

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

### 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 (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim financing reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

During 2004, the Company changed its financial year end date from 28 February to 31 December. The condensed financial statements for the current period cover a six months period from 1 January 2005 to 30 June 2005. Accordingly, the comparative amounts shown for the condensed consolidated income statement, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and related notes covered a six months period from 1 March 2004 to 31 August 2004 and therefore may not be comparable with amounts shown for the current period.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the period from 1 March 2004 to 31 December 2004 except as described below.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interest has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

### **Financial Instruments**

In the current period, the Group has applied HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

#### *Classification and measurement of financial assets and financial liabilities*

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Financial Instruments (continued)

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group reclassified/designated its debt and equity securities (previously carried at cost less impairment) as available-for-sale investments in accordance with the requirements of HKAS 39. An adjustment of HK\$17,640,000 to the previous carrying amounts of these debt and equity securities at 1 January 2005 has been made to the Group's retained profits.

The effects of the changes in the accounting policies described above did not have other significant effect on the results for the current and prior period.

### 3. SEGMENT INFORMATION

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

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

	Six months ended 30 June 2005		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER			
External sales	<b>1,822,109</b>	<b>783,834</b>	<b>2,605,943</b>
SEGMENT RESULT			
Profit (loss) before finance costs	<b>52,578</b>	<b>(2,315)</b>	<b>50,263</b>
Finance costs	<b>(4)</b>	<b>–</b>	<b>(4)</b>
Profit (loss) before taxation	<b>52,574</b>	<b>(2,315)</b>	<b>50,259</b>
Income tax expenses	<b>(11,285)</b>	<b>(3,293)</b>	<b>(14,578)</b>
Profit (loss) for the period	<b>41,289</b>	<b>(5,608)</b>	<b>35,681</b>

	Six months ended 31 August 2004		
	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER			
External sales	1,630,587	612,409	2,242,996
SEGMENT RESULT			
Profit before finance costs	25,336	12,686	38,022
Finance costs	(8)	–	(8)
Profit before taxation	25,328	12,686	38,014
Income tax expenses	(7,138)	(1,984)	(9,122)
Profit for the period	18,190	10,702	28,892

**4. PRE-OPERATING EXPENSES**

Amounts represent set up costs for new stores. Included in pre-operating expenses were staff costs of HK\$721,000 (Six months ended 31.8.2004: HK\$1,507,000).

**5. FINANCE COSTS**

The finance costs represent interest on bank overdraft.

**6. INCOME TAX EXPENSES**

	<b>Six months ended</b>	
	<b>30.6.2005</b>	31.8.2004
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong Profits Tax	<b>10,095</b>	7,300
PRC income tax	<b>3,292</b>	1,984
	<b>13,387</b>	9,284
Deferred tax:		
Charge (credit) for the period	<b>1,191</b>	(162)
	<b>14,578</b>	9,122

Hong Kong Profits Tax is calculated at 17.5% (six months ended 31.8.2004: 17.5%) of the estimated assessable profit for the period.

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

**7. DIVIDENDS**

On 16 June 2005, a dividend of 8.5 HK cents (six months ended 31.8.2004: 13.0 HK cents) per share amounting to HK\$22,100,000 (six months ended 31.8.2004: HK\$33,800,000) was paid to shareholders as the final dividend for the ten months ended 31 December 2004.

The directors have declared that an interim dividend of 5.5 HK cents (six months ended 31.8.2004: 4.0 HK cents) per share amounting to HK\$14,300,000 (six months ended 31.8.2004: HK\$10,400,000) be paid to the shareholders of the Company whose names appear on the Register of Members of the Company on 12 October 2005. The interim dividend will be paid on or before 21 October 2005.

## 8. EARNINGS PER SHARE

The calculation of earnings per share attributable to the equity holders of the parent is based on the Group's net profit for the period attributable to the equity holders of the parent of HK\$37,273,000 (six months ended 31.8.2004: HK\$26,711,000) and on 260,000,000 (six months ended 31.8.2004: 260,000,000) ordinary shares in issue during the period.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$50 million (six months ended 31.8.2004: HK\$39 million) on property, plant and equipment to expand its operations.

## 10. AVAILABLE-FOR-SALE INVESTMENTS/INVESTMENT SECURITIES

	30.6.2005 HK\$'000	31.12.2004 HK\$'000
Equity securities:		
Listed shares in Hong Kong		
At cost	–	2,196
At fair value	19,331	–
	<b>19,331</b>	2,196
Debt securities:		
Unlisted club debenture		
At cost	–	1,740
At fair value	1,700	–
	<b>1,700</b>	1,740
	<b>21,031</b>	3,936
Classified as:		
Available-for-sale investments	21,031	–
Investment securities	–	3,936
	<b>21,031</b>	3,936

The listed securities detailed above include an investment in a fellow subsidiary of HK\$19,298,000 (31.12.2004: HK\$2,196,000).

## 11. 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>30.6.2005</b>	31.12.2004
	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>7,230</b>	16,192
Overdue under 30 days	<b>202</b>	110
	<b>7,432</b>	16,302

## 12. TRADE PAYABLES

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

	<b>30.6.2005</b>	31.12.2004
	<b>HK\$'000</b>	HK\$'000
Within due dates	<b>538,660</b>	618,346
Overdue under 30 days	<b>43,933</b>	46,163
Overdue over 30 days	<b>34,501</b>	45,440
	<b>617,094</b>	709,949

**13. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.20 each		
Authorised:		
At 30 June 2005 and 31 December 2004	350,000,000	70,000
Issued and fully paid:		
At 30 June 2005 and 31 December 2004	260,000,000	52,000

**14. CAPITAL COMMITMENTS**

	<b>30.6.2005 HK\$'000</b>	31.12.2004 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>34,887</b>	–
Capital expenditure in respect of setting up of new stores authorised but not contracted for	<b>59,619</b>	–

## 15. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related parties:

Nature of transaction		1.1.2005	1.3.2004
		to	to
		30.6.2005	31.8.2004
		HK\$'000	HK\$'000
Fellow subsidiaries	Commission expenses	5,925	5,685
	Purchase of goods	22,813	15,761
	Rental income from licensees	3,141	3,016
Ultimate holding company	Royalty expenses	19,650	16,188
Minority shareholders of the subsidiaries	Rental expenses and management fees	16,100	21,524

Commission expenses were in respect of certain purchases made by customers of the Group and certain purchases which are financed by interest-free hire purchase credit facilities provided by a fellow subsidiary to customers of the Group. The amount was charged at the commission rate on the purchases in accordance with the relevant commission agreements.

Purchase of goods, rental expenses and management fees were carried out on the basis of estimated market value or at terms determined and agreed by both parties. In respect of rental expenses, in addition to the monthly fixed rentals, contingent rent is charged at a fixed percentage of the annual gross turnover and receipts in excess of a specified minimum amount as stated in the relevant rental agreements.

**15. RELATED PARTY TRANSACTIONS (continued)**

Rental income from licensees was in respect of service counters, cash dispensing machines and cash repayment machines operated by a fellow subsidiary in the stores of the Group. The amount was charged at a monthly rental in accordance with the relevant licence agreements.

Royalty expenses were charged at a fixed percentage on the adjusted gross profit of a store or a fixed rate on the floor area of the other stores in accordance with a technical assistance agreement.

Outstanding balances as at the balance sheet date arising from the above transactions with related parties were as set out in the consolidated balance sheet except for the following balance, which is included in other receivables, prepayments and deposits:

	<b>30.6.2005</b>	31.12.2004
	<b>HK\$'000</b>	HK\$'000
Amounts due from minority shareholders of the subsidiaries	<b>3,971</b>	23,859

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 12 October 2005 to 14 October 2005 (both days inclusive), during which period no share transfers will be effected. In order to qualify for the proposed interim dividend, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 10 October 2005.