

NOTES TO THE CONDENSED FINANCIAL STATEMENTS ■ ■ ■

For the six months ended 31 August 2001

1. Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. Principal accounting policies

The interim financial report has been prepared under the historical cost convention.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 28 February 2001 except as described below.

In the current period, the Group has adopted, for the first time, the following revised or new SSAPs issued by the Hong Kong Society of Accountants:

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability in the balance sheet. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see note 13).

Provisions

In accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Impairment of assets

SSAP 31 "Impairment of Assets" is effective for periods beginning on or after 1 January 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets.

With the exception of SSAP 9 (Revised), the adoption of the above standards has had no material effect on amounts reported in prior periods.

3. Segment information

The Group is principally engaged in the operation of general merchandise stores ("GMS"). No business segment analysis is presented as management considers that the Group has one single business segment.

An analysis of the Group's revenue and results by geographical segment is as follows:

| | Six months ended | | Six months ended | |
|--|------------------|------------------------|------------------|------------------------|
| | 31 August 2001 | | 31 August 2000 | |
| | Revenue | Profit from operations | Revenue | Profit from operations |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Hong Kong | 1,458,377 | 6,820 | 1,244,243 | 913 |
| The People's Republic of China ("PRC"), other than Hong Kong | 264,406 | 17,315 | 195,653 | 9,763 |
| | <u>1,722,783</u> | <u>24,135</u> | <u>1,439,896</u> | <u>10,676</u> |

4. Other revenue

Included in other revenue is the gain on disposal of property, plant and equipment of HK\$5,000 (2000: Nil).

5. Finance costs

The finance costs represent interest on bank borrowings wholly repayable within five years.

6. Taxation

| | Six months ended | |
|--------------------------|------------------|----------------|
| | 31 August 2001 | 31 August 2000 |
| | HK\$'000 | HK\$'000 |
| The charge comprises: | | |
| Current taxation | | |
| Hong Kong Profits Tax | 1,100 | — |
| PRC income tax | 6,618 | 4,369 |
| Deferred taxation credit | — | (2,900) |
| | <u>7,718</u> | <u>1,469</u> |

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

PRC income tax is calculated at 33% of the estimated assessable profits of the subsidiary.

7. Dividends

On 21 June 2001, a dividend of 13.0 HK cents (2000: 4.0 HK cents) per share amounting to HK\$33,800,000 (2000: HK\$10,400,000) was paid to shareholders as the final dividend for the year ended 28 February 2001.

The directors have determined that an interim dividend of 2.0 HK cents (2000: 1.0 HK cent) per share amounting to HK\$5,200,000 (2000: HK\$2,600,000) should be paid to the shareholders of the Company whose names appear on the Register of Members on 23 November 2001. The interim dividend will be paid on or before 7 December 2001.

8. Earnings per share

The calculation of earnings per share is based on the Group's net profit for the period of HK\$15,268,000 (2000: HK\$7,662,000) and on 260,000,000 (2000: 260,000,000) ordinary shares in issue during the period.

9. Property, plant and equipment

During the period, the Group spent approximately HK\$47 million (six months ended 31 August 2000: HK\$75 million) on property, plant and equipment to expand its operations.

10. Trade receivables

The Group does not have a defined fixed credit policy as its major trade receivables arise from credit card sales.

The following is an aged analysis of trade receivables at the balance sheet date:

| | 31 August 2001 HK\$'000 | 28 February 2001 HK\$'000 |
|-----------------------|--|---------------------------------|
| Within due dates | 2,561 | 2,490 |
| Overdue under 30 days | 1,443 | 987 |
| Overdue over 30 days | 1,979 | 1,444 |
| | 5,983 | 4,921 |

11. Trade payables

The following is an aged analysis of trade payables at the balance sheet date:

| | 31 August 2001 HK\$'000 | 28 February 2001 HK\$'000 |
|-----------------------|--|---------------------------------|
| Within due dates | 420,398 | 438,154 |
| Overdue under 30 days | 14,392 | 10,328 |
| Overdue over 30 days | 23,323 | 26,430 |
| | <u>458,113</u> | <u>474,912</u> |

12. Share capital

| | Number of shares | Amount HK\$'000 |
|--|-----------------------------|----------------------------|
| Ordinary shares of HK\$0.20 each | | |
| <i>Authorised:</i> | | |
| At 31 August 2001 and 28 February 2001 | <u>350,000,000</u> | <u>70,000</u> |
| <i>Issued and fully paid:</i> | | |
| At 31 August 2001 and 28 February 2001 | <u>260,000,000</u> | <u>52,000</u> |

There were no movements in the share capital for the six months ended 31 August 2001 and for the year ended 28 February 2001.

13. Share premium and reserves

| | Share premium HK\$'000 | Translation reserve HK\$'000 | Retained profits HK\$'000 | PRC statutory reserves HK\$'000 | Total HK\$'000 |
|--|---------------------------|---------------------------------|------------------------------|------------------------------------|-------------------|
| At 1 March 2000 | | | | | |
| – as originally stated | 63,158 | 143 | 152,036 | — | 215,337 |
| – prior period adjustment (note 2) | — | — | 10,400 | — | 10,400 |
| | <u>63,158</u> | <u>143</u> | <u>162,436</u> | <u>—</u> | <u>225,737</u> |
| – as restated | 63,158 | 143 | 162,436 | — | 225,737 |
| Exchange differences arising on translation of overseas operations | — | (731) | — | — | (731) |
| Net profit for the year | — | — | 92,236 | — | 92,236 |
| Transfer, net of minority interest's share | — | — | (705) | 705 | — |
| Dividends paid | — | — | (13,000) | — | (13,000) |
| | <u>63,158</u> | <u>(588)</u> | <u>240,967</u> | <u>705</u> | <u>304,242</u> |
| At 28 February 2001 | 63,158 | (588) | 240,967 | 705 | 304,242 |
| Exchange differences arising on translation of overseas operations | — | 1,540 | — | — | 1,540 |
| Net profit for the period | — | — | 15,268 | — | 15,268 |
| Transfer, net of minority interest's share | — | — | (161) | 161 | — |
| Dividends paid | — | — | (33,800) | — | (33,800) |
| | <u>63,158</u> | <u>952</u> | <u>222,274</u> | <u>866</u> | <u>287,250</u> |
| At 31 August 2001 | <u>63,158</u> | <u>952</u> | <u>222,274</u> | <u>866</u> | <u>287,250</u> |

PRC statutory reserves are reserves required by the relevant PRC laws applicable to the subsidiary of the Company.

14. Capital commitments

| | 31 August 2001 HK\$'000 | 28 February 2001 HK\$'000 |
|--|-------------------------------|---------------------------------|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements | 170 | 24,887 |
| Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for | — | 38,739 |
| | <u>170</u> | <u>63,626</u> |
| Capital contribution to a subsidiary contracted for but not provided in the financial statements | <u>33,677</u> | — |