

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, 2003.

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, 2003 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, 2003:

| | | |
|-------------------|---|-------------------|
| SSAP 12 | : | Income taxes |
| SSAP 34 (revised) | : | Employee benefits |

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

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Condensed Interim Accounts (*continued*)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (*continued*)

Deferred taxation (*continued*)

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, however, the comparatives in prior periods have not been restated as the effect of this change is not material to the current and prior periods.

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, 2003 | | | Group HK\$'000 |
|--|--|-----------------------------------|------------------------------------|-------------------|
| | Retailing and bullion trading HK\$'000 | Securities broking HK\$'000 | Diamond wholesaling HK\$'000 | |
| Turnover | 219,985 | 3,745 | 7,070 | 230,800 |
| Segment results | (1,580) | 1,352 | 1,937 | 1,709 |
| Unallocated results | | | | (6,334) |
| Operating loss before finance costs | | | | (4,625) |
| Finance costs | | | | (2,586) |
| Operating loss | | | | (7,211) |
| Share of profit of a jointly controlled entity | 137 | | | 137 |
| Loss before taxation | | | | (7,074) |
| Taxation | | | | (408) |
| Loss after taxation | | | | (7,482) |
| Minority interests | | | | 22 |
| Loss attributable to shareholders | | | | (7,460) |

Notes to the Condensed Interim Accounts (*continued*)

2. SEGMENT INFORMATION (*continued*)

a. Business segments (*continued*)

| | Six months ended 30th September, 2002 | | | Group HK\$'000 |
|--|--|-----------------------------------|------------------------------------|-------------------|
| | Retailing and bullion trading HK\$'000 | Securities broking HK\$'000 | Diamond wholesaling 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) |

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**

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

| | Six months ended | |
|--|-------------------------|-----------------|
| | 30th September, | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| <i>Crediting</i> | | |
| Dividend income from listed investments | 1,933 | 1,135 |
| Interest income | 300 | 461 |
| Rental income less outgoings | | |
| — owned land and buildings | 253 | 250 |
| — operating subleases | 831 | 808 |
| Net realised and unrealised gains on trading listed investments | 4,690 | — |
| Net reversal of provision for stocks | — | 100 |
| | ————— | ————— |
| <i>Charging</i> | | |
| Amortisation of goodwill | 155 | — |
| Cost of stocks sold | 182,173 | 205,650 |
| Depreciation | 2,685 | 2,304 |
| Impairment of fixed assets | — | 357 |
| Write off of fixed assets | — | 97 |
| Net realised and unrealised losses on trading listed investments | — | 1,271 |
| Net provision for stocks | 1,056 | — |
| | ————— | ————— |

Notes to the Condensed Interim Accounts (*continued*)

4. STAFF COSTS

| | Six months ended 30th September, | |
|--|---|---------------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Wages, salaries and allowances | 19,896 | 20,428 |
| Pension costs — defined contribution plans | 1,209 | 1,218 |
| Provision for long service payments | — | 49 |
| | <u>21,105</u> | <u>21,695</u> |

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

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

| | Six months ended 30th September, | |
|---|---|-----------|
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | 66 | 62 |
| Deferred taxation relating to the origination and reversal of temporary differences | 342 | — |
| | <u>408</u> | <u>62</u> |

6. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: Nil).

7. LOSS PER SHARE

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$7,460,000 (2002: HK\$28,296,000) and the total number of 435,071,650 (2002: 435,071,650) ordinary shares in issue during the period.

Notes to the Condensed Interim Accounts (*continued*)**8. CAPITAL EXPENDITURE**

| | Goodwill HK\$'000 | Leasehold land and buildings HK\$'000 | Leasehold improvements, furniture and equipment HK\$'000 | Other fixed assets HK\$'000 | Total HK\$'000 |
|--|----------------------|--|--|-----------------------------------|-------------------|
| Opening net book amount | | | | | |
| At 1st April, 2003 | 454 | 26,408 | 11,039 | 1,018 | 38,919 |
| Additions | — | — | 1,632 | — | 1,632 |
| Acquisition of a subsidiary (<i>note 14</i>) | 1,570 | — | 3 | — | 1,573 |
| Depreciation/amortisation charge | (155) | (418) | (2,053) | (214) | (2,840) |
| Closing net book amount | | | | | |
| At 30th September, 2003 | <u>1,869</u> | <u>25,990</u> | <u>10,621</u> | <u>804</u> | <u>39,284</u> |

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.

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\$5,187,000.

As at 30th September, 2003, 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, two directors of the Company) hold 38.03% 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 |
|--|-------------------------------|------------------------|----------------------------------|-------------------|
| Balance at 30th September, 2003 | <u>34,966</u> | <u>590</u> | <u>2,596</u> | <u>38,152</u> |
| Balance at 31st March, 2003 | <u>18,058</u> | <u>531</u> | <u>2,435</u> | <u>21,024</u> |

Notes to the Condensed Interim Accounts (*continued*)

10. DEBTORS, DEPOSITS AND PREPAYMENTS (*continued*)

The trade debtors as at the period end mainly consist of receivables of the securities broking business amounting to HK\$24,857,000 (At 31st March, 2003: HK\$12,047,000), the credit terms of which are in accordance with securities broking industry practice. The remaining balance of trade debtors are primarily receivables from retailing and bullion trading and diamond wholesaling businesses which are normally due within three months.

11. CREDITORS AND ACCRUALS

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

| | <u>Within 30 days</u> HK\$'000 | <u>Total</u> HK\$'000 |
|--|-----------------------------------|--------------------------|
| Balance at 30th September, 2003 | <u>27,022</u> | <u>27,022</u> |
| Balance at 31st March, 2003 | <u>24,238</u> | <u>24,238</u> |

12. SHARE CAPITAL

| | <u>30th September,</u> 2003 HK\$'000 | <u>31st March,</u> 2003 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, 2003.

Notes to the Condensed Interim Accounts (*continued*)**13. LONG TERM BANK LOAN**

| | 30th September, 2003 HK\$'000 | 31st March, 2003 HK\$'000 |
|---|--|---------------------------------|
| Long term bank loan, unsecured | 60,000 | 60,000 |
| Less: Current portion of long term bank loan included in current liabilities | (60,000) | — |
| | <u>—</u> | <u>60,000</u> |

14. ACQUISITION OF A SUBSIDIARY

When the Company acquired 80% of the issued shares in the capital of Evermind Limited ("Evermind") in July 2002, the Company had been granted a right by Mr. David Cheng ("Mr. Cheng") to require Mr. Cheng to sell to Evermind all the issued shares in the capital of Perfectrade Limited ("Perfectrade") at the price of HK\$1 (the "Option").

The Company exercised the Option in June 2003. As Mr. Cheng is a director and a holder of 20% of the issued shares in the capital of Evermind (which is now a subsidiary of the Company), the acquisition of all the issued shares in the capital of Perfectrade by Evermind from Mr. Cheng constituted a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

| | 30th September, 2003 HK\$'000 |
|-----------------------------------|--|
| Net assets acquired: | |
| Fixed assets (<i>note 8</i>) | 3 |
| Debtors, deposits and prepayments | 523 |
| Bank balances and cash | 702 |
| Creditors and accruals | <u>(2,798)</u> |
| | (1,570) |
| Goodwill (<i>note 8</i>) | <u>1,570</u> |
| Consideration | <u>—</u> |

The above acquisition is satisfied by cash consideration of HK\$1.

Notes to the Condensed Interim Accounts (*continued*)

15. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

The movement on the deferred tax liabilities account is as follows:

| | Six months ended 30th September, 2003 HK\$'000 | Year ended 31st March, 2003 HK\$'000 |
|--|---|---|
| At the beginning of the period/year | — | — |
| Deferred taxation charged to profit and loss account | <u>342</u> | <u>—</u> |
| At the end of the period/year | <u><u>342</u></u> | <u><u>—</u></u> |

16. COMMITMENTS

(a) Capital commitments for purchase of fixed assets

| | 30th September, 2003 HK\$'000 | 31st March, 2003 HK\$'000 |
|-----------------------------------|--|---------------------------------|
| Authorised but not contracted for | — | — |
| Contracted but not provided for | <u>1,295</u> | <u>882</u> |
| | <u><u>1,295</u></u> | <u><u>882</u></u> |

Notes to the Condensed Interim Accounts (*continued*)**16. COMMITMENTS** (*continued*)**(b) Commitments under operating leases**

At 30th September, 2003, the Group had future aggregate minimum payments under non-cancellable operating leases as follows:

| | 30th September, 2003 | 31st March, 2003 |
|---|---------------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| Land and buildings | | |
| Not later than one year | 16,593 | 33,754 |
| Later than one year and not later than five years | 10,811 | 9,392 |
| | 27,404 | 43,146 |

At 30th September, 2003, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$150,000 (At 31st March, 2003: HK\$770,000).

(c) Future rental receivables

At 30th September, 2003, 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, 2003 | 31st March, 2003 |
|---|---------------------------------|---------------------|
| | HK\$'000 | HK\$'000 |
| Not later than one year | 231 | 1,096 |
| Later than one year and not later than five years | — | 50 |
| | 231 | 1,146 |

Notes to the Condensed Interim Accounts (*continued*)

17. 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, | |
| | 2003 | 2002 |
| | HK\$'000 | HK\$'000 |
| | <u> </u> | <u> </u> |
| Operating lease rentals on land and buildings paid to related companies: | | |
| Stanwick Properties Limited (<i>note a</i>) | 2,663 | 2,660 |
| Contender Limited (<i>note b</i>) | 6,151 | 6,798 |
| Consultancy fee paid to a related company (<i>note c</i>) | 720 | 720 |
| Interest expense paid to a director (<i>note d</i>) | 200 | 251 |
| | <u> </u> | <u> </u> |

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, 2003 at fees totaling HK\$720,000 (2002: HK\$720,000). 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% (2002: 2% to 4.5%) per annum.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 12th December, 2003