

## **1. PRINCIPAL ACCOUNTING POLICIES**

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

### **(a) Basis of preparation of the accounts**

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

### **(b) Subsidiary companies**

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

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

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

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

NOTES ON THE ACCOUNTS

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

**(c) Associated companies**

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

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

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

**(d) Goodwill arising on consolidation**

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

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

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

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

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

NOTES ON THE ACCOUNTS

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

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

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

- for subsidiary companies, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and
- for associated companies, such negative goodwill is included in the carrying amount of the interests in associated companies.

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

**(e) Investments in securities**

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

- (i) Other securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the consolidated profit and loss account as they arise.
- (ii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the consolidated profit and loss account as they arise.

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

**(f) Fixed assets and depreciation**

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

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

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

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

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

NOTES ON THE ACCOUNTS

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

**(g) Impairment of assets**

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

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

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

**(i) Calculation of recoverable amount**

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

**(ii) Reversals of impairment losses**

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

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

**(h) Website/portal development costs**

Development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's website/portal and related technology development activities, no development costs satisfy the criteria for the recognition of such costs as an asset. Such costs are therefore recognised as an expense in the year in which they are incurred or become unavoidable.

NOTES ON THE ACCOUNTS

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

**(i) Stocks**

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

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

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

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

**(j) Operating leases**

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

**(k) Income tax**

- (i) Income tax for the year comprises current and deferred tax. Income tax is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

NOTES ON THE ACCOUNTS

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either :-
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(l) Translation of foreign currencies**

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

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

NOTES ON THE ACCOUNTS

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

**(m) Employee benefits**

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

**Defined contribution retirement schemes**

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

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

**Defined benefit retirement schemes**

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

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

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

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

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

NOTES ON THE ACCOUNTS

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

**(n) Revenue recognition**

(i) Sales of goods

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

(ii) Interest income

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

(iii) Royalty income

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

(iv) Dividends

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

**(o) Borrowing costs**

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

**(p) Related parties**

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

**(q) 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.

**(r) Provisions and contingent liabilities**

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

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

NOTES ON THE ACCOUNTS

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

**(s) Segment reporting**

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

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

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

**(t) Change in accounting policy**

SSAP 12 (Revised) "Income taxes"

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1st April, 2003, in order to comply with SSAP12 (Revised) "Income taxes" issued by the HKSA, the Group adopted a new policy for deferred tax as set out in Note 1(k). As a result of the adoption of this accounting policy, the Group's net assets at 31st March, 2004 have increased by HK\$10,284,000 (2003 : HK\$17,228,000) and the Group's profit from ordinary activities after taxation but before minority interests has decreased by HK\$9,102,000 (2003 : HK\$5,652,000).

The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

NOTES ON THE ACCOUNTS

**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 77 to 80.

Turnover represents sales of own bought and concession goods (less returns). The sales of own bought goods of HK\$2,188,925,000 (2003 : HK\$2,037,549,000) is the only significant category of revenue of the Group during the year.

**Business segment**

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

**Geographical segments**

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

	<b>2004</b>		
	<b>Turnover</b>	<b>Capital expenditure</b>	<b>Total assets</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,584,407	21,165	1,215,462
Other territories (Mainly Asia)	1,025,508	24,793	489,584
	<b>2,609,915</b>	<b>45,958</b>	<b>1,705,046</b>
Associated companies			105,781
Total assets			<b>1,810,827</b>
		<b>2003</b>	
	<b>Turnover</b>	<b>Capital expenditure</b>	<b>Total assets</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(restated)</i>
Hong Kong	1,589,347	42,182	1,121,278
Other territories (Mainly Asia)	857,534	20,936	472,589
	<b>2,446,881</b>	<b>63,118</b>	<b>1,593,867</b>
Associated companies			170,967
Total assets			<b>1,764,834</b>

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.

NOTES ON THE ACCOUNTS

**3. NON-OPERATING ITEMS**

		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Website/portal development costs written back	(a)	—	44,031
Impairment loss on cyber store fixed assets	(b)	—	(29,320)
		—	14,711
		—	14,711

(a) On 30th December, 1999, a subsidiary company entered into a Consultancy and Professional Services Agreement with a related company in which a director of the Company has a controlling interest. This agreement (together with the supplemental agreement entered into on 29th April, 2000) provided for, inter alia :-

- (i) the design, development, construction and delivery in full operating status on or before 30th September, 2000 of six portals in an internet based retail network (“the Cybermall”);
- (ii) the electronic interface between the Cybermall and physical mall and the related technological infrastructure; and
- (iii) technical advice and recommendations on the ongoing upgrading and improvement of the Cybermall.

Under this agreement, the related company agreed and warranted that the services would be provided for an all inclusive fixed fee of HK\$130 million which represented the agreed estimate of the actual direct costs of the specialist personnel engaged in fulfilling the agreement and without any profit margin and element of mark-up. The subsidiary company would be invoiced for the above services on a monthly basis.

The agreement also required the subsidiary company to pay third party suppliers HK\$110 million for the related specialised hardware and software specified by the related company for the Cybermall project.

The subsidiary company may only terminate the agreement in the event of willful default by the related company and the fixed fee referred to above is payable in full if the subsidiary company terminates the agreement in any other circumstances.

Website/portal and related technology development costs accrued and expensed in the year ended 31st March, 2000 included the fixed fee of HK\$130 million and the HK\$110 million referred to above. This agreement expired on 30th September, 2002 and the total amount invoiced by the related company and third party suppliers in respect of the agreement amounted to HK\$90.6 million and HK\$105.4 million respectively. The related company confirmed that it would not seek payment of the remaining amount of fixed fee included in the originally agreed estimate as this had not been incurred in view of the reduction in the actual direct costs due to the change in market conditions. Accordingly, the amount of HK\$44.0 million was credited to and included in the consolidated profit and loss account for the year ended 31st March, 2003.

(b) Impairment loss on cyber store fixed assets included in the consolidated profit and loss account for the year ended 31st March, 2003 was in respect of the physical mall for which the estimated future cash flows are negative and which are not considered to have a recoverable amount.

NOTES ON THE ACCOUNTS

**4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION**

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from ordinary activities before taxation is arrived at after crediting :-		
Gain on disposal of associated companies	872	—
Interest income	6,242	8,551
Realised gain on other investments	<u>1,072</u>	<u>1,056</u>
and after charging :-		
Auditors' remuneration	2,789	3,472
Cost of stocks	1,516,066	1,436,319
Depreciation	51,661	55,449
Hire of plant and machinery, and other assets under operating leases	138	150
Interest on bank overdrafts and loans repayable within five years	1,905	3,324
Operating lease charges in respect of land and buildings		
— minimum lease payments	244,825	261,510
— contingent rent	100,881	63,363
Staff costs	270,869	282,526
Including :-		
Contributions to defined contribution retirement schemes	7,452	7,807
Increase in liability for defined benefit retirement schemes (Note 25)	<u>2,564</u>	<u>2,473</u>

**5. DIRECTORS' REMUNERATION**

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees	470	480
Other emoluments		
Salaries, allowances and benefits in kind	16,390	16,042
Discretionary bonuses	10,980	11,030
Retirement scheme contributions	<u>78</u>	<u>78</u>
	<u>27,918</u>	<u>27,630</u>

NOTES ON THE ACCOUNTS

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

Fees of HK\$10,000 (2003 : HK\$10,000) were paid to each of the directors during the year except for the two independent non-executive directors who held office as at 31st March, 2003 who were paid fees of HK\$200,000 each.

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

	2004 <i>Number of directors</i>	2003 <i>Number of directors</i>
HK\$ 0 - 1,000,000	3	5
1,000,001 - 1,500,000	1	1
2,500,001 - 3,000,000	1	1
3,000,001 - 3,500,000	1	1
4,000,001 - 4,500,000	1	1
7,000,001 - 7,500,000	—	1
7,500,001 - 8,000,000	2	1
	<b>9</b>	<b>11</b>

**6. REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS**

Among the five highest paid individuals, four (2003 : four) are directors whose remuneration is disclosed in Note 5. Details of the remuneration of the other (2003 : one) highest paid individual is as follows :-

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	—	—
Discretionary bonuses	3,220	3,135
Retirement scheme contributions	—	—
	<b>3,220</b>	<b>3,135</b>

The remuneration of this (2003 : one) individual falls within the following band :-

	2004 <i>Number of individuals</i>	2003 <i>Number of individuals</i>
HK\$ 3,000,001 - 3,500,000	1	1

NOTES ON THE ACCOUNTS

**7. TAXATION**

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(restated)</i>
Current tax		
Hong Kong	9	(20)
Overseas	<u>10,883</u>	<u>9,863</u>
	<u>10,892</u>	<u>9,843</u>
Deferred tax		
Origination and reversal of temporary differences	8,433	7,417
Effect of change in tax rate on deferred tax	<u>669</u>	<u>(1,765)</u>
	<u>9,102</u>	<u>5,652</u>
Share of associated companies' tax	<u>2,260</u>	<u>2,646</u>
	<u><b>22,254</b></u>	<u><b>18,141</b></u>

In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16 per cent. to 17.5 per cent.. This increase has been taken into account in the preparation of the Group's 2004 accounts. Accordingly, the provision for Hong Kong Profits Tax for 2004 is calculated at 17.5 per cent. (2003 : 16 per cent.) of the estimated assessable profits for the year. Taxation for overseas subsidiary companies is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> <i>(restated)</i>
Profit from ordinary activities before taxation	<u><b>144,678</b></u>	<u>85,899</u>
Notional tax on accounting profit calculated at applicable tax rates	22,259	15,465
Tax effect of non-deductible expenses	7,291	11,601
Tax effect of non-taxable revenue	(6,252)	(12,253)
Tax effect of prior years' tax losses utilised this year	(2,975)	(58)
Tax effect of temporary differences not recognised	(5,521)	(935)
Tax effect of unused tax losses not recognised	6,858	6,508
Effect on opening deferred tax balances resulting from a change in tax rate during the year	669	(1,765)
Over provision in prior years	<u>(75)</u>	<u>(422)</u>
Actual tax expenses	<u><b>22,254</b></u>	<u><b>18,141</b></u>

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

NOTES ON THE ACCOUNTS

**8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

Of the profit attributable to shareholders, a profit of HK\$59,000 (2003 : HK\$15,600,000) has been dealt with in the accounts of the Company.

**9. DIVIDENDS**

(a) Dividends attributable to the year :-

	<b>2004</b>	2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared and paid of 3 cents per share (2003 : Nil)	<u>7,694</u>	<u>—</u>
Final dividend proposed after the balance sheet date of 22 cents (2003 : 7.5 cents) per share	<u>56,420</u>	<u>19,234</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the year, of 7.5 cents (for the year ended 31st March, 2002 : 5 cents) per share	<u>19,234</u>	<u>12,823</u>

**10. EARNINGS PER SHARE**

The calculation of basic earnings per share in the current year is based on the profit after taxation and minority interests of HK\$120,279,000 (2003 restated : HK\$62,574,000) and the weighted average number of 256,455,652 (2003 : 256,455,652) shares in issue during the year.

NOTES ON THE ACCOUNTS

**11. FIXED ASSETS**

**The Group :-**

	<b>Land and buildings</b>	<b>Leasehold improvements</b>	<b>Furniture, fixtures, equipment and motor vehicles</b>	<b>Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost :-				
At 1st April, 2003	108,872	199,483	226,004	534,359
Exchange difference	—	4,455	1,381	5,836
Additions	—	24,229	21,729	45,958
Disposals	—	(15,605)	(12,651)	(28,256)
	<u>108,872</u>	<u>212,562</u>	<u>236,463</u>	<u>557,897</u>
At 31st March, 2004	<u>108,872</u>	<u>212,562</u>	<u>236,463</u>	<u>557,897</u>
Aggregate depreciation :-				
At 1st April, 2003	19,398	151,001	178,988	349,387
Exchange difference	—	2,964	953	3,917
Charge for the year	1,765	24,257	25,639	51,661
Written back on disposals	—	(13,745)	(11,980)	(25,725)
	<u>21,163</u>	<u>164,477</u>	<u>193,600</u>	<u>379,240</u>
At 31st March, 2004	<u>21,163</u>	<u>164,477</u>	<u>193,600</u>	<u>379,240</u>
Net book value :-				
At 31st March, 2004	<u>87,709</u>	<u>48,085</u>	<u>42,863</u>	<u>178,657</u>
At 31st March, 2003	<u>89,474</u>	<u>48,482</u>	<u>47,016</u>	<u>184,972</u>

Net book value of land and buildings comprises :-

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
Long leases in Hong Kong	<b>44,844</b>	45,571
Medium lease in Hong Kong	<b>42,865</b>	43,903
	<u><b>87,709</b></u>	<u>89,474</u>

NOTES ON THE ACCOUNTS

**12. GOODWILL**

	<b>The Group</b> <b>HK\$'000</b>
Cost :-	
At 1st April, 2003	—
Addition through acquisition of minority interest of a subsidiary company	14,960
	14,960
At 31st March, 2004	14,960
	14,960
Accumulated amortisation :-	
At 1st April, 2003	—
Amortisation for the year	312
	312
At 31st March, 2004	312
	312
Carrying amount :-	
At 31st March, 2004	14,648
	14,648
At 31st March, 2003	—
	—

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

**13. SUBSIDIARY COMPANIES**

	<b>The Company</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>1,863,753</b>	1,863,753
Amounts due from subsidiary companies	<b>170,012</b>	1,920
Amounts due to subsidiary companies	<b>(988,817)</b>	(779,709)
	<b>1,044,948</b>	1,085,964
Impairment loss	<b>(30,935)</b>	(30,935)
	<b>1,014,013</b>	1,055,029
	<b>1,014,013</b>	1,055,029

Particulars of principal subsidiary companies are set out on pages 77 to 80.

NOTES ON THE ACCOUNTS

**14. ASSOCIATED COMPANIES**

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>52,215</b>	75,007
Amounts due from associated companies	<b>54,328</b>	96,659
Amounts due to associated companies	<b>(762)</b>	(699)
	<b><u>105,781</u></b>	<u>170,967</u>

The Group's share of the post-acquisition accumulated losses of its associated companies as at 31st March, 2004 is HK\$76,546,000 (2003 : HK\$54,760,000).

Particulars of principal associated companies are set out on pages 77 to 80.

**15. STOCKS**

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Stocks comprise :-		
Finished goods	<b>480,331</b>	565,834
Raw materials	<b>1,819</b>	4,542
	<b><u>482,150</u></b>	<u>570,376</u>

The amount of stocks (included above) carried at net realisable value is HK\$64,834,000 (2003 : HK\$89,862,000).

**16. DEBTORS, DEPOSITS AND PREPAYMENTS**

Included in debtors, deposits and prepayments are trade debtors of HK\$67,427,000 (2003 : HK\$69,204,000) and their age analysis is as follows :-

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Current	<b>61,693</b>	63,952
1 to 30 days overdue	<b>4,287</b>	2,159
31 to 60 days overdue	<b>324</b>	696
Over 60 days overdue	<b>1,123</b>	2,397
	<b><u>67,427</u></b>	<u>69,204</u>

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

NOTES ON THE ACCOUNTS

**17. CASH AND CASH EQUIVALENTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Cash on hand and balances with banks	<u>782,345</u>	<u>590,006</u>	<u>14,151</u>	<u>62</u>
Cash and cash equivalents in the balance sheets	<b>782,345</b>	590,006	<b><u>14,151</u></b>	<b><u>62</u></b>
Bank overdraft (Note 18)	<u>(13,034)</u>	<u>(16,480)</u>		
Cash and cash equivalents in the consolidated cash flow statement	<b><u>769,311</u></b>	<b><u>573,526</u></b>		

**18. BANK LOANS AND OVERDRAFTS**

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank overdrafts (Note 17)	<b>13,034</b>	16,480
Bank loans	<u>96,548</u>	<u>112,191</u>
	<b><u>109,582</u></b>	<b><u>128,671</u></b>

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

**19. CREDITORS AND ACCRUALS**

Included in creditors and accruals are trade creditors of HK\$70,500,000 (2003 : HK\$100,981,000) and their age analysis is as follows :-

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current	<b>57,841</b>	78,904
1 to 30 days overdue	<b>9,798</b>	18,209
31 to 60 days overdue	<b>1,240</b>	1,585
Over 60 days overdue	<u>1,621</u>	<u>2,283</u>
	<b><u>70,500</u></b>	<b><u>100,981</u></b>

NOTES ON THE ACCOUNTS

**20. DEFERRED TAXATION**

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

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
		<i>(restated)</i>
Deferred tax assets	<b>(17,344)</b>	(25,675)
Deferred tax liabilities	<b>1,664</b>	1,486
	<b><u>(15,680)</u></b>	<u>(24,189)</u>

**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 :-

<b>Deferred tax arising from :-</b>	<b>Depreciation allowances in excess of the related depreciation HK\$'000</b>	<b>Future benefit of tax losses HK\$'000</b>	<b>Other temporary differences HK\$'000</b>	<b>Total HK\$'000</b>
At 1st April, 2003 (restated)	1,595	(13,548)	(12,236)	(24,189)
Exchange difference	(2)	(82)	(509)	(593)
Charged/(credited) to the consolidated profit and loss account	<u>(14)</u>	<u>7,345</u>	<u>1,771</u>	<u>9,102</u>
At 31st March, 2004	<b><u>1,579</u></b>	<b><u>(6,285)</u></b>	<b><u>(10,974)</u></b>	<b><u>(15,680)</u></b>
At 1st April, 2002				
— as previously reported	1,481	—	(6,683)	(5,202)
— prior year adjustment	<u>109</u>	<u>(19,200)</u>	<u>(5,523)</u>	<u>(24,614)</u>
— as restated	1,590	(19,200)	(12,206)	(29,816)
Exchange difference	5	—	(30)	(25)
Charged to the consolidated profit and loss account	<u>—</u>	<u>5,652</u>	<u>—</u>	<u>5,652</u>
At 31st March, 2003	<b><u>1,595</u></b>	<b><u>(13,548)</u></b>	<b><u>(12,236)</u></b>	<b><u>(24,189)</u></b>

NOTES ON THE ACCOUNTS

**20. DEFERRED TAXATION***(cont'd)*

(b) Deferred tax assets not recognised

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

	<b>The Group</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deductible temporary differences	<b>10,698</b>	14,617
Future benefit of tax losses	<b>140,131</b>	147,876
	<b><u>150,829</u></b>	<u>162,493</u>

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. The tax losses do not expire under current tax legislation.

(c) Deferred tax liabilities not recognised

At 31st March, 2004, temporary differences relating to the undistributed profits of a subsidiary company amounted to HK\$69,101,000 (2003 : HK\$48,405,000). Deferred tax liabilities of HK\$10,949,000 (2003 : HK\$8,072,000) 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.

**21. MINORITY INTERESTS**

	<b>The Group</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(restated)</i>
Minorities' share of net assets	<b>4,713</b>	10,849
Amounts due to minority shareholders	<b>9,786</b>	9,786
	<b><u>14,499</u></b>	<u>20,635</u>

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

NOTES ON THE ACCOUNTS

## 22. SHARE CAPITAL

	2004		2003	
	Number of shares <i>Thousands</i>	Nominal value <i>HK\$'000</i>	Number of shares <i>Thousands</i>	Nominal value <i>HK\$'000</i>
Authorised :-				
Ordinary shares of HK\$0.30 each	<u>333,333</u>	<u>100,000</u>	<u>333,333</u>	<u>100,000</u>
Issued and fully paid :-				
Ordinary shares of HK\$0.30 each				
Balance brought forward and carried forward	<u>256,456</u>	<u>76,937</u>	<u>256,456</u>	<u>76,937</u>

At no time during the year ended 31st March, 2004 was there any purchase, sale or redemption by the Company, or any of its subsidiary companies, of the Company's shares.

On 31st August, 2000, the Company adopted a share option scheme ("the Old Scheme") pursuant to which the Board of Directors may, at its discretion, invite employees, including executive directors, of the Company and/or any of its subsidiary companies, to take up options to subscribe for shares of the Company at HK\$1.00 per option up to a maximum aggregate number of shares equal to 10 per cent. of the total issued share capital of the Company. The subscription price of a share payable by a participant upon the exercise of an option will be determined by the Board of Directors at its absolute discretion, save that such price will not be less than a minimum price which is the highest of :-

- (i) the nominal value of a share;
- (ii) the closing price of the shares on the Stock Exchange as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option; and
- (iii) 80 per cent. of the average of the closing prices of shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option.

The period during which an option may be exercised will be determined by the Board of Directors at its absolute discretion, save that no option may be exercised later than 10 years after it has been granted. No option may be granted more than 10 years after the adoption date of the Old Scheme.

On 26th August, 2003 ("the Adoption Date"), the Company adopted a new share option scheme ("the New Scheme") and terminated the Old Scheme. Pursuant to the New 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 New 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.

## 22. **SHARE CAPITAL***(cont'd)*

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes of the Company (excluding options lapsed in accordance with the New Scheme and 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 New 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 New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, i.e. until 25th August, 2013.

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 New 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 New 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, 2004, no share options were granted to any of the directors or employees of the Company or any of its subsidiary companies under the Old Scheme or the New Scheme.

NOTES ON THE ACCOUNTS

**23. RESERVES**

	The Group		The Company	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retained profits				
Balance brought forward				
— as previously reported	<b>1,060,897</b>	1,006,132	<b>977,731</b>	974,954
— prior year adjustment in respect of income tax (Note 1 (t))	<b>17,228</b>	22,136	—	—
— as restated	<b>1,078,125</b>	1,028,268	<b>977,731</b>	974,954
Dividends approved / paid in respect of prior year (Note 9 (b))	<b>(19,234)</b>	(12,823)	<b>(19,234)</b>	(12,823)
Dividends declared / paid in respect of the current year (Note 9 (a))	<b>(7,694)</b>	—	<b>(7,694)</b>	—
Profit for the year				
— as previously reported	<b>120,279</b>	67,482	<b>59</b>	15,600
— prior year adjustment in respect of income tax (Note 1 (t))	—	(4,908)	—	—
— as restated	<b>120,279</b>	62,574	<b>59</b>	15,600
Translation of accounts of overseas subsidiary and associated companies	<b>9,914</b>	106	—	—
Balance carried forward	<b>1,181,390</b>	1,078,125	<b>950,862</b>	977,731

Note :-

The distributable reserves of the Company at 31st March, 2004 amounted to HK\$950,862,000 (2003 : HK\$977,731,000).

**24. MATERIAL RELATED PARTY TRANSACTIONS**

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

- (a) During the year, certain subsidiary companies traded with certain associated companies and companies in which certain directors of the Company have beneficial interests. Total sales to and purchases from these companies represented 4.97 per cent. (2003 : 3.73 per cent.) and 0.57 per cent. (2003 : 3.57 per cent.) of the Group's total sales and purchases for the year respectively.
- (b) During the year, certain subsidiary companies paid fees to and received fees from certain associated companies and companies in which a director of the Company has a controlling interest, representing management and supporting services received from and provided to, rental received from and paid to, advertising and promotion services received from and commission expenses paid to these companies. The total fees paid to and received from these companies represented 2.07 per cent. (2003 : 2.20 per cent.) of the Group's total sales for the year.

NOTES ON THE ACCOUNTS

**25. DEFINED BENEFIT RETIREMENT SCHEMES**

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Defined benefit retirement scheme liability	<b>(2,953)</b>	(1,280)

The Group makes contributions to two defined benefit retirement schemes that provide retirement benefits for employees upon retirement. The Group's schemes were valued by an independent actuary as at 31st March, 2003 and 31st March, 2004 using the projected unit credit method to account for the Group's retirement schemes costs in accordance with SSAP 34 "Employee benefits".

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

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Present value of funded obligations	<b>(10,895)</b>	(8,447)
Fair value of scheme assets	<b>4,763</b>	3,519
Unrecognised transitional liability	<b>2,877</b>	3,648
Unrecognised actuarial losses	<b>302</b>	—
	<b>(2,953)</b>	(1,280)

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

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
At 1st April	<b>(1,280)</b>	—
Contributions paid	<b>1,005</b>	1,181
Expense recognised in the profit and loss account	<b>(2,564)</b>	(2,473)
Exchange difference	<b>(114)</b>	12
At 31st March	<b>(2,953)</b>	(1,280)

NOTES ON THE ACCOUNTS

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

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

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Current service cost	1,468	1,365
Interest cost	323	259
Expected return on scheme assets	(157)	(72)
Net transitional liability recognised	930	921
	<u>2,564</u>	<u>2,473</u>

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

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Selling and distribution expenses	1,665	1,692
Administrative expenses	899	781
	<u>2,564</u>	<u>2,473</u>
Actual return on scheme assets	<u>25</u>	<u>72</u>

(d) The principal actuarial assumptions used as at 31st March, 2004 are as follows :-

Discount rate	3.50%	3.75%
Expected rate of return on scheme assets	2.75%	3.75%
Future salary increase	2.50%	1.50%

**26. COMMITMENTS**

Commitments outstanding at 31st March, 2004 and not provided for in the accounts were as follows :-

(a) Capital commitments :-

	<b>The Group</b>		<b>The Company</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Contracted for	823	268	—	—
Authorised but not contracted for	—	154	—	—
	<u>823</u>	<u>422</u>	<u>—</u>	<u>—</u>

NOTES ON THE ACCOUNTS

**26. COMMITMENTS** *(cont'd)*

- (b) At 31st March, 2004, the total future minimum lease payments under non-cancellable operating leases are payable as follows :-

	<b>The Group</b>		<b>The Company</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>249,944</b>	254,707	—	—
After one year but within five years	<b>533,155</b>	398,176	—	—
After five years	<b>314,001</b>	—	—	—
	<b><u>1,097,100</u></b>	<u>652,883</u>	<u>—</u>	<u>—</u>

The leases run for an initial period of one to ten 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.

- (c) The Group entered into agreements for forward purchases of foreign currencies totalling HK\$Nil (2003: HK\$2,195,000) in the ordinary course of business.

**27. CONTINGENT LIABILITIES**

At 31st March, 2004, the Group had contingent liabilities in respect of guarantees of HK\$Nil (2003 : HK\$32,474,000) given to banks to secure facilities granted to an associated company. The facilities were utilised to the extent of HK\$Nil (2003 : HK\$22,697,000) at the balance sheet date.

At 31st March, 2004, the Company had the following contingent liabilities in respect of :-

- (a) Guarantees of HK\$819,262,000 (2003 : HK\$794,369,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK\$158,160,000 (2003 : HK\$174,559,000) 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\$9,169,000 (2003 : HK\$15,162,000) at the balance sheet date.

**28. COMPARATIVE FIGURES**

Certain comparative figures have been adjusted as a result of the change in accounting policy for income tax in order to comply with SSAP12 (Revised), details of which are set out in Note 1 (t).