1. *PRINCIPAL ACCOUNTING POLICIES*

The accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The accounts also comply with the applicable disclosure provisions of the Listing Rules on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(a) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the marking to market of certain investments in securities as explained in the accounting policy set out in Note 1(e).

(b) Subsidiary companies

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

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

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

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

(c) Associated companies

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

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

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

(c) Associated companies*(cont'd)*

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

(d) Goodwill arising on consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Investments in securities

The Group's policies for investments in securities are as follows :-

(i) Other securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the consolidated profit and loss account as they arise.

(ii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the consolidated profit and loss account as they arise.

Dividends are recognised when the rights to receive payment are established. In the case of listed investments, this is taken to be when the share price of the investment goes ex-dividend. For unlisted investments, this is taken to be, for interim dividends, when the directors declare such dividends and, for final dividends, when the shareholders of the investee companies at the general meeting approve the dividends proposed by the directors.

(f) Fixed assets and depreciation

Fixed assets are stated in the balance sheet at cost less aggregate depreciation and impairment losses (Note 1(g)).

Leasehold land, buildings, leasehold improvements, furniture, fixtures, equipment and motor vehicles are depreciated on a straight line basis over their anticipated useful lives as follows :-

Leasehold land	over the remaining lease term
Buildings	50 years or the remaining lease term whichever is shorter
Leasehold improvements	4 - 5 years or the remaining lease term whichever is shorter
Furniture, fixtures, equipment and motor vehicles	3 - 6 years

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

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

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

(g) Impairment of assets

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

- property, plant and equipment;
- investments in subsidiary and associated companies;
- positive goodwill; and
- deferred tax assets.

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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

(h) Stocks

Stocks are carried at the lower of cost and net realisable value.

Cost is calculated using the FIFO method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the year which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of stocks, arising from an increase in net realisable value, is recognised as a reduction in the amount of stocks recognised as an expense in the year in which the reversal occurs.

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

(i) Operating leases

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

(j) Income tax

(i) Income tax for the year comprises current and deferred tax. Income tax is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions are temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and temporary differences relating to investments in subsidiary companies to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

(j) Income tax*(cont'd)*

(iv) Current and deferred tax assets and liabilities are offset if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met :-

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either :-

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(k) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange differences are dealt with in the consolidated profit and loss account.

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

(l) Employee benefits

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

Defined contribution retirement schemes

The Group operates defined contribution retirement schemes for its employees. The assets of the defined contribution retirement schemes are held separately from the Group's assets and are administered by independent trustees.

Contributions to the defined contribution retirement schemes are made by either the Group only or by both the Group and the related employees at rates ranging from 2 per cent. to 10 per cent. of the employees' basic salaries.

Defined benefit retirement schemes

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

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

(l) Employee benefits*(cont'd)*

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

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

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

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

(m) Revenue recognition

(i) Sales of goods

Revenue arising from sales of goods is recognised on delivery of goods to customers.

(ii) Interest income

Interest income is accrued on a time proportioned basis on the principal outstanding and at the rate applicable.

(iii) Royalty income

Royalty income is accrued on a time proportioned basis over the term of the royalty agreement.

(iv) Dividends

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

(n) Borrowing costs

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

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

(o) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

(p) Cash equivalents

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

(q) Provisions and contingent liabilities

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

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

(r) Segment reporting

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

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

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

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

(s) Recently issued accounting standards

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 beginning on or after 1st January, 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March, 2005. The Group has already commenced an assessment of the impact of these new HKFRSs and has so far concluded that the adoption of the new HKFRS3 "Business combinations" would have impact on the accounts as set out below :-

At present, positive goodwill is amortised in the consolidated profit and loss account on a straight line basis over its estimated useful life. Following the adoption of the new HKFRS3 for the financial year beginning 1st April, 2005, in respect of previously recognised positive goodwill, amortisation shall be discontinued and the goodwill shall be tested for impairment in accordance with Hong Kong Accounting Standard 36 "Impairment of assets".

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

2. *TURNOVER / SEGMENTAL INFORMATION*

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are set out on pages 65 to 68.

Turnover represents sales of own bought and concession goods (less returns). The sales of own bought goods of HK$2,325,572,000 (2004 : HK$2,188,925,000) is the only significant category of revenue of the Group during the year.

Business segment

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

Geographical segments

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

		2005	
	Turnover	**Capital expenditure**	**Total assets**
	HK$'000	***HK$'000***	***HK$'000***
Hong Kong	**1,659,070**	**43,798**	**1,173,256**
Other territories mainly in Asia	**1,143,934**	**27,359**	**716,650**
	2,803,004	**71,157**	**1,889,906**
Associated companies			**112,636**
Total assets			**2,002,542**

		2004	
	Turnover	Capital expenditure	Total assets
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	1,584,407	21,165	1,215,462
Other territories mainly in Asia	1,025,508	24,793	489,584
	2,609,915	45,958	1,705,046
Associated companies			105,781
Total assets			1,810,827

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

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit from ordinary activities before taxation is arrived at after crediting :-		
Gain on disposal of associated companies	**—**	872
Interest income	**8,383**	6,242
Realised gain on other investments	**265**	1,072
and after charging :-		
Auditors' remuneration	**3,539**	2,789
Cost of stocks	**1,519,099**	1,516,066
Depreciation	**57,743**	51,661
Hire of plant and machinery, and other assets under operating leases	**226**	138
Interest on bank overdrafts and loans repayable within five years	**1,687**	1,905
Operating lease charges in respect of land and buildings		
— minimum lease payments	**261,722**	244,825
— contingent rent	**119,132**	100,881
Staff costs	**331,226**	270,869
Including :-		
Contributions to defined contribution retirement schemes	**9,008**	7,452
Increase in liability for defined benefit retirement schemes (Note 24)	**3,017**	2,564

4. DIRECTORS' REMUNERATION

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

	2005	2004
	HK$'000	*HK$'000*
Fees	**470**	470
Other emoluments		
Salaries, allowances and benefits in kind	**16,839**	16,390
Discretionary bonuses	**14,700**	10,980
Retirement scheme contributions	**84**	78
	32,093	27,918

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

Fees of HK$10,000 (2004 : HK$10,000) were paid to each of the directors during the year except for the two independent non-executive directors who held office as at 31st March, 2004 who were paid fees of HK$200,000 each.

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

	2005 ***Number of directors***	2004 *Number of directors*
HK$ 0 - 1,000,000	**5**	3
1,000,001 - 1,500,000	**1**	1
2,500,001 - 3,000,000	**1**	1
3,000,001 - 3,500,000	**—**	1
3,500,001 - 4,000,000	**1**	—
4,000,001 - 4,500,000	**—**	1
4,500,001 - 5,000,000	**1**	—
7,500,001 - 8,000,000	**—**	2
8,000,001 - 8,500,000	**1**	—
9,500,001 - 10,000,000	**1**	—
	11	9

5. *REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS*

Among the five highest paid individuals, four (2004 : four) are directors whose remuneration is disclosed in Note 4. Details of the remuneration of the other (2004 : one) highest paid individual is as follows :-

	2005 ***HK$'000***	2004 *HK$'000*
Salaries, allowances and benefits in kind	**4,680**	—
Discretionary bonuses	**3,510**	3,220
Retirement scheme contributions	**70**	—
	8,260	3,220

The remuneration of this (2004 : one) individual falls within the following band :-

	2005 ***Number of individuals***	2004 *Number of individuals*
HK$ 3,000,001 - 3,500,000	**—**	1
8,000,001 - 8,500,000	**1**	—
	1	1

6. *TAXATION*

(a) Taxation in the consolidated profit and loss account represents :-

	2005	2004
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**228**	9
Overseas	**25,186**	10,883
	25,414	10,892
Deferred tax		
Origination and reversal of temporary differences	**3,526**	8,433
Effect of change in tax rate on deferred tax	**—**	669
	3,526	9,102
Share of associated companies' tax	**1,863**	2,260
Total income tax expense	**30,803**	22,254

The provision for Hong Kong Profits Tax for 2005 is calculated at 17.5 per cent. (2004 : 17.5 per cent.) of the estimated assessable profits for the year. Taxation for overseas subsidiary companies is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates :-

	2005	2004
	HK$'000	*HK$'000*
Profit from ordinary activities before taxation	**234,421**	144,678
Notional tax on accounting profit calculated at applicable tax rates	**43,487**	22,259
Tax effect of non-deductible expenses	**4,831**	7,291
Tax effect of non-taxable revenue	**(8,200)**	(6,252)
Tax effect of prior years' tax losses utilised this year	**(12,142)**	(2,975)
Tax effect of temporary differences not recognised	**(1,141)**	(5,521)
Tax effect of unused tax losses not recognised	**4,093**	6,858
Effect on opening deferred tax balances resulting from a change in tax rate during the year	**—**	669
Over provision in prior years	**(125)**	(75)
Actual tax expenses	**30,803**	22,254

(c) None of the taxation payable/recoverable in the balance sheet is expected to be settled after more than one year.

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders, a profit of HK$217,000 (2004 : HK$59,000) has been dealt with in the accounts of the Company.

8. DIVIDENDS

(a) Dividends attributable to the year :-

	2005	2004
	HK$'000	*HK$'000*
Interim dividend declared and paid of 13.0 cents (2004 : 2.7 cents) per share	**36,673**	7,694
Final dividend proposed after the balance sheet date of 30.0 cents (2004 : 20.0 cents) per share	**84,630**	56,420
Special dividend proposed after the balance sheet date of 46.0 cents per share (2004 : Nil)	**129,767**	—

The final dividend and special dividend proposed after the balance sheet date have not been recognised as liabilities at the balance sheet date.

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

	2005	2004
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 20.0 cents (for the year ended 31st March, 2003 : 6.8 cents) per share	**56,420**	19,234

The comparative figures for interim dividend and final dividend per share have been adjusted to take into account the one for ten bonus issue during the year.

9. *EARNINGS PER SHARE*

The calculation of basic earnings per share in the current year is based on the profit after taxation and minority interests of HK$203,117,000 (2004 : HK$120,279,000) and the weighted average number of 282,101,217 shares (2004 : 282,101,217 shares after adjusting for the one for ten bonus issue during the year) in issue during the year.

10. *FIXED ASSETS*

The Group :-

	Land and buildings	**Leasehold improvements**	**Furniture, fixtures, equipment and motor vehicles**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Cost :-				
At 1st April, 2004	108,872	212,562	236,463	557,897
Exchange difference	—	4,634	1,436	6,070
Acquisition of a subsidiary company	—	—	1,396	1,396
Additions	—	39,356	31,801	71,157
Disposals	—	(20,642)	(28,867)	(49,509)
At 31st March, 2005	108,872	235,910	242,229	587,011
Aggregate depreciation :-				
At 1st April, 2004	21,163	164,477	193,600	379,240
Exchange difference	—	3,123	967	4,090
Charge for the year	1,766	29,820	26,157	57,743
Written back on disposals	—	(19,484)	(26,851)	(46,335)
At 31st March, 2005	22,929	177,936	193,873	394,738
Net book value :-				
At 31st March, 2005	85,943	57,974	48,356	192,273
At 31st March, 2004	87,709	48,085	42,863	178,657

Net book value of land and buildings comprises :-

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Long leases in Hong Kong	**44,115**	44,844
Medium lease in Hong Kong	**41,828**	42,865
	85,943	87,709

11. GOODWILL

	The Group HK$'000
Cost :-	
At 1st April, 2004 and 31st March, 2005	14,960
Accumulated amortisation :-	
At 1st April, 2004	312
Amortisation for the year	748
At 31st March, 2005	1,060
Carrying amount :-	
At 31st March, 2005	13,900
At 31st March, 2004	14,648

Goodwill is recognised as an expense on a straight line basis over 20 years. The amortisation of goodwill for the year is included in "administrative expenses" in the consolidated profit and loss account.

12. SUBSIDIARY COMPANIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,863,753**	1,863,753
Amounts due from subsidiary companies	**—**	170,012
Amounts due to subsidiary companies	**(911,954)**	(988,817)
	951,799	1,044,948
Impairment loss	**(30,935)**	(30,935)
	920,864	1,014,013

Particulars of principal subsidiary companies are set out on pages 65 to 68.

13. ASSOCIATED COMPANIES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**63,653**	52,215
Amounts due from associated companies	**63,248**	54,328
Amounts due to associated companies	**(14,265)**	(762)
	112,636	105,781

The Group's share of the post-acquisition accumulated losses of its associated companies as at 31st March, 2005 is HK$55,974,000 (2004 : HK$76,546,000).

Particulars of principal associated companies are set out on pages 65 to 68.

14. STOCKS

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Stocks comprise :-		
Finished goods	**511,610**	480,331
Raw materials	**10,396**	1,819
	522,006	482,150

The amount of stocks (included above) carried at net realisable value is HK$30,028,000 (2004 : HK$64,834,000).

15. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK$84,757,000 (2004 : HK$67,427,000) and their age analysis is as follows :-

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**80,212**	61,693
1 to 30 days overdue	**1,353**	4,287
31 to 60 days overdue	**847**	324
Over 60 days overdue	**2,345**	1,123
	84,757	67,427

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

16. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash on hand and balances with banks	**898,774**	782,345	**14,377**	14,151
Cash and cash equivalents in the balance sheets	**898,774**	782,345	**14,377**	14,151
Bank overdraft (Note 17)	**—**	(13,034)		
Cash and cash equivalents in the consolidated cash flow statement	**898,774**	769,311		

17. BANK LOANS AND OVERDRAFTS

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Bank overdrafts (Note 16)	**—**	13,034
Bank loans	**56,575**	96,548
	56,575	109,582

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

18. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK$109,428,000 (2004 : HK$70,500,000) and their age analysis is as follows :-

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Current	**98,364**	57,841
1 to 30 days overdue	**6,463**	9,798
31 to 60 days overdue	**3,082**	1,240
Over 60 days overdue	**1,519**	1,621
	109,428	70,500

19. *DEFERRED TAXATION*

(a) Net deferred tax (assets) / liabilities recognised in the consolidated balance sheet :-

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Deferred tax assets	**(14,327)**	(17,344)
Deferred tax liabilities	**1,651**	1,664
	(12,676)	(15,680)

The Group :-

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movements during the year are as follows :-

Deferred tax arising from :-	**Depreciation allowances in excess of the related depreciation** ***HK$'000***	**Future benefit of tax losses** ***HK$'000***	**Other temporary differences** ***HK$'000***	**Total** ***HK$'000***
At 1st April, 2004	1,579	(6,285)	(10,974)	(15,680)
Exchange difference	(34)	(10)	(478)	(522)
Charged / (credited) to the consolidated profit and loss account	(2,747)	6,001	272	3,526
At 31st March, 2005	(1,202)	(294)	(11,180)	(12,676)
At 1st April, 2003	1,595	(13,548)	(12,236)	(24,189)
Exchange difference	(2)	(82)	(509)	(593)
Charged / (credited) to the consolidated profit and loss account	(14)	7,345	1,771	9,102
At 31st March, 2004	1,579	(6,285)	(10,974)	(15,680)

19. DEFERRED TAXATION *(cont'd)*

(b) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items :-

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Deductible temporary differences	**5,788**	10,698
Future benefit of tax losses	**145,417**	140,131
	151,205	150,829

The Group has not recognised deferred tax assets in respect of tax losses of certain subsidiary companies as it is not probable that the subsidiary companies will generate sufficient future taxable profits against which the accumulated tax losses may be offset in the foreseeable future. HK$17,744,000 (2004 : HK$Nil) future benefit of tax losses will expire within a range of 1 to 7 years from 31st March, 2005. The remaining balance of tax losses has no expiry date under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31st March, 2005, temporary differences relating to the undistributed profits of a subsidiary company amounted to HK$101,236,000 (2004 : HK$69,101,000). Deferred tax liabilities of HK$15,082,000 (2004 : HK$10,949,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of this subsidiary company and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

20. MINORITY INTERESTS

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Minorities' share of net assets	**5,221**	4,713
Amounts due to minority shareholders	**9,786**	9,786
	15,007	14,499

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

21. SHARE CAPITAL

	2005		2004	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	Thousands	***HK$'000***	*Thousands*	*HK$'000*
Authorised :-				
Ordinary shares of HK$0.30 each	**363,333**	**109,000**	333,333	100,000
Issued and fully paid :-				
Ordinary shares of HK$0.30 each				
Balance brought forward	**256,456**	**76,937**	256,456	76,937
Bonus issue (Note 22)	**25,645**	**7,693**	—	—
Balance carried forward	**282,101**	**84,630**	256,456	76,937

Note :-

By an ordinary resolution passed at the annual general meeting held on 25th August, 2004, the Company's authorised share capital was increased to HK$109,000,000 by the creation of an additional 30,000,000 ordinary shares of HK$0.30 each, ranking pari passu with the then existing shares of the Company. On 25th August, 2004, 25,645,565 ordinary shares of HK$0.30 each were issued by way of a one for ten bonus issue in respect of which an amount of HK$7,693,000 was applied from retained profits (Note 22).

At no time during the year ended 31st March, 2005 was there any purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares.

On 26th August, 2003 ("the Adoption Date"), the Company adopted a share option scheme ("the Scheme"). Pursuant to the Scheme, the Board of Directors may offer to grant an option to any current employee (including executive directors, non-executive directors and independent non-executive directors) of the Company and/or any of its subsidiary companies ("the Participant") to subscribe for shares of the Company. The Scheme serves to recognise the contribution of the employees to the growth of the Group and to provide incentives for their contribution to the future success of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company (excluding options lapsed in accordance with any other schemes of the Company) must not in aggregate exceed 10 per cent. of the shares in issue at the Adoption Date. The aforesaid 10 per cent. limit may be increased to 30 per cent. of the shares in issue from time to time by refreshment and separate approval by shareholders of the Company in general meeting.

The total number of shares issued and to be issued upon exercise of the options granted to each Participant (included exercised, cancelled and outstanding options) under the Scheme in any 12-month period must not exceed 1 per cent. of the shares in issue unless approved by the shareholders of the Company in general meeting.

An option may be exercised at any time during such option period as the Board of Directors may in its absolute discretion determine, save that such period shall not expire later than 10 years after the date of grant of the option. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, i.e. until 25th August, 2013.

21. SHARE CAPITAL *(cont'd)*

The Board of Directors may at its discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto additional to those set forth in the Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option). Unless otherwise specified in the letter offering the grant of an option, no performance target is required to be achieved and no minimum period for which an option must be held before an option or part thereof can be exercised.

An offer of the grant of an option under the Scheme shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the relevant Participant together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company.

The subscription price in respect of any particular option shall be such price as the Board of Directors may in its absolute discretion determine at the time of grant of the relevant option but shall be at least the higher of :-

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option;
(ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and
(iii) the nominal value of the shares.

As at 31st March, 2005, no share options were granted to any of the directors or employees of the Company or any of its subsidiary companies under the Scheme.

22. RESERVES

	The Group		**The Company**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Retained profits				
Balance brought forward	**1,181,390**	1,078,125	**950,862**	977,731
Dividends approved / paid in respect of prior year (Note 8 (b))	**(56,420)**	(19,234)	**(56,420)**	(19,234)
Dividends declared / paid in respect of the current year (Note 8 (a))	**(36,673)**	(7,694)	**(36,673)**	(7,694)
Bonus issue (Note 21)	**(7,693)**	—	**(7,693)**	—
Profit for the year	**203,117**	120,279	**217**	59
Translation of accounts of overseas subsidiary and associated companies	**11,465**	9,914	**—**	—
Balance carried forward	**1,295,186**	1,181,390	**850,293**	950,862

Note :-

The distributable reserves of the Company at 31st March, 2005 amounted to HK$850,293,000 (2004 : HK$950,862,000).

23. *MATERIAL RELATED PARTY TRANSACTIONS*

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

(a) During the year, certain subsidiary companies traded with certain associated companies and companies in which certain directors of the Company have beneficial interests. Total sales to and purchases from these companies represented 4.64 per cent. (2004 : 4.97 per cent.) and 0.79 per cent. (2004 : 0.57 per cent.) of the Group's total sales and purchases for the year respectively.

(b) During the year, certain subsidiary companies paid fees to and received fees from certain associated companies and companies in which a director of the Company has a controlling interest, representing management and supporting services received from and provided to, rental received from and paid to, advertising and promotion services received from and commission expenses paid to these companies. The total fees paid to and received from these companies represented 1.83 per cent. (2004 : 2.07 per cent.) of the Group's total sales for the year.

24. *DEFINED BENEFIT RETIREMENT SCHEMES*

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Defined benefit retirement schemes liability	**(4,903)**	(2,953)

The Group makes contributions to two defined benefit retirement schemes that provide retirement benefits for employees upon retirement. The Group's schemes were valued by an independent actuary as at 31st March, 2004 and 31st March, 2005 using the projected unit credit method to account for the Group's retirement schemes costs in accordance with SSAP 34 "Employee benefits".

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

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Present value of funded obligations	**(12,749)**	(10,895)
Fair value of scheme assets	**6,373**	4,763
Unrecognised transitional liability	**2,007**	2,877
Unrecognised actuarial (gains) / losses	**(534)**	302
	(4,903)	(2,953)

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

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

	The Group	
	2005	2004
	HK$'000	*HK$'000*
At 1st April	**(2,953)**	(1,280)
Contributions paid	**1,275**	1,005
Expense recognised in the profit and loss account	**(3,017)**	(2,564)
Exchange difference	**(208)**	(114)
At 31st March	**(4,903)**	(2,953)

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

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Current service cost	**1,800**	1,468
Interest cost	**384**	323
Expected return on scheme assets	**(132)**	(157)
Net transitional liability recognised	**965**	930
	3,017	2,564

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

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Selling and distribution expenses	**2,075**	1,665
Administrative expenses	**942**	899
	3,017	2,564
Actual return on scheme assets	**60**	25

(d) The principal actuarial assumptions used as at 31st March, 2005 are as follows :-

Discount rate	**3.75%**	3.50%
Expected rate of return on scheme assets	**2.75%**	2.75%
Future salary increase	**2.50% - 2.75%**	2.50%

25. *COMMITMENTS*

Commitments outstanding at 31st March, 2005 and not provided for in the accounts were as follows :-

(a) Capital commitments :-

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for	**52,885**	823	**—**	—
Authorised but not contracted for	**—**	—	**—**	—
	52,885	823	**—**	—

(b) At 31st March, 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows :-

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**327,041**	249,944	**—**	—
After one year but within five years	**515,681**	533,155	**—**	—
After five years	**482,786**	314,001	**—**	—
	1,325,508	1,097,100	**—**	—

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

26. *CONTINGENT LIABILITIES*

At 31st March, 2005, the Company had the following contingent liabilities in respect of :-

(a) Guarantees of HK$847,851,000 (2004 : HK$819,262,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK$190,822,000 (2004 : HK$158,160,000) at the balance sheet date.

(b) Guarantees given to licensors to guarantee the performance by certain subsidiary companies of obligations under certain agreements. The amount due under the agreements was HK$13,490,000 (2004 : HK$9,169,000) at the balance sheet date.