

NOTES ON THE INTERIM ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions 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 Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2006 annual accounts. Details of these changes in accounting policies are set out in note 1(b).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated accounts and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual accounts. The condensed consolidated interim accounts and notes thereon do not include all of the information required for a full set of accounts prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 15.

The financial information relating to the financial year ended 31st March, 2005 that is included in the interim financial report as being previously reported information 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, 2005 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those accounts in their report dated 22nd June, 2005.

(b) Recently issued accounting standards

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. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual accounts for the year ending 31st March, 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual accounts for the year ending 31st March, 2006 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's accounts for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1st April, 2005 which have been reflected in this interim financial report.

(i) 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 a 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.

With effect from 1st April, 2005, in order to comply with HKAS 1 and HKAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the shareholders of the Company, and minority interests in the results of the Group for the period are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the period between the minority interests and the shareholders of the Company.

The presentation of minority interests in the consolidated balance sheet, consolidated profit and loss account and consolidated statement of changes in equity for the comparative period has been restated accordingly.

(ii) Amortisation of positive and negative goodwill (HKFRS 3, Business Combinations and HKAS 36, Impairment of Assets)

In prior periods :-

- positive goodwill was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and
- negative goodwill was recognised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases, it was recognised in the profit and loss account as those expected losses were incurred.

With effect from 1st April, 2005, in accordance with HKFRS 3 and HKAS 36, the Group no longer amortises positive goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount. Negative goodwill arising on an acquisition is recognised directly in the profit and loss account.

The new policy in respect 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 six months ended 30th September, 2005. This has increased the Group's profit after tax for the six months ended 30th September, 2005 by HK\$374,000.

2. TURNOVER / SEGMENTAL INFORMATION

Turnover represents sales of own bought and concession goods (less returns). The sales of own bought goods of HK\$1,123,717,000 (2004 : HK\$1,012,543,000) 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, 2005		At 30/9/2005
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Hong Kong	792,916	99,320	1,146,135
Taiwan	301,555	5,883	360,388
Other territories (Mainly Asia)	262,452	6,753	283,970
	<u>1,356,923</u>	<u>111,956</u>	<u>1,790,493</u>
Associated companies			<u>93,776</u>
Total assets			<u>1,884,269</u>

	For the six months ended 30th September, 2004		At 31/3/2005
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Hong Kong	723,545	7,490	1,173,256
Taiwan	257,588	8,913	379,566
Other territories (Mainly Asia)	241,430	1,962	337,084
	<u>1,222,563</u>	<u>18,365</u>	1,889,906
Associated companies			<u>112,636</u>
Total assets			<u>2,002,542</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 BEFORE TAXATION

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation is arrived at after charging :-		
Depreciation	34,138	24,827
Interest on bank overdrafts and loans repayable within five years	<u>595</u>	<u>829</u>

4. TAXATION

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
Current Tax		
Hong Kong	—	259
Overseas	<u>13,264</u>	<u>10,204</u>
	<u>13,264</u>	<u>10,463</u>
Deferred Tax		
Origination and reversal of temporary differences	<u>(550)</u>	<u>1,864</u>
	<u>(550)</u>	<u>1,864</u>
Share of associated companies' tax	<u>696</u>	<u>693</u>
Total income tax expense	<u>13,410</u>	<u>13,020</u>

Taxation in the consolidated profit and loss account includes provision for Hong Kong Profits Tax at 17.5 per cent. (2004 : 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 attributable to shareholders of the Company of HK\$85,721,000 (2004 : HK\$77,561,000) and the weighted average number of 310,311,338 shares (2004 : 310,311,338 shares after adjusting for the one for ten bonus issue in 2005) in issue during the period.

6. DIVIDENDS

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
(a) Interim dividend declared after the interim period end : 13.8 cents (2004 : 11.8 cents) per share	<u>42,823</u>	<u>36,673</u>
(b) Final dividend in respect of the previous financial year, approved and paid during the interim period, of 27.3 cents (for the year ended 31st March, 2004 : 18.2 cents) per share	<u>84,630</u>	<u>56,420</u>
(c) Special dividend in respect of the previous financial year, approved and paid during the interim period, of 41.8 cents per share (for the year ended 31st March, 2004 : Nil)	<u>129,767</u>	<u>—</u>

The comparative figures for interim, final and special dividend per share have been adjusted to take into account the one for ten bonus issue in 2005.

7. FIXED ASSETS

During the period, the Group spent HK\$111,956,000 mainly on fitting out of new stores and refurbishment of certain existing stores.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK\$80,306,000 (at 31st March, 2005 : HK\$84,757,000) and their age analysis is as follows :-

	30/9/2005	31/3/2005
	HK\$'000	HK\$'000
Current	77,193	80,212
1 to 30 days overdue	1,144	1,353
31 to 60 days overdue	668	847
Over 60 days overdue	<u>1,301</u>	<u>2,345</u>
	<u>80,306</u>	<u>84,757</u>

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

9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors of HK\$114,952,000 (at 31st March, 2005 : HK\$109,428,000) and their age analysis is as follows :-

	30/9/2005	31/3/2005
	HK\$'000	HK\$'000
Current	100,385	98,364
1 to 30 days overdue	10,675	6,463
31 to 60 days overdue	1,068	3,082
Over 60 days overdue	2,824	1,519
	<u>114,952</u>	<u>109,428</u>

10. SHARE CAPITAL

	30/9/2005		31/3/2005	
	Number of shares Thousands	Nominal value HK\$'000	Number of shares Thousands	Nominal value HK\$'000
Authorised :-				
Ordinary shares of HK\$0.30 each	<u>400,000</u>	<u>120,000</u>	<u>363,333</u>	<u>109,000</u>
Issued and fully paid :-				
Ordinary shares of HK\$0.30 each				
Balance brought forward	282,101	84,630	256,456	76,937
Bonus issue	<u>28,210</u>	<u>8,463</u>	<u>25,645</u>	<u>7,693</u>
Balance carried forward	<u>310,311</u>	<u>93,093</u>	<u>282,101</u>	<u>84,630</u>

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 11).

11. RESERVES

	Attributable to shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
Retained profits			
At 1st April, 2005	1,295,186	15,007	1,310,193
Dividends approved/paid in respect of prior year (Notes 6(b) & 6(c))	(214,397)	—	(214,397)
Bonus issue (Note 10)	(8,463)	—	(8,463)
Profit for the period	85,721	124	85,845
Translation of accounts of overseas subsidiary and associated companies	<u>(12,705)</u>	<u>235</u>	<u>(12,470)</u>
At 30th September, 2005	<u><u>1,145,342</u></u>	<u><u>15,366</u></u>	<u><u>1,160,708</u></u>
	Attributable to shareholders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 2004	1,181,390	14,499	1,195,889
Dividends approved/paid in respect of prior year (Notes 6(b) & 6(c))	(56,420)	—	(56,420)
Dividends declared/paid in respect of the current year (Note 6(a))	(36,673)	—	(36,673)
Bonus issue (Note 10)	(7,693)	—	(7,693)
Profit for the year	203,117	501	203,618
Translation of accounts of overseas subsidiary and associated companies	<u>11,465</u>	<u>7</u>	<u>11,472</u>
At 31st March, 2005	<u><u>1,295,186</u></u>	<u><u>15,007</u></u>	<u><u>1,310,193</u></u>

12. 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 :-

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
Sales of goods	13,134	9,283
Purchases of goods	2,741	61
Management and supporting service fees received	1,050	69
Rental paid	1,581	1,488
Rental Received	156	—

The net amount due from these associated companies at 30th September, 2005 amounted to HK\$8,820,000 (at 31st March, 2005 : HK\$11,443,000).

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

	Six months ended 30th September,	
	2005	2004
	HK\$'000	HK\$'000
Sales of goods	44,470	57,447
Purchases of goods	5,321	4,016
Management and supporting service fees paid	910	1,912
Management and supporting service fees received	4,862	2,602
Rental paid	770	853
Rental received	5,804	4,700
Advertising and promotion service fees paid	4,012	5,626
Commission expenses paid	10,735	9,490

The net amount due from these companies at 30th September, 2005 amounted to HK\$2,382,000 (at 31st March, 2005 : HK\$4,272,000).

13. CAPITAL COMMITMENTS

Capital commitments outstanding at 30th September, 2005 and not provided for in the accounts were as follows :-

	30/9/2005	31/3/2005
	HK\$'000	HK\$'000
Contracted for	28,776	52,885
Authorised but not contracted for	<u>67</u>	<u>—</u>
	<u>28,843</u>	<u>52,885</u>

14. CONTINGENT LIABILITIES

At 30th September, 2005, the Company had the following contingent liabilities in respect of :-

- (a) Guarantees of HK\$834,939,000 (at 31st March, 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\$227,972,000 (at 31st March, 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\$6,386,000 (at 31st March, 2005 : HK\$13,490,000) at the balance sheet date.