

Management Commentary

The directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 30th September, 2002. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September, 2002, and the consolidated balance sheet as at 30th September, 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 5 to 18 of this report.

Interim dividend

The directors have resolved that no interim dividend be paid in respect of the six months ended 30th September, 2002 (2001: Nil).

Business review and prospects

Due to continued high unemployment rate and deflation in Hong Kong, consumer sentiment for the retail sectors of Hong Kong is still weak. Despite the consecutive interest rate cuts and close to zero Hong Kong Dollar savings rate, consumer spending has not improved, especially on the luxurious items.

The Group's turnover for the six months ended 30th September, 2002 decreased by 36% as compared with that for the last period and the Group has recorded a loss of HK\$28,296,000. The decrease in turnover was mainly due to the Group's transfer of the refining and its related bullion trading business to a newly established joint venture company in China. The turnover for the retail business of the Group increased by 4% although the operating environment for the period was tough under the influence of high unemployment rate and weak consumer sentiment. The commission income from the securities broking division of the Group decreased by 38% mainly due to the volatile worldwide stock markets and the continued decrease in trading volume of the Hong Kong stock market.

During the period under review, the Group opened its first concept shop of "*bow collection*" in The Central Mass Transit Railway Station, which mainly sells its branded "*bow*" jewellery and fashion watches for young executive ladies. It has received positive response from its customers. For the franchise business in China, the Group has opened two franchised shops in Beijing. In addition, the Group has now obtained the sole dealer right in Hong Kong for the watches of "*Lancaster*". For the "*Masterpiece by king fook*" shops, we also acquired two sole dealer rights in Hong Kong for the fine jewellery of "*Mirabelle*" and "*Faberge*". The overall efficiency in operation of the Group was also improved as a result of effective management control. On the financial side, the overall borrowings to equity ratio was at a healthy level.

Management Commentary (continued)

Business review and prospects (continued)

Looking forward, as high unemployment rate and weak consumer sentiment are prevailing in Hong Kong, we believe that the local retail market will remain bleak for some time. The management will focus on the development of the “*bow collection*” shops and the franchise business in China. We expect that there will be a total of three “*bow collection*” shops in Hong Kong and five franchised shops in China by the end of year 2002. The management will also endeavour to improve the retail operations by implementing incentive plan for sales persons and effective marketing strategies.

Investments

As at 30th September, 2002, the Group held 2,554,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$24,007,000. The Group also held non-trading investments listed outside Hong Kong amounting to HK\$5,394,000, which is a related party of the Group (note 9). During the period, impairment of non-trading investments amounting to HK\$20,227,000 was recognised in the profit and loss account.

Finance

As at 30th September, 2002, the Group's current assets and current liabilities were HK\$596 million and HK\$164 million respectively. There were bank balances and cash of HK\$28 million and unsecured short term bank loans and overdrafts of HK\$80 million.

Based on the total borrowings of HK\$182 million and the shareholders' funds of HK\$440 million of the Group, the overall borrowings to equity ratio was 41%, which was at a healthy level.

Employees

As at 30th September, 2002, the Group had approximately 220 employees. The employees are remunerated according to the nature of their jobs and are entitled to an incentive bonus scheme based on their performance.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the period.

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

Management Commentary (continued)

Directors' interests in equity securities

At 30th September, 2002, the interests of the directors and their associates in the issued shares of the Company as recorded in the register maintained by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

	Number of ordinary shares held		Total
	Personal	Family	
Mr. Tang Yat Sun, Richard	3,585,000	Nil	3,585,000
Mr. Cheng Kwai Yin	2,224,000	Nil	2,224,000
Dr. Sin Wai Kin	1,792,500	Nil	1,792,500
Mr. Cheng Ka On, Dominic	4,020,000	15,000	4,035,000

The Company had not granted to the directors (including their respective spouses and children under 18 years of age) any rights to subscribe for shares of the Company during the period.

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

At 30th September, 2002, the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company has been notified of the following substantial shareholders' beneficial interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors.

Name of shareholder	Number of ordinary shares held
Yeung Chi Shing Estates Limited	193,145,055
Miramar Hotel and Investment Company, Limited	67,912,000

Compliance with the Code of Best Practice of the Listing Rules

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th September, 2002 except that:

1. the directors have not established an audit committee to review and supervise the Group's financial reporting process and internal controls; and
2. the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.