

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 (“the 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 the HKSA.

The financial information relating to the financial year ended 31st March, 2003 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, 2003 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 23rd June, 2003.

The same accounting policies adopted in the 2003 annual accounts have been applied to the interim financial results except as disclosed under note 1(b) 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 2003 annual accounts.

(b) SSAP 12 (Revised) “Income taxes”

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1st April, 2003, in order to comply with SSAP 12 (Revised) “Income taxes” issued by the HKSA, the Group adopted a new accounting policy for deferred tax. A balance sheet method was used to recognise deferred tax in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The effect of adopting of the new accounting policy has been applied retrospectively. The shareholders’ funds as at 1st April, 2003 and 1st April, 2002 were restated and increased by HK\$17,228,000 and HK\$22,136,000 respectively. The adjustments primarily represent the deferred tax assets in respect of tax losses recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised net of deferred tax liabilities recognised in respect of temporary differences arising from fixed assets. The effect of the change on the tax charge to the consolidated profit and loss account for the six months ended 30th September, 2003 is an increased charge of HK\$1,710,000 (six months ended 30th September, 2002 : HK\$2,236,000).

2. TURNOVER / SEGMENTAL INFORMATION

Turnover represents sales of own bought and concession goods (less returns). The sales of own bought goods of HK\$927,797,000 (2002 : HK\$949,018,000) 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, 2003		At 30/9/2003
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000
Hong Kong	688,347	4,169	1,108,131
Other territories (Mainly Asia)	<u>422,710</u>	<u>6,562</u>	<u>476,589</u>
	<u>1,111,057</u>	<u>10,731</u>	1,584,720
Associated companies			<u>172,670</u>
Total assets			<u>1,757,390</u>

	For the six months ended 30th September, 2002		At 31/3/2003
	Turnover HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000 restated
Hong Kong	756,490	12,257	1,121,278
Other territories (Mainly Asia)	<u>402,061</u>	<u>9,526</u>	<u>472,589</u>
	<u>1,158,551</u>	<u>21,783</u>	1,593,867
Associated companies			<u>170,967</u>
Total assets			<u>1,764,834</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

The non-operating item in prior period represents website/portal development costs written back.

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. 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 had confirmed that it would not seek payment of the remaining amount of fixed fee included in the originally agreed estimate as this had 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 had 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,	
	2003	2002
	HK\$'000	HK\$'000
Profit from ordinary activities before taxation is arrived at after charging / (crediting) :-		
Depreciation	23,226	27,681
Interest on bank overdrafts and loans repayable within five years	964	1,728
Realised and unrealised gain on other investments	<u>(1,072)</u>	<u>(1,058)</u>

5. TAXATION

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
		restated
Current Tax		
Provision for Hong Kong Profits Tax for the period	67	321
Overseas taxation	<u>5,445</u>	<u>4,681</u>
	<u>5,512</u>	<u>5,002</u>
Deferred Tax		
Origination and reversal of temporary differences	<u>1,851</u>	<u>2,346</u>
	<u>1,851</u>	<u>2,346</u>
Share of associated companies' taxation	<u>1,024</u>	<u>1,385</u>
Total income tax expense	<u>8,387</u>	<u>8,733</u>

Taxation in the consolidated profit and loss account includes provision for Hong Kong Profits Tax at 17.5 per cent. (2002 : 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.

6. EARNINGS PER SHARE

The calculation of basic earnings per share in the current period is based on the profit after taxation and minority interests of HK\$7,711,000 (2002 restated : HK\$53,199,000) and the weighted average number of 256,455,652 (2002 : 256,455,652) shares in issue during the period.

7. DIVIDENDS

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
(a) Interim dividend declared after the interim period end : 3 cents per share (2002 : Nil)	<u>7,694</u>	<u>–</u>
(b) Final dividend in respect of the previous financial year, approved and paid during the interim period, of 7.5 cents (for the year ended 31st March, 2002 : 5 cents) per share	<u>19,234</u>	<u>12,823</u>

8. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors of HK\$68,353,000 (at 31st March, 2003 : HK\$69,204,000) and their age analysis is as follows :-

	30/9/2003	31/3/2003
	HK\$'000	HK\$'000
Current	63,966	63,952
1 to 30 days overdue	2,176	2,159
31 to 60 days overdue	390	696
Over 60 days overdue	<u>1,821</u>	<u>2,397</u>
	<u>68,353</u>	<u>69,204</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\$85,940,000 (at 31st March, 2003 : HK\$100,981,000) and their age analysis is as follows :-

	30/9/2003	31/3/2003
	HK\$'000	HK\$'000
Current	64,532	78,904
1 to 30 days overdue	16,008	18,209
31 to 60 days overdue	3,503	1,585
Over 60 days overdue	1,897	2,283
	<u>85,940</u>	<u>100,981</u>

10. SHARE CAPITAL

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

11. RESERVES

	30/9/2003	31/3/2003
	HK\$'000	HK\$'000
Retained profits		
Balance brought forward		
- as previously reported	1,060,897	1,006,132
- prior year adjustment in respect of income taxes (note 1(b))	<u>17,228</u>	<u>22,136</u>
- as restated	1,078,125	1,028,268
Dividends approved/paid in respect of prior year (note 7(b))	(19,234)	(12,823)
Profit for the period	7,711	
- as previously reported		67,482
- prior year adjustment in respect of income taxes (note 1(b))		<u>(4,908)</u>
- as restated		62,574
Translation of accounts of overseas subsidiary and associated companies	<u>(2,236)</u>	<u>106</u>
Balance carried forward	<u>1,064,366</u>	<u>1,078,125</u>

12. 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 5.13 per cent. (2002 : 4.06 per cent.) and 0.40 per cent. (2002 : 6.54 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 2.43 per cent. (2002 : 2.17 per cent.) of the Group's total sales for the period.

13. COMMITMENTS

Commitments outstanding at 30th September, 2003 and not provided for in the accounts were as follows :-

- (a) Capital commitments :-

	30/9/2003	31/3/2003
	HK\$'000	HK\$'000
Contracted for	2,457	268
Authorised but not contracted for	930	154
	<u>3,387</u>	<u>422</u>

- (b) The Group has entered into agreements for forward purchases of foreign currencies totalling HK\$Nil (at 31st March, 2003 : HK\$2,195,000) in the ordinary course of business.

14. CONTINGENT LIABILITIES

At 30th September, 2003, the Company had the following contingent liabilities in respect of :-

- (a) Guarantees of HK\$812,764,000 (at 31st March, 2003 : HK\$794,369,000) given to banks to secure facilities granted to certain subsidiary companies. The facilities were utilised to the extent of HK\$195,214,000 (at 31st March, 2003 : HK\$174,559,000) 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\$14,003,000 (at 31st March, 2003 : HK\$15,162,000) at the balance sheet date.

15. POST BALANCE SHEET EVENT

On 31st October, 2003, the Group entered into a Share Purchase Agreement with The Seibu Department Stores, Limited, a company incorporated in Japan with limited liability, to acquire about 13.16 per cent. of the issued share capital of Hong Kong Seibu Enterprise Company Limited (“HKSE”) at a consideration of HK\$23,220,000. The goodwill on acquisition is estimated to be HK\$15,000,000. HKSE became a wholly-owned subsidiary company of the Group after the acquisition.

16. COMPARATIVE FIGURES

Certain comparative figures have been changed due to the adoption of the requirements of SSAP 12 (Revised) during the period as described in note 1(b).