

Management Commentary

The directors are pleased to present the Group's Interim Report and condensed accounts for the six months ended 30th September, 2003. 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, 2003, and the consolidated balance sheet as at 30th September, 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 6 to 20 of this report.

Interim dividend

The directors have resolved that no interim dividend be paid in respect of the six months ended 30th September, 2003 (2002: Nil).

Business review and prospects

Due to unexpected outbreak of the Severe Acute Respiratory Syndrome ("SARS") in March of 2003, the retail sector of Hong Kong was hard-hit. The local consumer sentiments weakened and number of visiting tourists dropped to its lowest level. The business of the Group was affected seriously in the first two months of the period under review.

The Group's turnover for the six months ended 30th September, 2003 decreased by 11% as compared with that for the last period and the Group has recorded a loss of HK\$7,460,000. The decrease in turnover was mainly due to the impact of SARS. The management has taken immediate steps to reduce the impact of SARS by implementing effective measures to control the operating cost and inventory level. Despite of the impact of SARS in April and May of 2003, commission income from the securities broking division of the Group increased by 30%. It was mainly due to the improving operating environment and the continued increase in trading volume of the Hong Kong stock market in the last few months of the period under review.

During the period under review, the Group opened three more "how collection" shops in Hong Kong and four additional franchised shops in China. The King Fook shop at Hotel Miramar Shopping Arcade has re-opened at the end of October, 2003 after renovation. The Group has obtained its sole dealer rights in Hong Kong for the watches of "Jacob and Co.". The Group has also obtained sole dealer rights in Hong Kong for 98 facets octagon diamond of "Starlight", which has been successfully launched with positive response. The Group entered into an agreement with a third party to dispose of a property held by the Group in July 2003. The agreement is expected to be completed by the end of 2003. The consideration of this agreement amounts to HK\$30.8 million and the estimated gain on disposal is approximately HK\$13.8 million. The overall efficiency in the operation of the Group was improved as a result of effective management control. On the financial side, the overall debt to equity ratio was still at a healthy level.

Management Commentary (*continued*)

Business review and prospects (*continued*)

Looking forward, the retail sector of Hong Kong is expected to benefit from more visitors from Mainland China, stabilization of the economy in Hong Kong and the persistent GDP growth of Mainland China. The management will continue to focus on the development of "how collection" shops and the franchised business in China. We expect that there will be a total of seven "how collection" shops in Hong Kong and ten franchised shops in China by the end of the year. The management will also improve the Group's operations by implementing effective marketing and promotional measures.

Investments

As at 30th September, 2003, the Group held 2,554,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$42,141,000. The Group also held non-trading investments listed outside Hong Kong amounting to HK\$5,187,000, which is a related party of the Group (*note 9*).

Finance

As at 30th September, 2003, the Group's current assets and current liabilities were HK\$610 million and HK\$249 million respectively. There were bank balances and cash of HK\$39 million and unsecured bank loans and overdrafts of HK\$167 million.

Based on the total borrowings of HK\$200 million and the shareholders' funds of HK\$452 million of the Group, the overall borrowings to equity ratio was 44%, which was at a healthy level.

Employees

As at 30th September, 2003, the Group had approximately 240 employees. The employees are remunerated according to the nature of their jobs and are entitled to an incentive bonus 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' and Chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations

At 30th September, 2003, the interests of the directors and chief executives in the issued shares of the Company as recorded in the register maintained by the Company under section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as follows:

	Number of ordinary shares held			Total	Percentage of shareholding
	Personal	Family	Other		
Mr. Tang Yat Sun, Richard	3,585,000	Nil	Nil	3,585,000	0.82%
Mr. Cheng Kwai Yin	2,224,000	Nil	255,000*	2,479,000	0.57%
Dr. Sin Wai Kin	1,792,500	Nil	Nil	1,792,500	0.41%
Mr. Cheng Ka On, Dominic	4,020,000	15,000	Nil	4,035,000	0.93%

* These shares are held in trust by Mr. Cheng Kwai Yin and his brother for the estate of their mother.

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 and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

Save as disclosed herein, as at 30th September, 2003, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

Management Commentary (*continued*)

Substantial shareholders

At 30th September, 2003, the following persons (other than a director or chief executive of the Company) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Number of ordinary shares held	Nature of interest	Percentage of shareholding
Yeung Chi Shing Estates Limited	193,145,055	<i>Note (a)</i>	44.39%
Miramar Hotel and Investment Company, Limited	59,416,000	<i>Note (b)</i>	13.66%
Miramar Hotel and Investment (Express) Limited	22,790,000	Beneficial owner	5.24%

Notes:

- (a) 186,985,035 shares are beneficially owned by Yeung Chi Shing Estates Limited while 6,160,020 shares are of its corporate interest.
- (b) 28,122,000 shares are beneficially owned by Miramar Hotel and Investment Company, Limited while 31,294,000 shares are of its corporate interest.

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, 2003 except that:

- the directors have not established an audit committee to review and supervise the Group's financial reporting process and internal controls; and
- 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.