

Notes to the Accounts

1. Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention except that investment properties and certain land and buildings are stated at valuation and investments in 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 beginning on or after 1 January 2005. The Group has not adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. 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.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The consolidated accounts also include the Group's share of post-acquisition profits less losses, and reserves, of its associated companies and jointly controlled entities. The results of subsidiaries, associated companies and jointly controlled entities acquired and disposed of during the year are included in the consolidated profit and loss account from or up to their effective dates of acquisition or disposal respectively.

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

The gain or loss on the disposal of a subsidiary or an associated company or a jointly controlled entity represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account and also any related accumulated exchange fluctuation reserve.

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

(d) Jointly controlled entities

A jointly controlled entity is an entity which through a contractual arrangement is subject to joint control by two or more parties, and none of the parties has unilateral control over the economic activity of the entity. All the Group's jointly controlled entities are equity accounted for irrespective of the extent of the Group's equity interest therein. Accordingly, the consolidated profit and loss account includes the Group's share of results of jointly controlled entities for the year and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

(e) Goodwill / negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries or associated companies or jointly controlled entities at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against retained earnings pursuant to the Group's previous accounting policies.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1 April 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognized in the consolidated profit and loss account when the future losses

and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the consolidated profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognized in the consolidated profit and loss account immediately.

For acquisitions prior to 1 April 2001, negative goodwill was taken directly to retained earnings on acquisition pursuant to the Group's previous accounting policies.

The gain or loss on disposal of an investee entity includes the unamortised balance of goodwill/negative goodwill relating to the entity disposed of.

(f) Fixed assets

Fixed assets are stated at cost or valuation, less accumulated depreciation and impairment losses.

Effective from 31 March 1975 no further revaluations of the Group's land and buildings (other than investment properties) have been carried out. The Group has taken advantage of the transitional exemption stated in paragraph 80 of the Statement of Standard Accounting Practice ("SSAP") No. 17 which does not require regular revaluations for such assets be carried out.

Freehold land is not amortised. Cost less accumulated impairment losses of leasehold land is amortised over the remaining period of the relevant lease. Buildings are depreciated at the annual rate of 4%.

Plant and machinery and other fixed assets are depreciated at annual rates of 10% to 20% to write off their costs less accumulated impairment losses over their remaining estimated useful lives on a straight-line basis.

Repair and maintenance costs are charged to the profit and loss account. Improvements are capitalized and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that these fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

The gains or losses arising from the retirement or disposal of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the relevant assets and are recognized in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(g) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of more than 20 years are stated at valuations undertaken annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

(h) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable on or receivable from such leases are charged or credited to the profit and loss account on a straight-line basis over the lease term.

(i) Investment securities

Investment securities are stated at cost less provision for impairment losses.

The carrying amount of individual investment is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognized as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(j) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost is calculated on the first in first out basis or the weighted average basis. Cost of work in progress and finished goods comprises materials, direct labour and an appropriate proportion of production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

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(k) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of other investments are recognized in the profit and loss account. Profits or losses on disposal of other investments, representing the differences between the net sales proceeds and the carrying amounts, are recognized in the profit and loss account as they arise.

(l) Debtors

Provision is made against debtors to the extent that they are considered to be doubtful. Debtors in the balance sheet are stated net of such provision.

(m) 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, cash investments with a maturity of three months or less from date of investment, bank overdrafts and loans repayable within three months from the date of advance.

(n) Provisions

Provisions are recognized 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 recognized as a separate asset but only when the reimbursement is virtually certain.

(o) 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 recognized 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 recognized but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

A contingent asset is a possible asset 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.

Contingent assets are not recognized 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 recognized.

(p) 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. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred income taxation.

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

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

(q) Revenue recognition

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognized on a straight-line basis over the lease period.

Dividend income is recognized when the right to receive payment is established.

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(r) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed 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.

Where a forward contract is used as a hedge of a net monetary asset or liability, the gain or loss on the contract and the discount or premium are taken to the profit and loss account.

The balance sheet of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies is translated at the rate of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(s) Employee benefits

Employee entitlements to annual leave and statutory long service payments are recognized when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

(t) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(u) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, investment securities, inventories, debtors, other investments and operating cash. Segment liabilities comprise operating liabilities and exclude corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2. Turnover, revenue and segment information

The Group is principally engaged in the manufacturing and trading of textiles and clothing and investment holding. Revenues recognized during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Turnover		
Textiles and clothing	708,097	645,948
Dividend income from		
Listed investments	22,134	10,468
Unlisted investments	478	455
Others	<u>3,232</u>	<u>12,328</u>
	<u>733,941</u>	<u>669,199</u>
Other revenues		
Rental income less outgoings	3,181	2,234
Interest income	<u>10,660</u>	<u>5,886</u>
	<u>13,841</u>	<u>8,120</u>
Total revenues	<u>747,782</u>	<u>677,319</u>

The Group's main business segments and geographical areas of operations are set out below:

- Textiles and clothing – manufacturing and trading of textiles and clothing in Hong Kong, North America, Europe, Asia and other countries.
- Investments – holding of unlisted investments in associated companies, jointly controlled entities and investment securities covering a variety of businesses mainly in Hong Kong and Mainland China, and holding of equity linked notes, debt securities and listed equity securities in Hong Kong and overseas.

Other operations of the Group comprise installation of television broadcasting systems and other minor operations, none of which is of a sufficient scale of operation to be reported separately.

There are no material sales or other transactions between the business segments and geographical segments.

Notes to the Accounts

2. Turnover, revenue and segment information (continued)

An analysis of turnover and profit by business and geographical segments is as follows:

Business segments

	Year ended 31 March							
	Textiles and clothing		Investments		Others		Group	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	708,097	645,948	22,612	10,923	3,232	12,328	733,941	669,199
Segment results	28,417	37,820	26,041	53,698	(3,162)	3,892	51,296	95,410
Unallocated income less expenses							(3,551)	(3,288)
Gain on disposal of land and buildings	—	—	—	—	47,585	—	47,585	—
Loss on disposal of subsidiaries							—	(211)
Loss on disposal of a jointly controlled entity							(472)	—
Operating profit before interest							94,858	91,911
Interest income less finance costs							9,306	3,525
Operating profit							104,164	95,436
Share of profits less losses of								
Associated companies	7,237	(2,893)	21,032	16,258	—	—	28,269	13,365
Jointly controlled entities	(306)	(910)	(3,840)	2,599	—	—	(4,146)	1,689
Profit before taxation							128,287	110,490
Taxation							(11,509)	(12,304)
Profit after taxation							116,778	98,186
Minority interests							914	(238)
Profit attributable to shareholders							117,692	97,948
Segment assets	588,098	581,467	355,524	252,330	7,179	13,940	950,801	847,737
Investments in associated companies	32,657	26,939	86,433	63,883	—	—	119,090	90,822
Investments in jointly controlled entities	27,847	27,040	97,936	119,406	—	—	125,783	146,446
Unallocated assets							8,151	4,332
Total assets							1,203,825	1,089,337
Segment liabilities	108,631	105,471	1,845	2,448	3,081	8,491	113,557	116,410
Unallocated liabilities							157,408	116,562
Minority interest							1,922	2,836
Total liabilities							272,887	235,808
Capital expenditure	12,978	10,759	3	178	13	780	12,994	11,717
Depreciation	16,391	18,644	30	32	408	470	16,829	19,146

2. Turnover, revenue and segment information (continued)

Geographical segments

	Year ended 31 March							
	Turnover		Segment result		Total assets		Capital expenditure	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	124,362	108,556	19,131	32,251	536,301	367,347	5,913	6,714
North America	432,134	386,245	26,297	48,132	46,362	47,606	—	—
U.S.A.	424,801	375,593	25,620	47,186	46,362	43,266	—	—
Canada	7,333	10,652	677	946	—	4,340	—	—
Europe	130,980	123,845	3,927	8,283	72,539	117,051	—	—
Asia	36,276	42,152	1,704	6,277	303,750	320,065	7,081	5,003
Other countries	10,189	8,401	237	467	—	—	—	—
Segment results	<u>733,941</u>	<u>669,199</u>	<u>51,296</u>	<u>95,410</u>	<u>958,952</u>	<u>852,069</u>	<u>12,994</u>	<u>11,717</u>
Unallocated income less expenses			(3,551)	(3,288)				
Gain on disposal of land and buildings			47,585	—				
Loss on disposal of subsidiaries			—	(211)				
Loss on disposal of a jointly controlled entity			(472)	—				
Operating profit before interest			94,858	91,911				
Interest income less finance costs			9,306	3,525				
Operating profit			<u>104,164</u>	<u>95,436</u>				
Investments in associated companies					119,090	90,822		
Investments in jointly controlled entities					125,783	146,446		
Total assets					<u>1,203,825</u>	<u>1,089,337</u>		

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2005	2004
	HK\$'000	HK\$'000
Crediting:		
Gain on disposal of land and buildings	47,585	—
Gain on disposal of other fixed assets	—	483
Gain on disposal of investment securities	—	25,771
Write back of provision of investment securities	—	4,784
Realized gain on disposal of other investments	1,950	3,556
Unrealized gain on other investments	610	7,492
Exchange gain	2,531	5,495
Charging:		
Cost of inventories sold	555,524	503,907
Depreciation of fixed assets	16,829	19,146
Loss on disposal of other fixed assets	26	—
Loss on disposal of investment securities	161	—
Loss on disposal of subsidiaries	—	211
Loss on disposal of a jointly controlled entity	472	—
Staff costs, including Directors' emoluments (Note 6)	162,035	153,841
Operating leases rental in respect of land and buildings	1,937	2,027
Auditors' remuneration	1,458	1,400

Notes to the Accounts

4. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to Directors of the Company during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Fees	308	285
Other emoluments:		
Salaries	5,290	5,826
Bonuses	6,722	6,822
Contribution to provident fund	44	44
	<u>12,364</u>	<u>12,977</u>

Directors' fees disclosed above include HK\$181,600 (2004: HK\$150,000) paid to Independent Non-Executive Directors of the Company.

The emoluments of the Directors of the Company fell within the following bands:

Emolument bands	Number of Directors	
	2005	2004
HK\$Nil – HK\$1,000,000	6	5
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	2	2
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	1
	<u>12</u>	<u>11</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four Directors of the Company (2004: five) and whose emoluments are disclosed above. The emoluments paid to the remaining one (2004: Nil) individual during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries	1,343	—
Bonuses	400	—
Contribution to provident fund	12	—
	<u>1,755</u>	<u>—</u>

5. Finance costs

	2005 HK\$'000	2004 HK\$'000
Interest expense		
Bank loans and overdrafts	1,148	2,290
Other loans	206	71
	<u>1,354</u>	<u>2,361</u>

6. Staff costs, including Directors' emoluments

	2005 HK\$'000	2004 HK\$'000
Wages and salaries		
Included in inventories and cost of inventories sold	82,760	79,631
Others	<u>75,633</u>	<u>73,323</u>
	158,393	152,954
Retirement benefits costs	3,088	2,704
Provision /(write back of provision) for long service payments	<u>554</u>	<u>(1,817)</u>
	<u>162,035</u>	<u>153,841</u>

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. Certain subsidiaries operate in countries which have central government administered retirement schemes. Contributions are made by the Group at a percentage of employees' relevant salaries according to the statutory requirements.

Contributions totalling HK\$215,000 (2004: HK\$355,000) were payable to the schemes at the end of the year and are included in creditors and accruals.

7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries, associated companies and jointly controlled entities operate.

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

	2005 HK\$'000	2004 HK\$'000
Current taxation:		
Hong Kong profits tax	5,036	6,373
Overseas taxation	478	148
Under/(over) provisions in prior years	275	(919)
Deferred taxation (Note 26)	<u>(349)</u>	<u>1,609</u>
	<u>5,440</u>	<u>7,211</u>
Share of taxation attributable to:		
Associated companies	5,166	3,173
Jointly controlled entities	<u>903</u>	<u>1,920</u>
	<u>6,069</u>	<u>5,093</u>
Taxation charges	<u>11,509</u>	<u>12,304</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

Profit before taxation	<u>128,287</u>	<u>110,490</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	22,450	19,335
Effect of different taxation rates in other countries	(953)	(385)
Income not subject to taxation	(18,153)	(11,966)
Expenses not deductible for taxation purposes	5,569	2,714
Utilisation of previously unrecognized tax losses	(325)	(659)
Temporary differences not recognized	727	131
Unrecognized tax losses	4,604	5,094
Under/(over) provisions in prior years	275	(919)
Others	<u>(2,685)</u>	<u>(1,041)</u>
Taxation charges	<u>11,509</u>	<u>12,304</u>

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8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$80,429,000 (2004: HK\$90,518,000).

9. Dividends

	2005 HK\$'000	2004 HK\$'000
Interim dividend, paid, of HK\$0.06 (2004: HK\$0.05) per share	15,581	12,984
Final dividend, proposed, of HK\$0.08 (2004: HK\$0.08) per share	20,775	20,775
Special dividend, proposed, of HK\$0.12 (2004: HK\$0.10) per share	<u>31,162</u>	<u>25,969</u>
	<u>67,518</u>	<u>59,728</u>

At a meeting held on 14 July 2005, the Directors of the Company recommended a final dividend of HK\$0.08 per share and a special dividend of HK\$0.12 per share. The proposed final dividend and special dividend are not reflected as dividends payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2006.

10. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$117,692,000 (2004: HK\$97,948,000) and 259,685,289 (2004: 259,685,289) shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31 March 2005 (2004: Nil).

11. Related party and connected transactions

The following is a summary of significant related party transactions which, in the opinion of the Directors of the Company, were carried out in the ordinary and usual course of the Group's business on terms no less favourable to the Group than terms available to or from independent third parties:

	2005 HK\$'000	2004 HK\$'000
Rental and storage expenses paid to Winsor Properties Holdings Limited ("WPHL") Group	1,571	2,279
Rental income charged to WPHL Group	675	685
Sharing of administrative services with the WPHL Group	1,192	1,517
Sharing of administrative services with associated companies and jointly controlled entities	846	886
Purchases from jointly controlled entities	3,578	575
Sales to associated companies and jointly controlled entities	1,122	1,493
Contracting fee paid to jointly controlled entities	<u>1,055</u>	<u>1,884</u>

The Group and the WPHL Group are considered to be related by virtue of the fact that certain Directors of the Company are also directors of WPHL.

12. Fixed assets

	Group					Company
	Investment properties HK\$'000	Land and buildings HK\$'000	Plant and machinery HK\$'000	Others HK\$'000	Total HK\$'000	Others HK\$'000
At cost or valuation						
At 1 April 2004	—	193,704	117,873	43,156	354,733	330
Translation differences	—	—	—	5	5	—
Additions	—	1,700	8,561	2,733	12,994	3
Transfer	282	(928)	—	—	(646)	—
Disposals	—	(10,883)	(6)	(1,999)	(12,888)	—
Revaluation	18,918	—	—	—	18,918	—
At 31 March 2005	19,200	183,593	126,428	43,895	373,116	333
Accumulated depreciation						
At 1 April 2004	—	75,163	78,920	29,204	183,287	155
Translation differences	—	—	—	5	5	—
Charge for the year	—	5,196	8,118	3,515	16,829	29
Transfer	—	(646)	—	—	(646)	—
Disposals	—	(4,122)	—	(1,720)	(5,842)	—
At 31 March 2005	—	75,591	87,038	31,004	193,633	184
Net book value						
At 31 March 2005	19,200	108,002	39,390	12,891	179,483	149
At 31 March 2004	—	118,541	38,953	13,952	171,446	175
Analysis of cost or valuation:						
At valuation in 2005	19,200	—	—	—	19,200	—
At professional valuation in 1975 and earlier	—	4,215	—	—	4,215	—
At cost	—	179,378	126,428	43,895	349,701	333
	19,200	183,593	126,428	43,895	373,116	333

Net book value of investment properties and land and buildings are analysed as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Held in Hong Kong:		
On long-term leases	17,301	25,095
On medium-term leases	52,688	34,940
Held outside Hong Kong:		
Freehold	3,928	4,222
On medium-term leases	53,285	54,284
	127,202	118,541

Investment properties were revalued at 31 March 2005 on the open market value basis by Jones Lang LaSalle Limited, an independent professional property valuer.

Certain land and buildings were revalued on an open market value basis in 1975 and earlier by independent professional valuers and are stated at such valuation. Their aggregate net book value is HK\$711,000 (2004: HK\$7,594,000) but would have been HK\$258,000 (2004: HK\$1,994,000) had they been stated at cost less accumulated depreciation.

Notes to the Accounts

13. Subsidiaries

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares – at cost	249,742	249,742
Loans and amounts due from subsidiaries	<u>350,373</u>	<u>332,353</u>
	<u>600,115</u>	<u>582,095</u>

The loans and amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are set out on pages 37 to 38.

14. Associated companies

	Group	
	2005 HK\$'000	2004 HK\$'000
Group's share of net assets	24,138	1,458
Loans and amounts due from associated companies	<u>94,952</u>	<u>89,364</u>
	<u>119,090</u>	<u>90,822</u>
Investments at cost – unlisted shares	<u>31,865</u>	<u>31,865</u>

Loans and amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal associated companies are set out on page 38.

15. Jointly controlled entities

	Group	
	2005 HK\$'000	2004 HK\$'000
Group's share of net assets	106,769	127,034
Loans and amounts due from jointly controlled entities	<u>19,014</u>	<u>19,412</u>
	<u>125,783</u>	<u>146,446</u>
Investments at cost – unlisted shares	<u>160,054</u>	<u>170,729</u>

Loans and amounts due from jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

Particulars of the principal jointly controlled entities are set out on page 38.

16. Investment securities

	Group	
	2005	2004
	HK\$'000	HK\$'000
Unlisted equity investments – at cost	3,057	5,025
Loans due from unlisted equity investments	111,780	155,213
Provision	(28,711)	(60,284)
	<u>86,126</u>	<u>99,954</u>
Equity investments listed in Hong Kong – at cost	74,700	38,725
Provision	(2,528)	(2,528)
	<u>72,172</u>	<u>36,197</u>
	<u>158,298</u>	<u>136,151</u>
Market value of listed equity investments	<u>458,638</u>	<u>465,391</u>

The loans due from unlisted equity investments are unsecured, interest free and have no fixed terms of repayment.

17. Inventories

	Group	
	2005	2004
	HK\$'000	HK\$'000
Raw materials	63,710	64,842
Work in progress	29,858	27,060
Finished goods	12,667	9,032
Stores	1,368	1,463
	<u>107,603</u>	<u>102,397</u>

At 31 March 2005, the carrying amount of inventories that are carried at net realizable value amounted to HK\$6,001,000 (2004: HK\$4,218,000).

18. Debtors and other receivables

Trade debtors are included under debtors and other receivables. The majority of the Group's sales are on the terms of letters of credit at sight or documents against payment. Open accounts or longer credit terms are granted to a few customers with long business relationship and strong financial position. The ageing analysis of trade debtors is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current – 30 days	61,787	56,389
31 – 60 days	27,571	17,089
Over 60 days	13,365	9,778
	<u>102,723</u>	<u>83,256</u>

Notes to the Accounts**19. Other investments**

	Group	
	2005	2004
	HK\$'000	HK\$'000
Equity securities:		
Listed in Hong Kong	10,618	12,543
Listed outside Hong Kong	18,017	67,186
Debt securities — quoted outside Hong Kong	4,156	—
Equity linked notes	122,410	11,694
Managed funds	<u>19,025</u>	<u>16,620</u>
Market value	<u>174,226</u>	<u>108,043</u>

20. Creditors and accruals

Trade creditors are included in creditors and accruals. The ageing analysis of trade creditors is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current – 30 days	30,298	26,530
31 – 60 days	1,697	1,975
Over 60 days	<u>3,802</u>	<u>1,957</u>
	<u>35,797</u>	<u>30,462</u>

21. Bank loans and overdrafts

	Group	
	2005	2004
	HK\$'000	HK\$'000
Unsecured, repayable on demand or within one year	<u>152,822</u>	<u>115,879</u>

22. Share capital

	Ordinary shares of HK\$0.50 each	
	No. of shares	HK\$'000
Authorised:		
At 31 March 2004 and 2005	<u>600,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 31 March 2004 and 2005	<u>259,685,289</u>	<u>129,843</u>

23. Reserves

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Share premium				
At 31 March	<u>306,211</u>	<u>306,211</u>	<u>306,211</u>	<u>306,211</u>
Capital redemption reserve				
At 31 March	<u>775</u>	<u>775</u>	<u>775</u>	<u>775</u>
Land and buildings revaluation reserve				
At 1 April of the previous year	22,267	22,267	—	—
Transfer to retained earnings	(5,504)	—	—	—
At 31 March	<u>16,763</u>	<u>22,267</u>	<u>—</u>	<u>—</u>
Investment properties revaluation reserve				
At 1 April of the previous year	—	—	—	—
Arising from revaluation	18,918	—	—	—
At 31 March	<u>18,918</u>	<u>—</u>	<u>—</u>	<u>—</u>
General reserve				
At 1 April of the previous year	11,624	11,845	—	—
Realized on disposal of subsidiaries	—	(221)	—	—
At 31 March	<u>11,624</u>	<u>11,624</u>	<u>—</u>	<u>—</u>
Capital reserve				
At 31 March	<u>26,878</u>	<u>26,878</u>	<u>17,966</u>	<u>17,966</u>
Exchange fluctuation account				
At 1 April of the previous year	226	(634)	—	—
Realized on disposal of a jointly controlled entity	1,085	—	—	—
Realized on disposal of subsidiaries	—	2,342	—	—
Arising from translation of accounts	2,039	104	—	—
Written back from retained earnings	(3,193)	(1,586)	—	—
At 31 March	<u>157</u>	<u>226</u>	<u>—</u>	<u>—</u>
	<u>381,326</u>	<u>367,981</u>	<u>324,952</u>	<u>324,952</u>

	Group	
	2005 HK\$'000	2004 HK\$'000

The Group's share of the undistributed post-acquisition reserves of associated companies comprises:

Land and buildings revaluation reserve	15,932	15,932
Capital reserve	1,651	1,651
Exchange fluctuation account	9,281	9,604
	<u>26,864</u>	<u>27,187</u>

The Group's share of the undistributed post-acquisition reserves of jointly controlled entities comprises:

Exchange fluctuation account	<u>1,199</u>	<u>1,190</u>
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Notes to the Accounts

24. Retained earnings

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1 April of the previous year	355,705	289,930	126,808	70,049
Transfer from land and buildings revaluation reserve	5,504	—	—	—
Profit for the year	117,692	97,948	80,429	90,518
Prior year final dividend paid	(20,775)	(20,775)	(20,775)	(20,775)
Prior year special dividend paid	(25,969)	—	(25,969)	—
Interim dividend paid (Note 9)	(15,581)	(12,984)	(15,581)	(12,984)
Write back of exchange fluctuation account	3,193	1,586	—	—
At 31 March	<u>419,769</u>	<u>355,705</u>	<u>144,912</u>	<u>126,808</u>
Represented by:				
Retained earnings	367,832	308,961	92,975	80,064
Final dividend proposed (Note 9)	20,775	20,775	20,775	20,775
Special dividend proposed (Note 9)	31,162	25,969	31,162	25,969
	<u>419,769</u>	<u>355,705</u>	<u>144,912</u>	<u>126,808</u>
			Group	
			2005 HK\$'000	2004 HK\$'000
Company and subsidiaries			480,390	426,536
Associated companies			(25,882)	(48,884)
Jointly controlled entities			<u>(34,739)</u>	<u>(21,947)</u>
			<u>419,769</u>	<u>355,705</u>
Profit for the year retained by:				
Company and subsidiaries			45,157	62,137
Associated companies			23,002	10,195
Jointly controlled entities			<u>(12,792)</u>	<u>(8,143)</u>
			<u>55,367</u>	<u>64,189</u>

Reserves available for distribution to shareholders by the Company (as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance) as at 31 March 2005 amounted to HK\$144,912,000 (2004: HK\$126,808,000).

25. Provision for long services payments

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1 April of the previous year	23,835	26,606	145	200
Additional/(write back of) provisions	554	(1,817)	—	29
Less: Amounts utilized	<u>(1,265)</u>	<u>(954)</u>	<u>—</u>	<u>(84)</u>
At 31 March	<u>23,124</u>	<u>23,835</u>	<u>145</u>	<u>145</u>

The Group has made provision for long service payments based on a calculation of the statutory payment required for each employee as at the balance sheet date by applying the relevant legal provisions. The calculation is re-performed at each balance sheet date and the provision is adjusted accordingly to reflect the obligation at that date.

SSAP 34 (revised) "Employee Benefits" provides that provision for long service payments be based on actuarial valuation and accordingly, with a view to determining if there is a material difference between the amount provided and the actuarial valuation, the Directors have engaged Watson Wyatt Hong Kong Limited to undertake an actuarial valuation of the obligation as at 31st March 2005. The said actuarial valuation amounted to HK\$14,221,000. However, the Directors are of the opinion that given the business environment in which the Group operates, the current provision in the accounts is a more prudent estimate of the obligation than the actuarial valuation. The Directors also considered that the difference between the amount provided in the accounts and the actuarial valuation is not material.

26. 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%)

	Group	
	2005	2004
	HK\$'000	HK\$'000
Net deferred tax (credited)/charged to profit and loss account	(349)	1,609

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

Deferred tax assets

	Group						Company	
	Tax losses		Provisions		Total		2005	2004
	2005	2004	2005	2004	2005	2004		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April of the previous year	3,178	4,315	2,505	3,037	5,683	7,352	—	—
Credited /(charged) to profit and loss account	1,684	(1,137)	329	(532)	2,013	(1,669)	—	—
At 31 March	4,862	3,178	2,834	2,505	7,696	5,683	—	—

Deferred tax liabilities

	Accelerated depreciation			
	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April of the previous year	2,440	2,500	18	3
Charged /(credited) to profit and loss account	1,664	(60)	(11)	15
At 31 March	4,104	2,440	7	18

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 separately on the balance sheet.

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets	5,943	3,953	—	—
Deferred tax liabilities	(2,351)	(710)	7	18
	3,592	3,243	7	18

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable.

Deferred tax assets of HK\$20,178,000 (2004: HK\$25,013,000) arising from tax losses of HK\$115,300,000 (2004: HK\$142,930,000) have not been recognized and these tax losses have no expiry date.

Notes to the Accounts

27. Capital commitments

The Group and the Company did not have material capital commitments at 31 March 2005 (2004: Nil).

28. Lease commitments

Group

2005	2004
HK\$'000	HK\$'000

The future aggregate minimum lease payments under non-cancelable operating leases for land and buildings are payable as follows:

Not later than one year	1,436	1,464
Later than one year and not later than five years	<u>1,400</u>	<u>146</u>
	<u>2,836</u>	<u>1,610</u>

29. Future lease receipts

Group

2005	2004
HK\$'000	HK\$'000

The future minimum lease receipts under non-cancelable operating leases in respect of other properties are receivable as follows:

Not later than one year	1,061	1,069
Later than one year and not later than five years	<u>1,046</u>	<u>1,942</u>
	<u>2,107</u>	<u>3,011</u>

30. Contingent liabilities

Group

2005	2004
HK\$'000	HK\$'000

Company

2005	2004
HK\$'000	HK\$'000

Bills discounted with recourse	4,320	2,075	—	—
Guarantees given in respect of banking facilities granted to:				
Subsidiaries	—	—	677,141	763,341
Associated companies and a jointly controlled entity	33,850	33,850	32,850	32,850
Unlisted investee companies, in proportion to the Group's equity interests in such companies	<u>—</u>	<u>14,038</u>	<u>—</u>	<u>14,038</u>
	<u>38,170</u>	<u>49,963</u>	<u>709,991</u>	<u>810,229</u>

31. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash (used in)/generated from operations

	2005 HK\$'000	2004 HK\$'000
Operating profit	104,164	95,436
Depreciation	16,829	19,146
Gain on disposal of land and buildings	(47,585)	—
Loss/(gain) on disposal of fixed assets	26	(483)
Loss on disposal of subsidiaries	—	211
Loss on disposal of a jointly controlled entity	472	—
Loss/(gain) on disposal of investment securities	161	(25,771)
Write back of provision for investment securities	—	(4,784)
Interest income	(10,660)	(5,886)
Interest expenses	1,354	2,361
Exchange translation differences	(2,301)	(4,309)
Operating profit before working capital changes	62,460	75,921
(Increase)/decrease in inventories	(5,206)	929
(Increase)/decrease in debtors and other receivables	(27,003)	6,966
Increase in other investments	(66,183)	(29,662)
Decrease in creditors and accruals	(1,918)	(4,875)
Decrease in provision for long service payments	(711)	(2,771)
Net cash (used in)/generated from operations	(38,561)	46,508

(b) Disposal of subsidiaries

	2005 HK\$'000	2004 HK\$'000
Net assets disposed of		
Fixed assets	—	6,042
Inventories	—	2,989
Debtors and other receivables	—	2,718
Cash and bank balances	—	1,238
Creditors and accruals	—	(9,099)
Minority interests	—	(91)
	—	3,797
Realization of exchange fluctuation reserve on disposal	—	2,342
Realization of general reserve on disposal	—	(221)
Loss on disposal of subsidiaries	—	(211)
Cash consideration	—	5,707
Cash and bank balances of the subsidiaries disposed of	—	(1,238)
Net inflow of cash and cash equivalents	—	4,469

Notes to the Accounts

31. Notes to the consolidated cash flow statement (continued)

(c) Analysis of changes in financing

	Minority interests		Bank loans	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1 April of the previous year	2,836	2,689	20,000	48,331
Cash inflow/(outflow) from financing	—	—	15,700	(28,331)
Minority interests in share of (losses)/profits	(914)	238	—	—
Disposal of subsidiaries	—	(91)	—	—
At 31 March	<u>1,922</u>	<u>2,836</u>	<u>35,700</u>	<u>20,000</u>

(d) Analysis of bank loans

	2005 HK\$'000	2004 HK\$'000
Bank loans and overdrafts (Note 21)	152,822	115,879
Less: Amount included under cash and cash equivalents	<u>(117,122)</u>	<u>(95,879)</u>
	<u>35,700</u>	<u>20,000</u>

32. Ultimate holding company

The Directors of the Company regard Super-Rich Finance Limited, a company incorporated in the British Virgin Islands, as the ultimate holding company of the Company.

33. Approval of accounts

The accounts set out on pages 13 to 38 were approved by the Board of Directors on 14 July 2005.