

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited consolidated condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 March 2002 except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated interim financial statements:

SSAP 1 (revised)	:	"Presentation of financial statements"
SSAP 11 (revised)	:	"Foreign currency translation"
SSAP 15 (revised)	:	"Cash flow statements"
SSAP 34	:	"Employee benefits"

A summary of their major effects is as follows:

- (a) SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a statement of changes in equity is now included in the condensed consolidated interim financial statements instead of the statement of recognised gains and losses which was previously presented.
- (b) SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision to this SSAP is that the profit and loss accounts of subsidiary companies and associates operating in Mainland China are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP had no major impact on these condensed consolidated interim financial statements.

- (c) SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement. The principal impact of the revision to this SSAP is that the cash flow statement is now presented with three headings, i.e. operating, investing and financing activities. Accordingly, the format and comparative amounts of the condensed consolidated cash flow statement are revised in accordance with new requirements of the SSAP.
- (d) SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This has had no major impact on these condensed consolidated interim financial statements.

## 2. SEGMENT INFORMATION

### (a) Geographical segments

The following table presents revenue and profit information for the Group's geographical segments.

	Hong Kong		Elsewhere in the People's Republic of China		Eliminations		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2002	2001	2002	2001	2002	2001	2002	2001
	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	416,814	461,069	147,756	109,929	-	-	564,570	570,998
Intersegment sales	123	34	21,740	16,266	(21,863)	(16,300)	-	-
Other revenue	1,499	1,775	132	94	(476)	(654)	1,155	1,215
Total revenue	<u>418,436</u>	<u>462,878</u>	<u>169,628</u>	<u>126,289</u>	<u>(22,339)</u>	<u>(16,954)</u>	<u>565,725</u>	<u>572,213</u>
Segment results	<u>32,842</u>	<u>35,441</u>	<u>4,118</u>	<u>1,428</u>	<u>-</u>	<u>-</u>	<u>36,960</u>	<u>36,869</u>
Interest and dividend income							3,147	2,694
Gain on disposal of long term investments							2,173	-
Unallocated expenses							(655)	(955)
Profit from operating activities							41,625	38,608
Finance costs							(2,170)	(4,325)
Share of profits less losses of associates	<u>3,206</u>	<u>3,893</u>	<u>(570)</u>	<u>1,691</u>	<u>-</u>	<u>-</u>	<u>2,636</u>	<u>5,584</u>
Profit before tax							42,091	39,867
Tax							(6,784)	(6,577)
Profit before minority interests							35,307	33,290
Minority interests							(127)	380
Net profit from ordinary activities attributable to shareholders							<u>35,180</u>	<u>33,670</u>

**(b) Business segments**

The following table presents revenue and profit information for the Group's business segments.

	Manufacturing and wholesaling		Retailing		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2002	2001	2002	2001	2002	2001
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>494,812</u>	<u>505,344</u>	<u>69,758</u>	<u>65,654</u>	<u>564,570</u>	<u>570,998</u>
Segment results	<u>36,746</u>	<u>36,139</u>	<u>214</u>	<u>730</u>	<u>36,960</u>	<u>36,869</u>

**3. OTHER REVENUE**

An analysis of other revenue is as follows:

	Six months ended 30 September	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest income	2,244	2,096
Dividend income from listed investments	903	598
Rental income	136	180
Gain on disposal of long term investments, including HK\$1,914,000 transferred from the Group's long term investment revaluation reserve	2,173	-
Others	<u>1,019</u>	<u>1,035</u>
	<u>6,475</u>	<u>3,909</u>

#### 4. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 September	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Negative goodwill recognised as income during the period	(25)	—
Amortisation of goodwill	29	—
Depreciation	8,018	8,575
	<u>8,018</u>	<u>8,575</u>

#### 5. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group or its associates operate, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Group:		
Hong Kong	5,782	5,619
Overseas	213	147
	<u>5,995</u>	<u>5,766</u>
Associates:		
Hong Kong	789	811
	<u>789</u>	<u>811</u>
Tax charge for the period	<u>6,784</u>	<u>6,577</u>

## 6. DIVIDENDS

	Six months ended 30 September	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim dividend of 2.0 cents per ordinary share (2001: 2.0 cents)	<u>7,991</u>	<u>7,991</u>

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the period of HK\$35,180,000 (2001: HK\$33,670,000) and on the 399,565,640 (2001: 399,565,640) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2002 and 30 September 2001 have not been calculated because no diluting events existed during the periods.

## 8. FIXED ASSETS

The Group acquired fixed assets amounting to HK\$46,178,000 through the acquisition of subsidiaries in the current period.

## 9. TRADE RECEIVABLES

The Group grants credit periods ranging from 30 days to 120 days to its trade customers. Details of the aging analysis of trade receivables are as follows:

	30 September 2002 Unaudited HK\$'000	31 March 2002 Audited HK\$'000
Current-1 month	103,823	83,536
1-2 months	63,709	61,154
2-3 months	48,541	51,937
Over 3 months	49,981	74,577
	<u>266,054</u>	<u>271,204</u>

Included in the Group's trade receivables are amounts due from the Group's associates of HK\$578,000 (31 March 2002: HK\$513,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

## 10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities is a trade payables balance of HK\$79,041,000 (31 March 2002: HK\$59,967,000). Details of the aging analysis of trade payables are as follows:

	30 September 2002 Unaudited HK\$'000	31 March 2002 Audited HK\$'000
Current-1 month	60,329	42,544
1-2 months	8,022	8,732
2-3 months	2,549	3,156
Over 3 months	8,141	5,535
	<u>79,041</u>	<u>59,967</u>

Included in trade payables are trade payables of HK\$26,677,000 (31 March 2002: HK\$23,392,000) due to associates, which are repayable on similar credit terms to those offered by the major suppliers of the Group.

## 11. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with its associates during the period.

	Six months ended 30 September	
	2002	2001
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Purchases from associates	141,333	124,398
Sales to associates	<u>7,570</u>	<u>7,855</u>

The cost of purchases from associates is determined by reference to the prevailing market prices. The selling prices of sales to associates are determined by reference to prices and conditions similar to those offered to other customers.

## 12. CONTINGENT LIABILITIES

	30 September 2002 Unaudited HK\$'000	31 March 2002 Audited HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	2,193	2,260
Guarantees given to banks in connection with facilities granted to associates	<u>22,488</u>	<u>25,788</u>
	<u>24,681</u>	<u>28,048</u>

### 13. ACQUISITION OF SUBSIDIARIES

During the period, the Group acquired a further 51% equity interest of an associate at a consideration of HK\$14,564,000 and also acquired a 51% equity interest of a company at a consideration of HK\$3,340,000. The associate and the company became subsidiaries of the Group after these acquisitions.

The following summarises the effect of the acquisitions of subsidiaries:

	Unaudited HK\$'000
Net assets acquired	25,532
Goodwill arising on acquisition	1,306
Negative goodwill arising on acquisition	(532)
	<u>26,306</u>
Satisfied by:	
Cash consideration	17,904
Interests in associates	8,402
	<u>26,306</u>
Net cash outflow arising on acquisition:	
Cash consideration	(17,904)
Cash and bank balances acquired	4,863
	<u>(13,041)</u>

The results of the subsidiaries acquired during the period are immaterial to the Group.

### 14. ACQUISITION OF FURTHER INTERESTS IN SUBSIDIARIES

During the period, the Group increased its shareholding in certain subsidiaries at a total consideration of HK\$3,492,000. Goodwill on acquisition of further equity interest in these subsidiaries totalled HK\$1,149,000.

**15. POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date, on 10 October 2002, the Group acquired a further 50% equity interest of an associate at a consideration of HK\$7,709,000. After this acquisition, the associate became a wholly-owned subsidiary of the Group.

In addition, subsequent to the balance sheet date, on 29 October 2002, the Group acquired a further 50% equity interest of another associate in Mainland China at a consideration of Rmb3,344,000. After this acquisition, the associate became a wholly-owned subsidiary of the Group.

**16. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements were approved by the Board of Directors on 18 December 2002.

**INTERIM DIVIDEND**

The Board has declared an interim dividend of 2.0 cents (2001: 2.0 cents) per share for the period ended 30 September 2002, payable to shareholders whose names appear in the register of members of the Company on Friday, 17 January 2003. The dividend will be payable on Thursday, 23 January 2003.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 13 January 2003 to Friday, 17 January 2003 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Tengis Limited, at 4/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 10 January 2003.