

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 2003 except that SSAP 12 (Revised) “Income Taxes” has been adopted for the first time in the preparation of the current period’s condensed consolidated interim financial statements.

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant timing differences to the extent it was probable that the liability would crystallise in the foreseeable future. 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. As a result of this change in accounting policy, a prior year adjustment has been made to provide for additional deferred tax assets/liabilities as required by the SSAP. The effect of this change in accounting policy for the period ended 30 September 2002 is an increase in net deferred tax charge by HK\$268,000. Retained profits and goodwill reserve as at 31 March 2002 were increased by HK\$632,000 and HK\$5,438,000, respectively, and the revaluation reserve as at 31 March 2002 was reduced by HK\$5,475,000, representing additional deferred tax assets/liabilities required for the years prior to 1 April 2002.

The effect of the change for the period ended 30 September 2003 is an increase in deferred tax credit by HK\$433,000 and a decrease in other operating expenses by HK\$45,000, resulting in an increase in net profit from ordinary activities attributable to shareholders by HK\$478,000. The goodwill reserve as at 31 March 2003 was increased by HK\$5,438,000 and the retained profits and revaluation reserve as at 31 March 2003 were reduced by HK\$370,000 and HK\$5,886,000, respectively, representing additional deferred tax assets/liabilities required for the years prior to 1 April 2003.

2. SEGMENT INFORMATION

(a) Geographical segments

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

	Hong Kong		Mainland China		Eliminations		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2003	2002	2003	2002	2003	2002	2003	2002
	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000	Unaudited HK\$'000 (Restated)
Segment revenue:								
Sales to external customers	439,246	416,814	191,118	147,756	-	-	630,364	564,570
Intersegment sales	570	123	24,462	21,740	(25,032)	(21,863)	-	-
Other revenue	1,356	1,499	44	132	(304)	(476)	1,096	1,155
Total revenue	<u>441,172</u>	<u>418,436</u>	<u>215,624</u>	<u>169,628</u>	<u>(25,336)</u>	<u>(22,339)</u>	<u>631,460</u>	<u>565,725</u>
Segment results	<u>22,823</u>	<u>32,842</u>	<u>4,917</u>	<u>4,118</u>	<u>-</u>	<u>-</u>	<u>27,740</u>	<u>36,960</u>
Interest and dividend income and unallocated gains							19,055	5,320
Unallocated expenses							(588)	(655)
Profit from operating activities							46,207	41,625
Finance costs							(3,316)	(2,170)
Share of profits and losses of associates	<u>1,245</u>	<u>3,206</u>	<u>2,102</u>	<u>(570)</u>	<u>-</u>	<u>-</u>	<u>3,347</u>	<u>2,636</u>
Profit before tax							46,238	42,091
Tax							(8,214)	(7,052)
Profit before minority interests							38,024	35,039
Minority interests							(1,714)	(127)
Net profit from ordinary activities attributable to shareholders							<u>36,310</u>	<u>34,912</u>

(b) Business segments

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

	Manufacturing and Wholesaling		Retailing		Others		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2003	2002	2003	2002	2003	2002	2003	2002
	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	495,593	477,765	72,797	69,758	61,974	17,047	630,364	564,570

3. OTHER REVENUE AND GAIN

An analysis of other revenue and gain is as follows:

	Six months ended 30 September	
	2003	2002
	Unaudited HK\$'000	Unaudited HK\$'000
Other revenue		
Interest income	932	2,244
Interest income from currency-link deposits	15,612	–
Dividend income from listed investments	562	903
Rental income	55	136
Negative goodwill recognised as income during the period	38	25
Others	1,003	994
	<u>18,202</u>	<u>4,302</u>
Gain		
Gain on disposal of long term investments	1,949	2,173
	<u>20,151</u>	<u>6,475</u>

4. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging:

	Six months ended 30 September	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	11,521	8,018
Amortisation of goodwill	261	29
	<u>11,782</u>	<u>8,047</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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 operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
		(Restated)
Group:		
Hong Kong		
Provision for the period	7,094	5,782
Deferred tax charge/(credit), net	(378)	268
	<u>6,716</u>	<u>6,050</u>
Overseas	<u>456</u>	<u>213</u>
	7,172	6,263
Associates:		
Hong Kong	<u>1,042</u>	<u>789</u>
Tax charge for the period	<u>8,214</u>	<u>7,052</u>

6. DIVIDENDS

	Six months ended	
	30 September	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim dividend of HK2.0 cents		
per ordinary share (2002: HK2.0 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\$36,310,000 (2002: HK\$34,912,000 – restated) and on the 399,565,640 (2002: 399,565,640) ordinary shares in issue during the period.

A diluted earnings per share amount for the six months ended 30 September 2003 has not been disclosed as the options outstanding during the period had an anti-dilutive effect on the basic earnings per share. A diluted earnings per share amount for the six months ended 30 September 2002 was not disclosed as no diluting events existed during that period.

8. TRADE RECEIVABLES

The Group grants credit periods ranging from 30 days to 120 days to its trade customers. An aged analysis of trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000
Current	99,046	87,356
1 to 2 months	62,936	43,286
2 to 3 months	48,513	61,383
Over 3 months	56,112	86,093
	<u>266,607</u>	<u>278,118</u>

Included in the Group's trade receivables is an aggregate amount due from the Group's associates of HK\$351,000 (31 March 2003: Nil) which are repayable on similar credit terms to those offered to the major customers of the Group.

9. CURRENCY-LINK DEPOSITS

	30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000
Hong Kong unlisted currency-link deposits, at fair value	<u>199,164</u>	<u>—</u>

These deposits are short-term deposits with banks, the principals of which are linked to other leading foreign currencies at pre-determined exchange rates. On maturity, if the exchange rate on the designated fixing date is above the pre-determined rate, accrued interest and the principal in original currency of the deposit are received, otherwise accrued interest and the principal in the linked foreign currency translated at the pre-determined rate are received.

10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities is a trade payables balance of HK\$92,819,000 (31 March 2003: HK\$74,406,000). An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000
Current	62,856	47,043
1 to 2 months	18,053	13,439
2 to 3 months	5,465	5,859
Over 3 months	6,445	8,065
	<u>92,819</u>	<u>74,406</u>

Included in trade payables are trade payables of HK\$22,733,000 (31 March 2003: HK\$26,936,000) due to associates, which are repayable on similar credit terms to those offered by the associates to their major customers.

11. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with its related parties during the period:

		Six months ended 30 September	
		2003	2002
		Unaudited	Unaudited
	Notes	HK\$'000	HK\$'000
Sales of goods to associates	(a)	9,768	7,570
Purchases of goods from associates	(a)	130,120	141,333
Purchase of fixed assets from an associate	(b)	<u>2,000</u>	<u>—</u>

(a) 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 major customers.

(b) The purchase consideration of fixed assets from an associate was determined between the Group and the associate.

12. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for the financial statements were as follows:

	30 September 2003 Unaudited HK\$'000	31 March 2003 Audited HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	2,359	2,026
Guarantees given to banks in connection with facilities granted to associates	<u>22,488</u>	<u>22,488</u>
	<u>24,847</u>	<u>24,514</u>

- (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\$13,944,000 as at 30 September 2003 (31 March 2003: HK\$15,480,000). 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. ACQUISITION OF FURTHER INTERESTS IN SUBSIDIARIES

During the period, the Group increased its shareholding in a subsidiary at a total consideration of HK\$8,414,000. Goodwills on acquisition of further equity interest in this subsidiary totalled HK\$501,000.

14. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 18 December 2003.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.0 cents (2002: HK2.0 cents) per share for the period ended 30 September 2003, payable to shareholders whose names appear in the register of members of the Company on Tuesday, 20 January 2004. The dividend will be payable on Friday, 30 January 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 15 January 2004 to Tuesday, 20 January 2004 (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 Registrar in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 14 January 2004.