

Notes to the Condensed Interim Accounts

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim accounts (the “interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

The interim accounts should be read in conjunction with the annual accounts for the year ended 31st March, 2004.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

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, 2004		
	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Total HK\$'000
Turnover	<u>284,275</u>	<u>3,180</u>	<u>287,455</u>
Segment results	<u>19,147</u>	<u>745</u>	19,892
Unallocated results			<u>(12,639)</u>
Operating profit before finance costs			7,253
Finance costs			<u>(1,345)</u>
Operating profit			5,908
Share of profit of a jointly controlled entity	34		<u>34</u>
Profit before taxation			5,942
Taxation			<u>(165)</u>
Profit after taxation			5,777
Minority interests			<u>1</u>
Profit attributable to shareholders			<u>5,778</u>

Notes to the Condensed Interim Accounts (*continued*)

2. SEGMENT INFORMATION (*continued*)

a. Business segments (*continued*)

	Six months ended 30th September, 2003		
	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Total HK\$'000
Turnover	227,055	3,745	230,800
Segment results	357	1,352	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)

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 PROFIT/LOSS BEFORE FINANCE COSTS**

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

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
<i>Crediting</i>		
Dividend income from listed investments	1,380	1,933
Interest income	205	300
Net realised and unrealised gains on trading listed investments	1,242	4,690
Net realised gains on non-trading listed investments	2,702	—
Net reversal of provision for stocks	70	—
Rental income less outgoings		
— owned land and buildings	297	253
— operating subleases	545	831
	—————	—————
<i>Charging</i>		
Amortisation of goodwill	207	155
Cost of stocks sold	218,637	182,173
Depreciation	3,472	2,685
Net provision for stocks	—	1,056
Write off of fixed assets	223	—
	—————	—————

4. STAFF COSTS

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Wages, salaries and allowances	21,561	19,896
Pension costs — defined contribution retirement schemes	1,271	1,209
Provision for long service payments	185	—
	—————	—————
	23,017	21,105
	—————	—————

Notes to the Condensed Interim Accounts (*continued*)

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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,	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax	163	66
Under provision in prior years	1	—
Overseas taxation	1	—
Deferred taxation relating to the origination and reversal of temporary differences	—	342
	165	408

6. DIVIDEND

	Six months ended 30th September,	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.4 cent (2003: Nil) per ordinary share	1,740	—

Notes:

- (a) At a meeting held on 9th July, 2004, the directors proposed a final dividend of HK0.5 cent per ordinary share for the year ended 31st March, 2004, which was approved by the shareholders at the annual general meeting held on 27th August, 2004. This final dividend was paid on 6th September, 2004 and has been reflected as an appropriation of retained profits for the six months ended 30th September, 2004.
- (b) At a meeting held on 17th December, 2004, the directors declared an interim dividend of HK0.4 cent per ordinary share for the year ending 31st March, 2005. This interim dividend is not reflected as a dividend payable in the interim accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2005.

Notes to the Condensed Interim Accounts (*continued*)

7. EARNINGS/LOSS PER SHARE

The calculation of earnings/loss per share is based on the Group's profit attributable to shareholders of HK\$5,778,000 (2003: loss attributable to shareholders of HK\$7,460,000) and the total number of 435,071,650 (2003: 435,071,650) ordinary shares in issue during the period.

8. CAPITAL EXPENDITURE

	Goodwill	Leasehold land and buildings	Leasehold improvements, furniture and equipment	Other fixed assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening net book amount at 1st April, 2004	1,661	9,683	17,053	603	29,000
Additions	—	—	1,756	55	1,811
Depreciation/amortisation charge	(207)	(162)	(3,123)	(187)	(3,679)
Write off	—	—	(223)	—	(223)
Closing net book amount at 30th September, 2004	<u>1,454</u>	<u>9,521</u>	<u>15,463</u>	<u>471</u>	<u>26,909</u>

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\$10,709,000.

As at 30th September, 2004, 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, directors of the Company) held 34.4% and 6.6% equity interests in the investee company respectively.

Notes to the Condensed Interim Accounts (*continued*)

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, 2004	<u>35,290</u>	<u>888</u>	<u>1,685</u>	<u>37,863</u>
Balance at 31st March, 2004	<u>54,395</u>	<u>2,432</u>	<u>1,583</u>	<u>58,410</u>

The trade debtors as at the period end mainly consist of receivables of the securities broking business amounting to HK\$24,366,000 (At 31st March, 2004: HK\$46,363,000), the credit terms of which are in accordance with securities broking industry practice. The remaining balance of trade debtors are primarily receivables from retailing, 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:

	Within 30 days HK\$'000	31-90 days HK\$'000	Total HK\$'000
Balance at 30th September, 2004	<u>36,374</u>	<u>622</u>	<u>36,996</u>
Balance at 31st March, 2004	<u>48,801</u>	<u>—</u>	<u>48,801</u>

Notes to the Condensed Interim Accounts (*continued*)**12. SHARE CAPITAL**

	30th September, 2004 HK\$'000	31st March, 2004 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 period and the year ended 31st March, 2004.

13. LONG TERM BANK LOANS

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Long term bank loans, unsecured	90,000	60,000
Less: Current portion of long term bank loans included in current liabilities	<u>—</u>	<u>(40,000)</u>
	<u>90,000</u>	<u>20,000</u>

Notes to the Condensed Interim Accounts (*continued*)

14. COMMITMENTS

(a) Capital commitments for purchase of fixed assets

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Contracted but not provided for	<u>99</u>	<u>424</u>

(b) Commitments under operating leases

At 30th September, 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Not later than one year	27,922	33,605
Later than one year and not later than five years	<u>15,826</u>	<u>25,661</u>
	<u>43,748</u>	<u>59,266</u>

At 30th September, 2004, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$82,500 (At 31st March, 2004: HK\$412,500).

Notes to the Condensed Interim Accounts (*continued*)**14. COMMITMENTS** (*continued*)**(c) Future rental receivables**

At 30th September, 2004, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of the Group's owned land and buildings as follows:

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Not later than one year	543	826
Later than one year and not later than five years	151	147
	694	973

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th September, 2004 HK\$'000	2003 HK\$'000
Operating lease rentals on land and buildings paid to related companies		
Stanwick Properties Limited (<i>Note a</i>)	2,802	2,663
Contender Limited (<i>Note b</i>)	5,045	6,151
Consultancy fee paid to a related company (<i>Note c</i>)	900	720
Interest expense paid to a director (<i>Note d</i>)	113	200

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, directors of the Company, together with other members of their family control the management of 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 the Group on the ground and first floors of Miramar Hotel. Mr. Tang Yat Sun, Richard, 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 the services of Mr. Yeung Ping Leung, Howard to the Group for the period ended 30th September, 2004 at fees totalling HK\$900,000 (2003: 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\$15,000,000 (At 30th September, 2003: HK\$20,000,000) from a director of the Company during the current period. The loan is repayable on demand. Interest was charged on the loan at 1.5% (At 30th September, 2003: 2%) per annum.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 17th December, 2004

The directors of the Company are Mr. Yeung Ping Leung, Howard, Mr. Tang Yat Sun, Richard, Mr. Cheng Kwai Yin, Dr. Sin Wai Kin, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth, Ms. Fung Chung Yee, Caroline, Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Wong Wei Ping, Martin, Mr. Ho Hau Hay, Hamilton and Mr. Chan Chak Cheung, William.