

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>(in HK\$'000)</i>	<b>Six months ended</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
<b>Total equity as at 1 April</b>	<b>126,048</b>	62,409
Surplus on revaluation of land and buildings held for own use	–	259
Net profit for the period	<b>15,816</b>	17,961
2001/02 final dividend	<b>(8,415)</b>	–
Issue of shares under share option scheme	<b>575</b>	–
<b>Total equity as at 30 September</b>	<b>134,024</b>	80,629

**NOTES ON THE CONDENSED FINANCIAL STATEMENTS****1. Significant accounting policies***(a) Basis of presentation*

These unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (“SEHK”), including compliance with the Statement of Standard Accounting Practice (“SSAP”) 25 (revised) “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

Pursuant to a reorganisation scheme mentioned in page 40 of the company’s annual report for the year ended 31 March 2002, the Company and its subsidiaries have been regarded as a continuing group during the corresponding period last year.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2002, except that the Group has changed certain of its

accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	"Presentation of financial statements"
SSAP 11(revised)	:	"Foreign currency translation"
SSAP 15 (revised)	:	"Cash flow statements"
SSAP 25 (revised)	:	"Interim financial reporting"
SSAP 33	:	"Discontinuing operations"
SSAP 34	:	"Employee benefits"

The significant changes in the Group's accounting policies resulting from the adoption of these new practices are set out below:

(a) SSAP 1 (revised): "Presentation of financial statements"

In order to comply with the revised requirement of SSAP 1 (revised), the Group adopts the new statement "Consolidated statement of changes in equity" which replaces the "Consolidated statement of recognised gains and losses" included in previous financial statements. The new statement reconciles the movements of key components of the shareholders' funds, including share capital, reserves and retained earnings, from the beginning to the end of a period.

(b) SSAP 15 (revised): "Cash flow statements"

The presentation and classification of items in the cash flow statement have been changed due to the adoption of SSAP 15 (revised). As a result, cash flow during the period has been reclassified by operating, investing, and financing activities.

## 2. Profit from ordinary activities before taxation

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

<i>(in HK\$'000)</i>	<b>Six months ended 30 September</b>	
	<b>2002 (Unaudited)</b>	2001 (Unaudited)
Depreciation of owned fixed assets	<b>2,908</b>	2,245
Depreciation of fixed assets held under finance leases	<b>283</b>	223
Interest on bank advances	<b>632</b>	1,270
Finance charges on obligations under finance leases	<b>44</b>	45
Gain on disposal of fixed assets	<b>(41)</b>	–
	<b><u>          </u></b>	<b><u>          </u></b>

## 3. Taxation

The provision for Hong Kong profits tax is calculated at 16% (2001: 16%) on the estimated assessable profits for the six months ended 30 September 2002. Taxation for overseas subsidiary is similarly charged at the appropriate current rates of taxation ruling at the relevant countries.

<i>(in HK\$'000)</i>	<b>Six months ended 30 September</b>	
	<b>2002 (Unaudited)</b>	2001 (Unaudited)
Hong Kong profits tax	<b>944</b>	1,547
Taxation outside Hong Kong	<b>318</b>	4
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>1,262</u></b>	<b><u>1,551</u></b>

#### 4. Dividends

<i>(in HK\$'000)</i>	<b>Six months ended 30 September</b>	
	<b>2002 (Unaudited)</b>	2001 (Unaudited)
2001/02 final dividend paid of HK3.0 cents (2000/01: Nil) per share	<b>8,415</b>	–
2002/03 interim dividend proposed of HK1.0 cent (2001/02: Nil) per share	<b>2,805</b>	–

The directors have declared an interim dividend of HK1.0 cent (2001/02: Nil) per share for the year ending 31 March 2003 payable to the shareholders on the register of members of the Company at the close of business on Tuesday, 7 January 2003. The relevant dividend warrants will be despatched to shareholders on Friday, 10 January 2003.

#### 5. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$15,816,000 (2001: HK\$17,961,000) and the weighted average of 280,379,781 (2001: 210,000,000) ordinary shares in issue during the period. The weighted average number of shares used to calculate the basic earnings per share for the corresponding period last year includes the pro forma issued share capital of the Company immediately preceding the placing and public offer of 70,000,000 shares in February 2002 in connection with the listing.

The calculation of the diluted earnings per share for the period is based on the profit attributable to shareholders for the period of HK\$15,816,000 and 281,027,870 ordinary shares, being the weighted average number of shares outstanding during the period, adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

The reconciliation of weighted average number of shares used in calculating basic and diluted earnings per share for the period is as follows:

Weighted average number of ordinary shares used in calculating basic earnings per share	280,379,781
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all options outstanding during the period	<u>648,089</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>281,027,870</u></u>

There were no dilutive potential ordinary shares in existence during the corresponding period of last year.

## 6. Trade and other receivables

<i>(in HK\$'000)</i>	<b>As at 30 September 2002 (Unaudited)</b>	As at 31 March 2002 (Audited)
Debtors, deposits and prepayments	<u><u>27,197</u></u>	<u><u>24,446</u></u>

Included in trade and other receivables are trade debtors with the following ageing analysis:

<i>(in HK\$'000)</i>	<b>As at 30 September 2002 (Unaudited)</b>	As at 31 March 2002 (Audited)
Outstanding balances with ages:		
Within 30 days	<b>1,072</b>	4,667
Between 31 to 90 days	<b>966</b>	447
Between 91 to 180 days	<b>3,869</b>	1,304
Between 181 to 365 days	<u><b>2,241</b></u>	<u>562</u>
	<u><u><b>8,148</b></u></u>	<u><u>6,980</u></u>

Customers of wholesale business are generally granted with credit terms of 30 to 90 days. Collection of sales receipts from customers of retail business is conducted on a cash basis.

## 7. Trade and other payables

<i>(in HK\$'000)</i>	<b>As at 30 September 2002 (Unaudited)</b>	As at 31 March 2002 (Audited)
Creditors and accrued charges	<u>15,910</u>	<u>14,060</u>

Included in trade and other payables are trade creditors with the following ageing analysis:

<i>(in HK\$'000)</i>	<b>As at 30 September 2002 (Unaudited)</b>	As at 31 March 2002 (Audited)
Outstanding balances with ages		
Within 30 days	2,993	1,959
Between 31 to 60 days	<u>53</u>	<u>76</u>
	<u>3,046</u>	<u>2,035</u>

## 8. Reserves

(Unaudited) (in HK\$'000)	Share premium	Other reserve	Land and buildings revaluation reserve	Retained profits	Total
At 1 April 2001	–	–	6,004	56,195	62,199
Revaluation surplus	–	–	259	–	259
Profit for the period	–	–	–	17,961	17,961
	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,961</u>	<u>17,961</u>
At 30 September 2001	<u>–</u>	<u>–</u>	<u>6,263</u>	<u>74,156</u>	<u>80,419</u>
At 1 April 2002	56,287	121	6,263	60,577	123,248
Profit for the period	–	–	–	15,816	15,816
Premium on issue of shares under share option scheme	570	–	–	–	570
2001/02 final dividend	–	–	–	(8,415)	(8,415)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(8,415)</u>	<u>(8,415)</u>
At 30 September 2002	<u>56,857</u>	<u>121</u>	<u>6,263</u>	<u>67,978</u>	<u>131,219</u>

## 9. Contingent liabilities

At 30 September 2002, there were contingent liabilities in respect of the following:

- Guarantees given to banks by the Company in respect of mortgage loans and other banking facilities extended to certain wholly owned subsidiaries amounting to HK\$39,471,000 (31 March 2002: HK\$38,866,000).
- Guarantees given to landlord by the Company in respect of the rental deposit payable by certain wholly owned subsidiaries amounting to HK\$1,482,000 (31 March 2002: HK\$1,410,000).

## 10. Operating lease commitments

At 30 September 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

<i>(in HK\$'000)</i>	<b>As at 30 September 2002 (Unaudited)</b>	As at 31 March 2002 (Audited)
Within 1 year	<b>52,955</b>	52,059
After 1 year but within 5 years	<b>39,284</b>	42,285
	<b>92,239</b>	94,344

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW AND PROSPECTS

The Group has achieved a turnover of HK\$98.5 million for the six months ended 30 September 2002, representing a 16.7% growth over the corresponding period last year. The increase was attributable to both the increase in number of retail stores in Hong Kong and the expansion of operations in the PRC and Taiwan markets.

The Group's gross profit margin was 77.8%, as compared to 80.5% for the corresponding period in 2001. The decrease of 2.7 percentage points resulted from the increase in variety of product designs and the increase in product lines, *moi* and *M.kids*, which comparatively requires more sophisticated procedures to cater.

Operating expenses for the six months ended 30 September 2002 totalled HK\$59,637,000, compared to HK\$47,568,000 for the same period last year with an increase of 25.4%. The increase in operating expenses was mainly brought by the increase in number of retail outlets in Hong Kong and the expansion of the Group's store networks in the PRC and Taiwan.



The profit attributable for the shareholders for the period was HK\$15.8 million (2001: HK\$18.0 million), a 11.94% reduction from the corresponding period last year. The decrease is mainly due to increase in operating expenses. Whilst the increase in number of retail outlets in Hong Kong contributed to an increase in turnover, the rental expenses and staff costs increased with a greater extent as compared to the increase in turnover.

During the period under review, the Group commenced retail business in Taiwan market for its first time and had six *MOISELLE* stores and two *imaroon* stores opened, all in department stores, at the end of the period. The number of stores in the PRC also increased during this period, and up to 23 *MOISELLE* stores and two *imaroon* stores were opened in various cities in the PRC as at 30 September 2002.

Concerning Hong Kong retail market, the Group operated 20 *MOISELLE*, 11 *imaroon*, and one *M.kids* retail outlets as at 30 September 2002 (2001: 21 *MOISELLE* and 8 *imaroon*). During the period under review, the Group had increased the sourcing of accessories, including shoes, shawls and handbags, from European countries to increase the product variety and had continued to aim at providing products with good quality and value for money to its customers.

The Group has opened one more flagship store of *MOISELLE* in Kowloon Tong in December 2002. Independent stores for the line *moi* are planned to be opened in the coming months to 31 March 2003. The number of stores in the PRC is expected to increase as well in the second half of the financial year.

The Group has employed resources in strengthening the design team to conduct researches in developing products of its own brand and originate designs. The management will closely monitor the performance of various products of the Group and adjust the strategies from time to time to meet the market demand.

The Group has dedicated to exercise continuous cost management in the coming months to 31 March 2003, which would focus on the rental expenses. The retail market is expected to suffer heavier from the sluggish economy next year. The management will work hard on exploring more product varieties and the highly potential PRC market.