

# *Notes to the Condensed Interim Accounts*

## **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These unaudited condensed consolidated interim accounts (“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 interim accounts should be read in conjunction with the annual accounts for the year ended 31st March, 2002.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2002 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, 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 34	:	Employee benefits

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

SSAP 11 (Revised)	:	Foreign currency translation
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The balance sheets of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss accounts of foreign enterprises were translated at closing rates. This is a change in accounting policy, however, the translation of the profit and loss accounts of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

## *Notes to the Condensed Interim Accounts* (continued)

### 2. SEGMENT INFORMATION

#### a. Business segments

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading, securities broking and diamond wholesaling. An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30th September, 2002			Group HK\$'000
	Retailing and bullion trading	Securities broking	Diamond wholesaling	
	HK\$'000	HK\$'000	HK\$'000	
Turnover	248,803	2,873	8,099	259,775
Segment results	6,270	(525)	115	5,860
Impairment of non-trading investments				(20,227)
Unallocated results				(11,158)
Operating loss before finance costs				(25,525)
Finance costs				(2,777)
Operating loss				(28,302)
Share of loss of a jointly controlled entity	(22)			(22)
Loss before taxation				(28,324)
Taxation				(62)
Loss after taxation				(28,386)
Minority interests				90
Loss attributable to shareholders				(28,296)

## *Notes to the Condensed Interim Accounts (continued)*

### 2. SEGMENT INFORMATION *(continued)*

#### a. Business segments *(continued)*

	Six months ended 30th September, 2001			
	Retailing and bullion trading	Securities broking	Diamond wholesaling	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	393,897	4,640	7,128	405,665
Segment results	846	(422)	(311)	113
Unallocated results				(11,350)
Operating loss before finance costs				(11,237)
Finance costs				(4,959)
Operating loss				(16,196)
Share of loss of an associated company				(296)
Loss before taxation				(16,492)
Taxation				(63)
Loss after taxation				(16,555)
Minority interests				—
Loss attributable to shareholders				(16,555)

#### b. Geographical segments

Over 90% of the Group's revenues, results, assets and liabilities are derived from activities in Hong Kong.

## *Notes to the Condensed Interim Accounts* (continued)

### 3. OPERATING LOSS BEFORE FINANCE COSTS

	<b>Six months ended</b>	
	<b>30th September,</b>	
	2002	2001
	<u>HK\$'000</u>	<u>HK\$'000</u>

Operating loss before finance costs is stated after crediting and charging the following:

#### *Crediting*

Dividend income from listed investments	1,135	899
Interest income	461	1,103
Rental income less outgoings		
— owned land and buildings	250	198
— operating subleases	808	500
Net reversal of provision for stocks	<u>100</u>	<u>—</u>

#### *Charging*

Cost of stocks sold	205,650	351,791
Depreciation	2,304	3,459
Impairment of fixed assets	357	—
Write off of fixed assets	97	—
Net realised and unrealised losses on trading listed investments	1,271	995
Provision for stocks	<u>—</u>	<u>2,300</u>

### 4. STAFF COSTS

	<b>Six months ended</b>	
	<b>30th September,</b>	
	2002	2001
	<u>HK\$'000</u>	<u>HK\$'000</u>
Wages and salaries	20,428	25,639
Pension costs — defined contribution plans	1,218	1,561
Long service payments	<u>49</u>	<u>708</u>
	<u>21,695</u>	<u>27,908</u>

## *Notes to the Condensed Interim Accounts (continued)*

### 5. TAXATION

The amount of taxation charged to the consolidated profit and loss account represents Hong Kong profits tax for the Group which has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

### 6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2002 (2001: Nil).

### 7. LOSS PER SHARE

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$28,296,000 (2001: HK\$16,555,000) and the total number of 435,071,650 (2001: 435,071,650) ordinary shares in issue during the period.

### 8. FIXED ASSETS

	<b>Leasehold land and buildings</b>	<b>Leasehold improvements, furniture and equipment</b>	<b>Other fixed assets</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Six months ended 30th September, 2002</b>				
Opening net book amount	27,240	7,371	1,482	36,093
Additions	—	1,228	155	1,383
Depreciation	(420)	(1,639)	(245)	(2,304)
Write off	—	(97)	—	(97)
Impairment charges	—	(188)	(169)	(357)
<b>Closing net book amount</b>	<b>26,820</b>	<b>6,675</b>	<b>1,223</b>	<b>34,718</b>

## Notes to the Condensed Interim Accounts (continued)

### 9. NON-TRADING INVESTMENTS

Included in non-trading investments are equity securities of a company listed outside Hong Kong ("the investee company") stated at market value of HK\$5,394,000.

As at 30th September, 2002, Mr. Yeung Ping Leung, Howard (a director of the Company) and Horsham Enterprises Limited (a company beneficially owned by Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, the directors of the Company) hold 35.68% and 7.29% equity interests in the investee company respectively.

### 10. 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
<b>Balance at 30th September, 2002</b>	<b>14,905</b>	<b>220</b>	<b>3,305</b>	<b>18,430</b>
Balance at 31st March, 2002	19,107	763	3,875	23,745

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.

### 11. 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
<b>Balance at 30th September, 2002</b>	<b>24,715</b>	<b>24,715</b>
Balance at 31st March, 2002	16,945	16,945

## *Notes to the Condensed Interim Accounts (continued)*

### 12. SHARE CAPITAL

	<b>30th September, 2002</b>	31st March, 2002
	<b><u>HK\$'000</u></b>	<b><u>HK\$'000</u></b>
<i>Authorised:</i>		
620,000,000 ordinary shares of HK\$0.25 each	<b><u>155,000</u></b>	<u>155,000</u>
<i>Issued and fully paid:</i>		
435,071,650 ordinary shares of HK\$0.25 each	<b><u>108,768</u></b>	<u>108,768</u>
There was no movement in share capital during the current period and the year ended 31st March, 2002.		

### 13. NON-CURRENT LIABILITIES

	<b>30th September, 2002</b>	31st March, 2002
	<b><u>HK\$'000</u></b>	<b><u>HK\$'000</u></b>
Provision for long service payments	1,797	1,854
Bank loan, unsecured	<u>60,000</u>	<u>60,000</u>
	<b><u>61,797</u></b>	<b><u>61,854</u></b>
The bank loan is repayable as follows:		
In the second year	60,000	—
In the third year	<u>—</u>	<u>60,000</u>
	<b><u>60,000</u></b>	<b><u>60,000</u></b>

## *Notes to the Condensed Interim Accounts (continued)*

### 14. COMMITMENTS

#### (a) Capital commitments for purchase of fixed assets

	<b>30th September, 2002</b>	31st March, 2002
	<b><u>HK\$'000</u></b>	<b><u>HK\$'000</u></b>
Authorised but not contracted for	1,050	—
Contracted but not provided for	<u>626</u>	<u>149</u>
	<b><u>1,676</u></b>	<b><u>149</u></b>

#### (b) Commitments under operating leases

At 30th September, 2002, the Group had future aggregate minimum payments under non-cancellable operating leases as follows:

	<b>30th September, 2002</b>	31st March, 2002
	<b><u>HK\$'000</u></b>	<b><u>HK\$'000</u></b>
Land and buildings		
Not later than one year	35,531	31,485
Later than one year and not later than five years	<u>16,937</u>	<u>22,609</u>
	<b><u>52,468</u></b>	<b><u>54,094</u></b>

At 30th September, 2002, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$2,079,000 (At 31st March, 2002: HK\$2,655,000).



## *Notes to the Condensed Interim Accounts (continued)*

### 14. COMMITMENTS (continued)

#### (c) Future rental receivables

At 30th September, 2002, the Group had future aggregate minimum rental receivables under non-cancellable operating leases in respect of the Group's land and buildings as follows:

	30th September, 2002 <i>HK\$'000</i>	31st March, 2002 <i>HK\$'000</i>
Not later than one year	511	273
Later than one year and not later than five years	<u>137</u>	<u>84</u>
	<u><u>648</u></u>	<u><u>357</u></u>

#### (d) Other commitments

	30th September, 2002 <i>HK\$'000</i>	31st March, 2002 <i>HK\$'000</i>
Foreign exchange forward contracts	<u>—</u>	<u>16</u>

### 15. 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, 2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Operating lease rentals on land and buildings paid to related companies:		
Stanwick Properties Limited (note a)	2,660	3,184
Contender Limited (note b)	6,798	5,873
Consultancy fee paid to a related company (note c)	720	900
Interest expense paid to a director (note d)	<u>251</u>	<u>132</u>

## *Notes to the Condensed Interim Accounts (continued)*

### **15. RELATED PARTY TRANSACTIONS (continued)**

*Notes:*

- (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. 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. 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, 2002 at fees totaling HK\$720,000 (2001: 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\$20,000,000 from a director of the Company. The loan is repayable on demand. Interest was charged on the loan at 2% to 4.5% per annum.

By Order of the Board  
**Yeung Ping Leung, Howard**  
*Chairman*

Hong Kong, 13th December, 2002