

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

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

The accounting policies and basis of presentation adopted in the preparation of these interim financial statements are the same as those used in the Group’s audited financial statements for the year ended 31 March 2003, except for the SSAP 12 (Revised) “Income taxes” which has been adopted for the first time in the preparation of current period’s condensed consolidated financial statements.

A summary of the major effects is as follows:

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future, a deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the 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 financial statements 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 April 2003 has been decreased by HK\$20,972,000 (1 April 2002: HK\$17,279,000). The balance on the negative goodwill at 1 April 2003 have been decreased by HK\$15,974,000 (1 April 2002: HK\$17,971,000). The profit for the six months ended 30 September 2003 has been decreased by HK\$1,699,000 (six months ended 30 September 2002: HK\$1,104,000).



### 3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited and restated) HK\$'000
Depreciation	7,948	7,540
Impairments of interests in an associate	–	6,248
Interest income	(1,113)	(1,496)
Negative goodwill recognised*	(15,524)	(15,524)

- \* The movements in negative goodwill recognised in the profit and loss account for the six months ended 30 September 2003 are included in "Other revenue" on the face of condensed consolidated profit and loss account.

### 4. FINANCE COSTS

	For the six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest in respect of:		
Bank loans, overdrafts and other loans wholly repayable within five years	7,393	10,026
Factoring arrangements	13	–
Finance leases	56	110
Total finance costs	7,462	10,136

## 5. TAX

	For the six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited and restated) HK\$'000
Group:		
Mainland China	3,565	1,668
Overseas	1,898	1,630
Underprovision in prior years	1,878	–
	7,341	3,298
Deferred tax	701	106
<b>Tax charge for the period</b>	<b>8,042</b>	<b>3,404</b>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period (2002: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$19,286,000 (2002: HK\$21,342,000), and the weighted average of 734,193,776 ordinary shares in issue during the period (2002: 732,587,219).

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of HK\$19,286,000 (2002: HK\$21,342,000). The weighted average number of ordinary shares used in the calculation is 734,193,776 (2002: 732,587,219) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 1,422,688 (2002: 2,223,557) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

## 7. INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend (2002: Nil) for the six months ended 30 September 2003.

## 8. INTERESTS IN ASSOCIATES

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Share of net assets	3,366	4,479
Due from associates	25,946	8,782
Due to associates	(2,478)	(2,493)
	<b>26,834</b>	<b>10,768</b>
Provision for impairment	(7,589)	(7,589)
	<b>19,245</b>	<b>3,179</b>

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK\$80,557,000 (31 March 2003: HK\$90,823,000) representing the trade debtors of The Group. The aged analysis of such debtors is as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Current to 30 days	33,238	25,375
31–60 days	10,021	9,466
61–90 days	248	959
Over 90 days	37,050	55,023
	<b>80,557</b>	<b>90,823</b>

### Credit terms

Trade debtors and bills receivable arising from garment business generally have credit terms of 30 to 90 days. Restaurant and food business is normally traded on cash basis. For property sales, credit terms varies in accordance with the terms of the sales and purchase agreements. All trade debtors are recognised and carried at their original invoiced amounts less provision for doubtful debts which is recorded when the collection of the full amount is no longer probable. Bad debts are written off as incurred.

## 10. TRADE CREDITORS

The aged analysis of trade creditors is as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Current to 30 days	27,885	29,794
31–60 days	3,713	7,430
61–90 days	3,022	1,412
Over 90 days	2,691	4,269
	<b>37,311</b>	<b>42,905</b>

## 11. SHARE CAPITAL

### Shares

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid: 738,587,219 (31 March 2003: 732,587,219) ordinary shares of HK\$0.10 each	73,859	73,259

During the period, the subscription rights attaching to 6,000,000 share options were exercised at the subscription price of HK\$0.16 per share resulting in the issue of 6,000,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$960,000.

## 12. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities not provided for in the financial statements as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Bills discounted with recourse	2,471	2,516
Guarantee given for mortgage loan facilities granted to purchasers of properties	123,774	139,346
	<b>126,245</b>	<b>141,862</b>

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$2,400,000 as at 30 September 2003(31 March 2003: HK\$4,753,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

### 13. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within one year	30,024	26,028
In the second to fifth years, inclusive	89,427	84,665
After five years	33,690	32,045
	<b>153,141</b>	<b>142,738</b>

#### (b) As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 10 years and rentals are normally fixed in accordance with the respective tenancy agreements and no arrangements have been entered into for contingent rental payments.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within one year	17,072	14,869
In the second to fifth years, inclusive	27,961	31,838
After five years	141	1,149
	<b>45,174</b>	<b>47,856</b>



#### 14. COMMITMENTS

In addition to the operating lease commitments detailed in note 13(b) above, the Group had the following commitments at the balance sheet date:

	<b>30 September 2003 (Unaudited) HK\$'000</b>	31 March 2003 (Audited) HK\$'000
Other capital commitments:		
Authorised and contracted for	<b>1,390</b>	1,779

#### 15. RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the period:

In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Company had significant transactions with parties in which Ma Kai Cheung and/or Ma Kai Yum, directors of the Company, have beneficial equity interests as follows:

		<b>For the six months ended 30 September</b>	
	Notes	<b>2003 (Unaudited) HK\$'000</b>	2002 (Unaudited) HK\$'000
Sales of goods	(i)	<b>14,042</b>	5,956
Purchase of goods	(ii)	<b>(49,994)</b>	(26,701)

Notes:

- (i) The Directors consider that sales to related companies were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The Directors consider that purchase prices were determined according to the published prices and conditions similar to those offered to other customers of the related companies.

In the opinion of the Directors, the above transactions were entered into by the Group in the normal course of business.