

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 13.

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, 2002 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, 2002 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 11th July, 2002.

The same accounting policies adopted in the 2002 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 2002 annual accounts.

(b) SSAP 1 (Revised) “Presentation of financial statements”

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(c) SSAP 11 (Revised) “Foreign currency translation”

The profit and loss accounts of overseas subsidiary and associated companies are translated into Hong Kong dollars at the average exchange rates during the period. This is a change in accounting policy from prior years where these were translated at the exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.

(d) SSAP 15 (Revised) “Cash flow statements”

A revised classification of activities from which cash flows are derived has been made.

With effect from 1st April, 2002, with the introduction of SSAP 15 (Revised) “Cash flow statements”, the Group defines cash and cash equivalents as 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, which were 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 cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year’s figures, cash and cash equivalents as at 1st April, 2001 and 2002 were restated and increased by HK\$3,902,000 and HK\$8,466,000 respectively. In addition, certain presentational changes have been made on adoption of SSAP 15 (Revised).

(e) SSAP 34 “Employee benefits”

Employee entitlements to annual leave are recognised when they accrue to employees. Under SSAP 34 “Employee benefits”, which is adopted by the Group with effect from 1st April, 2002, a provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. This represents a change in accounting policy as in previous years no provision was made for this liability. As a result of the new accounting policy, the Group’s net assets as at the period end have been decreased by HK\$4,715,000 (at 31st March, 2002 : HK\$4,715,000). There is no impact on the Group’s profit attributable to shareholders for the periods presented. 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.

2. TURNOVER / SEGMENTAL INFORMATION

Turnover represents sales of own bought and concession goods (less returns). The sales of own bought goods of HK\$949,018,000 (2001 : HK\$871,371,000) is the only significant category of revenue of the Group during the period.

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.

	For the six months ended 30th September, 2002		At 30/9/2002
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Hong Kong	756,490	12,257	1,065,481
Other territories (Mainly Asia)	<u>402,061</u>	<u>9,526</u>	<u>473,027</u>
	<u>1,158,551</u>	<u>21,783</u>	1,538,508
Associated companies			<u>181,322</u>
Total assets			<u>1,719,830</u>

	For the six months ended 30th September, 2001		At 31/3/2002
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Hong Kong	719,895	25,060	1,054,367
Other territories (Mainly Asia)	<u>321,939</u>	<u>7,457</u>	<u>465,694</u>
	<u>1,041,834</u>	<u>32,517</u>	1,520,061
Associated companies			<u>179,605</u>
Total assets			<u>1,699,666</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. NON-OPERATING ITEM

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. HK\$41.5 million and HK\$4.6 million respectively were included in creditors and accruals in the consolidated balance sheet as at 31st March, 2002. HK\$2.1 million (2001 : HK\$9.6 million) and HK\$Nil (2001 : HK\$Nil) respectively were paid during the period.

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 has confirmed that it will not seek payment of the remaining amount of fixed fee included in the originally agreed estimate as this has 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 has been credited to and included in the consolidated profit and loss account for the period ended 30th September, 2002 as a non-operating item.

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Profit from ordinary activities before taxation is arrived at after charging / (crediting) : -		
Depreciation	27,681	26,887
Interest on bank overdrafts and loans repayable within five years	1,728	283
Unrealised gain on other investments	<u>(1,058)</u>	<u>-</u>

5. TAXATION

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiary companies : -		
Hong Kong	431	526
Overseas	<u>4,681</u>	<u>2,781</u>
	5,112	3,307
Share of associated companies' taxation	<u>1,385</u>	<u>2,425</u>
	<u>6,497</u>	<u>5,732</u>

Taxation in the consolidated profit and loss account includes provision for Hong Kong profits tax at 16 per cent. (2001 : 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.

The Group did not have material unprovided deferred taxation at the balance sheet date.

6. 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\$55,141,000 (2001 : HK\$6,754,000) and the number of 256,455,652 (2001 : 256,455,652) shares in issue during the period.

7. DIVIDENDS

	Six months ended 30th September,	
	2002	2001
	HK\$'000	HK\$'000
(a) Interim dividend declared after the interim period end : Nil (2001 : Nil)	<u> —</u>	<u> —</u>
(b) Final dividend in respect of the previous financial year, approved and paid during the interim period, of 5 cents (for the year ended 31st March, 2001 : Nil) per share	<u> 12,823</u>	<u> —</u>

8. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK\$68,580,000 (at 31st March, 2002 : HK\$92,400,000) and their age analysis is as follows : -

	30/9/2002	31/3/2002
	HK\$'000	HK\$'000
Current	63,394	85,451
1 to 30 days overdue	3,419	5,754
31 to 60 days overdue	522	517
Over 60 days overdue	<u> 1,245</u>	<u> 678</u>
	<u> 68,580</u>	<u> 92,400</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\$88,341,000 (at 31st March, 2002 : HK\$89,022,000) and their age analysis is as follows : -

	30/9/2002	31/3/2002
	HK\$'000	HK\$'000
Current	63,969	79,306
1 to 30 days overdue	16,695	6,351
31 to 60 days overdue	6,087	1,803
Over 60 days overdue	<u>1,590</u>	<u>1,562</u>
	<u><u>88,341</u></u>	<u><u>89,022</u></u>

10. SHARE CAPITAL

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

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 4.06 per cent. (2001 : 3.73 per cent.) and 6.54 per cent. (2001 : 10.43 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 2.17 per cent. (2001 : 3.56 per cent.) of the Group's total sales for the period.

12. COMMITMENTS

Commitments outstanding at 30th September, 2002 and not provided for in the accounts were as follows : -

(a) Capital commitments : -

	30/9/2002	31/3/2002
	HK\$'000	HK\$'000
Contracted for	1,696	4,192
Authorised but not contracted for	<u>—</u>	<u>2,389</u>
	<u>1,696</u>	<u>6,581</u>

(b) The Group has entered into agreements for forward purchases of foreign currencies totalling HK\$2,797,000 (at 31st March, 2002 : HK\$Nil) in the ordinary course of business.

13. CONTINGENT LIABILITIES

At 30th September, 2002, the Company had the following contingent liabilities in respect of : -

- (a) Guarantees of HK\$792,576,000 (at 31st March, 2002 : HK\$841,250,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK\$218,795,000 (at 31st March, 2002 : HK\$200,978,000) 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\$18,519,000 (at 31st March, 2002 : HK\$19,190,000) at the balance sheet date.