

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by The Hong Kong Institute of Certified Public Accountants and applicable disclosure provisions in Appendix 16 of the Listing Rules. The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31st March, 2005 (the "2005 Annual Financial Statements").

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2005 Annual Financial Statements, except for the changes in accounting policies made thereafter in adopting certain new and revised Hong Kong Financial Reporting Standards and HKASs ("New HKFRSs") which are effective for accounting periods commencing on or after 1st January, 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

From 1st April, 2005, the Group has adopted the following New HKFRSs which are relevant to its operations:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations

Notes to the Condensed Financial Statements (*continued*)

2. CHANGES IN ACCOUNTING POLICIES (*continued*)

All these standards have been applied retrospectively except where specific transitional provisions require a different treatment. Due to the changes in accounting policies, certain comparative amounts contained in the Interim Financial Statements have been amended in accordance with HKAS 8 and differ from those published in the 2005 Annual Financial Statements and the condensed financial statements for the six months ended 30th September, 2004.

The adoption of the above New HKFRSs has the following impact on the Group's accounting policies:

(a) HKAS 1 "Presentation of Financial Statements"

Under HKAS 1, minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company are now presented as an allocation of the net result of the period.

(b) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a reclassification of leasehold interest in land separate from property, plant and equipment. The up-front prepayments made for the leasehold interest in land are presented on the consolidated balance sheet as leasehold interest in land and expensed in the income statement on a straight-line basis over the period of the lease. In prior years, the leasehold interest in land together with property, plant and equipment were accounted for at cost less accumulated depreciation and accumulated impairment losses. Apart from certain presentational changes with comparative amounts restated, this change in accounting policy does not have a material effect on the Interim Financial Statements. This change in accounting policy has been applied retrospectively.

(c) HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

On the adoption of HKAS 32 and 39, the Group has redesignated "Non-trading investments" and "Trading investments" as "Available-for-sale investments" and "Investments at fair value through profit or loss" respectively at 1st April, 2005.

(d) HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets"

These standards stipulate a prospective change to the accounting policies.

Notes to the Condensed Financial Statements (*continued*)

2. CHANGES IN ACCOUNTING POLICIES (*continued*)

(d) HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets" (*continued*)

In accordance with the provision of HKFRS 3, the amortisation of goodwill has ceased and the accumulated amortisation at 31st March, 2005 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is an indication of impairment.

In respect of goodwill previously eliminated against or credited to reserves, HKFRS 3 does not require entities to recognise that goodwill in the income statement when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. Moreover, the Group is not required nor permitted to restate goodwill previously eliminated against reserves.

(e) HKAS 40 "Investment Property"

During the period, certain owned properties of the Group with carrying value of HK\$1,169,000 were reclassified from property, plant and equipment to investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the investment properties and is recognised in the income statement.

Depreciation on investment properties is calculated using the straight-line method to allocate their residual values over the remaining lease period.

(f) Other standards adopted

The adoption of the other new standards did not result in any significant changes to the amounts or disclosures in the Interim Financial Statements.

Notes to the Condensed Financial Statements (*continued*)

2. CHANGES IN ACCOUNTING POLICIES (*continued*)

The effect on the consolidated balance sheet of changes in accounting policies on the adoption of HKAS 17, which takes effect retrospectively, is summarised below:

	30th September, 2005	31st March, 2005
	HK\$'000	HK\$'000
(Decrease)/increase in assets		
Property, plant and equipment	(6,049)	(6,114)
Leasehold interest in land	6,049	6,114
	<u>—</u>	<u>—</u>

3. SEGMENT INFORMATION

(a) Business segments

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

	Unaudited		
	Six months ended 30th September, 2005		
	Retailing, bullion trading and diamond wholesaling	Securities broking	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue — Turnover	306,312	3,029	309,341
Segment results	20,269	2,041	22,310
Unallocated results			(12,059)
Operating profit			10,251
Finance costs			(3,678)
Share of profit of a jointly controlled entity	55		55
Profit before taxation			6,628
Taxation			(272)
Profit for the period			6,356

Notes to the Condensed Financial Statements (*continued*)

3. SEGMENT INFORMATION (*continued*)

(a) Business segments (*continued*)

	Unaudited		
	Six months ended 30th September, 2004		
	Retailing, bullion trading and diamond wholesaling	Securities broking	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue — Turnover	284,275	3,180	287,455
Segment results	19,147	745	19,892
Unallocated results			(12,639)
Operating profit			7,253
Finance costs			(1,345)
Share of profit of a jointly controlled entity	34		34
Profit before taxation			5,942
Taxation			(165)
Profit for the period			5,777

(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 Financial Statements (*continued*)**4. OPERATING PROFIT**

Operating profit is stated after crediting and charging the following:

	Unaudited	
	Six months ended	
	30th September,	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
<i>Crediting</i>		
Dividend income	2,956	1,380
Interest income	194	205
Net realised and unrealised gains on investments at fair value through profit or loss	1,452	1,242
Net realised gains on available-for-sale investments	—	2,702
Net reversal of provision for stocks	—	70
Rental income less outgoings		
— owned properties	503	297
— operating subleases	459	545
	—————	—————
<i>Charging</i>		
Amortisation of goodwill	—	207
Amortisation of leasehold interest in land	65	65
Cost of stocks sold	233,722	218,637
Depreciation	4,157	3,407
Net provision for and write down of stocks	1,239	—
Operating lease charges in respect of properties	21,227	19,385
Staff costs (<i>note 5</i>)	26,499	23,017
Write off of property, plant and equipment	103	223
	—————	—————

Notes to the Condensed Financial Statements (*continued*)

5. STAFF COSTS

	Unaudited	
	Six months ended	
	30th September,	
	2005	2004
	HK\$'000	HK\$'000
Wages, salaries and allowances	25,251	21,561
Pension costs — defined contribution retirement schemes	1,379	1,271
(Overprovision)/provision for long service payments	(131)	185
	<u>26,499</u>	<u>23,017</u>

Staff costs as shown above include directors' emoluments except fees.

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

The amount of taxation charged to the consolidated income statement represents:

	Unaudited	
	Six months ended	
	30th September,	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax	229	163
Under provision in prior years	—	1
Overseas taxation	43	1
	<u>272</u>	<u>165</u>

7. DIVIDEND

	Unaudited	
	Six months ended	
	30th September,	
	2005	2004
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.45 cent (2004: HK0.4 cent) per ordinary share	<u>1,958</u>	<u>1,740</u>

Notes to the Condensed Financial Statements (*continued*)

7. DIVIDEND (*continued*)

Notes:

- (a) At a meeting held on 9th December, 2005, the directors declared an interim dividend of HK0.45 cent per ordinary share for the year ending 31st March, 2006. This interim dividend is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2006.
- (b) At a meeting held on 8th July, 2005, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year ended 31st March, 2005, which was approved by the shareholders at the annual general meeting held on 12th September, 2005. This final dividend was paid on 16th September, 2005 and has been reflected as an appropriation of retained profits for the six months ended 30th September, 2005.
- (c) At a meeting held on 17th December, 2004, the directors declared an interim dividend of HK0.4 cent per ordinary share for the year ended 31st March, 2005. This interim dividend was paid on 21st January, 2005 and was reflected as an appropriation of retained profits for the year ended 31st March, 2005.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$5,888,000 (2004: HK\$5,778,000) and on 435,071,650 (2004: 435,071,650) ordinary shares in issue during the period.

No diluted earnings per share have been presented as there were no dilutive potential ordinary shares in issue for both periods.

9. CAPITAL EXPENDITURE

During the period, the Group's capital expenditures amounted to HK\$1,760,000 (Six months ended 30th September, 2004: HK\$1,811,000) which mainly related to the acquisitions of leasehold improvements, furniture and equipment and motor vehicles.

10. AVAILABLE-FOR-SALE INVESTMENTS

(formerly known as Non-trading investments)

Included in available-for-sale investments are equity securities of a company listed outside Hong Kong ("the Investee Company") stated at market value of HK\$10,738,000 (At 31st March, 2005: HK\$14,367,000).

As at 30th September, 2005, 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 31.4% and 6.0% equity interests in the Investee Company respectively.

Notes to the Condensed Financial Statements (*continued*)

11. 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, 2005 (Unaudited)	34,022	421	2,427	36,870
Balance at 31st March, 2005 (Audited)	34,402	2,401	2,118	38,921

As at 30th September, 2005, the trade debtors mainly consist of receivables of the securities broking business amounting to HK\$26,056,000 (At 31st March, 2005: HK\$22,096,000), 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.

12. CREDITORS AND ACCRUALS

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

	Within 30 days HK\$'000
Balance at 30th September, 2005 (Unaudited)	47,909
Balance at 31st March, 2005 (Audited)	24,832

13. SHARE CAPITAL

	Unaudited 30th September, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Authorised: 620,000,000 ordinary shares of HK\$0.25 each	155,000	155,000
Issued and fully paid: 435,071,650 ordinary shares of HK\$0.25 each	108,768	108,768

There was no movement in share capital during the period and the year ended 31st March, 2005.

Notes to the Condensed Financial Statements (*continued*)**14. BANK LOANS AND OVERDRAFTS**

	Unaudited 30th September, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Short term bank loans, unsecured	90,000	61,687
Long term bank loans, unsecured	120,000	120,000
Bank overdrafts, unsecured	14	549
	210,014	182,236
Less: Non-current portion of long-term bank loans	(111,500)	(120,000)
Bank loans and overdrafts included in current liabilities	98,514	62,236

15. COMMITMENTS**(a) Capital commitments for purchase of property, plant and equipment**

	Unaudited 30th September, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Contracted but not provided for	171	34

(b) Commitments under operating leases

At 30th September, 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Unaudited 30th September, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Not later than one year	40,520	38,809
In the second to fifth years	15,845	23,108
	56,365	61,917

Notes to the Condensed Financial Statements (*continued*)

15. COMMITMENTS (*continued*)

(b) Commitments under operating leases (*continued*)

At 30th September, 2005, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$1,080,000 (At 31st March, 2005: HK\$1,560,000).

(c) Future rental receivables

At 30th September, 2005, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of the Group's owned properties as follows:

	Unaudited 30th September, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
Not later than one year	491	367
In the second to fifth years	192	40
	683	407

16. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	Unaudited Six months ended 30th September, 2005 HK\$'000	2004 HK\$'000
Operating lease rentals on properties paid to related companies:		
Stanwick Properties Limited (<i>Note a</i>)	2,901	2,802
Contender Limited (<i>Note b</i>)	5,265	5,045
Consultancy fee paid to a related company (<i>Note c</i>)	1,050	900
Interest expense paid to a director (<i>Note d</i>)	—	113

Notes to the Condensed Financial Statements (*continued*)

16. 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, directors of the Company, are 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 six months ended 30th September, 2005 at fees totalling HK\$1,050,000 (2004: 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) During the six months ended 30th September, 2004, the Group borrowed an unsecured short term loan of HK\$15,000,000 from a director of the Company at an interest rate of 1.5% per annum. The loan was repaid in full during the year ended 31st March, 2005.

By order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 9th December, 2005

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