

NOTES ON THE INTERIM ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

(a) 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 Society of Accountants (“HKSA”). 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 (“SSAP”) 25 “Interim financial reporting” issued by HKSA.

The financial information relating to the financial year ended 31st March, 2001 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, 2001 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 26th June, 2001.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial results except as disclosed under notes 1(b), 1(c), 1(d) and 1(e) below.

The notes on the interim financial results 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 2001 annual accounts.

(b) Goodwill arising on consolidation

In prior years, goodwill arising on consolidation, representing the excess of the cost of investments in subsidiary and associated companies over the Group’s share in the fair value of the separable net assets acquired, was written off against reserves in the year of acquisition. On disposal of a subsidiary or an associated company, any attributable amount of purchased goodwill which has previously been written off against reserves was included in the calculation of the profit or loss arising on disposal.

With effect from 1st April, 2001, with the introduction of SSAP 30 “Business Combinations”, the Group adopted an accounting policy to recognise goodwill as an asset and which is amortised on a straight-line basis over its estimated useful life. On disposal of a subsidiary or an associated company, any attributable amount of purchased goodwill not previously amortised through the profit and loss account is included in the calculation of the profit and loss arising on disposal.

The Group has taken advantage of the transitional provisions in SSAP 30 which do not require restatement of positive/negative goodwill taken to reserves prior to 1st April, 2001, and there is no financial effect on the Group for the prior periods. However, any impairment arising on such goodwill is required to be accounted for in accordance with the newly issued SSAP 31

“Impairment of Assets” (Note 1(d)) retrospectively. As a result of this change, goodwill of HK\$270 million previously written off to retained profits is considered impaired. However, this has no effect on the shareholders’ funds.

(c) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has 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 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.

In prior years, no provision was made for the eventual costs that relate to the restoration of the alterations made to certain premises leased from third parties. With effect from 1st April, 2001, in order to comply with SSAP 28 “Provisions, contingent liabilities and contingent assets” issued by HKSA, the best estimates of the eventual restoration costs are provided for and charged to profit and loss account on a straight-line basis over the lease terms. The effect of adopting the SSAP has been adjusted to the opening balance of retained profits for the period. No restatement of other comparative information has been made.

(d) 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; and
- goodwill.

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 or its cash-generating unit 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 there are assets that do not generate cash flows largely independent of those from other assets, recoverable amounts are 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 change in the estimates used to determine the recoverable amount. 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 loss is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised, except where the assets are carried at revalued amounts, in which case the reversal of impairment loss is treated as a revaluation movement.

(e) Dividends

In prior years, dividends proposed or declared after the balance sheet date in respect of an accounting period were recognised as liabilities at the balance sheet date. With effect from 1st April, 2001, in order to comply with SSAP 9 (revised) "Events after the balance sheet date" issued by HKSA, the Company recognises a liability for dividends in the accounting period in which they are declared or proposed and approved by shareholders.

The adoption of this new accounting policy has no impact on the Group's net assets at 30th September, 2001 and 31st March, 2001, as well as the Group's profit attributable to shareholders for the periods presented.

2. TURNOVER / SEGMENTAL INFORMATION

Turnover represents sales less returns of own bought and concession goods. The analysis of the Group's turnover and operating profit after finance costs by principal activities and geographical locations are as follows :-

Principal activities :-

	Group turnover		Operating profit after finance costs	
	Six months ended 30th September, 2001	2000	Six months ended 30th September, 2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retailing	904,973	889,809	(9,074)	6,336
Wholesaling	<u>136,861</u>	<u>170,085</u>	<u>7,487</u>	<u>24,346</u>
	<u>1,041,834</u>	<u>1,059,894</u>	(1,587)	30,682
Others			<u>1,713</u>	<u>9,657</u>
			<u>126</u>	<u>40,339</u>

Geographical location of operations : -

	Group turnover	
	Six months ended 30th September, 2001	2000
	HK\$'000	HK\$'000
Hong Kong	808,500	765,042
Asia	<u>233,334</u>	<u>294,852</u>
	<u><u>1,041,834</u></u>	<u><u>1,059,894</u></u>

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Profit from ordinary activities before taxation is arrived at after charging : -		
Depreciation	26,887	26,885
Interest on bank overdrafts and loans repayable within five years	283	417
Net realised and unrealised loss on sale of other investments	<u>–</u>	<u>5,599</u>

4. TAXATION

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiary companies : -		
Hong Kong	526	2,831
Overseas	<u>2,781</u>	<u>1,871</u>
	3,307	4,702
Share of associated companies' taxation	<u>2,425</u>	<u>699</u>
	<u><u>5,732</u></u>	<u><u>5,401</u></u>

Taxation in the consolidated profit and loss account includes provision for Hong Kong profits tax at 16 per cent. (2000 : 16 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 earnings per share in the current period is based on the profit after taxation and minority interests of HK\$6,754,000 (2000 : HK\$30,808,000) and the weighted average number of 256,455,652 (2000 : 257,771,786) shares in issue during the period.

6. DIVIDENDS

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
(a) Interim dividend declared after the interim period end of nil cents (2000 : 5 cents) per share	<u> -</u>	<u>12,823</u>
(b) Final dividend in respect of the previous financial year, approved and paid during the interim period, of nil cents (for the year ended 31st March, 2000 : 25 cents) per share	<u> -</u>	<u>64,362</u>

7. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK\$61,126,000 (at 31st March, 2001 : HK\$69,814,000) and their age analysis is as follows : -

	30/9/2001	31/3/2001
	HK\$'000	HK\$'000
Current	48,172	54,147
1 to 30 days overdue	5,979	6,426
31 to 60 days overdue	1,295	3,905
Over 60 days overdue	<u>5,680</u>	<u>5,336</u>
	<u>61,126</u>	<u>69,814</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\$96,644,000 (at 31st March, 2001 : HK\$78,474,000) and their age analysis is as follows : -

	30/9/2001	31/3/2001
	HK\$'000	HK\$'000
Current	75,709	64,984
1 to 30 days overdue	15,605	8,602
31 to 60 days overdue	2,204	2,810
Over 60 days overdue	<u>3,126</u>	<u>2,078</u>
	<u>96,644</u>	<u>78,474</u>

9. SHARE CAPITAL

There were no movements in the share capital of the Company during the period under review.

10. RESERVES

Reserve movements during the period ended 30th September, 2001 were as follows : -

	HK\$'000
Exchange fluctuation reserve	
Balance brought forward	3,342
Translation of accounts of overseas subsidiary and associated companies	(11,358)
Transfer from retained profits	<u>8,016</u>
Balance carried forward	----- -
Retained profits	
Balance brought forward	
- as previously reported	984,004
- provision for restoration costs on premises leased from third parties (Note 1(c))	<u>(4,347)</u>
- as restated	979,657
Profit for the period	6,754
Transfer to exchange fluctuation reserve	<u>(8,016)</u>
Balance carried forward	<u>978,395</u> <u>978,395</u>

11. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the period, certain subsidiary companies traded on normal commercial terms with companies in which certain directors of the Company have beneficial interests. Total sales to and purchases from these companies represented 3.73 per cent. (2000 : 2.64 per cent.) and 10.43 per cent. (2000 : 5.68 per cent.) of the Group's total sales and purchases for the period respectively.
- (b) During the period, certain subsidiary companies paid fees to companies in which a director of the Company has a controlling interest, representing their proportion of overhead expenses incurred by, advertising and promotion services received from and commission expenses paid to these companies. The total fees paid to these companies represented 8.20 per cent. (2000 : 11.07 per cent.) of the Group's total expenses for the period.
- (c) During the period, under the Consultancy and Professional Services Agreement in connection with the Cybermall project ("the Agreement") and entered into between a subsidiary company and a related company in which a director of the Company has a controlling interest (summarised details of the Agreement was disclosed in note 22(c) on the 2001 annual accounts), the subsidiary company has paid HK\$9.6 million (2000 : HK\$21.1 million) to the related company and HK\$Nil (2000 : HK\$55 million) to third party suppliers, respectively, in respect of the fixed fee of HK\$130 million and the HK\$110 million for the related

specialised hardware and software specified by the related company. HK\$45.1 million (2000 : HK\$108.9 million) and HK\$4.6 million (2000 : HK\$55 million) respectively are included in creditors and accruals in the consolidated balance sheet as at 30th September, 2001.

12. COMMITMENTS

Commitments outstanding at 30th September, 2001 and not provided for in the accounts were as follows : -

(a) Capital commitments : -

	30/9/2001	31/3/2001
	HK\$'000	HK\$'000
Contracted for	1,772	1,616
Authorised but not contracted for	<u>24,499</u>	<u>16,838</u>
	<u><u>26,271</u></u>	<u><u>18,454</u></u>

(b) The Group has entered into agreements for forward purchases of foreign currencies totalling HK\$3,359,000 (at 31st March, 2001 : HK\$23,622,000) in the ordinary course of business.

13. CONTINGENT LIABILITIES

At 30th September, 2001, the Company had the following contingent liabilities in respect of : -

- (a) Guarantees of HK\$887,698,000 (at 31st March, 2001 : HK\$946,535,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK\$142,205,000 (at 31st March, 2001 : HK\$60,530,000) 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\$18,017,000 (at 31st March, 2001: HK\$14,197,000) at the balance sheet date.