

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts 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.

These condensed interim accounts should be read in conjunction with the annual accounts for the year ended 31st March, 2001.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 9 (revised) Events after the balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 11, opening retained profits at 1st April, 2000 have increased by HK\$2,175,000 which is the reversal of the provision for the proposed final dividend for the year ended 31st March, 2000 previously recorded as a liability as at 31st March, 2000 although not declared until after the balance sheet date.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(b) SSAP 30 Business combinations

Goodwill/negative goodwill

Goodwill/negative goodwill on acquisition of subsidiaries/associated companies occurring on or after 1st April, 2001 is included as intangible assets and is amortised over its estimated useful life in accordance with the provisions of SSAP 30. For acquisitions prior to 1st April, 2001, goodwill/negative goodwill was written off against/taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill/negative goodwill has not been retroactively restated.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading, securities broking and diamond wholesaling. Turnover recognised during the period comprises the following:

	Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000
Gold ornament, jewellery and watch retailing	227,341	264,658
Bullion trading	158,851	176,271
Commission from securities broking	4,640	9,900
Diamond wholesaling and gift retailing	10,165	18,889
Other business activities	4,668	6,468
	<u>405,665</u>	<u>476,186</u>

An analysis of the Group's turnover and contribution to operating loss/profit for the period, which arose wholly in Hong Kong, by principal activities is as follows:

	Turnover		Operating (loss)/profit	
	Six months ended 30th September,		Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Jewellery and watch retailing and bullion trading	386,192	440,929	(12,504)	(13,072)
Securities broking	4,640	9,900	(1,782)	2,220
Other business activities	14,833	25,357	(1,910)	29,338
	<u>405,665</u>	<u>476,186</u>	<u>(16,196)</u>	<u>18,486</u>

NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

3. OPERATING LOSS/PROFIT BEFORE FINANCE COSTS

	Six months ended 30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating loss/profit before finance costs is stated after crediting and charging the following:		
<i>Crediting</i>		
Dividend income from listed investments	899	—
Interest income	1,103	1,918
Net realised and unrealised gains on trading listed investments	—	366
Profit on disposal of other asset	—	2,880
Profit on disposal of non-trading listed investments	—	27,076
Rental income less outgoings	<u>698</u>	<u>738</u>

Charging

Cost of stocks sold	351,791	407,704
Depreciation		
— owned fixed assets	3,459	2,772
— leased fixed assets	—	252
Net realised and unrealised losses on trading listed investments	995	—
Provision for stocks	<u>2,300</u>	<u>2,200</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	<u>63</u>	<u>487</u>

NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

5. DIVIDEND

Six months ended 30th September, 2001		2000
HK\$'000	—	HK\$'000

2001 final dividend, paid, of nil (2000 final paid:
HK0.5 cent) per share

—	2,175
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The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2001 (2000: Nil).

The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31st March, 2000 was HK\$2,175,000. Under the Group's new accounting policy as described in note 1(a), this has been written back against opening reserve as at 1st April, 2000 in note 11 and is now charged in the period in which it was proposed.

6. LOSS/EARNINGS PER SHARE

The calculation of loss (2000: earnings) per share is based on the Group's loss attributable to shareholders of HK\$16,555,000 (2000: profit of HK\$17,932,000) and the total number of 435,071,650 (2000: 435,071,650) ordinary shares in issue during the period.

7. FIXED ASSETS

	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture and equipment HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Six months ended 30th September, 2001				
Opening net book amount	28,072	9,247	3,948	41,267
Additions	—	4,034	—	4,034
Depreciation	(420)	(2,526)	(513)	(3,459)
Closing net book amount	27,652	10,755	3,435	41,842

NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

8. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors and their ageing analysis is as follows:

	Within 30 days HK\$'000	31-90 days HK\$'000	More than 90 days HK\$'000	Total HK\$'000
Balance at 30th September, 2001	<u>30,308</u>	<u>681</u>	<u>4,354</u>	<u>35,343</u>
Balance at 31st March, 2001	<u>24,726</u>	<u>1,539</u>	<u>4,964</u>	<u>31,229</u>

The majority of the Group's sales comes from retailing and bullion trading and are on cash basis. The trade debtors as at the period end mainly consist of receivables of the securities broking business, the credit terms of which are in accordance with securities broking industry practice.

9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors and their ageing analysis is as follows:

	Within 30 days HK\$'000	Total HK\$'000
Balance at 30th September, 2001	<u>39,289</u>	<u>39,289</u>
Balance at 31st March, 2001	<u>17,910</u>	<u>17,910</u>

10. SHARE CAPITAL

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
<i>Authorised:</i>		
620,000,000 ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
<i>Issued and fully paid:</i>		
435,071,650 ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

There was no movement in share capital during the current period and the year ended 31st March, 2001.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

11. RETAINED PROFITS

	<i>Note</i>	<i>HK\$'000</i>
At 1st April, 2001		309,421
Loss for the period		<u>(16,555)</u>
At 30th September, 2001		<u>292,866</u>
<i>Retained by:</i>		
Company and subsidiaries		<u>292,866</u>
At 1st April, 2000 as previously reported		300,398
Effect of adopting SSAP 9 (revised)	1(a)	<u>2,175</u>
At 1st April, 2000 as restated		302,573
2000 final dividend paid	5	(2,175)
Profit for the year		<u>9,023</u>
At 31st March, 2001		<u>309,421</u>
<i>Retained by:</i>		
Company and subsidiaries		309,691
An associated company		<u>(270)</u>
		<u>309,421</u>

12. NON-CURRENT LIABILITIES

	30th September, 2001 <i>HK\$'000</i>	31st March, 2001 <i>HK\$'000</i>
Provision for long service payments	4,646	5,257
Bank loans, unsecured	<u>60,000</u>	<u>—</u>
	<u>64,646</u>	<u>5,257</u>

At 30th September, 2001, the Group's bank loans were repayable in the third to fifth year.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

13. COMMITMENTS

(a) Capital commitments for purchase of fixed assets

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
Contracted but not provided for	<u>—</u>	<u>590</u>

(b) Commitments under operating leases

At 30th September, 2001, the Group had total future aggregate minimum payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2001 HK\$'000	Restated 31st March, 2001 HK\$'000
Within one year	35,602	35,801
In the second to fifth year inclusive	<u>37,405</u>	<u>53,127</u>
	<u><u>73,007</u></u>	<u><u>88,928</u></u>

(c) Other commitments

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
Foreign exchange forward contracts	<u>20,599</u>	<u>23,350</u>

14. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the condensed interim accounts, which were carried out in the normal course of the Group's business:

	Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000
Operating lease rentals on land and buildings paid to related companies:		
Stanwick Properties Limited (note a)	3,184	3,139
Contender Limited (note b)	5,873	7,179
Consultancy fee paid to a related company (note c)	900	900
Interest expense paid to a director (note d)	<u>132</u>	<u>—</u>

NOTES TO THE CONDENSED INTERIM ACCOUNTS (continued)

14. RELATED PARTY TRANSACTIONS (continued)

- (a) The operating lease rental was paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group in King Fook Building, Des Voeux Road Central, Hong Kong on normal commercial terms. Stanwick is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth are directors of the Company and Yeung Chi Shing Estates Limited. These directors together with other members of their family have a controlling interest in Yeung Chi Shing Estates Limited.

- (b) The operating lease rental was paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar") (a substantial shareholder of the Company), for the shop premises occupied by a subsidiary on the ground and first floors of the Miramar Hotel on normal commercial terms. Mr. Tang Yat Sun, Richard, Dr. Ho Tim, Dr. Sin Wai Kin and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.
- (c) The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides consultation services to the Group for the period ended 30th September, 2001 at fees totalling HK\$900,000 (2000: HK\$900,000). Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.
- (d) The Group has borrowed an unsecured short term loan of HK\$10,000,000 from a director of the Company during the period ended 30th September, 2001. Interest was charged on the loan at rates ranging from 2% to 4.5%.

By Order of the Board

Yeung Ping Leung, Howard
Chairman

Hong Kong, 12th December, 2001