

Notes:

(1) Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

(2) Adoption of SSAP and change in accounting policy

The accounting policies and methods of computation used in preparation of these unaudited consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2002, except as described below:

Income Taxes

In the current period, the Group has adopted, for the first time, the SSAP 12 (Revised) “Income Taxes”. Under SSAP 12 (Revised), the principal effect is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method. Pursuant to the method, a liability was recognised in respect of timing difference arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit with limited exceptions.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

(3) Income statement by business and geographical segments

The Group’s turnover and results are substantially derived from retailing activity carried out in Hong Kong for both periods. Accordingly, no analysis by business and by geographical segments is presented.

(4) Taxation

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses for each of the above periods.

The net deferred tax asset has not been recognised in the financial statements due to the unpredictability of future taxable profit streams.

At the balance sheet date, the components of the unprovided deferred taxation assets (liabilities) were as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Tax effect of timing difference because of:		
Estimated tax losses	13,100	12,386
Excess of tax allowances over depreciation	(4,652)	(3,717)
	<u>8,448</u>	<u>8,669</u>

The amounts of unprovided deferred taxation credit (charge) for the period/year were as follows:

	For the six months ended 30 June 2003 (Unaudited) HK\$'000	For the year ended 31 December 2002 (Audited) HK\$'000
Tax effect of timing difference because of:		
Estimated tax losses arising (utilised)	(447)	8,373
Excess of tax allowances over depreciation	(587)	(276)
Effect of change in tax rate	813	-
	<u>(221)</u>	<u>8,097</u>

(5) (Loss) Earnings per share

The calculations of basic and diluted (loss) earnings per share for the six months ended 30 June 2003 together with the comparative figures for 2002 is based on the following data:

	Unaudited	
	six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
(Loss) Earnings		
(Loss) Profit attributable to shareholders used in basic and diluted (loss) earnings per share calculation	<u>(16,693)</u>	<u>1,003</u>
Number of shares		
Weighted average number of shares in issue during the period used in basic (loss) earnings per share calculation	103,838,850	103,838,850
Weighted average number of shares assumed issued at no consideration on deemed exercise of all shares options outstanding during the period	<u>N/A</u>	<u>536,166</u>
Weighted average number of shares used in diluted (loss) earnings per share calculation	<u>103,838,850</u>	<u>104,375,016</u>

The computation of diluted (loss) earnings per share for the six months ended 30 June 2003 does not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price for shares for the period.

The weighted average number of ordinary shares for the six months ended 30 June 2002 for the purposes of basic and diluted (loss) earnings per share has been adjusted for the share consolidation on 6 May 2003.

(6) Trade receivables

The Group allowed an average credit period of 60 days to trade debtors.

The aged analysis of trade receivables at the balance sheet date is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
0 – 30 days	51	218
31 – 60 days	219	120
61 – 90 days	232	76
Over 90 days	68	28
	570	442

(7) Trade payables

The aged analysis of trade payables at the balance sheet date is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
0 – 30 days	25,766	40,785
31 – 60 days	30,569	29,813
61 – 90 days	31,370	33,516
Over 90 days	36,942	50,122
	124,647	154,236

(8) Share capital

	Notes	Number of shares '000	Amount HK\$'000
AUTHORISED			
Ordinary shares of HK\$0.10 each at 1 January 2003		3,000,000	300,000
Reduced due to Share Consolidation	(i)	<u>(2,850,000)</u>	<u>–</u>
Ordinary shares of HK\$2.00 each		150,000	300,000
Reduced due to Capital Reduction	(ii)	<u>–</u>	<u>(285,000)</u>
Ordinary shares of HK\$0.10 each		150,000	15,000
Share cancellation of unissued share capital	(iii)	(46,161)	(4,616)
Increase in authorised share capital	(iii)	<u>46,161</u>	<u>4,616</u>
Ordinary shares of HK\$0.10 each at 30 June 2003		<u>150,000</u>	<u>15,000</u>
ISSUED AND FULLY PAID			
Ordinary shares of HK\$0.10 each at 1 January 2003		2,076,777	207,678
Reduced due to Share Consolidation	(i)	<u>(1,972,938)</u>	<u>–</u>
Ordinary shares of HK\$2.00 each		103,839	207,678
Reduced due to Capital Reduction	(ii)	<u>–</u>	<u>(197,294)</u>
Ordinary shares of HK\$0.10 each at 30 June 2003		<u>103,839</u>	<u>10,384</u>

Notes:

Pursuant to the special resolution passed by the shareholders at the special general meeting of the Company held on 5 May 2003, the Company:

- (i) consolidated every 20 issued and unissued shares of HK\$0.10 each into one share of HK\$2.00 each (“Consolidated Share(s)”) (“Share Consolidation”);
- (ii) reduced the issued share capital by cancelling paid up capital to the extent of HK\$1.90 on each of the Consolidated Shares in issue (“Capital Reduction”);
- (iii) cancelled all of the authorised but unissued share capital and forthwith upon such cancellation, increased the authorised share capital to HK\$15,000,000 by the creation of additional new shares of HK\$0.10 each; and
- (iv) transferred the credit amount arising from the Capital Reduction of HK\$197,293,815 to the contributed surplus account.

(9) Reserves

	Notes	Unaudited six months ended 30 June					2002
		2003					Total HK\$'000
		Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	(Accumulated losses)/ Retained profits HK\$'000	Total HK\$'000	
Beginning of the six months period		50,511	–	6,055	(51,987)	4,579	101,435
Increased due to Capital Reduction	(a)	–	197,294	–	–	197,294	–
Reduction of share premium transferred to contributed surplus	b(i)	(50,511)	50,511	–	–	–	–
Amount transferred to write off accumulated losses	b(ii)	–	(76,863)	–	76,863	–	–
Net (loss) profit for the period		–	–	–	(16,693)	(16,693)	1,003
End of the six months period		–	170,942	6,055	8,183	185,180	102,438

Notes:

(a) Please refer to the note of share capital.

(b) (i) Pursuant to a special resolution passed on 5 May 2003, the share premium account of the Company was reduced by an amount of HK\$50,511,873 and such amount was transferred to the contributed surplus account of the Company.

(ii) Pursuant to the minutes of a directors' meeting held on 5 May 2003, an amount of HK\$76,862,614 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2002.