

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2003

### 1. BASIS OF PREPARATION

The condensed financial statements have 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 and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those adopted by the Group in its annual financial statements for the year ended 28 February 2003 except that the Group had adopted SSAP 12 (Revised) "Income taxes" which is effective for accounting periods commencing on or after 1 January 2003.

#### **Income taxes**

The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognised in respect of timing differences 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 all temporary differences between the carrying amounts of assets and liabilities in the interim financial report and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

As a result of this change in policy, the opening balance on retained profits at 1 March 2003 has been increased by HK\$9,846,000 (1 March 2002: HK\$5,401,000). The profit for the six months ended 31 August 2003 has been decreased by HK\$318,000 (31 August 2002: increased by HK\$1,261,000).

**3. SEGMENT INFORMATION**

The Group is principally engaged in the operation of general merchandise stores. No business segment analysis is presented as management considers that the Group has one single business segment. The Group's operations are located in Hong Kong and the PRC, other than Hong Kong.

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

**2003**

	<b>Hong Kong</b> HK\$'000	<b>PRC</b> HK\$'000	<b>Consolidated</b> HK\$'000
TURNOVER	<b>1,602,085</b>	<b>483,393</b>	<b>2,085,478</b>
SEGMENT RESULT			
Profit (loss) from operations	<b>21,677</b>	<b>(13,038)</b>	<b>8,639</b>
Finance costs	<b>(13)</b>	–	<b>(13)</b>
Profit (loss) from ordinary activities before taxation	<b>21,664</b>	<b>(13,038)</b>	<b>8,626</b>
Income tax	<b>(8,583)</b>	<b>58</b>	<b>(8,525)</b>
Profit (loss) before minority interest	<b>13,081</b>	<b>(12,980)</b>	<b>101</b>

**2002 (Restated)**

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER	1,507,087	294,170	1,801,257
SEGMENT RESULT			
Profit from operations	9,991	3,043	13,034
Finance costs	(9)	–	(9)
Profit from ordinary activities before taxation	9,982	3,043	13,025
Income tax	(3,365)	(6,306)	(9,671)
Profit (loss) before minority interest	6,617	(3,263)	3,354

**4. FINANCE COSTS**

The finance costs represent interest on bank overdraft.

**5. INCOME TAX**

	<b>Six months ended</b>	
	<b>31.8.2003</b>	31.8.2002
	<b>HK\$'000</b>	HK\$'000 (restated)
Current tax:		
Hong Kong Profits Tax	<b>8,265</b>	4,626
PRC income tax	<b>863</b>	6,306
Overprovision of PRC income tax in previous periods	<b>(921)</b>	–
	<b>8,207</b>	10,932
Deferred tax in Hong Kong:		
Current period	<b>1,241</b>	(1,261)
Attributable to change in tax rate in Hong Kong	<b>(923)</b>	–
	<b>318</b>	(1,261)
	<b>8,525</b>	9,671

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the six months ended 31 August 2003.

PRC income tax is calculated at 33% of the estimated assessable profit of the subsidiaries.

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 August 2003.

## 6. DIVIDENDS

On 19 June 2003, a dividend of 9.0 HK cents (2002: 9.5 HK cents) per share amounting to HK\$23,400,000 (2002: HK\$24,700,000) was paid to shareholders as the final dividend for the year ended 28 February 2003.

The Board of Directors has declared that an interim dividend of 1.0 HK cent (2002: Nil) per share amounting to HK\$2,600,000 (2002: Nil) be paid to the shareholders of the Company.

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the period of HK\$5,853,000 (2002: HK\$4,824,000) and on 260,000,000 (2002: 260,000,000) ordinary shares in issue during the period.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$44 million (six months ended 31 August 2002: HK\$60 million) on property, plant and equipment to expand its operations.

**9. 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:

	<b>31.8.2003</b>	28.2.2003
	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>13,750</b>	3,885
Overdue under 30 days	<b>63</b>	985
Overdue over 30 days	<b>366</b>	660
	<b>14,179</b>	5,530

**10. TRADE PAYABLES**

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

	<b>31.8.2003</b>	28.2.2003
	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>618,339</b>	526,964
Overdue under 30 days	<b>29,738</b>	22,737
Overdue over 30 days	<b>27,547</b>	28,156
	<b>675,624</b>	577,857

**11. SHARE CAPITAL**

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At 31 August 2003 and 28 February 2003	350,000,000	70,000
Issued and fully paid:		
At 31 August 2003 and 28 February 2003	260,000,000	52,000

**12. CAPITAL COMMITMENTS**

	<b>31.8.2003</b> <b>HK\$'000</b>	28.2.2003 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>5,060</b>	2,662