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# Management Commentary

The Board of Directors of King Fook Holdings Limited (the “Company”) are pleased to present the interim report and condensed financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2006. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30th September, 2006, and the consolidated balance sheet as at 30th September, 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 8 to 24 of this report.

## **Interim dividend**

The directors have resolved the payment of an interim dividend of HK0.45 cent per ordinary share in respect of the year ending 31st March, 2007 (2006: HK0.45 cent), payable to all shareholders whose names appear on the register of members of the Company on 4th January, 2007. The interim dividend will be paid on or about 12th January, 2007.

## **Closure of register of members**

The register of members of the Company will be closed from 2nd January, 2007 to 4th January, 2007, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:00 p.m. on Friday, 29th December, 2006 in order to qualify for the interim dividend above mentioned.

## **Business review and prospects**

The Group’s unaudited consolidated profit attributable to the shareholders of the Company for the six months ended 30th September, 2006 was approximately HK\$15,351,000. The Group’s overall turnover for the period increased by 34% as compared with the same period for the previous year. Such increase in turnover was mainly due to the increase in both the watch and jewellery retailing and the gold bullion trading businesses. The gold bullion trading turnover increased by 317% as compared with the last period to HK\$61,561,000 as a result of profit taking by customers in view of the substantial increase in gold price. Due to the active stock market in Hong Kong, commission income from the securities broking division of the Group for the period under review increased by 11%.

# Management Commentary (*continued*)

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During the period under review, turnover of the retailing business of the Group increased satisfactorily because of the booming economy of The People's Republic of China (the "PRC") and the good consumer sentiment in Hong Kong. Nevertheless, the operating result of the Group was hard hit by increased rental payments and staff costs in Hong Kong.

Looking forward, the Group plans to expand its retailing business in the PRC, especially in major cities such as Shanghai and Beijing. The management will look for every viable investment opportunity and continue to introduce more international branded jewellery and watches to satisfy customer need. Recently, the Group has introduced "Aleya" brand square diamonds to customers who favour diamonds of special shape. The management will follow its prudent management policy and take steps to improve the Group's businesses. In order to upgrade customer services, the management will provide more training programs for the frontline staff in both Hong Kong and the PRC.

## **Investments**

As at 30th September, 2006, the Group held 1,874,000 shares in Hong Kong Exchanges and Clearing Limited as available-for-sale investments with a market value of HK\$106,537,000. The Group also held available-for-sale investments listed outside Hong Kong, which is a related party of the Group (*note 10*) amounting to HK\$6,705,000.

## **Finance**

As at 30th September, 2006, the Group's current assets and current liabilities were HK\$811 million and HK\$289 million respectively. There were bank balances and cash of HK\$87 million and unsecured bank loans and overdrafts of HK\$229 million on such date.

Based on the total borrowings of HK\$279 million and the capital and reserves attributable to the shareholders of the Company of about HK\$590 million of the Group as at 30th September, 2006, the overall borrowings to equity ratio increased to 47% and was at a healthy level.

## **Employees**

As at 30th September, 2006, the Group had approximately 310 employees. The employees (including directors) are remunerated according to the nature of their jobs and are entitled to an incentive bonus based on their performance.

# Management Commentary (*continued*)

## **Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations**

As at 30th September, 2006, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register required to be kept by the Company under section 352 of Part XV of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

	Number of ordinary shares held				Percentage of shareholding
	Personal	Family	Corporate	Total	
Mr. Tang Yat Sun, Richard	3,585,000	Nil	Nil	3,585,000	0.82%
Mr. Cheng Ka On, Dominic	4,020,000	15,000	Nil	4,035,000	0.93%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*3,170,000	3,170,000	0.73%

\* These shares are held by Tak Hung (Holding) Co. Ltd. ("Tak Hung") in which Mr. Ho has a 40% interest. Accordingly, Mr. Ho is deemed to be interested in all these shares held by Tak Hung.

At no time during the period did the directors or chief executive of the Company (including their respective spouses and children under 18 years of age) have any interests in, or had been granted, or exercised, any rights to subscribe for shares of the Company or any of its associated corporations (within the meaning of the SFO).

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 executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of the SFO).

Save as disclosed above, as at 30th September, 2006, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# Management Commentary (*continued*)

## Substantial shareholders

As at 30th September, 2006, the following persons (other than a director or chief executive of the Company) had interests, being 5% or more of the share capital of the Company, as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

<u>Name of shareholder</u>	<u>Number of ordinary shares held</u>	<u>Nature of interest</u>	<u>Percentage of shareholding</u>
Yeung Chi Shing Estates Limited	193,145,055	Note (a)	44.39%
Miramar Hotel and Investment Company, Limited	59,416,000	Note (b)	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.

Save as disclosed above, as at 30th September, 2006, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

## Purchase, sale or redemption of shares

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the six months ended 30th September, 2006.

## Share option scheme

On 27th August, 2004, the Company adopted a share option scheme under which the directors may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares of the Company.

# Management Commentary (*continued*)

The Company has not granted any option under the share option scheme or otherwise since its adoption.

## **Model Code for securities transactions by directors**

The Company has adopted a code of conduct regarding directors' securities transactions on the terms of the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Having made specific enquiry of all the directors of the Company, all of them had complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the period.

## **Code of Corporate Governance Practices**

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code of Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules at any time during the six months ended 30th September, 2006, except that:

- (a) the non-executive directors were not appointed for a specific term but are subject to retirement by rotation at annual general meetings of the Company in accordance with the Articles of Association of the Company; and
- (b) prior to 31st August, 2006, the Articles of Association of the Company did not require every director to retire every three years but the directors had voluntarily done so. On 31st August, 2006, the Articles of Association of the Company was amended to comply with such requirement.

## **Review by auditors and audit committee**

The interim results of the Company for the six months ended 30th September, 2006 have been reviewed (but not audited) by Grant Thornton, the auditors of the Company.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its internal control and financial reporting matters and the unaudited interim results for the six months ended 30th September, 2006.

# Independent Review Report

## **TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED** *(incorporated in Hong Kong with limited liability)*

### **Introduction**

We have been instructed by the Company to review the interim financial report set out on pages 8 to 24.

### **Respective responsibilities of directors and auditors**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents to this report.

### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2006.

**Grant Thornton**  
*Certified Public Accountants*

Hong Kong, 8th December, 2006

# Condensed Consolidated Income Statement

For the six months ended 30th September, 2006

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2006</b>	<b>2005</b>
Notes		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	3	<b>414,166</b>	309,341
Cost of sales		<u><b>(327,838)</b></u>	<u>(232,063)</u>
<b>Gross profit</b>		<b>86,328</b>	77,278
Other operating income		<b>28,760</b>	10,892
Distribution and selling costs		<b>(60,652)</b>	(53,130)
Administrative expenses		<b>(31,601)</b>	(24,659)
Other operating expenses		<u><b>(97)</b></u>	<u>(130)</u>
<b>Operating profit</b>		<b>22,738</b>	10,251
Finance costs		<b>(6,021)</b>	(3,678)
Share of (loss)/profit of a jointly controlled entity		<u><b>(72)</b></u>	<u>55</u>
<b>Profit before taxation</b>	4	<b>16,645</b>	6,628
Taxation	6	<u><b>(1,286)</b></u>	<u>(272)</u>
<b>Profit for the period</b>		<u><b>15,359</b></u>	<u>6,356</u>
<b>Attributable to:</b>			
Shareholders of the Company		<b>15,351</b>	5,888
Minority interests		<u><b>8</b></u>	<u>468</u>
<b>Profit for the period</b>		<u><b>15,359</b></u>	<u>6,356</u>
<b>Dividend</b>	7	<u><b>1,958</b></u>	<u>1,958</u>
<b>Earnings per share for profit attributable to the shareholders of the Company</b>			
— Basic	8	<u><b>HK3.5 cents</b></u>	<u>HK1.4 cents</u>

# Condensed Consolidated Balance Sheet

As at 30th September, 2006 and 31st March, 2006

		Unaudited 30th September, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
	Notes		
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	21,421	17,768
Leasehold interests in land		5,915	5,980
Investment properties		1,111	1,134
Interests in jointly controlled entities		4,966	4,940
Available-for-sale investments	10	116,140	112,203
Other assets		2,181	2,203
		<u>151,734</u>	<u>144,228</u>
<b>Current assets</b>			
Inventories		605,319	575,613
Debtors, deposits and prepayments	11	103,476	83,522
Investments at fair value through profit or loss		14,998	9,271
Cash and cash equivalents		87,116	50,355
		<u>810,909</u>	<u>718,761</u>
<b>Current liabilities</b>			
Creditors, accruals and provisions	12	90,985	78,683
Taxation payable		1,168	852
Gold loans, unsecured		25,963	25,006
Borrowings, unsecured	13	170,416	83,000
		<u>288,532</u>	<u>187,541</u>
<b>Net current assets</b>		<u>522,377</u>	<u>531,220</u>
<b>Total assets less current liabilities</b>		<u>674,111</u>	<u>675,448</u>
<b>Non-current liabilities</b>			
Borrowings, unsecured	13	83,000	98,000
Provision for long service payments		425	432
		<u>83,425</u>	<u>98,432</u>
<b>Net assets</b>		<u>590,686</u>	<u>577,016</u>
<b>CAPITAL AND RESERVES</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	14	108,768	108,768
Other reserves		149,284	147,470
Retained profits			
Others		330,080	316,687
Proposed dividend		1,958	3,481
		<u>590,090</u>	<u>576,406</u>
<b>Minority interests</b>		<u>596</u>	<u>610</u>
		<u>590,686</u>	<u>577,016</u>

# Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2006

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2006</b>	<b>2005</b>
	<b><u>HK\$'000</u></b>	<b><u>HK\$'000</u></b>
Net cash outflow from operating activities	<b>(36,147)</b>	(7,320)
Net cash generated from investing activities	<b>9,994</b>	551
Net cash generated from financing activities	<b><u>62,843</u></b>	<u>21,154</u>
Net increase in cash and cash equivalents	<b>36,690</b>	14,385
Cash and cash equivalents at the beginning of the period	<b><u>50,355</u></b>	<u>33,869</u>
Cash and cash equivalents at the end of the period	<b><u>87,045</u></b>	<u>48,254</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	<b>87,116</b>	48,268
Bank overdrafts	<b><u>(71)</u></b>	<u>(14)</u>
	<b><u>87,045</u></b>	<u>48,254</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2006

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Capital reserve on consolidation	Exchange reserve	Investment revaluation reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Unaudited</b>									
<b>For the six months ended 30th September, 2006</b>									
At 1st April, 2006	108,768	17,575	24,753	126	105,016	320,168	576,406	610	577,016
Change in fair value of available-for-sale investments	—	—	—	—	17,419	—	17,419	—	17,419
Realisation of fair value change of available-for-sale investments on disposal	—	—	—	—	(16,380)	—	(16,380)	—	(16,380)
Exchange translation differences	—	—	—	775	—	—	775	(22)	753
Net income/(expense) recognised directly in equity	—	—	—	775	1,039	—	1,814	(22)	1,792
Profit for the period	—	—	—	—	—	15,351	15,351	8	15,359
Total recognised income and expense for the period	—	—	—	775	1,039	15,351	17,165	(14)	17,151
Dividend (note 7(b))	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
<b>At 30th September, 2006</b>	<b>108,768</b>	<b>17,575</b>	<b>24,753</b>	<b>901</b>	<b>106,055</b>	<b>332,038</b>	<b>590,090</b>	<b>596</b>	<b>590,686</b>
Representing:									
Proposed interim dividend						1,958			
Others						330,080			
<b>Retained profits as at 30th September, 2006</b>						<b>332,038</b>			

# Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30th September, 2006

	Attributable to the shareholders of the Company								
	Share capital	Share premium	Capital reserve on consolidation	Exchange reserve	Investment revaluation reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited For the six months ended 30th September, 2005									
At 1st April, 2005	108,768	17,575	24,753	82	58,643	307,660	517,481	322	517,803
Change in fair value of available-for-sale investments	—	—	—	—	12,717	—	12,717	—	12,717
Exchange translation differences	—	—	—	422	—	—	422	—	422
Net income recognised directly in equity	—	—	—	422	12,717	—	13,139	—	13,139
Profit for the period	—	—	—	—	—	5,888	5,888	468	6,356
Total recognised income and expense for the period	—	—	—	422	12,717	5,888	19,027	468	19,495
Dividend	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
At 30th September, 2005	108,768	17,575	24,753	504	71,360	310,067	533,027	790	533,817
Representing:									
Proposed interim dividend						1,958			
Others						308,109			
Retained profits as at 30th September, 2005						310,067			

# 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 ("HKICPA") and applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Interim Financial Statements should be read in conjunction with the annual financial statements of the Company for the year ended 31st March, 2006 (the "2006 Annual Financial Statements").

## 2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2006 Annual Financial Statements.

The following new standards, amendments to standards and interpretations are relevant to the Group's operations and are applicable for the year ending 31st March, 2007:

HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures <sup>1</sup>
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation <sup>1</sup>
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions <sup>1</sup>
HKAS 39 (Amendment)	The Fair Value Option <sup>1</sup>
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts <sup>1</sup>
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a Lease <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2006

The above mentioned new standards, amendments to standards and interpretations have no material impact on the Group's operations.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not adopted early the following standards or interpretations relevant to its operations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1

(Amendment) Capital Disclosures<sup>1</sup>

HKFRS 7 Financial Instruments — Disclosures<sup>1</sup>

HK(IFRIC)

— Int 9 Reassessment of Embedded Derivatives<sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st June, 2006

## 3. REVENUE AND 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 revenue and results for the period by business segments is as follows:

	Unaudited Six months ended 30th September, 2006		
	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Group HK\$'000
Segment revenue — Turnover	<u>410,790</u>	<u>3,376</u>	<u>414,166</u>
Segment results	<u>20,673</u>	<u>20,371</u>	41,044
Unallocated results			<u>(18,306)</u>
Operating profit			22,738
Finance costs			(6,021)
Share of loss of a jointly controlled entity	(72)		<u>(72)</u>
Profit before taxation			16,645
Taxation			<u>(1,286)</u>
Profit for the period			<u>15,359</u>

# Notes to the Condensed Financial Statements (continued)

## 3. REVENUE AND SEGMENT INFORMATION (continued)

### (a) Business segments (continued)

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

### (b) Geographical segments

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

## 4. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<u>          </u>	<u>          </u>
<i>Crediting:</i>		
Dividend income	<b>3,342</b>	2,956
Interest income	<b>417</b>	194
Fair value change of investments at fair value through profit or loss	<b>852</b>	1,452
Gain on disposal of available-for-sale investments	<b>18,270</b>	—
Rental income less outgoings		
— owned properties	<b>580</b>	503
— operating subleases	<b>582</b>	459
	<u>          </u>	<u>          </u>
<i>Charging:</i>		
Amortisation of leasehold interests in land	<b>65</b>	65
Cost of inventories sold	<b>322,372</b>	233,722
Depreciation of property, plant and equipment	<b>5,082</b>	4,134
Depreciation of investment properties	<b>23</b>	23
Net provision for and write down of inventories	<b>1,551</b>	1,239
Operating lease charges in respect of properties	<b>25,581</b>	21,227
Write off of property, plant and equipment	<b>7</b>	103
	<u>          </u>	<u>          </u>

## 5. EMPLOYEE BENEFIT EXPENSE

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Wages, salaries and allowances	<b>32,247</b>	25,251
Pension costs — defined contribution retirement schemes	<b>1,652</b>	1,379
Overprovision for long service payments	<b>—</b>	(131)
	<b><u>33,899</u></b>	<b><u>26,499</u></b>

Employee benefit expense as shown above include directors' emoluments except fees.

## 6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
— Hong Kong profits tax	<b>1,200</b>	229
— Overseas taxation	<b>86</b>	43
	<b><u>1,286</u></b>	<b><u>272</u></b>

## 7. DIVIDEND

<b>Unaudited</b>	
<b>Six months ended</b>	
<b>30th September,</b>	
<b>2006</b>	<b>2005</b>
<b>HK\$'000</b>	<b>HK\$'000</b>

Interim dividend declared after the interim period end of HK0.45 cent (2005: HK0.45 cent) per ordinary share

<u><b>1,958</b></u>	<u><b>1,958</b></u>
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Notes:

- (a) At a meeting held on 8th December, 2006, the directors declared an interim dividend of HK0.45 cent per ordinary share for the year ending 31st March, 2007. 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, 2007.
- (b) At a meeting held on 4th July, 2006, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year ended 31st March, 2006, which was approved by the shareholders at the annual general meeting held on 31st August, 2006. This final dividend was paid on 6th September, 2006 and has been reflected as an appropriation of retained profits for the six months ended 30th September, 2006.
- (c) At a meeting held on 9th December, 2005, the directors declared an interim dividend of HK0.45 cent per ordinary share for the year ended 31st March, 2006. This interim dividend was paid on 13th January, 2006 and was reflected as an appropriation of retained profits for the year ended 31st March, 2006.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$15,351,000 (2005: HK\$5,888,000) and on 435,071,650 (2005: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share was not presented as there was no potential dilutive effect (2005: Nil).

## 9. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$8,743,000 (2005: HK\$1,760,000) which mainly related to the acquisitions of leasehold improvements, furniture and equipment.

## 10. AVAILABLE-FOR-SALE 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\$6,705,000 (At 31st March, 2006: HK\$8,120,000).

As at 30th September, 2006, 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 41.2% (At 31st March, 2006: 41.2%) and 5.2% (At 31st March, 2006: 5.2%) equity interests in the Investee Company respectively.

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in debtors, deposits and prepayments are trade debtors and their ageing analysis is as follows:

	<b>Within 30 days HK\$'000</b>	<b>31-90 days HK\$'000</b>	<b>More than 90 days HK\$'000</b>	<b>Total HK\$'000</b>
<b>Balance at 30th September, 2006 (Unaudited)</b>	<b><u>27,952</u></b>	<b><u>2,961</u></b>	<b><u>1,458</u></b>	<b><u>32,371</u></b>
Balance at 31st March, 2006 (Audited)	<u>40,923</u>	<u>903</u>	<u>1,891</u>	<u>43,717</u>

As at 30th September, 2006, the trade debtors mainly consist of receivables of the securities broking business amounting to HK\$13,298,000 (At 31st March, 2006: HK\$22,695,000), 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, ACCRUALS AND PROVISIONS**

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

	<b>Within 30 days HK\$'000</b>	<b>31-90 days HK\$'000</b>	<b>More than 90 days HK\$'000</b>	<b>Total HK\$'000</b>
<b>Balance at 30th September, 2006 (Unaudited)</b>	<b><u>46,993</u></b>	<b><u>201</u></b>	<b><u>144</u></b>	<b><u>47,338</u></b>
Balance at 31st March, 2006 (Audited)	<u>24,787</u>	<u>270</u>	<u>18</u>	<u>25,075</u>

During the year ended 31st March, 2006, the Company had discovered that a former director of a subsidiary of the Group might have misappropriated securities belonging to clients of the Group. The directors of the Company assessed the gross loss arising from this event and a provision for such loss of HK\$28,800,000 was made in the consolidated balance sheet as at 31st March, 2006. Based on current information, no further provision was made during the six months ended 30th September, 2006.

# Notes to the Condensed Financial Statements (continued)

## 13. BORROWINGS, UNSECURED

	<b>Unaudited 30th September, 2006 HK\$'000</b>	Audited 31st March, 2006 HK\$'000
Bank loans, unsecured and repayable as follows:		
— Within one year	<b>146,000</b>	83,000
— In the second year	<b>38,000</b>	28,000
— In third to fifth years, inclusive	<b>45,000</b>	70,000
Loan from other financial institution, unsecured and repayable within one year	<b>24,345</b>	—
Bank overdrafts, unsecured	<b>71</b>	—
	<b>253,416</b>	181,000
Portion classified as current liabilities	<b>(170,416)</b>	(83,000)
Non-current portion	<b>83,000</b>	98,000

## 14. SHARE CAPITAL

	<b>Unaudited 30th September, 2006 HK\$'000</b>	Audited 31st March, 2006 HK\$'000
Authorised:		
620,000,000 ordinary shares of HK\$0.25 each	<b>155,000</b>	155,000
Issued and fully paid:		
435,071,650 ordinary shares of HK\$0.25 each	<b>108,768</b>	108,768

**15. COMMITMENTS****(a) Commitments under operating leases**

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	<b>Unaudited 30th September, 2006 HK\$'000</b>	Audited 31st March, 2006 HK\$'000
Within one year	<b>40,238</b>	31,397
In the second to fifth years, inclusive	<b>45,680</b>	9,746
	<b>85,918</b>	41,143

The Group leases a number of properties under operating leases. The leases run for an initial period of one to five years, without option to renew the lease term at the expiry date. The leases include contingent rentals.

At 30th September, 2006, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$120,000 (At 31st March, 2006: HK\$600,000).

**(b) Future operating lease receivables**

The total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	<b>Unaudited 30th September, 2006 HK\$'000</b>	Audited 31st March, 2006 HK\$'000
Within one year	<b>744</b>	620
In the second to fifth years, inclusive	<b>203</b>	252
	<b>947</b>	872

## 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:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<u>          </u>	<u>          </u>
Operating lease rentals on land and buildings paid to related companies:		
Stanwick Properties Limited ("Stanwick")		
<i>(Note a)</i>	<b>3,139</b>	2,901
Contender Limited ("Contender") <i>(Note b)</i>	<b>7,599</b>	5,265
Consultancy fees paid to a related company		
<i>(Note c)</i>	<b>1,200</b>	1,050
	<u>          </u>	<u>          </u>

Notes:

- (a) The operating lease rental was paid to 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, 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 first basement level, the ground and first floors of the Shopping Arcade of Hotel Miramar. Mr. Tang Yat Sun, Richard 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. 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.

## 16. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (d) Compensation of key management personnel

Included in employee benefit expense is key management personnel compensation and comprises the following categories:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2006</b>	<b>2005</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Wages, salaries and allowances	<b>3,028</b>	2,061
Pension costs — defined contribution retirement schemes	<b>102</b>	88
	<b><u>3,130</u></b>	<b><u>2,149</u></b>

- (e) At 30th September, 2006, included in the creditors was an amount due to a director of a subsidiary of approximately HK\$2,614,000 (At 31st March, 2006: HK\$2,628,000) which was unsecured, interest free and repayable on demand.

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

Hong Kong, 8th December, 2006

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 Mr. Wong Wei Ping, Martin, Mr. Ho Hau Hay, Hamilton and Mr. Sin Nga Yan, Benedict and the independent non-executive directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter and Mr. Chan Chak Cheung, William.