



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Principal accounting policies and basis of presentation

These condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim financial statements for the period ended 30 June 2005 are unaudited and have been reviewed by the Audit Committee of the Company.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those adopted in preparing the audited financial statements for the year ended 31 December 2004 except for the new adoption of HKFRSs and HKASs as disclosed in note 2 below.



(2) Impact of new/revised HKFRSs and HKASs

The HKICPA has issued a number of new HKFRSs and HKASs and Interpretations, which are effective for the accounting periods commencing on or after 1 January 2005. The Group has adopted the following HKFRSs and HKASs issued up to 30 June 2005 which are pertinent to its operations and relevant to these interim financial statements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases



(2) Impact of new/revised HKFRSs and HKASs (Continued)

The adoption of these new/revised HKFRSs and HKASs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statement, except the followings: -

- (a) The adoption of HKAS 1 has affected the presentation of minority interests, share of after tax results of jointly controlled entities & associates and other disclosures. Therefore, the comparatives have been restated to conform with current period's presentation.
- (b) The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and building were previously carried at valuation less accumulated depreciation. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The up-front prepayments made for the leasehold land and land use right are stated at cost and amortised over the period of the lease or where there is impairment, the impairment is expensed in the income statement whereas the leasehold buildings is stated at valuation less accumulated depreciation.

The change in accounting policy has had no material effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the classification of leasehold land.

- (c) The adoption of HKFRS 3 & HKAS 36 has resulted in a change in accounting policy relating to treatment of goodwill arising on acquisitions. Goodwill arising on acquisition prior to 1 January 2001 was eliminated against consolidated reserves in the year of acquisition. Goodwill arising on acquisitions on or after 1 January 2001 was capitalized and amortized on the straight line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Upon the adoption of HKFRS 3 and HKAS 36, positive goodwill arising on acquisitions is no longer amortized but subject to an annual impairment review. Any impairment loss recognized for positive goodwill is not reversed in a subsequent period. Negative goodwill is recognized immediately in the income statement.



(2) Impact of new/revised HKFRSs and HKASs (Continued)

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortization with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognized in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. In accordance with the transitional provision of HKFRS 3, comparative amounts in the condensed consolidated balance sheet have not been restated.

- (d) The adoption of HKAS 40 has resulted in a change in accounting policy relating to investment properties. Changes in the fair values of investment properties were previously dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

In accordance with HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of the retirement or disposal.

The change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings as the Group's investment property had revaluation deficits in aggregate, which were previously charged to the income statement.

**(3) Segment information***(a) Business segments*

	Six months ended 30 June							
	Retail operations		Export operations		Other operations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	1,177,709	1,060,642	525,185	562,775	59,626	81,969	1,762,520	1,705,386
Other revenue and gains	12,832	11,196	16,356	14,141	21,587	7,982	50,775	33,319
Total revenue	<u>1,190,541</u>	<u>1,071,838</u>	<u>541,541</u>	<u>576,916</u>	<u>81,213</u>	<u>89,951</u>	<u>1,813,295</u>	<u>1,738,705</u>
Segment results	<u>106,063</u>	<u>93,506</u>	<u>32,852</u>	<u>51,884</u>	<u>7,539</u>	<u>21,630</u>	<u>146,454</u>	<u>167,020</u>
Interest income and unallocated revenue							12,507	5,225
Unallocated expenses							(12,618)	(16,314)
Profit from operating activities							146,343	155,931
Finance costs							(4,241)	(9,570)
Share of after tax results of:								
Jointly-controlled entities	-	-	(170)	330	174	87	4	417
Associates	(6,619)	-	30,001	22,960	-	-	23,382	22,960
Profit before tax							165,488	169,738
Income tax							(29,890)	(33,880)
Profit for the period							<u>135,598</u>	<u>135,858</u>



(3) Segment information (Continued)

(b) Geographical segments

	Six months ended 30 June 2005 (Unaudited)						
	Mainland		United States of America	Australia and New Zealand	Canada	Others	Consolidated
	China	Hong Kong	America	Zealand			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	<u>815,115</u>	<u>50,693</u>	<u>419,037</u>	<u>394,691</u>	<u>40,727</u>	<u>42,257</u>	<u>1,762,520</u>

	Six months ended 30 June 2004 (Unaudited)						
	Mainland		United States of America	Australia and New Zealand	Canada	Others	Consolidated
	China	Hong Kong	America	Zealand			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:							
Sales to external customers	<u>711,662</u>	<u>79,131</u>	<u>468,165</u>	<u>366,757</u>	<u>37,319</u>	<u>42,352</u>	<u>1,705,386</u>

(4) Profit from operating activities

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

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation and amortisation	61,164	53,675
Interest income	<u>(11,509)</u>	<u>(4,681)</u>

**(5) Income tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on corporate income 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.

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Restated)
	HK\$'000	HK\$'000
Current – Hong Kong	5,487	8,174
Current – Elsewhere	23,434	26,290
Deferred	969	(584)
	<u>29,890</u>	<u>33,880</u>

Share of tax attributable to associates amounting to HK\$6,895,000 (2004: HK\$8,481,000) is included in share of after tax result of associates on the face of the condensed consolidated income statement.

(6) Earnings per share*(a) Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2005 is based on the profit attributable to equity holders of the Company of HK\$112,827,000 (2004: HK\$101,685,000) and the weighted average number of 1,002,056,000 (2004: 1,000,584,000) ordinary shares in issue during the period.



(6) Earnings per share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2005 is based on the profit attributable to equity holders of the Company of HK\$112,827,000 (2004: HK\$101,685,000). The weighted average number of ordinary shares used in the calculation is the 1,002,056,000 (2004: 1,000,584,000) ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 18,433,234 (2004: 14,609,068) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

(7) Trade and bills receivable

The trade and bills receivable include trade receivables, net of provision for impairments, of HK\$172,303,000 (31 December 2004: HK\$148,958,000) and bills receivables of HK\$70,748,000 (31 December 2004: HK\$127,919,000). The bills receivables were aged less than four months at the balance sheet date.

The aged analysis of trade receivables is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Less than 4 months	161,087	136,485
4 – 6 months	9,293	9,980
Over 6 months	1,923	2,493
	<u>172,303</u>	<u>148,958</u>

The Groups allows an average credit period of 45 days to its trade customers.

**(8) Trade and bills payable**

The trade and bills payable include trade payable of HK\$220,270,000 (31 December 2004: HK\$306,022,000).

The aged analysis of trade payable is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Less than 4 months	204,383	293,051
4 – 6 months	11,723	4,590
Over 6 months	4,164	8,381
	<u>220,270</u>	<u>306,022</u>

(9) Share capital

	Number of ordinary shares '000	Nominal value HK\$'000
Issued and fully paid: Ordinary shares of HK\$0.10 each		
At 1 January 2005	1,000,584	100,058
Newly issued during period	<u>2,522</u>	<u>253</u>
At 30 June 2005	<u>1,003,106</u>	<u>100,311</u>



(10) Dividends

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends for equity holders of the Company:		
Final dividends paid	105,326	75,044
Interim dividends declared	29,090	27,016
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	134,416	102,060
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(11) Post balance sheet events

Subsequent to the balance sheet date, several directors of the Company had exercised their share options to subscribe for 25,000,000 shares of the Company on 27 July 2005.