54,139	347,189	34,935
Europe	168,346	14,981	72,667	2,888
North America	21,738	9,689	260	–
Mainland China	40,958	(3,991)	67,812	4,275
	<b>1,421,571</b>	<b>268,118</b>	<b>1,830,617</b>	<b>52,604</b>

  

	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>

### 5. Other revenues

	2005 HK\$'000	2004 HK\$'000
Building management fee income	9,440	11,194
Sundries	6,263	7,148
	<b>15,703</b>	<b>18,342</b>

## NOTES TO THE ACCOUNTS

### 6. Operating profit before financing

	2005 HK\$'000	2004 HK\$'000
Operating profit before financing is stated after charging and crediting the following:		
<u>Charging</u>		
Cost of stocks sold	500,607	441,344
Depreciation		
Owned fixed assets	54,896	49,633
Leased fixed assets	548	649
Auditors' remuneration	3,907	3,803
Operating leases		
Land and buildings	191,006	174,906
Machinery	697	497
Amortisation charge of trademarks (note 17) (included in other operating expenses)	2,378	2,405
Outgoings in respect of investment properties	2,629	1,768
Loss on disposal of fixed assets	96	221
Provision for stock obsolescence and write-offs		
– Hipo.fant (note a)	16,962	1,015
– adidas (note b)	9,201	4,694
– Others	12,105	14,313
Impairment of fixed assets of Hipo.fant business (included in other operating expenses)	1,162	–
Provision for doubtful debts and bad debts written off	554	2,605
Donations	3,171	–
Staff costs (note 8)	262,399	237,494
<u>Crediting</u>		
Net exchange gains	(6,253)	(3,292)
Compensation received from arbitration (note c)	–	(30,080)
Surplus on revaluation of investment properties	(154,330)	(25,500)
Write-back of impairment of land and buildings	–	(2,800)

#### Notes:

- (a) The Board has resolved on 14th July 2005 to close the Hipo.fant business and the stocks have been accordingly written down to their net realisable values.
- (b) The licence in respect of adidas will be terminated by December 2005 and the stocks have been accordingly written down to their net realisable values.
- (c) As disclosed in note 6 to the 2004 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 accordingly recognised.

**7. Finance costs**

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	<b>16,964</b>	23,920
Interest on other loans wholly repayable within five years	<b>2,029</b>	3,142
Interest on finance leases	<b>42</b>	58
	<b>19,035</b>	27,120

**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>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries and allowances	<b>243,775</b>	222,348
Pension contributions less forfeiture utilised ( <i>note</i> )	<b>12,863</b>	11,504
Unutilised annual leave	<b>425</b>	–
Social security costs	<b>2,974</b>	2,543
Other allowances	<b>2,362</b>	1,099
	<b>262,399</b>	237,494

*Note:*

The Group operated under 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\$680,000 (2004: HK\$534,000) 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 (other than Hong Kong) in which it operates, the assets of which are held in trustee administered funds. Contributions to these schemes are calculated at rates ranging from 5%-13% of basic salaries.

The Group also contributes to employee retirement schemes established by municipal governments in respect of 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>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees		
– executive directors	<b>420</b>	400
– non-executive directors	<b>340</b>	240
Salaries, allowances and benefits in kind	<b>8,456</b>	8,251
Pensions contributions	<b>267</b>	262
Executive Bonus Scheme	<b>13,012</b>	6,442
	<b>22,495</b>	15,595

Emoluments paid to independent non-executive directors for the year include directors' fees amounting to HK\$260,000 (2004: HK\$160,000). During the year, none of the directors has waived their directors' fees (2004: Nil).

The emoluments of the directors fell within the following bands:

	<b>Number of directors</b>	
	<b>2005</b>	2004
<b>Emolument bands</b>		
HK\$nil – HK\$500,000	<b>4</b>	3
HK\$2,000,001 – HK\$2,500,000	–	3
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	<b>3</b>	–
HK\$3,500,001 – HK\$4,000,000	<b>1</b>	–
HK\$5,500,001 – HK\$6,000,000	–	1
HK\$8,000,001 – HK\$8,500,000	<b>1</b>	–
	<b>9</b>	8

**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included five (2004: four) directors whose emoluments are reflected in the analysis presented above. Accordingly, there was no (2004: one) employee whose emoluments were among the five highest in the Group.

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	–	1,698
Pensions contributions	–	98
Bonuses	–	1,220
	–	3,016

**10. Taxation charge**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the territories in which the Group operates.

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

	<b>2005</b>	As restated
	<b>HK\$'000</b>	2004
		<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	(56)	(70)
Overseas profits tax	(10,777)	(3,875)
Under provisions in respect of prior years	(1,654)	(1,340)
	<b>(12,487)</b>	(5,285)
Deferred taxation ( <i>note 28</i> )	<b>(23,595)</b>	(4,220)
<b>Taxation charge</b>	<b>(36,082)</b>	(9,505)

The taxation on the Group's profit 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, is as follows:

	<b>2005</b>	As restated
	<b>HK\$'000</b>	2004
		<i>HK\$'000</i>
Profit before taxation	<b>207,102</b>	92,218
Theoretical tax at weighted average rate of 17.88% (2004: 24.18%)	<b>(37,030)</b>	(22,295)
Income not subject to taxation	<b>4,792</b>	8,820
Expenses not deductible for taxation purpose	<b>(8,890)</b>	(7,988)
Temporary differences not recognised	<b>(582)</b>	(468)
Utilisation of previously unrecognised tax losses	<b>23,152</b>	20,460
Tax losses not recognised	<b>(12,406)</b>	(3,976)
Withholding tax	<b>(4,469)</b>	(2,769)
Under provisions in prior years of current taxation	<b>(1,654)</b>	(1,340)
Others	<b>1,005</b>	51
<b>Taxation charge</b>	<b>(36,082)</b>	(9,505)

**11. Profit attributable to shareholders**

Profit attributable to shareholders includes a loss of the Company to the extent of HK\$3,560,000 (2004: HK\$2,366,000).

**12. Dividend**

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim, paid, of HK\$0.01 (2004: nil) per ordinary share	<b>9,513</b>	–
Final, proposed, of HK\$0.025 (2004: HK\$0.02) per ordinary share	<b>23,784</b>	18,867
	<b>33,297</b>	18,867

At a meeting held on 14th July 2005, the directors proposed a final dividend of HK\$0.025 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 2006.

**13. Earnings per share**

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$171,020,000 (2004: HK\$82,713,000 as restated).

The basic earnings per share is based on the weighted average number of 947,356,461 shares (2004: 939,566,798 shares) in issue during the year. The diluted earnings per share is based on 949,531,131 shares (2004: 939,630,798 shares) which is the weighted average number of shares in issue during the year plus the weighted average number of 2,174,670 shares (2004: 64,000 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

**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 2004	383,919	558,020	325,303	1,267,242
Changes in exchange rates	1,015	–	1,628	2,643
Additions	5,649	–	46,955	52,604
Disposals	(1,820)	–	(23,735)	(25,555)
Revaluation surplus	–	154,330	–	154,330
<b>At 31st March 2005</b>	<b>388,763</b>	<b>712,350</b>	<b>350,151</b>	<b>1,451,264</b>
Accumulated depreciation and impairment				
At 31st March 2004	132,267	–	255,316	387,583
Changes in exchange rates	351	–	1,209	1,560
Charge for the year	10,938	–	44,506	55,444
Disposals	(957)	–	(23,378)	(24,335)
Impairment	–	–	1,162	1,162
<b>At 31st March 2005</b>	<b>142,599</b>	<b>–</b>	<b>278,815</b>	<b>421,414</b>
Net book value				
<b>At 31st March 2005</b>	<b>246,164</b>	<b>712,350</b>	<b>71,336</b>	<b>1,029,850</b>
At 31st March 2004	251,652	558,020	69,987	879,659

The analysis of cost or valuation of the above assets as at 31st March 2005 is as follows:

	<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>
At cost	388,763	–	350,151	738,914
At 2005 professional valuation	–	712,350	–	712,350
	<b>388,763</b>	<b>712,350</b>	<b>350,151</b>	<b>1,451,264</b>

**14. Fixed assets** (Continued)

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

	Land and buildings <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Equipment and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

Investment properties of the Group were valued on the open market value basis at 31st March 2005 by Jones Lang LaSalle Limited, independent property valuer. All other fixed assets are stated at cost less accumulated depreciation and impairment.

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

	<b>Group</b>	
	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong:		
Medium term leases (10 – 50 years)	<b>847,993</b>	698,122
Overseas:		
Freehold	<b>51,379</b>	52,239
Medium term leases (10 – 50 years)	<b>44,149</b>	49,946
Short term leases (under 10 years)	<b>14,993</b>	9,365
	<b>958,514</b>	809,672

- (b) At 31st March 2005, certain of the Group's land and buildings amounting to HK\$165,849,000 (2004: HK\$174,616,000) and investment properties amounting to HK\$711,100,000 (2004: HK\$557,000,000) were pledged to secure banking facilities granted to the Group.
- (c) The carrying amount of the land and buildings would have been HK\$260,318,000 (2004: HK\$265,806,000) had they been stated at cost less accumulated depreciation.
- (d) At 31st March 2005, the net book value of fixed assets held under finance leases amounted to HK\$886,000 (2004: HK\$925,000).



## NOTES TO THE ACCOUNTS

### 15. Subsidiary companies

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares at cost less provision	495,150	495,150
Amounts due from subsidiary companies	116,155	116,155
Amounts due to subsidiary companies	(161,761)	(127,258)
	<b>449,544</b>	484,047

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 51 to 54.

### 16. Investment securities

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Unlisted overseas shares, at cost	4,299	4,299

### 17. Trademarks

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Opening net book amount	19,160	21,284
Changes in exchange rates	270	281
Amortisation charge ( <i>note 6</i> )	(2,378)	(2,405)
Closing net book amount	17,052	19,160
Cost	46,434	46,434
Accumulated amortisation	(29,382)	(27,274)
Net book amount	17,052	19,160

## NOTES TO THE ACCOUNTS

### 18. Stocks

	Group	
	2005 HK\$'000	2004 HK\$'000
Raw materials	109,276	130,342
Work-in-progress	1,437	4,871
Finished goods	407,403	325,669
	518,116	460,882
Provision	(129,267)	(111,497)
	<b>388,849</b>	349,385

At 31st March 2005, stocks that are carried at net realisable value amounted to HK\$36,306,000 (2004: HK\$4,411,000).

### 19. Debtors and prepayments

	Group	
	2005 HK\$'000	2004 HK\$'000
Trade debtors ( <i>note a</i> )		
Below 60 days	15,360	19,312
Over 60 days	28,916	19,915
	44,276	39,227
Deposits, prepayments and other debtors ( <i>note b</i> )	248,554	305,567
	<b>292,830</b>	344,794

Note:

- (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\$143,340,000 (2004: HK\$179,223,000), of which a balance owed by Bangkok Land Public Company Limited, in which the estate of Mr Wong Chue Meng is a substantial shareholder, is made up as follows:

	2005 HK\$'000	2004 HK\$'000
Property development consultancy fee receivable	117,919	147,324
Interest receivable	32,264	28,049
	150,183	175,373
Less: provision	(24,198)	(24,198)
	<b>125,985</b>	151,175

Of the gross amount receivable, HK\$142,906,000 (2004: HK\$168,096,000) carries interest at 3% per annum and is repayable on demand.

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

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Overseas listed shares, at market value	83	74

### 21. Bank balances and cash

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Restricted balances	–	2,024	–	–
Unrestricted balances	64,779	51,013	10	2
	64,779	53,037	10	2

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

### 22. Creditors and accruals

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Trade creditors		
Below 60 days	62,306	81,622
Over 60 days	69,622	63,151
	131,928	144,773
Other creditors and accruals ( <i>note</i> )	152,508	132,408
	284,436	277,181

*Note:*

Included in other creditors and accruals are amounts due to related companies of HK\$7,049,000 (2004: HK\$7,373,000) which are unsecured, interest free and have no fixed terms of repayment.

### 23. Loans from a shareholder

The loans, which were provided by the estate of Mr Wong Chue Meng, were fully repaid during the year.

## NOTES TO THE ACCOUNTS

### 24. Loans from a director

- (a) The Hong Kong Dollar loan of HK\$1,101,000 is unsecured, interest-bearing at 1.5% per annum, and repayable at one month notice given by the director.
- (b) The Thai Baht loan of HK\$7,547,000 is unsecured, interest-bearing at 6.75% per annum, repayable in May 2005 and was renewed for another six months to mature in November 2005.

### 25. Share capital

	Number of shares of HK\$0.1 each	Nominal value HK\$'000
Authorised:		
At 31st March 2004 and 2005	1,600,000,000	160,000
Issued and fully paid:		
At 1st April 2003	936,340,023	93,634
Issue of shares	7,000,000	700
At 31st March 2004	943,340,023	94,334
At 1st April 2004	943,340,023	94,334
Issue of shares	8,000,000	800
<b>At 31st March 2005</b>	<b>951,340,023</b>	<b>95,134</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:

	Number of options	
	2005	2004
At beginning of year	8,000,000	16,000,000
Exercised (note (a))	(8,000,000)	(7,000,000)
Lapsed	-	(1,000,000)
At end of year (note (b))	-	8,000,000

## NOTES TO THE ACCOUNTS

### 25. Share capital (Continued)

Options exercised by certain directors on 24th September 2004, 27th September 2004 and 30th September 2004 (2004: 25th September 2003, 2nd October 2003 and 3rd October 2003) resulted in 5,000,000, 2,000,000 and 1,000,000 shares (2004: 1,000,000, 1,000,000 and 5,000,000 shares) being issued at HK\$0.248 (2004: HK\$0.15) each, yielding the following proceeds, before transaction costs of HK\$6,000 (2004: HK\$8,000):

	2005 HK\$'000	2004 HK\$'000
Ordinary share capital – at par	800	700
Share premium	1,184	350
<b>Proceeds</b>	<b>1,984</b>	<b>1,050</b>
<i>Notes:</i>		
(a) Market value of shares issued at exercise date of:		
– 25th September 2003	–	330
– 2nd October 2003	–	295
– 3rd October 2003	–	1,425
– 24th September 2004	2,700	–
– 27th September 2004	1,140	–
– 30th September 2004	570	–

(b) No share options were outstanding at 31st March 2005. As at 31st March 2004, share options outstanding had the following terms:

Expiry date	Exercise price HK\$	Number of options		Vested percentage	
		2005	2004	2005	2004
Directors 16th January 2005	0.248	–	8,000,000	–	100%

**NOTES TO THE ACCOUNTS**
**26. Reserves**

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>(a) Group</b>				
At 31st March 2003, as previously reported	2,848,462	443	(2,224,313)	624,592
Effect of adopting HKAS-INT 21 (note 2(a))	–	–	4,059	4,059
At 31st March 2003, as restated	2,848,462	443	(2,220,254)	628,651
Issue of shares	–	350	–	350
Profit for the year	–	–	82,713	82,713
Changes in exchange rates	–	–	16,421	16,421
At 31st March 2004	2,848,462	793	(2,121,120)	728,135
At 31st March 2004, as previously reported	2,848,462	793	(2,123,230)	726,025
Effect of adopting HKAS-INT 21 (note 2(a))	–	–	2,110	2,110
At 31st March 2004, as restated	2,848,462	793	(2,121,120)	728,135
Transfer (note c)	(2,848,462)	–	2,848,462	–
Issue of shares	–	1,184	–	1,184
Profit for the year	–	–	171,020	171,020
Dividends paid	–	–	(28,380)	(28,380)
Changes in exchange rates	–	–	(3,646)	(3,646)
<b>At 31st March 2005</b>	<b>–</b>	<b>1,977</b>	<b>866,336</b>	<b>868,313</b>
Representing:				
2005 Final proposed dividend				23,784
Reserves				844,529
				<b>868,313</b>

**26. Reserves (Continued)**

	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	(Accumulated losses)/ retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>(b) Company</b>				
At 31st March 2003	4,085,186	443	(3,700,111)	385,518
Shares issued for the year	–	350	–	350
Loss for the year	–	–	(2,366)	(2,366)
At 31st March 2004	4,085,186	793	(3,702,477)	383,502
Transfer ( <i>note c</i> )	(4,085,186)	–	4,085,186	–
Shares issued for the year	–	1,184	–	1,184
Loss for the year	–	–	(3,560)	(3,560)
Dividends paid	–	–	(28,380)	(28,380)
<b>At 31st March 2005</b>	<b>–</b>	<b>1,977</b>	<b>350,769</b>	<b>352,746</b>
Representing:				
2005 Final proposed dividend				23,784
Reserves				328,962
				<b>352,746</b>

At 31st March 2005, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK\$350,769,000 (2004: HK\$382,709,000).

- (c) A special general meeting of the shareholders was held on 6th September 2004. The shareholders resolved to eliminate and apply the credit balance of the contributed surplus account of the Company by way of a transfer of the balance to the profit and loss appropriation account of the Company. Immediately after the elimination and application, there will no longer be any balance in the contributed surplus account and as a result, a credit balance will be recorded in the profit and loss appropriation account of the Company. This will streamline the accounts of the Company and will enable the Company to achieve a capital structure that would permit and facilitate the payment of dividends, as and when the directors consider it appropriate.

## NOTES TO THE ACCOUNTS

### 27. Long term liabilities

		Group	
	Note	2005 HK\$'000	2004 HK\$'000
Bank loans, secured	(a)	290,787	268,860
Loan from a related company	(b)	11,580	24,580
Loan from a director	(c)	–	13,444
Obligations under finance leases	(d)	817	663
		<b>303,184</b>	307,547
Amount payable within one year included under current liabilities		<b>(23,465)</b>	(57,278)
		<b>279,719</b>	250,269

(a) The bank loans are repayable as follows:

Not exceeding one year	11,617	19,025
More than one year, but not exceeding two years	14,242	239,211
More than two years, but not exceeding five years	207,728	10,624
More than five years	57,200	–
	<b>290,787</b>	268,860

(b) The related company is Active Lights Company Limited, a subsidiary company of Yee Hing Company Limited, the ultimate holding company. The loans, which is unsecured, bears interest at prime rate less 2% (2004: Prime rate) per annum and wholly repayable within one year (2004: wholly repayable on or before 1st April 2004), was fully repaid on 29th April 2005.

(c) The loan was wholly repaid on 30th April 2004. It was unsecured, and bore interest at 1.5% per annum above US Dollar best lending rate.

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

		Group	
		2005 HK\$'000	2004 HK\$'000
Not exceeding one year		311	270
More than one year, but not exceeding two years		300	166
More than two years, but not exceeding five years		342	320
More than five years		–	40
		<b>953</b>	796
Future finance charges on finance leases		<b>(136)</b>	(133)
Present value of finance lease liabilities		<b>817</b>	663
The present value of finance lease liabilities is as follows:			
Not exceeding one year		268	229
More than one year, but not exceeding two years		253	138
More than two years, but not exceeding five years		296	262
More than five years		–	34
		<b>817</b>	663



**28. Deferred taxation**

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 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:

	<b>2005</b> <b>HK\$'000</b>	As restated 2004 HK\$'000
Deferred tax assets	<b>32,875</b>	26,910
Deferred tax liabilities	<b>(47,985)</b>	(18,638)
	<b>(15,110)</b>	8,272

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

	<b>Deferred tax assets/(liabilities)</b>			<b>Total</b> HK\$'000
	<b>Tax losses</b> HK\$'000	<b>Accelerated depreciation allowances</b> HK\$'000	<b>Other temporary difference</b> HK\$'000	
At 31st March 2003, as previously reported	15,531	(15,091)	7,580	8,020
Effect of adopting HKAS-INT 21 (note 2(a))	–	4,059	–	4,059
At 31st March 2003, as restated	15,531	(11,032)	7,580	12,079
Transfer to profit and loss account (Note 10)	861	(7,074)	1,993	(4,220)
Translation differences	478	106	(171)	413
At 31st March 2004	16,870	(18,000)	9,402	8,272
At 31st March 2004, as previously reported	16,870	(20,110)	9,402	6,162
Effect of adopting HKAS-INT 21 (note 2(a))	–	2,110	–	2,110
At 31st March 2004, as restated	16,870	(18,000)	9,402	8,272
Transfer to profit and loss account (note 10)	(2,735)	(25,241)	4,381	(23,595)
Translation differences	10	130	73	213
<b>At 31st March 2005</b>	<b>14,145</b>	<b>(43,111)</b>	<b>13,856</b>	<b>(15,110)</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 2005, the Group has unrecognised tax losses of HK\$323,253,000 (2004: HK\$369,920,000) to carry forward against future taxable income. These tax losses have no expiry date (2004: tax losses of HK\$10,557,000 will be expired on 31st March 2007 and other tax losses have no expiry date).

**29. Notes to the consolidated cash flow statement**
**(a) Reconciliation of profit before taxation to cash generated from operations**

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation	<b>207,102</b>	92,218
Depreciation	<b>55,444</b>	50,282
Loss on disposal of fixed assets	<b>96</b>	221
Surplus on revaluation of investment properties	<b>(154,330)</b>	(25,500)
Impairment/(Write-back of impairment) of fixed assets	<b>1,162</b>	(2,800)
Compensation received from arbitration	–	(30,080)
Amortisation of trademarks	<b>2,378</b>	2,405
Interest income	<b>(6,872)</b>	(7,033)
Interest expenses	<b>19,035</b>	27,120
Dividend income	<b>(1,195)</b>	(1,084)
Net exchange gains	<b>(6,253)</b>	(3,573)
<b>Operating profit before changes in working capital</b>	<b>116,567</b>	102,176
(Increase)/decrease in stocks	<b>(39,464)</b>	6,823
Decrease/(increase) in debtors and prepayments	<b>28,635</b>	(3,950)
Increase in creditors and accruals	<b>10,203</b>	11,786
Change in current accounts with related companies	<b>24,181</b>	(3,531)
<b>Cash generated from operations</b>	<b>140,122</b>	113,304

## NOTES TO THE ACCOUNTS

### 29. Notes to the consolidated cash flow statement (Continued)

#### (b) Analysis of changes in financing during the year

	Dividend payable <i>HK\$'000</i>	Bank loans and other 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>	Total <i>HK\$'000</i>
Balance at 31st March 2003	-	560,172	1,133	94,077	1,473	656,855
Net cash (outflow)/inflow from financing	-	(33,448)	(593)	1,050	-	(32,991)
Inception of finance lease	-	-	81	-	-	81
Changes in exchange rates	-	241	42	-	133	416
Balance at 31st March 2004	-	526,965	663	95,127	1,606	624,361
Dividends	28,380	-	-	-	-	28,380
Net cash (outflow)/inflow from financing	(28,380)	(26,104)	(404)	1,984	883	(52,021)
Inception of finance lease	-	-	553	-	-	553
Changes in exchange rates	-	237	5	-	5	247
<b>Balance at 31st March 2005</b>	<b>-</b>	<b>501,098</b>	<b>817</b>	<b>97,111</b>	<b>2,494</b>	<b>601,520</b>

### 30. Contingent liabilities

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
(a) Guarantees to secure banking facilities for subsidiary companies	-	-	676,993	768,910
Other guarantees for subsidiary companies	-	-	2,409	2,374
(b) Bills discounted	6,796	5,448	-	-

### 31. Commitments

#### (a) Capital commitments for fixed assets:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Contracted but not provided for	1,825	-
Authorised but not contracted for	420	-
	<b>2,245</b>	<b>-</b>

**31. Commitments (Continued)**
**(b) Commitments under operating leases (where the Group is the lessee)**

At 31st March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Land and buildings		
Not later than one year	<b>181,449</b>	165,607
Later than one year but not later than five years	<b>171,624</b>	132,273
	<b>353,073</b>	297,880

**32. Operating lease arrangements (where the Group is the lessor)**

At 31st March 2005, the Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Land and buildings		
Not later than one year	<b>19,494</b>	21,496
Later than one year but not later than five years	<b>12,854</b>	12,841
	<b>32,348</b>	34,337

**33. 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>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Purchases of goods from related companies	(a)	<b>52,260</b>	37,753
Interest expense to a related company (note 27(b))		<b>566</b>	1,450
Interest expense to a director (note 27(c))		<b>62</b>	774
Rental income from related companies	(b)	<b>(1,691)</b>	(1,812)
Interest income from a related company (note 19(b))		<b>(4,215)</b>	(4,905)

**33. Related party transactions** *(Continued)*

- (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, the ultimate holding company, and International Optical Manufacturing Company Limited, a 60% owned subsidiary company of Yee Hing Company Limited for the lease of office premises at Stelux House for a period of up to three years expired on 14th August 2004 at a monthly rental of HK\$55,900 and HK\$95,040 respectively.

The leases were renewed on 9th August 2004 for lease terms expiring on 31st March 2007 at a monthly rental of HK\$49,450 and HK\$85,536 respectively.

**34. Ultimate holding company**

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

**35. Approval of accounts**

The accounts were approved by the board of directors on 14th July 2005.