1. PRINCIPAL ACCOUNTING POLICIES

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

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these accounts is provided in Note 1(v).

(a) Basis of preparation of the accounts

The consolidated accounts for the year ended 31st March, 2006 comprise the Company and its subsidiary companies (together referred to as the "Group") and the Group's interest in associated companies.

The measurement basis used in the preparation of the accounts is historical cost.

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and estimates are discussed in Note 28.

(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 controlled subsidiary company is consolidated into the consolidated accounts from the date that control commences until the date that control ceases.

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.

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

(b) Subsidiary companies*(cont'd)*

Minority interests at the balance sheet date, being the portion of the net assets of subsidiary companies attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiary companies, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary company, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary company subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary company is stated at cost less impairment losses (see Note 1(g)).

(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. The consolidated profit and loss account includes the Group's share of the post-acquisition, post-tax results of the associated companies for the year, including any impairment loss on goodwill relating to the investment in associated companies recognised for the year (see Notes 1(d) and (g)).

When the Group's share of losses exceeds its interest in the associated company, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company. For this purpose, the Group's interest in the associated company is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associated company.

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.

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

(d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associated company over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 1(g)). In respect of associated companies, the carrying amount of goodwill is included in the carrying amount of the interest in the associated company.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associated company is recognised immediately in consolidated profit and loss account.

On disposal of a cash generating unit, an associated company during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the consolidated profit and loss account, except where the derivative financial instruments qualify for cash flow hedge accounting, in which case any resultant gain or loss is recognised in equity to the extent that the hedge is effective and until the hedged transaction occurs. The ineffective portion of any gain or loss and any other changes in fair value of derivative financial instruments are recognised in the consolidated profit and loss account.

(f) Fixed assets and depreciation

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

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows :-

Leasehold land and 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

During the year, the Group changed its accounting estimate for the useful lives of leasehold land. This has decreased the Group's profit after tax for the year ended 31st March, 2006 by HK$743,000.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item 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, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased :-

— fixed assets;
— investments in subsidiary and associated companies; and
— goodwill.

If any such indication exists, the recoverable amount of the asset is estimated.

(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) Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) 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 not reversed.

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

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

(h) Stocks

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

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

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

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

(i) Leased assets

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, are included in fixed assets. Depreciation is provided at rates which write off the cost of the assets as set out in Note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 1(g). Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

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

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in consolidated profit and loss account over the period of the borrowings using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and 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.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement schemes

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

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.

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

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

(ii) Defined benefit retirement schemes

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

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Income tax

(i) Income tax for the year comprises current and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are 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.

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

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

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 to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (providing they are not part of a business combination), 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 recognised is measured 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.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities 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.

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

(p) 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 expenditure 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.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in consolidated profit and loss account as follows :-

(i) Sales of goods and income from sale of concession and consigned goods

Revenue and income are recognised when goods are delivered and the related risks and rewards of ownership of the goods have been transferred to the customers. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(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.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange differences are recognised in the consolidated profit and loss account.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

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

(r) Translation of foreign currencies*(cont'd)*

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1st April, 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1st April, 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

(s) Borrowing costs

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

(t) 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 (being members of key management personnel, significant shareholders and / or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(u) 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 for the purposes of these accounts.

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)*

(v) Recently issued accounting standards

The HKICPA has issued a number of new and revised HKFRSs which are effective for accounting periods beginning on or after 1st January, 2005.

The accounting policies of the Group and / or the Company after the adoption of these new and revised HKFRSs have been summarised in Notes 1 (a) to (u). The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these accounts.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 29).

(i) Amortisation of positive goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)
In prior years, positive goodwill which arose on or after 1st April, 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment.

With effect from 1st April, 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment.

The new policy in respect of the amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1st April, 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the profit and loss account for the year ended 31st March, 2006. This has increased the Group's profit after tax for the year ended 31st March, 2006 by HK$748,000.

(ii) Changes in presentation (HKAS 1, Presentation of financial statements)

Presentation of share of associated companies' taxation (HKAS 1, Presentation of financial statements)
In prior years, the Group's share of taxation of associated companies accounted for using the equity method was included as part of the Group's income tax in the consolidated profit and loss account. With effect from 1st April, 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associated companies accounted for using the equity method in the respective shares of profit or loss reported in the consolidated profit and loss account before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively with comparatives restated.

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

(v) Recently issued accounting standards *(cont'd)*

Minority interests (HKAS 1, Presentation of financial statements and HKAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to shareholders (the equity shareholders of the Company).

With effect from 1st April, 2005, in order to comply with HKAS 1 and HKAS 27, the Group has changed its accounting policy relating to presentation of minority interests. Under the new policy, minority interests are presented as part of equity, separately from interests attributable to the equity shareholders of the Company. These changes in presentation have been applied retrospectively with comparatives restated.

(iii) Definition of related parties (HKAS 24, Related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in Note 1(t) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and / or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had Statement of Standard Accounting Practice 20, Related party disclosure, still been in effect.

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 79 to 82.

Turnover represents the invoiced value of goods sold less discounts and returns, and income from concession and consignment sales. In prior years, turnover and cost of sales included sales less discounts and returns and associated cost of sales of concession and consigned goods. The Group has followed best industry practice on the interpretation of HKAS 18 "Revenue" (effective for accounting periods beginning on or after 1st January, 2005) with respect to presentation of concession and consignment sales from this financial year. Accordingly, the value of concession and consignment sales and the associated cost of sales have been excluded from Group turnover and cost of sales respectively, and income from concession and consignment sales has been included within Group turnover in the current financial year. As a result, the turnover and cost of sales for the year have both been reduced by HK$342,687,000 (2005 : HK$328,414,000). Comparative figures have been restated to conform to the new presentation. There has been no impact on the profit and net assets of the Group from the adoption of the new presentation.

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.

		2006	
	Turnover	**Capital expenditure**	**Total assets**
	HK$'000	***HK$'000***	***HK$'000***
Hong Kong	**1,415,951**	**118,915**	**1,043,144**
Taiwan	**660,821**	**26,236**	**390,137**
China	**296,848**	**31,793**	**302,905**
Other territories (Mainly Asia)	**269,453**	**410**	**125,749**
	2,643,073	**177,354**	**1,861,935**
Associated companies			**99,576**
Total assets			**1,961,511**

2. TURNOVER / SEGMENTAL INFORMATION *(cont'd)*

	2005		
	Turnover	Capital expenditure	Total assets
	HK$'000	*HK$'000*	*HK$'000*
	Restated		
Hong Kong	1,330,656	43,798	1,173,256
Taiwan	609,982	24,716	379,566
China	234,517	2,067	216,816
Other territories (Mainly Asia)	299,435	576	120,268
	2,474,590	71,157	1,889,906
Associated companies			112,636
Total assets			2,002,542

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 BEFORE TAXATION

	2006	2005
	HK$'000	*HK$'000*
		Restated
Profit before taxation is arrived at after crediting :-		
Interest income	**17,953**	8,383
Realised gain on other investments	**—**	265
and after charging :-		
Auditors' remuneration		
— audit services	**4,032**	3,539
— other services	**307**	82
Cost of stocks (Note 14)	**1,172,468**	1,190,685
Depreciation	**72,985**	57,743
Hire of plant and machinery, and other assets under operating leases	**1,150**	226
Interest on bank overdrafts and loans repayable within five years	**1,499**	1,687
Operating lease charges in respect of land and buildings		
— minimum lease payments	**301,251**	261,722
— contingent rent	**132,681**	119,132
Share of associated companies' taxation	**1,576**	1,863
Staff costs	**371,476**	331,226
Including :-		
Contributions to defined contribution retirement schemes	**10,419**	9,008
Expenses recognised in respect of defined benefit retirement schemes (Note 24)	**1,870**	3,017

4. *DIRECTORS' REMUNERATION*

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows :-

	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**2006 Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Executive directors					
Dickson Poon	**10**	**4,957**	**5,480**	**12**	**10,459**
Raymond Lee	**10**	**3,864**	**5,230**	**12**	**9,116**
Chan Tsang Wing, Nelson	**10**	**2,126**	**3,400**	**12**	**5,548**
Ching Sau Hong, Kevin	**10**	**2,145**	**1,350**	**12**	**3,517**
Edwin Ing	**10**	**1,769**	**1,630**	**12**	**3,421**
Ng Chan Lam	**10**	**687**	**—**	**12**	**709**
Walter Josef Wuest	**10**	**1,360**	**—**	**12**	**1,382**
Independent non-executive directors					
Bhanusak Asvaintra	**200**	**—**	**—**	**—**	**200**
Nicholas Peter Etches	**200**	**—**	**—**	**—**	**200**
Christopher Patrick Langley, OBE	**200**	**—**	**—**	**—**	**200**
	670	**16,908**	**17,090**	**84**	**34,752**

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Dickson Poon	10	4,812	4,980	12	9,814
Raymond Lee	10	3,748	4,630	12	8,400
Chan Tsang Wing, Nelson	10	2,063	2,600	12	4,685
Ching Sau Hong, Kevin	10	2,192	1,350	12	3,564
Edwin Ing	10	1,806	1,140	12	2,968
Ng Chan Lam	10	838	—	12	860
Walter Josef Wuest	10	1,380	—	12	1,402
Independent non-executive directors					
Christopher Patrick Langley, OBE	200	—	—	—	200
Leung Kai Hung, Michael	200	—	—	—	200
	470	16,839	14,700	84	32,093

5. *REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS*

Among the five highest paid individuals, three (2005 : four) are directors whose remuneration is disclosed in Note 4. Details of the remuneration of the other two (2005 : one) highest paid individuals are as follows :-

	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**6,948**	4,680
Discretionary bonuses	**1,600**	3,510
Retirement scheme contributions	**90**	70
	8,638	8,260

The remuneration of the two (2005 : one) individuals falls within the following bands :-

	2006	2005
	Number of individuals	*Number of individuals*
HK$3,500,001 — 4,000,000	**1**	—
4,500,001 — 5,000,000	**1**	—
8,000,001 — 8,500,000	**—**	1
	2	1

6. *TAXATION*

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

	2006	2005
	HK$'000	*HK$'000*
		Restated
Current tax — Hong Kong		
Provision for the year	**20**	228
Over-provision in respect of prior years	**(127)**	—
	(107)	228
Current tax — Overseas		
Provision for the year	**30,167**	25,311
Over-provision in respect of prior years	**(189)**	(125)
	29,978	25,186
Deferred tax		
Origination and reversal of temporary differences	**524**	3,526
	30,395	28,940

The provision for Hong Kong Profits Tax for 2006 is calculated at 17.5 per cent. (2005 : 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.

6. *TAXATION* *(cont'd)*

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

	2006	2005
	HK$'000	*HK$'000*
		Restated
Profit before taxation	**239,111**	232,558
Notional tax on accounting profit calculated at applicable tax rates	**44,880**	43,472
Tax effect of non-deductible expenses	**7,712**	4,831
Tax effect of non-taxable revenue	**(16,136)**	(10,048)
Tax effect of prior years' tax losses utilised this year	**(22,922)**	(12,142)
Tax effect of temporary differences not recognised	**(4,498)**	(1,141)
Tax effect of unused tax losses not recognised	**21,675**	4,093
Over-provision in prior years	**(316)**	(125)
Actual tax expenses	**30,395**	28,940

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

7. *PROFIT FOR THE YEAR*

Of the profit for the year, a profit of HK$654,000 (2005 : HK$217,000) has been dealt with in the accounts of the Company.

8. *DIVIDENDS*

(a) Dividends attributable to the year :-

	2006	2005
	HK$'000	*HK$'000*
Interim dividend declared and paid of 13.8 cents (2005 : 11.8 cents) per share	**42,823**	36,673
Final dividend proposed after the balance sheet date of 27.5 cents (2005 : 27.3 cents) per share	**85,336**	84,630
Special dividend proposed after the balance sheet date : Nil (2005 : 41.8 cents per share)	—	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 :-

	2006	2005
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 27.3 cents (for the year ended 31st March, 2004 : 18.2 cents) per share	**84,630**	56,420
Special dividend in respect of the previous financial year approved and paid during the year of 41.8 cents per share (for the year ended 31st March, 2004 : Nil)	**129,767**	—

The comparative figures for interim dividend, final dividend and special 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 and diluted earnings per share in the current year is based on the profit attributable to shareholders of the Company of HK$208,388,000 (2005 : HK$203,117,000) and the weighted average number of 310,311,338 shares (2005 : 310,311,338 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 *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures, equipment and motor vehicles *HK$'000*	Total *HK$'000*
Cost :-				
At 1st April, 2005	108,872	235,910	242,229	587,011
Exchange difference	—	(2,693)	(1,112)	(3,805)
Additions	—	108,441	68,913	177,354
Disposals	—	(32,608)	(22,971)	(55,579)
At 31st March, 2006	108,872	309,050	287,059	704,981
Aggregate depreciation :-				
At 1st April, 2005	22,929	177,936	193,873	394,738
Exchange difference	—	(2,016)	(714)	(2,730)
Charge for the year	2,508	41,628	28,849	72,985
Written back on disposals	—	(28,925)	(20,007)	(48,932)
At 31st March, 2006	25,437	188,623	202,001	416,061
Net book value :-				
At 31st March, 2006	83,435	120,427	85,058	288,920
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

10. *FIXED ASSETS* *(cont'd)*

Net book value of land and buildings comprises :-

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Long leases in Hong Kong	**42,696**	44,115
Medium lease in Hong Kong	**40,739**	41,828
	83,435	85,943

11. *GOODWILL*

	The Group
	HK$'000
Cost :-	
At 1st April, 2004 and 31st March, 2005	14,960
At 1st April, 2005	14,960
Opening balance adjustment to eliminate accumulated amortisation	(1,060)
At 31st March, 2006	13,900
Accumulated amortisation :-	
At 1st April, 2004	312
Amortisation for the year	748
At 31st March, 2005	1,060
At 1st April, 2005	1,060
Eliminated against cost at 1st April, 2005	(1,060)
At 31st March, 2006	—
Carrying amount :-	
At 31st March, 2006	13,900
At 31st March, 2005	13,900

In 2005, positive goodwill not already recognised directly in reserves was amortised on a straight-line basis over 20 years. The amortisation of positive goodwill for the year was included in "administrative expenses" in the consolidated profit and loss account.

11. GOODWILL *(cont'd)*

As explained further in Note 1(v)(i), with effect from 1st April, 2005, the Group no longer amortises goodwill. In accordance with the transitional provisions set out in HKFRS 3, the accumulated amortisation of goodwill as at 1st April, 2005 has been eliminated against the cost of goodwill as at that date.

In accordance with HKAS 36 "Impairment of Assets" the Group completed its annual impairment test for goodwill allocated to the Group's cash generating unit by comparing its recoverable amount to its carrying amount as at the balance sheet date. The recoverable amount of the cash generating unit is determined based on value-in-use calculation. The calculation uses cash flow projection based on one-year financial budget approved by management and extrapolated to cover a period of not less than five years with an estimated general annual growth of approximately 10 per cent.. The discount rate used of approximately 5 per cent. is pre-tax and reflects specific risk related to the relevant segment. The budgeted gross margin and net profit margin were determined by the management for the cash generating unit based on past performance and its expectations for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

12. SUBSIDIARY COMPANIES

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,863,753**	1,863,753
Amounts due to a subsidiary company	**(1,169,393)**	(911,954)
	694,360	951,799
Impairment loss	**(30,935)**	(30,935)
	663,425	920,864

Particulars of principal subsidiary companies are set out on pages 79 to 82.

13. ASSOCIATED COMPANIES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**67,541**	63,653
Amounts due from associated companies	**40,022**	63,248
Amounts due to associated companies	**(7,987)**	(14,265)
	99,576	112,636

The Group's share of the post-acquisition accumulated losses of its associated companies as at 31st March, 2006 was HK$54,292,000 (2005 : HK$55,974,000).

Summary financial information on associated companies

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit / (loss)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
2006					
100 per cent.	396,124	236,458	159,666	309,555	19,505
Group's effective interest	184,369	116,828	67,541	143,073	8,522
2005					
100 per cent.	376,714	225,169	151,545	222,454	31,311
Group's effective interest	175,835	112,182	63,653	105,396	14,510

Particulars of principal associated companies are set out on pages 79 to 82.

14. STOCKS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Stocks comprise :-		
Finished goods	**666,681**	511,610
Raw materials	**11,475**	10,396
	678,156	522,006

The analysis of the amount of stocks recognised as an expense is as follows :-

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Carrying amount of stocks sold	**1,168,494**	1,186,405
Write-down of stocks	**3,974**	4,280
	1,172,468	1,190,685

The write-down of stocks made during the year was due to a decrease in net realisable value of certain merchandise held for sale as a result of change in consumer preferences.

15. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK$82,811,000 (2005 : HK$84,757,000) and their age analysis is as follows :-

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Current	**73,200**	80,212
1 to 30 days overdue	**4,390**	1,353
31 to 60 days overdue	**2,831**	847
Over 60 days overdue	**2,390**	2,345
	82,811	84,757

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

16. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate :-

	The Group				The Company			
		2006		2005		**2006**		2005
		'000		*'000*		***'000***		*'000*
United States Dollars	**USD**	**23,166**	USD	58,855	**USD**	**1,902**	USD	1,841
Euros	**EUR**	**8,842**	EUR	2,448	**EUR**	**—**	EUR	—

The effective interest rates at the balance sheet date for the Group and the Company are 2.71 per cent. (2005 : 2.18 per cent.) and 1.85 per cent. (2005 : 0.55 per cent.) respectively. Their refixing dates are all within one year.

17. BANK LOANS

The bank loans are unsecured and repayable within one year.

The effective interest rate at the balance sheet date for the Group is 3.15 per cent. (2005 : 2.13 per cent.) and its refixing date is within one year.

18. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK$115,897,000 (2005 : HK$109,428,000) and their age analysis is as follows :-

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Current	**103,807**	98,364
1 to 30 days overdue	**9,003**	6,463
31 to 60 days overdue	**2,003**	3,082
Over 60 days overdue	**1,084**	1,519
	115,897	109,428

19. DEFERRED TAXATION

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

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Deferred tax assets	**(13,724)**	(14,327)
Deferred tax liabilities	**1,855**	1,651
	(11,869)	(12,676)

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 in excess of the related depreciation allowances**	**Future benefit of tax losses**	**Other temporary differences**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 1st April, 2005	(1,202)	(294)	(11,180)	(12,676)
Exchange difference	(51)	(6)	340	283
Charged / (credited) to the consolidated profit and loss account	(82)	(46)	652	524
At 31st March, 2006	(1,335)	(346)	(10,188)	(11,869)
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)

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	
	2006	2005
	HK$'000	*HK$'000*
Deductible temporary differences	**8,416**	5,788
Future benefit of tax losses	**129,165**	145,417
	137,581	151,205

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$18,628,000 (2005 : HK$17,744,000) future benefit of tax losses will expire within a range of 1 to 7 years from 31st March, 2006. The remaining balance of tax losses has no expiry date under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31st March, 2006, temporary differences relating to the undistributed profits of a subsidiary company amounted to HK$130,831,000 (2005 : HK$101,236,000). Deferred tax liabilities of HK$16,401,000 (2005 : HK$15,082,000) 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	
	2006	2005
	HK$'000	*HK$'000*
Minorities' share of net assets	**5,919**	5,221
Amounts due to a minority shareholder	**7,780**	9,786
	13,699	15,007

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

21. SHARE CAPITAL

	2006		2005	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	Thousands	***HK$'000***	*Thousands*	*HK$'000*
Authorised :-				
Ordinary shares of HK$0.30 each	**400,000**	**120,000**	363,333	109,000
Issued and fully paid :-				
Ordinary shares of HK$0.30 each				
Balance brought forward	**282,101**	**84,630**	256,456	76,937
Bonus issue (Note 22)	**28,210**	**8,463**	25,645	7,693
Balance carried forward	**310,311**	**93,093**	282,101	84,630

Note :-

By an ordinary resolution passed at the annual general meeting held on 25th August, 2005, the Company's authorised share capital was increased to HK$120,000,000 by the creation of an additional 36,666,667 ordinary shares of HK$0.30 each, ranking pari passu with the then existing shares of the Company. On 25th August, 2005, 28,210,121 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$8,463,000 was applied from retained profits. 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, 2006 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, 2006, 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 AND MINORITY INTERESTS*

	The Group		The Company
	Reserves attributable to shareholders of the Company	**Minority interests**	**Reserves**
	HK$'000	***HK$'000***	***HK$'000***
Retained profits			
At 1st April, 2005	1,295,186	15,007	850,293
Dividends approved / paid in respect of prior year (Note 8 (b))	(214,397)	—	(214,397)
Dividends declared / paid in respect of the current year (Note 8 (a))	(42,823)	—	(42,823)
Bonus issue (Note 21)	(8,463)	—	(8,463)
Profit for the year	208,388	328	654
Translation of accounts of overseas subsidiary and associated companies	(3,902)	370	—
Repayment of loan from a minority shareholder	—	(2,006)	—
At 31st March, 2006	1,233,989	13,699	585,264
At 1st April, 2004	1,181,390	14,499	950,862
Dividends approved / paid in respect of prior year (Note 8 (b))	(56,420)	—	(56,420)
Dividends declared / paid in respect of the current year (Note 8 (a))	(36,673)	—	(36,673)
Bonus issue (Note 21)	(7,693)	—	(7,693)
Profit for the year	203,117	501	217
Translation of accounts of overseas subsidiary and associated companies	11,465	7	—
At 31st March, 2005	1,295,186	15,007	850,293

Note :-

The distributable reserves of the Company at 31st March, 2006 amounted to HK$585,264,000 (2005 : HK$850,293,000).

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) Transactions with associated companies :-

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**33,226**	28,865
Purchases of goods	**16,567**	195
Management and supporting service fees received	**2,180**	447
Rental paid	**3,669**	1,856
Rental received	**1,236**	—

The net amount due from these associated companies at 31st March, 2006 amounted to HK$4,839,000 (at 31st March, 2005 : HK$11,443,000).

(b) Transactions with companies in which certain directors of the Company have beneficial interests :-

	2006	2005
	HK$'000	*HK$'000*
Sales of goods	**81,453**	101,299
Purchases of goods	**13,006**	12,208
Management and supporting service fees paid	**1,397**	4,279
Management and supporting service fees received	**8,407**	7,989
Rental paid	**1,627**	1,657
Rental received	**12,530**	10,444
Advertising and promotion service fees paid	**9,387**	9,236
Commission expenses paid	**16,913**	15,408

The net amount due to these companies at 31st March, 2006 amounted to HK$3,060,000 (at 31st March, 2005 net amount due from these companies : HK$4,272,000).

24. *EMPLOYEE RETIREMENT BENEFITS*

(a) Defined benefit retirement schemes

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Defined benefit retirement schemes liability	**(5,338)**	(4,903)

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, Dr. Magic Lin, Actuary, EA, A.S.A., FAIRC, Ph.D., as at 31st March, 2005 and 31st March, 2006 using the projected unit credit method to account for the Group's retirement schemes costs in accordance with HKAS 19 "Employee benefits".

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

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Present value of funded obligations	**(13,350)**	(12,749)
Fair value of scheme assets	**7,592**	6,373
Unrecognised transitional liability	**972**	2,007
Unrecognised actuarial gains	**(552)**	(534)
	(5,338)	(4,903)

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

	The Group	
	2006	2005
	HK$'000	*HK$'000*
At 1st April	**(4,903)**	(2,953)
Contributions paid	**1,283**	1,275
Expense recognised in the profit and loss account	**(1,870)**	(3,017)
Exchange difference	**152**	(208)
At 31st March	**(5,338)**	(4,903)

24. *EMPLOYEE RETIREMENT BENEFITS(cont'd)*

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

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Current service cost	**652**	1,800
Interest cost	**463**	384
Expected return on scheme assets	**(170)**	(132)
Net transitional liability recognised	**925**	965
	1,870	3,017

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

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Selling and distribution expenses	**1,630**	2,075
Administrative expenses	**240**	942
	1,870	3,017
Actual return on scheme assets	**133**	60

(iv) The principal actuarial assumptions used as at 31st March, 2006 are as follows :-

Discount rate	**3.75%**	3.75%
Expected rate of return on scheme assets	**2.75%**	2.75%
Future salary increase	**3.00%**	2.50% - 2.75%

(b) Defined Contribution Retirement Plan

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5 per cent. of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

25. *COMMITMENTS*

Commitments outstanding at 31st March, 2006 not provided for in the accounts were as follows :-

(a) Capital commitments :-

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for	**12,668**	52,885	—	—
Authorised but not contracted for	—	—	—	—
	12,668	52,885	—	—

(b) At 31st March, 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows :-

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**322,690**	327,041	—	—
After one year but within five years	**1,042,239**	515,681	—	—
After five years	**815,984**	482,786	—	—
	2,180,913	1,325,508	—	—

The leases run for an initial period of one to twenty 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, 2006, the Company had the following contingent liabilities in respect of :-

(a) Guarantees of HK$856,876,000 (2005 : HK$847,851,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK$174,171,000 (2005 : HK$190,822,000) 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$7,329,000 (2005 : HK$13,490,000) at the balance sheet date.

27. *FINANCIAL RISK MANAGEMENT*

The Group's activities exposed the Group mainly to foreign exchange risk and credit risk. The Group's overall risk management programme seeks to minimise potential adverse effects of these financial risks on the Group's financial performance.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, the Group uses forward contracts when major fluctuation in the relevant foreign currency is anticipated. There were no outstanding forward contracts as at 31st March, 2006 (31st March, 2005 : Nil).

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in their relevant foreign currencies.

(ii) Credit risk

The Group has no significant concentration of credit risk. It has policies in place to ensure that wholesale of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Cash deposits are limited to high-credit-quality financial institutions.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of credit facilities from banks and the ability to settle all current liabilities.

(iv) Interest rate risk

The Group's exposure to changes in interest rates relates primarily to bank balances and bank loans. The bank loans are short-term bank loans drawn by certain of the Group's overseas subsidiary companies as it is the Group's policy to minimise exposure to fluctuations in the exchange rates of foreign currencies in respect of its overseas operations by utilising local currency borrowings. Apart from these short-term bank loans, the Group has no significant interest-bearing borrowings, and the Group's operating cashflows are substantially independent of changes in market interest rates.

Notes 16 and 17 contain information about the effective interest rates at the balance sheet date of the Group's interest-earning financial assets and interest-bearing financial liabilities.

28. *ACCOUNTING ESTIMATES AND JUDGEMENTS*

Notes 11, 24 and 27 contain information about the assumptions and their risk factors relating to goodwill impairment and defined benefit retirement obligations. Other estimates and assumptions are discussed below :-

(a) Recognition of deferred tax assets

As explained in Note 19, the Group recognises deferred tax assets in respect of tax losses based on the management's estimation of future taxable profits against which the accumulated tax losses may be offset in the foreseeable future for each individual subsidiary. As the Group assumed, based on the current economic conditions, its operation can maintain its profitability in the near future, it is possible that certain assumptions adopted in the preparation of the profit forecasts for these operations may not be indicative of future taxable profits against which the accumulated tax losses may be offset. Any increase or decrease in the provision for deferred taxation would affect the Group's net asset value.

(b) Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(c) Stocks

The Group evaluates the carrying value of stocks based on their estimated net realisable value. It is possible that the actual net realisable value may be different from that estimated due to changes in consumer preference and retail market environment.

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31ST MARCH, 2006

Up to the date of issue of these accounts, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31st March, 2006 and which have not been adopted in these accounts. The adoption of such amendments, new standards and interpretations is unlikely to have a significant impact on the accounts of the Group or result in substantial changes to the Group's accounting policies :-

	Effective for accounting periods beginning on or after
HKFRS-Int 4, Determining whether an arrangement contains a lease	1st January, 2006
Amendments to HKAS 19, Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1st January, 2006
Amendments to HKAS 21, Net investment in a foreign operation	1st January, 2006
Amendments to HKAS 39, Financial instruments : Recognition and measurement :	
— Cash flow hedge accounting of forecast intragroup transactions	1st January, 2006
— The fair value option	1st January, 2006
— Financial guarantee contracts	1st January, 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to :	
— HKAS 1, Presentation of financial statements	1st January, 2006
— HKAS 27, Consolidated and separate financial statements	1st January, 2006
— HKFRS 3, Business combinations	1st January, 2006
HKFRS 7, Financial instruments : disclosures	1st January, 2007
Amendment to HKAS 1, Presentation of financial statements : capital disclosures	1st January, 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1st December, 2005 and would be first applicable to the Group's accounts for the period beginning 1st April, 2006.