



HENRY GROUP OLDINGS LIMITED

鎮科集團控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 0859

Interim Report
2006/2007

* For identification purpose only



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CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. Ng Chun For, Henry (*Chairman*)

Mr. Ng Ian (*Chief Executive Officer*)

Mr. Chan Kwai Ping, Albert

Non-executive director

Mr. Mak Wah Chi

Independent non-executive directors

Mr. Cheng Yuk Wo

Mr. Ng Hoi Yue

Mr. Tsang Kwok Ming, Rock

Audit Committee

Mr. Cheng Yuk Wo (*Committee Chairman*)

Mr. Mak Wah Chi

Mr. Ng Hoi Yue

Remuneration Committee

Mr. Cheng Yuk Wo (*Committee Chairman*)

Mr. Mak Wah Chi

Mr. Tsang Kwok Ming, Rock

Company Secretary

Mr. Lee Pui Lam

Qualified Accountant

Mr. Lee Pui Lam

Authorised Representatives

Mr. Ng Ian

Mr. Chan Kwai Ping, Albert

Head Office and Principal Place of Business

28/F., Henry House

42 Yun Ping Road

Causeway Bay

Hong Kong

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited

Industrial and Commercial Bank of

China (Asia) Limited

Hang Seng Bank Limited

Auditors

Horwath Hong Kong CPA Limited

Principal Share Registrar and Transfer Office

Butterfield Corporate Services
(Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Standard Registrars Limited

26/F., Tesbury Centre

28 Queen's Road East

Hong Kong

Stock Code

859

Corporate Website

www.henrygroup.hk



UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Henry Group Holdings Limited (the "Company") is pleased to present the unaudited interim results and the condensed interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2006, together with the comparative figures for the corresponding period in last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Turnover	3	163,505	209,736
Cost of sales		(160,821)	(205,249)
Gross profit		2,684	4,487
Other operating income		1,031	850
Selling expenses		(706)	(708)
Administrative expenses		(10,257)	(11,242)
Finance costs	4	(228)	(83)
Loss before taxation	5	(7,476)	(6,696)
Taxation	6	-	-
Net loss for the period		(7,476)	(6,696)
Dividend	7	-	-
Basic loss per share	8	(3.33) cents	(3.10) cents



CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		9,959	9,951
Other investment		–	245
Goodwill	9	1,500	–
Deferred tax assets		347	–
		11,426	10,196
Current assets			
Inventories		146	2,883
Trade and other receivables	10	3,962	3,174
Cash and bank balances		6,503	11,228
		10,611	17,285
Current liabilities			
Trade and other payables	11	5,788	9,147
Bank borrowings – current portion	12	2,798	229
Tax payable		546	–
		9,132	9,376
Net current assets		1,479	7,909
Total assets less current liabilities		12,905	18,105
Non-current liabilities			
Bank borrowings – non-current portion	12	944	1,066
Amount due to a former intermediate holding company	13	5,080	5,080
Advances from a minority shareholder	14	1,778	–
		7,802	6,146
Net assets		5,103	11,959
Capital and reserves			
Share capital	15	22,481	22,415
Reserves		(17,378)	(10,456)
Total equity		5,103	11,959



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Share- based payment reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2005 (Audited)	20,415	24,897	9,628	-	-	(42,156)	12,784
Shares issued at premium	2,000	7,985	-	-	-	-	9,985
Net loss for the period	-	-	-	-	-	(6,696)	(6,696)
At 30 September 2005 (Unaudited)	22,415	32,882	9,628	-	-	(48,852)	16,073
Recognition of share-based payment	-	-	-	726	-	-	726
Exchange difference arising from translation of financial statements of overseas subsidiaries	-	-	-	-	187	-	187
Net loss for the period	-	-	-	-	-	(5,027)	(5,027)
At 1 April 2006 (Audited)	22,415	32,882	9,628	726	187	(53,879)	11,959
Shares issued as part of the consideration for acquisition of a subsidiary	66	554	-	-	-	-	620
Net loss for the period	-	-	-	-	-	(7,476)	(7,476)
At 30 September 2006 (Unaudited)	22,481	33,436	9,628	726	187	(61,355)	5,103



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash used in operating activities	(6,242)	(4,121)
Net cash (used in)/generated from investing activities	(2,480)	1,652
Net cash generated from financing activities	1,439	7,995
Net (decrease)/increase in cash and cash equivalents	(7,283)	5,526
Cash and cash equivalents at beginning of the period	11,228	7,483
Cash and cash equivalents at end of the period	3,945	13,009
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	6,503	14,750
Bank overdrafts	(2,558)	(1,741)
	3,945	13,009



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation

The unaudited condensed interim financial statements have been 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 with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal Accounting Policies

The unaudited condensed interim financial statements have been prepared under the historical cost basis, except for certain leasehold land and buildings in Hong Kong held for own use, which are measured at revalued amounts.

The accounting policies used in the unaudited condensed interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2006.

HKICPA has issued a number of new standards, amendments to standards and interpretations that are effective for accounting periods beginning on or after 1 January 2006. The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these unaudited condensed interim financial statements.

The Group has not early adopted the standards and interpretations that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(continued)

3. Segment Information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(a) Business segments

Income Statement for the six months ended 30 September 2006

	Design and manufacture of computer motherboard and network products (Unaudited) HK\$'000	Supply of computer related products (Unaudited) HK\$'000	Supply of mobile storage and related products (Unaudited) HK\$'000	Provision of property agency services (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
TURNOVER	6,001	143,463	11,135	2,906	163,505
RESULTS					
Segment results	1,018	2,058	291	(2,279)	1,088
Unallocated corporate income					1,031
Unallocated corporate expenses					(9,367)
Loss from operations					(7,248)
Finance costs					(228)
Net loss for the period					(7,476)



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(continued)

Income Statement for the six months ended 30 September 2005

	Design and manufacture of computer motherboard and network products (Unaudited) <i>HK\$'000</i>	Supply of computer related products (Unaudited) <i>HK\$'000</i>	Supply of mobile storage and related products (Unaudited) <i>HK\$'000</i>	Provision of property agency services (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
TURNOVER	11,558	166,839	31,339	–	209,736
RESULTS					
Segment results	1,908	1,782	797	–	4,487
Unallocated corporate income					850
Unallocated corporate expenses					(11,950)
Loss from operations					(6,613)
Finance costs					(83)
Net loss for the period					(6,696)



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(continued)

(b) Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's manufacture of computer motherboard and network products is carried out in the PRC, and supply of computer related products and mobile storage and related products and provision of property agency services are carried out in Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services.

	Sales revenue	
	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
By geographical location:		
Hong Kong	37,292	94,209
The PRC	22,712	34,933
North America	1,861	6,952
Asia Pacific	60,739	44,987
Europe	39,425	28,433
Others	1,476	222
	163,505	209,736

4. Finance Costs

The amounts represent interest on bank borrowings wholly repayable within five years.

5. Loss Before Taxation

Loss before taxation has been arrived at after charging the followings:

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation and amortisation	1,049	2,458
Provision for impairment of trade receivables	1,037	582
Impairment of goodwill	2,036	—



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(continued)

6. Taxation

No provision for Hong Kong Profits Tax or income tax in other jurisdictions has been made as the Group had no estimated assessable profit in Hong Kong or other jurisdictions for both periods.

7. Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2006 (2005: Nil).

8. Loss Per Share

(a) Basic

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$7,476,000 (2005: HK\$6,696,000) and the weighted average number of ordinary shares of 224,789,809 shares in issue during the period (2005: weighted average 215,811,667 shares).

(b) Diluted

No diluted loss per share is presented as the exercise of share options during both periods would result in a decrease in loss per share.

9. Goodwill

On 9 March 2006, Henry Group Holdings Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company, entered into an agreement with three independent third parties for the acquisition of 55% equity interest in Uni-Land Property Consultants Limited ("Uni-Land"), which is a private limited company incorporated in Hong Kong with principal activities in the business of provision of property agency and consultancy services in Hong Kong, at a consideration of HK\$3,300,000 (the "Acquisition"). The Acquisition was completed in April 2006. For details of the Acquisition, please refer to the circular of the Company dated 30 March 2006.

The movement of goodwill is as follows:

	Amount <i>HK\$'000</i>
GROSS AMOUNT	
Arising from acquisition of Uni-Land during the period and at 30 September 2006	3,536
IMPAIRMENT	
Impairment loss recognised during the period and at 30 September 2006	(2,036)
CARRYING AMOUNT	
At 30 September 2006	1,500



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

10. Trade and Other Receivables

The Group allows its customers a credit period in accordance with the terms specified in the contracts, normally ranging from 30 days to 90 days. Included in trade and other receivables of the Group are trade receivables of approximately HK\$2,344,000 (as at 31 March 2006: approximately HK\$1,782,000), the aged analysis of which at the balance sheet date, and net of provisions, is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Up to 30 days	1,163	1,611
31 – 60 days	340	6
61 – 90 days	481	25
More than 90 days	360	140
	2,344	1,782

11. Trade and Other Payables

Included in trade and other payables of the Group are trade payables of approximately HK\$2,366,000 (as at 31 March 2006: approximately HK\$4,842,000), the aged analysis of which at the balance sheet date is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Up to 30 days	773	2,065
31 – 60 days	200	919
61 – 90 days	213	774
More than 90 days	1,180	1,084
	2,366	4,842



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(continued)

12. Bank Borrowings

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Borrowings comprised:		
Bank loan	1,184	1,295
Bank overdrafts	2,558	–
	3,742	1,295
Current portion	2,798	229
Non-current portion	944	1,066
Analysed as:		
Secured	2,809	1,295
Unsecured	933	–
	3,742	1,295

The Group's bank loan was wholly repayable within five years as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within one year	240	229
In the second year	262	250
In the third year	286	274
In the fourth year	312	300
In the fifth year	84	242
	1,184	1,295



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

13. Amount Due to a Former Intermediate Holding Company

The amount is advanced from Tactful Finance Limited, a former intermediate holding company of the Company in which Mr. Chang Chung Wa, Eddie, a former director of the Company, has beneficial interest. The amount is unsecured, non-interest bearing and will not be repayable in the coming twelve months.

The Directors consider that the carrying amount of amount due to a former intermediate holding company approximates its fair value.

14. Advances from a Minority Shareholder

The advances are unsecured, non-interest bearing and will not be repayable in the coming twelve months.

The Directors consider that the carrying amounts of advances from a minority shareholder approximate their fair values.

15. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 April 2006 and at 30 September 2006	1,000,000,000	100,000
Issued and fully paid:		
At 1 April 2006	224,145,000	22,415
Shares issued as part of the consideration for acquisition of a subsidiary	666,667	66
At 30 September 2006	224,811,667	22,481



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(continued)

16. Operating Lease Arrangements

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented factory premises and office premises which fall due as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within one year	2,893	1,857
In the second to fifth year inclusive	1,645	1,857
	4,538	3,714

The Group as lessor

The Group has sub-leased its rented warehouse and rented factory premises to tenants on a two years term. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receivables:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within one year	1,709	1,453
In the second to fifth year inclusive	653	1,022
	2,362	2,475



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

17. Connected and Related Party Transactions and Balances

During the period, the Group had the following material transactions and balances with connected and related parties:

- (a) Tactful Finance Limited, a company in which Mr. Chang Chung Wa, Eddie, a former director of the Company, has beneficial interest, has provided an advance of approximately HK\$5,080,000 (as at 31 March 2006: approximately HK\$5,080,000) to the Group as detailed in note 13 to the condensed interim financial statements.
- (b) During the period, Mr. Chang Chung Wa, Eddie, a former director of the Company, has given a personal guarantee and pledged his own property in favour of a bank for banking facilities granted to a subsidiary to the extent of approximately HK\$3,795,000 (as at 31 March 2006: approximately HK\$1,350,000) of which approximately HK\$2,809,000 (as at 31 March 2006: approximately HK\$1,295,000) was utilised as at 30 September 2006.
- (c) The Company has given a corporate guarantee in favour of a bank for banking facilities granted to its non wholly-owned subsidiary to the extent of approximately HK\$950,000 (as at 31 March 2006: Nil) of which approximately HK\$933,000 (as at 31 March 2006: Nil) was utilised as at 30 September 2006.
- (d) During the period, Mr. Chan Kwok Hung, the managing director and a minority shareholder of Uni-Land, has provided advances of approximately HK\$1,778,000 (as at 31 March 2006: Nil) to Uni-Land for its general working capital purpose as detailed in note 14 to the condensed interim financial statements.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

Turnover

During the period under review, the Group recorded an unaudited consolidated turnover of approximately HK\$163,505,000, representing a decrease of 22.0% as compared with that of the last corresponding period. Such decrease was mainly due to the decrease in revenue generated from supply of computer components business as a result of substantial reduction of orders from customers in Hong Kong and Mainland China markets.

Gross profit

The Group recorded a gross profit of approximately HK\$2,684,000, representing a decrease of 40.2% as compared with that of the last corresponding period. The decrease was due to the decreasing selling prices of computer products of the Group attributable by fierce price competition in the computer industry.

Selling expenses

In spite of the turnover dropped by 22.0%, the level of selling expenses of the Group for both periods remained stable at approximately HK\$706,000 resulted from the increase in advertising expenses as a result of a newly acquired property agency services subsidiary in April 2006.

Administrative expenses

Administrative expenses decreased by 8.8% as compared with that of the last corresponding period. The decrease was mainly attributable to the fact that an one-off impairment loss in respect of development costs and provision for slow-moving and obsolete inventories amounted to approximately HK\$2,146,000 and approximately HK\$1,257,000 respectively were not repeated in this period despite the recognition of an impairment loss in respect of goodwill arising from acquisition of a subsidiary of approximately HK\$2,036,000 for this period and the increase in administrative expenses as a result of a newly acquired property agency services subsidiary in April 2006.

Finance costs

Finance costs for the period increased by 174.7% to approximately HK\$228,000 as compared with that of the last corresponding period. Such increase was attributable to the increase in bank borrowings.

Net loss for the period

As a result of the foregoing, net loss for the period increased by 11.6% to approximately HK\$7,476,000.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Business Review and Prospects

Computer related businesses

During the period under review, the sales in Hong Kong and Mainland China were down by 63.5% to approximately HK\$34,386,000 and 34.9% to approximately HK\$22,712,000 respectively as compared with the same period last year as a result of the fierce price competition in these markets. As a result of the Group's dedicated effort to expand its customer base, both sales in Asia Pacific and Europe increased by 35.0% and 38.7% to approximately HK\$60,739,000 and approximately HK\$39,425,000 respectively.

The board anticipates that the volatile information technology industry to continue to pose challenges in second half and the coming years. To confront such challenges aheads, the management has been pursuing a very cautious strategy by maintaining disciplined procurement control and contemplating appropriate cost-reduction measures with the aim to mitigate cost pressure through improving operational efficiency and better economies of scale in order to survive itself from the fast-changing market conditions and product trend. The board will also consider to scale-down the computer related businesses given their unsatisfactory performance and will continue to diversify the revenue stream of the Group.

Acquisition of a controlling stake in property agency services provider

In April 2006, the Group completed its acquisition of a controlling stake in property agency services provider in Hong Kong, namely Uni-Land Property Consultants Limited ("Uni-Land"). Since being acquired by the Group in April 2006 and up to 30 September 2006, Uni-Land confronted stern challenges posed by the downturn in retail property and leasing market. In the face of upsurge interest rate and rental hikes, many investors and retailers were cautious in executing transactions leading to a reduction in leasing and sales volume. During the period under review, Uni-Land contributed a turnover of approximately HK\$2,906,000. Looking forward, the management is optimistic about the prospect of Hong Kong's retailing landscape buoyed by a continuing high level of consumer confidence with respect to the economy and the ending of the interest rate hike cycle.

The Board will proactively look for new and viable business opportunities, with the objective of turning around the Group's operation and delivering the best returns for shareholders of the Company.

Capital Structure, Liquidity, Financial Resources and Gearing Ratio

The Group had cash balances of approximately HK\$6,503,000 and bank borrowings of approximately HK\$3,742,000 as at 30 September 2006. With cash and other current assets of approximately HK\$10,611,000 as at 30 September 2006 as well as available banking facilities, the Group has sufficient financial resources to satisfy its working capital requirements and commitments.

As at 30 September 2006, the total bank borrowings of the Group amounted to approximately HK\$3,742,000, comprising bank overdrafts of approximately HK\$2,558,000 and bank loan of approximately HK\$1,184,000, all denominated in Hong Kong dollars and have been arranged on a floating rate basis.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

In April 2006, as part of the consideration for the acquisition of a subsidiary, the Company issued an aggregate of 666,667 shares. Save as the aforesaid, there was no change in capital structure of the Company during the period.

The Group's gearing ratio, calculated as total liabilities over total assets, was approximately 76.8% as at 30 September 2006.

Treasury Policies

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars, US dollars and Renminbi. The Group adopted relatively prudent financial policy and closely monitored its cashflow and did not enter into any derivatives products for hedging purpose during the period under review.

Subsequent Events

Expected lapse of an agreement in respect of a proposed very substantial acquisition

On 28 October 2006, the Company entered into an agreement with independent third parties in relation to an acquisition of a company which controls a property development project in the PRC (the "Agreement"). It is expected that the Agreement will lapse eventually as a result of certain of the conditions precedent thereof cannot be fulfilled on or before 31 December 2006. However, this would not have any material adverse effect on the business and financial position of the Group. The details have been set out in the announcement of the Company dated 1 December 2006.

Charges on Group Assets

As at 30 September 2006, the Group's leasehold land and buildings in Hong Kong held for own use with carrying amounts of approximately HK\$2,800,000 was pledged to a bank to secure banking facilities granted to the Group.

Guarantee

The Company has given a corporate guarantee in favour of a bank for banking facilities granted to its non wholly-owned subsidiary to the extent of approximately HK\$950,000 of which approximately HK\$933,000 was utilised as at 30 September 2006.

The directors consider that the fair value of the above financial guarantee contract does not have significant impact to the unaudited condensed interim financial statements.

Capital Commitments

There was no capital commitments outstanding as at 30 September 2006.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Significant Investments, Material Acquisitions and Disposals

Save as the Acquisition as disclosed in note 9, the Group did not have any significant investments, material acquisitions and disposals during the period.

Employees and Remuneration Policy

As at 30 September 2006, the Group had about 45 employees based in the PRC and Hong Kong. The Group offers its employee competitive remuneration packages which commensurate with their performance, experience and job nature.



OTHER INFORMATION

Share Option Scheme

A share option scheme, which will expire on 2 September 2013, was adopted by the Company at the Annual General Meeting held on 3 September 2003. The primary purpose of the share option scheme is to provide incentives or reward the employees and other persons who may have contribution to the Group, and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group.

Under the share option scheme, the board of directors of the Company may offer to full time employees, including full time executive directors and non-executive directors, of the Company and/or its subsidiaries, and other eligible persons as specified under the terms of the share option scheme, to subscribe for shares in the Company in accordance with the terms of the share option scheme for the consideration of HK\$1 for each lot of share options granted. The total number of shares in respect of which options may be granted under the share option scheme is not permitted to exceed 22,481,166 shares, being 10% of the issued share capital of the Company at the date of approval of the refreshment of the 10% general limit at the Annual General Meeting held on 25 August 2006. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of the Company's shares in issue from time to time. The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

- (a) the closing price of shares at the date of grant of a share option;
- (b) the average closing price of the shares for the five business days immediately preceding the date of grant; and
- (c) the nominal value of a share.



OTHER INFORMATION *(continued)*

Details of the share options granted by the Company pursuant to the share option scheme and the options outstanding as at 30 September 2006 were as follows:

Name of grantee	Option grant date	Exercise period	Exercise price HK\$	Number of share options outstanding	Approximate percentage of interest in issued share capital
Executive Directors	28 October 2005	28 October 2005 to 27 October 2015	0.676	6,000,000	2.67%
Eligible person	28 October 2005	28 October 2005 to 27 October 2015	0.676	1,280,000	0.57%
				<u>7,280,000</u>	

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 30 September 2006, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

- (a) *Long positions in ordinary shares of HK\$0.1 each of the Company*

Name of Director	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of interest in issued share capital of the Company
Mr. Ng Chun For, Henry ("Mr. Ng")	Interest of a controlled corporation	152,618,000 (Note)	67.89%

Note: Henry Jewellery Holdings Limited, a company incorporated in the British Virgin Islands ("HJHL") (formerly known as True Ever Group Limited) owned 152,618,000 shares of the Company. Mr. Ng is entitled to exercise or control the exercise of 70%, more than one-third, of the voting rights of HJHL so he is deemed to be interested in all shares held by HJHL by virtue of the SFO.



OTHER INFORMATION *(continued)*

(b) Long positions in underlying shares of the Company

Under the share option scheme of the Company, share option may be granted to certain participants including the Directors and employees of the Company and its subsidiaries to subscribe for shares of the Company. Details of share options granted to Directors of the Company are as follows:

Name of Director	Option grant date	Exercise period	Exercise price HK\$	Number of share options outstanding	Approximate percentage of interest in issued share capital
Mr. Ng	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.89%
Mr. Ng Ian	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.89%
Mr. Chan Kwai Ping, Albert	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.89%
				<hr/> <hr/> 6,000,000	



OTHER INFORMATION *(continued)*

(II) Interests and Short Positions in the Shares, Underlying Shares and Debentures of Associated Corporations of the Company

Long positions in the shares of an associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the associated corporation
Mr. Ng	HJHL <i>(Note)</i>	Personal beneficial owner	70	70%
Mr. Ng Ian	HJHL <i>(Note)</i>	Personal beneficial owner	10	10%
Mr. Chan Kwai Ping, Albert	HJHL <i>(Note)</i>	Personal beneficial owner	10	10%

Note: HJHL: The Company's ultimate holding company, is a company incorporated in the British Virgin Islands.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 September 2006, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



OTHER INFORMATION *(continued)*

Substantial Shareholders

So far as is known to any Directors or chief executives of the Company, as at 30 September 2006, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise been notified to the Company were as follows:

Long positions in ordinary shares of HK\$0.1 each of the Company

Name of shareholder	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Ng	Interest of a controlled corporation (<i>Note</i>)	152,618,000	67.89%
HJHL	Beneficial owner	152,618,000	67.89%

Note: Mr. Ng owned 152,618,000 shares of the Company through Henry Jewellery Holdings Limited, a company incorporated in the British Virgin Islands ("HJHL") (formerly known as True Ever Group Limited). Mr. Ng is entitled to exercise or control the exercise of 70%, more than one-third, of the voting rights of HJHL so he is deemed to be interested in all shares held by HJHL by virtue of the SFO.

Save as disclosed above, as at 30 September 2006, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Corporate Governance

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the period with deviation from code provision A.4.1 of the CG Code.

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Prior to the Annual General Meeting of the Company held on 25 August 2006 ("AGM"), none of the existing non-executive Director and independent non-executive Directors of the Company was appointed for a specific term. However, at the AGM, the non-executive Director Mr. Mak Wah Chi was re-elected to hold office until the conclusion of the 2009 annual general meeting of the Company, while the three independent non-executive Directors were re-elected to hold office until the conclusion of the next annual general meeting of the Company. As such, since the conclusion of the AGM, all non-executive Director and independent non-executive Directors have been appointed for a specific term, and accordingly the Company has been in compliance with the said code provision A.4.1.



OTHER INFORMATION *(continued)*

Audit Committee

The audit committee comprises the non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Cheng Yuk Wo (Committee Chairman) and Mr. Ng Hoi Yue. The audit committee had reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed interim financial statements for the period.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the review period.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

By Order of the Board
Ng Ian
Chief Executive Officer

Hong Kong, 21 December 2006

The Directors of the Company as at the date of this report are:

Executive Directors

Mr. Ng Chun For, Henry (*Chairman*)

Mr. Ng Ian (*Chief Executive Officer*)

Mr. Chan Kwai Ping, Albert

Non-executive Director

Mr. Mak Wah Chi

Independent non-executive Directors

Mr. Cheng Yuk Wo

Mr. Ng Hoi Yue

Mr. Tsang Kwok Ming, Rock