

NOTES ON THE INTERIM ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These interim financial results are unaudited, but have been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (formerly known as the Hong Kong Society of Accountants). KPMG’s independent review report to the Board of Directors is included on page 12.

The interim financial results have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (“the Listing Rules”) on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”), including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the HKICPA.

The financial information relating to the financial year ended 31st March, 2004 included in the interim financial results does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31st March, 2004 are available from the Stock Exchange’s website. The auditors of the Company have expressed an unqualified opinion on those accounts in their report dated 24th June, 2004.

The same accounting policies adopted in the 2004 annual accounts have been applied in the preparation of the interim financial results.

2. TURNOVER / SEGMENTAL INFORMATION

Turnover represents sales of own bought and concession goods (less returns). The sales of own bought goods of HK\$1,012,543,000 (2003 : HK\$927,797,000) is the only significant category of revenue of the Group during the period.

Business segment

The Group has a 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.

	For the six months ended 30th September, 2004		At 30/9/2004
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Hong Kong	723,545	7,490	1,246,198
Other territories (Mainly Asia)	<u>499,018</u>	<u>10,875</u>	<u>491,439</u>
	<u><u>1,222,563</u></u>	<u><u>18,365</u></u>	<u>1,737,637</u>
Associated companies			<u>109,291</u>
Total assets			<u><u>1,846,928</u></u>

	For the six months ended 30th September, 2003		At 31/3/2004
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Hong Kong	688,347	4,169	1,215,462
Other territories (Mainly Asia)	<u>422,710</u>	<u>6,562</u>	<u>489,584</u>
	<u><u>1,111,057</u></u>	<u><u>10,731</u></u>	<u>1,705,046</u>
Associated companies			<u>105,781</u>
Total assets			<u><u>1,810,827</u></u>

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

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Profit from ordinary activities before taxation is arrived at after charging / (crediting) :-		
Depreciation	24,827	23,226
Interest on bank overdrafts and loans repayable within five years	829	964
Realised gain on other investments	—	(1,072)
	<u>24,827</u>	<u>23,118</u>

4. TAXATION

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Current Tax		
Hong Kong	259	67
Overseas	10,204	5,445
	<u>10,463</u>	<u>5,512</u>
Deferred Tax		
Origination and reversal of temporary differences	1,864	1,851
	<u>1,864</u>	<u>1,851</u>
Share of associated companies' tax	693	1,024
	<u>693</u>	<u>1,024</u>
Total income tax expense	<u>13,020</u>	<u>8,387</u>

Taxation in the consolidated profit and loss account includes provision for Hong Kong Profits Tax at 17.5 per cent. (2003 : 17.5 per cent.) on the estimated assessable profits for the period. Provision for overseas taxation is calculated based on the relevant legislation and on the estimated assessable profits of the individual company concerned.

5. EARNINGS PER SHARE

The calculation of basic earnings per share in the current period is based on the profit after taxation and minority interests of HK\$77,561,000 (2003 : HK\$7,711,000) and the weighted average number of 282,101,217 shares (2003 : 282,101,217 shares after adjusting for the one for ten bonus issue in 2004) in issue during the period.

6. DIVIDENDS

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
(a) Interim dividend declared after the interim period end : 13.0 cents (2003 : 2.7 cents) per share	<u>36,673</u>	<u>7,694</u>
(b) Final dividend in respect of the previous financial year, approved and paid during the interim period, of 20.0 cents (for the year ended 31st March, 2003 : 6.8 cents) per share	<u>56,420</u>	<u>19,234</u>

The comparative figures for interim and final dividend per share have been adjusted to take into account the one for ten bonus issue in 2004.

7. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK\$70,646,000 (at 31st March, 2004 : HK\$67,427,000) and their age analysis is as follows :-

	30/9/2004	31/3/2004
	HK\$'000	HK\$'000
Current	65,828	61,693
1 to 30 days overdue	3,799	4,287
31 to 60 days overdue	341	324
Over 60 days overdue	<u>678</u>	<u>1,123</u>
	<u>70,646</u>	<u>67,427</u>

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

8. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$83,700,000 (at 31st March, 2004 : HK\$70,500,000) and their age analysis is as follows :-

	30/9/2004	31/3/2004
	HK\$'000	HK\$'000
Current	71,257	57,841
1 to 30 days overdue	9,314	9,798
31 to 60 days overdue	1,678	1,240
Over 60 days overdue	1,451	1,621
	<u>83,700</u>	<u>70,500</u>

9. SHARE CAPITAL

	30/9/2004		31/3/2004	
	Number	Nominal	Number	Nominal
	of shares	value	of shares	value
	Thousands	HK\$'000	Thousands	HK\$'000
Authorised :-				
Ordinary shares of HK\$0.30 each	<u>363,333</u>	<u>109,000</u>	<u>333,333</u>	<u>100,000</u>
Issued and fully paid :-				
Ordinary shares of HK\$0.30 each				
Balance brought forward	256,456	76,937	256,456	76,937
Bonus issue	<u>25,645</u>	<u>7,693</u>	—	—
Balance carried forward	<u>282,101</u>	<u>84,630</u>	<u>256,456</u>	<u>76,937</u>

Note :-

By an ordinary resolution passed at the annual general meeting held on 25th August, 2004, the Company's authorised share capital was increased to HK\$109,000,000 by the creation of an additional 30,000,000 ordinary shares of HK\$0.30 each, ranking pari passu with the then existing shares of the Company. On 25th August, 2004, 25,645,565 ordinary shares of HK\$0.30 each were issued by way of a one for ten bonus issue in respect of which an amount of HK\$7,693,000 was applied from retained profits (Note 10).

10. RESERVES

	30/9/2004	31/3/2004
	HK\$'000	HK\$'000
Retained profits		
Balance brought forward	1,181,390	1,078,125
Dividends approved/paid in respect of year (Note 6(b))	(56,420)	(19,234)
Dividends declared/paid in respect of the current year (Note 6(a))	—	(7,694)
Bonus issue (Note 9)	(7,693)	—
Profit for the period	77,561	120,279
Translation of accounts of overseas subsidiary and associated companies	<u>(5,507)</u>	<u>9,914</u>
Balance carried forward	<u>1,189,331</u>	<u>1,181,390</u>

11. 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 period, 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 5.46 per cent. (2003 : 5.13 per cent.) and 0.60 per cent. (2003 : 0.40 per cent.) of the Group's total sales and purchases for the period respectively.
- (b) During the period, 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 2.19 per cent. (2003 : 2.43 per cent.) of the Group's total sales for the period.

12. CAPITAL COMMITMENTS

Capital commitments outstanding at 30th September, 2004 and not provided for in the accounts were as follows :-

	30/9/2004	31/3/2004
	HK\$'000	HK\$'000
Contracted for	28,247	823
Authorised but not contracted for	<u>2,200</u>	<u>—</u>
	<u>30,447</u>	<u>823</u>

13. CONTINGENT LIABILITIES

At 30th September, 2004, the Company had the following contingent liabilities in respect of :-

- (a) Guarantees of HK\$813,390,000 (at 31st March, 2004 : HK\$819,262,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK\$180,424,000 (at 31st March, 2004 : HK\$158,160,000) at the balance sheet date.
- (b) Guarantees given to licensors to guarantee the performance by certain subsidiary companies of obligations under certain agreements. The amount due under the agreements was HK\$11,836,000 (at 31st March, 2004 : HK\$9,169,000) at the balance sheet date.

14. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the one for ten bonus issue in 2004, details of which are set out in Notes 5, 6 and 9.