

*Make the "Dreams"
Come "True"*

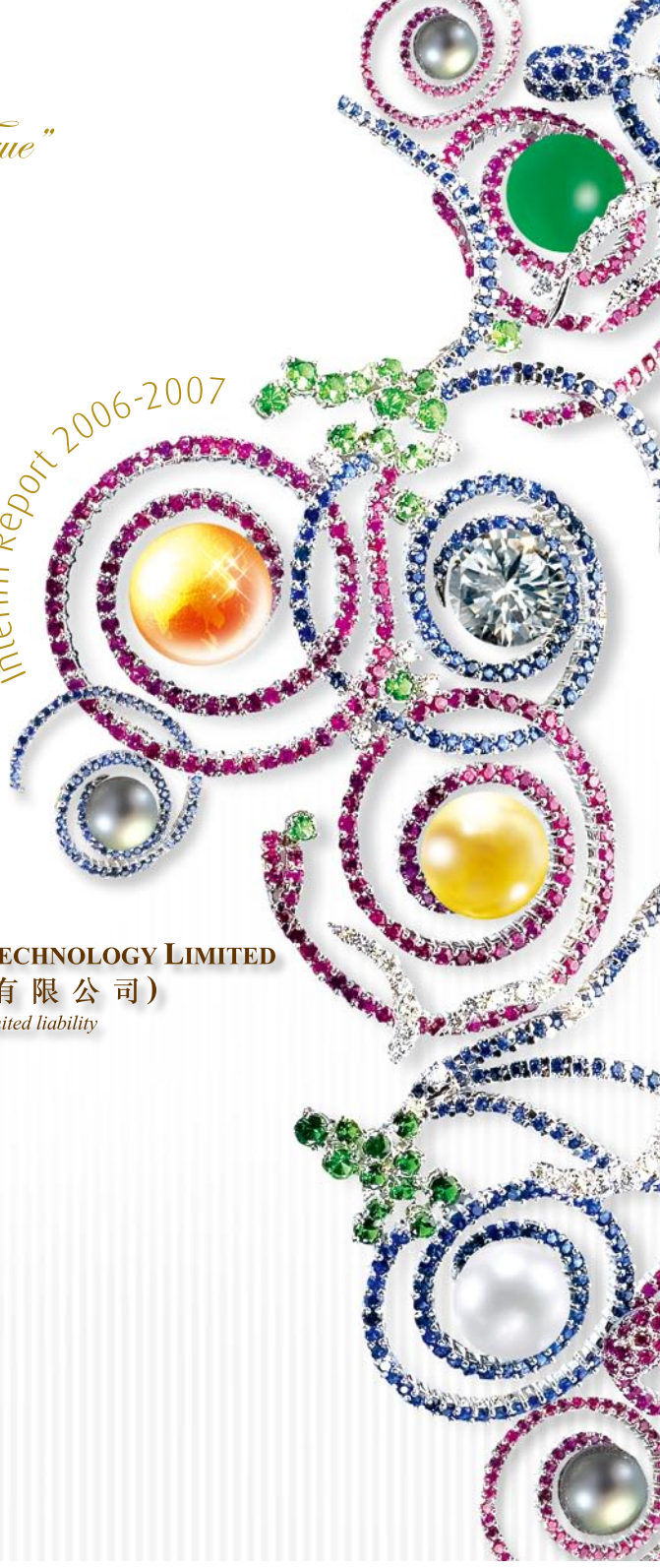
Interim Report 2006-2007



HANG FUNG GOLD TECHNOLOGY LIMITED
(恒豐金業科技有限公司)

Incorporated in Bermuda with limited liability

Stock Code : 870



The Board of Directors of Hang Fung Gold Technology Limited (the “Company”) is pleased to present the interim report together with the unaudited condensed consolidated financial information of the Company and its subsidiaries (together the “Group”) for the six months ended 30 September 2006 together with comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30 September	
	<i>Note</i>	2006 HK\$'000	2005 HK\$'000
Sales	4	1,522,678	1,361,219
Cost of goods sold		(1,073,885)	(937,840)
Gross profit		448,793	423,379
Other (losses)/gains – net		(3,861)	1,882
Selling and marketing costs		(209,416)	(213,350)
Administrative expenses		(149,171)	(138,376)
Operating profit	5	86,345	73,535
Finance costs		(27,814)	(22,134)
Profit before income tax		58,531	51,401
Income tax expense	6	(6,500)	(2,994)
Profit attributable to equity holders of the Company		52,031	48,407
Dividend	7	11,614	7,626
Earnings per share for profit attributable to the equity holders of the Company during the period	8		
– Basic		HK6.82 cents	HK6.69 cents
– Diluted		HK6.82 cents	HK6.66 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	9	746,796	727,734
Leasehold land	9	5,692	5,761
		752,488	733,495
Current assets			
Inventories		1,004,876	889,265
Trade receivables	10	449,039	403,267
Prepayments, deposits and other receivables		57,871	37,510
Prepaid income tax		–	2,560
Derivative financial instruments		28	725
Other financial assets at fair value through profit or loss		3,557	3,726
Pledged bank deposits		41,676	41,489
Cash and cash equivalents		224,138	187,986
		1,781,185	1,566,528
Total assets		2,533,673	2,300,023
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	76,307	76,307
Reserves	14	1,080,651	1,051,512
Total equity		1,156,958	1,127,819

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Note		
LIABILITIES		
Non-current liabilities		
Long-term bank borrowings	507,995	504,529
Finance lease obligations	1,538	1,506
Deferred taxation	40,547	40,547
	550,080	546,582
Current liabilities		
Trade payables	131,157	142,981
Accruals and other payables	46,975	39,938
Derivative financial instruments	4,225	–
Short-term bank borrowings	573,923	378,771
Long-term bank borrowings, current portion	43,466	58,667
Finance lease obligations, current portion	2,042	5,265
Dividend payable	22,964	–
Current income tax liabilities	1,883	–
	826,635	625,622
Total liabilities	1,376,715	1,172,204
Total equity and liabilities	2,533,673	2,300,023
Net current assets	954,550	940,906
Total assets less current liabilities	1,707,038	1,674,401

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Unaudited
Six months ended
30 September

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net cash used in operating activities	(70,506)	(12,131)
Net cash used in investing activities	(68,978)	(172,867)
Net cash generated from financing activities	175,636	206,793
Increase in cash and cash equivalents	36,152	21,795
Cash and cash equivalents at 1 April	187,986	86,366
Cash and cash equivalents at 30 September	224,138	108,161
Analysis of cash and cash equivalents:		
Bank balances and cash	224,138	108,161

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Total equity as at 1 April	1,127,819	831,319
Profit attributable to the Company's equity holders	52,031	48,407
Issue of shares		
– rights issue	–	188,801
– exercise of share options	–	3,268
Share issue expenses	–	(2,239)
Dividend	(22,892)	(28,558)
Total equity as at 30 September	1,156,958	1,040,998

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

Hang Fung Gold Technology Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the design, manufacture and selling of a broad range of gold products, other precious metal products and jewellery products.

The Company is a limited liability company incorporated in Bermuda and has its listing on The Stock Exchange of Hong Kong Limited. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

This condensed consolidated interim financial information was approved for issue on 20 December 2006.

2. Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2006.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2006, as described in the annual financial statements for the year ended 31 March 2006, except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are effective for accounting periods beginning on or after 1 April 2006 and relevant to its operations. The adoption of such standards did not have material effect on the condensed consolidated financial information.

4. Segment information

(a) Business segments

No segment analysis by business segment is presented as the Group principally operates in one business segment, which is the wholesale, trading and retail of gold products, other precious metal products and jewellery products.

(b) *Geographical segments*

An analysis by geographical segment is as follows:

	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Sales (i)		
Hong Kong/Mainland China	1,395,945	1,226,149
South-East Asia	59,070	79,334
The United States of America	59,375	49,377
Europe	8,175	5,794
Others	113	565
	1,522,678	1,361,219
Segment results		
Hong Kong/Mainland China	73,444	61,730
South-East Asia	2,797	3,673
The United States of America	8,216	6,782
Europe	1,883	1,328
Others	5	22
	86,345	73,535

Note:

- (i) Sales by geographical location is determined on the basis of the location of deliveries or the destination of shipments of goods.

No segment information of total assets and capital expenditure by location is presented as all of the Group's assets are located in Hong Kong/Mainland China.

5. Operating profit

Operating profit is determined after charging:

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Amortisation of leasehold land	69	69
Depreciation of property, plant and equipment	50,086	58,293

6. Income tax expense

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Current taxation		
– Hong Kong profits tax	(6,500)	(5,994)
– Write-back of over-provision of Mainland China taxes in prior years	–	3,000
	(6,500)	(2,994)

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong. No Mainland China enterprise income tax has been provided as the Group had no profit subject to such tax during the period.

7. Dividend

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Proposed interim dividend of HK1.5 cents (2005: HK1.0 cent) per share	11,614	7,626

8. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2006	2005
Profit attributable to equity holders of the Company (<i>HK thousands dollar</i>)	52,031	48,407
Weighted average number of ordinary shares in issue (<i>thousands</i>)	763,066	723,696
Basic earnings per share (<i>HK cents per share</i>)	6.82	6.69

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

	Six months ended 30 September	
	2006	2005
Profit attributable to equity holders of the Company (<i>HK thousands dollar</i>)	52,031	48,407
Weighted average number of ordinary shares in issue (<i>thousands</i>)	763,066	723,696
Adjustments for share options (<i>thousands</i>)	380	3,647
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	763,446	727,343
Diluted earnings per share (<i>HK cents per share</i>)	6.82	6.66

9. Capital expenditure

	Property, plant and equipment <i>HK\$'000</i>	Investment property <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>
Opening net book value as at 1 April 2005	513,052	1,680	5,900
Additions	172,793	–	–
Disposals	(611)	–	–
Change in fair values	–	(150)	–
Depreciation/amortisation charge	(58,293)	–	(69)
Closing net book value as at 30 September 2005	626,941	1,530	5,831
Additions	183,938	–	–
Disposals	(29,515)	(1,530)	–
Depreciation/amortisation charge	(53,630)	–	(70)
Closing net book value as at 31 March 2006	727,734	–	5,761
Opening net book value as at 1 April 2006	727,734	–	5,761
Additions	69,866	–	–
Disposals	(718)	–	–
Depreciation/amortisation charge	(50,086)	–	(69)
Closing net book value as at 30 September 2006	746,796	–	5,692

10. Trade receivables

For wholesale and trading sales, the Group grants to majority of its customers credit periods ranging from 30 days to 120 days. Retail sales are primarily settled by cash or credit cards upon deliveries.

The ageing analysis of trade receivables is as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
0 to 90 days	387,897	362,088
91 to 180 days	59,986	39,518
Over 180 days	1,156	1,661
	449,039	403,267

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The carrying amounts of trade receivables approximate their fair values as at 30 September 2006.

11. Trade payables

The ageing analysis of trade payables is as follows:

	30 September 2006 HK\$'000	31 March 2006 HK\$'000
0 to 90 days	119,762	125,462
91 to 180 days	5,485	15,824
Over 180 days	5,910	1,695
	131,157	142,981

12. Share capital

	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorized		
At 1 April 2006 and at 30 September 2006	2,000,000	200,000
Issued and fully paid		
At 1 April 2006 and at 30 September 2006	763,066	76,307

13. Share options

Effective from 28 August 2002, the Company has adopted a new share option scheme (the "New Scheme") and terminated the old share option scheme adopted on 27 February 1999 (the "Old Scheme").

Movements of share options during the six months ended 30 September 2006 are:

Participant	Date of grant	Exercise period	Exercise price	Number of share options			End of period '000
				Beginning of period '000	Granted during the period '000	Exercised during the period '000	
<i>Old Scheme</i>							
Employees	9 June 2000	9 June 2001 to 26 February 2009	HK\$1.08	25,725	-	-	25,725
	10 April 2002	10 April 2003 to 26 February 2009	HK\$1.48	22,030	-	-	22,030
<i>New Scheme</i>							
Directors							
Mr. Lam Sai Wing	19 December 2003	19 December 2003 to 27 August 2012	HK\$1.56	3,190	-	-	3,190
Ms. Chan Yam Fai, Jane	19 December 2003	19 December 2003 to 27 August 2012	HK\$1.56	3,190	-	-	3,190
Employees	19 February 2003	31 July 2003 to 27 August 2012	HK\$0.85	3,425	-	-	3,425
				57,560	-	-	57,560

No options were granted, cancelled, exercised or lapsed during the six months ended 30 September 2006.

14. Reserves

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2005	98,811	7,016	72,409	597,004	775,240
Issue of shares					
– rights issue	170,107	–	–	–	170,107
– exercise of share options	2,888	–	–	–	2,888
Share issue expenses	(2,239)	–	–	–	(2,239)
Profit for the period	–	–	–	48,407	48,407
2004/2005 final dividend	–	–	–	(28,558)	(28,558)
Balance at 30 September 2005	269,567	7,016	72,409	616,853	965,845
Issue of shares					
– in lieu of dividend	11,718	–	–	–	11,718
– exercise of share options	380	–	–	–	380
Profit for the period	–	–	–	81,200	81,200
2005/2006 interim dividend	–	–	–	(7,631)	(7,631)
Balance at 31 March 2006	281,665	7,016	72,409	690,422	1,051,512
Profit for the period	–	–	–	52,031	52,031
2005/2006 final dividend	–	–	–	(22,892)	(22,892)
Balance at 30 September 2006	281,665	7,016	72,409	719,561	1,080,651
Representing:					
Proposed 2006/2007 interim dividend				11,614	
Others				707,947	
Retained earnings at 30 September 2006				719,561	

15. Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 September 2006 (31 March 2006: nil).

16. Related party transactions

The following transactions were carried out with related parties:

- (a) Rental paid to related parties:

	Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000
Operating lease rentals paid to related parties which are beneficially owned by directors of the Company	2,327	2,103

In the opinion of the Company's Directors and the Group's management, the above transactions were carried out in the usual course of business of the Group, and in accordance with terms of the contracts entered into by the Group and the related parties.

- (b) The Group's banking facilities as at 30 September 2006 are secured by assignment of the benefits in respect of a keyman insurance of Mr. Lam Sai Wing amounting to HK\$78,500,000 (31 March 2006: HK\$78,500,000).

17. Event occurring after the balance sheet date

On 16 November 2006, the Company entered into a Subscription Agreement with Goldman Sachs International in connection with the issue by the Company of Convertible Bonds with an aggregate principal amount of HK\$240,000,000 for a term of 5 years due 2011 at a coupon rate of 3% per annum. The payment obligations of the Company under the Convertible Bonds is guaranteed by Hang Fung Jewellery Company Limited, a subsidiary of the Company. The Convertible Bonds will be convertible into shares of the Company at an initial conversion price of HK\$1.136 per share, subject to adjustment.

INTERIM DIVIDEND

The Board of Directors declared an interim dividend of HK1.5 cents (2005: HK1.0 cent) per share to be payable on or about 28 February 2007 to shareholders whose names appear in the Register of Members of the Company on 25 January 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 January 2007 to 25 January 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 23 January 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 September 2006, the Group reported a turnover of HK\$1,522,678,000, a 11.9% growth compared with HK\$1,361,219,000 of the corresponding period last year. Profit attributable to shareholders increased by 7.5% to HK\$52,031,000 (2005: HK\$48,407,000). The Group's gross profit margin was 29.5% (2005: 31.1%) for the period.

Business Review

During the period under review, the Group's turnover grew markedly, thanks to its persistent tactical brand building efforts to enhance the "3D-GOLD" brand over the past few years. The continual relaxation of the Individual Visit Scheme by the Central Government, which has brought a growing number of Mainland visitors to Hong Kong and Macau, has also bolstered sales of the Group. To better capture business in the steadily growing consumer market in Hong Kong and the PRC, the Group strategically refurbished its retail outlets, and consolidated and extended its retail network in these two markets, which in turn boosted sales during the period.

During the period, capitalizing on its firmly established “3D-GOLD” brand, the Group stepped up marketing and promotion efforts in Hong Kong and Mainland China, including launching a new TV commercial series, joint promotions with renowned banks and other well-received marketing events. These endeavors enabled the Group to consolidate its market position, enhance its brand image and boost sales. The Group also continued to pursue its retail network expansion plan in the Greater China region. In Hong Kong, it opened 2 new shops in Yuen Long and Tuen Mun so as to capture the growing consumer market in new towns. In Mainland China, the Group strategically relocated some retail points to higher-grade shopping malls to facilitate access to the high-end market.

With the help of the spectacular gold and jewellery exhibits of “Expo Global Tourist Exhibition Hall” (formerly “3D-GOLD” Tourism Exhibition Hall) in attracting massive tourist visitors, the Group’s retailing business of the jewellery and accessory products of the prestigious brands including Harry Potter, Disneyland, Playboy, Modeo and La Milky Way continued to perform well. To further strengthen business from tourists, the Group on 23 September 2006 officially introduced “the Swisshorn Gold Palace”, the largest gold exhibit of its kind. The Group believes the stunning 7,000 square feet exhibit made of over 2.5 tonnes of gold will not only be another attraction to bring tourists to Hong Kong, but will also boost business turnover of the Group in the forms of entrance fee, photography services and sales of gifts and souvenirs.

Although the Group mounted intensive brand development programmes and launched new attractions, stringent control on expenses has reduced selling and marketing costs to 13.8% of the Group’s total turnover from 15.7% in the corresponding period last year. Administrative expenses also decreased from 10.2% of the total turnover to 9.8% during the period. Finance costs increased from HK\$22,134,000 in the last corresponding period to HK\$27,814,000, mainly caused by the increase in interest rates during the period.

Geographically, Mainland China and Hong Kong remained as the Group’s largest markets, accounting together for 91.7% (2005: 90.1%) of the Group’s turnover. Total sales from this region reached HK\$1,395,945,000, representing an increase of HK\$169,796,000 when compared with the corresponding period last year. Overseas sales amounted to HK\$126,733,000 (2005: HK\$135,070,000).

Prospects

The management remains optimistic about the business environment in both Mainland China and Hong Kong. Appreciation of the RMB, the continual relaxation of the "Individual Visit Scheme", the improving economic environment in Hong Kong are all factors conducive to creating opportunities for the Group's brand retailing business.

Adhering to its expansion strategy, the Group will continue to strike a balance between overall expenses control and strengthening market presence in both Mainland China and Hong Kong. In the Mainland, the Group will continue to proactively pursue franchising arrangement in potential cities. For the Hong Kong market, the Group will seek to strengthen its retail network in both urban and new town areas to cater to the steadily growing local consumer and incoming visitor markets. To capture the high traffic flow in prime locations, the Group opened two "3D-GOLD" Jewellery shops in Mongkok, and opened another new shops in Tseung Kwan O and Causeway Bay in November and December.

Looking ahead, the Group will strive to achieve growth by horizontally expanding its retail network in Mainland China with a target to a total of 300 outlets by the year 2008, in addition to expanding its worldwide distribution network. It will also step up cost control in financing, sales and marketing, and general expenses with the aim of improving its financial position and securing healthy business growth in the long run.

Liquidity and Financial Resources

As at 30 September 2006, the Group maintained aggregate banking facilities of approximately HK\$1,250,611,000 (31 March 2006: HK\$1,295,255,000), of which HK\$103,649,000 (31 March 2006: HK\$337,299,000) had not been utilised. Interest on bank borrowings is charged at commercial lending rates to the Group. Certain assets of the Group have been pledged to banks for these facilities. Cash and bank deposits as at 30 September 2006 amounted to HK\$265,814,000 (31 March 2006: HK\$229,475,000). The Group primarily uses internally-generated cash flow and banking facilities to finance operations and its capital expenditure. Management considers that the Group has sufficient funding for these purposes.

On 16 November 2006, the Company entered into a Subscription Agreement with Goldman Sachs International in connection with the issue by the Company of Convertible Bonds with an aggregate principal amount of HK\$240 million for a term of 5 years due 2011 at a coupon rate of 3% per annum. The payment obligations of the Company under the Convertible Bonds is guaranteed by Hang

Fung Jewellery Company Limited, a subsidiary of the Company. The Convertible Bonds will be convertible into shares of the Company at an initial conversion price of HK\$1.136 per share, subject to adjustment. The net proceeds of the Convertible Bond issue after deduction of commission and administrative expenses are approximately HK\$230.40 million, of which approximately HK\$200 million is to be applied for the repayment of bank borrowings and the balance being approximately HK\$30.40 million is to be used to fund the Group's general working capital. The Convertible Bond issue will improve the liquidity position of the Group as well as potentially enhance the equity base and reduce the financing costs of the Group.

The Group's gearing ratio (ratio of aggregate bank borrowings less cash and bank deposits to equity) as at 30 September 2006 was 0.74 (31 March 2006: 0.63).

DIRECTORS' INTERESTS

As at 30 September 2006, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) Long positions in the Company

	Number of shares				Percentage holding of total interest	Number of share options
	Personal Interest	Family Interest	Corporate Interest	Total Interest		
Mr. Lam Sai Wing	75,779,615	-	230,508,432 (Note 1)	306,288,047	40.14%	3,190,385 (Note 2)
Ms. Chan Yam Fai, Jane	-	-	-	-	-	3,190,384 (Note 2)
Ms. Ng Yee Mei	2,065	-	-	2,065	0.00%	-
Mr. Lui Sun Wing	177,921	-	-	177,921	0.02%	-

(b) Long positions in associated corporations

	Name of corporation	Number of shares	
		Personal Interest	Total
Mr. Lam Sai Wing	Hang Fung Jewellery Company Limited	1 Class A (non-voting) ordinary (Note 3)	1
	Kai Hang Jewellery Company Limited	8,000 Class A (non-voting) ordinary (Note 3)	8,000
Ms. Chan Yam Fai, Jane	Hang Fung Jewellery Company Limited	1 Class A (non-voting) ordinary (Note 3)	1
	Kai Hang Jewellery Company Limited	2,000 Class A (non-voting) ordinary (Note 3)	2,000

Notes:

1. The 230,508,432 shares are owned as to 172,881,324 shares by Quality Prince Limited and 57,627,108 shares by Allglobe Holdings Limited. Quality Prince Limited is a company wholly owned by S.W. Lam, Inc., a company in which Mr. Lam Sai Wing holds approximately 82% interest through Good Day Holdings Limited, a company wholly owned by Mr. Lam Sai Wing. Accordingly, Mr. Lam Sai Wing is deemed to be interested in all shares in the Company held by Quality Prince Limited. Allglobe Holdings Limited is a company wholly owned by Mr. Lam Sai Wing.
2. The interests of the directors in the share options of the Company are separately disclosed in Note 13 to the accounts.
3. Class A (non-voting) ordinary shares have no voting rights, are not entitled to dividends unless dividends paid to holders of Class B (voting) ordinary shares exceed HK\$900,000,000,000 in each financial year, and are not entitled to distribution of the company's assets unless each Class B (voting) ordinary shareholder has been returned its paid up capital together with a premium of HK\$900,000,000,000. The Class B (voting) ordinary shares have voting rights and are entitled to dividends and distribution of the company's assets.

Save as disclosed above, as at 30 September 2006, the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies recorded no other interests or short positions of the directors and chief executives of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2006, the interests and short positions of every person, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Long positions	
	Number of shares	Percentage holding
Good Day Holdings Limited (<i>Note 1</i>)	172,881,324	22.66%
S.W. Lam, Inc. (<i>Note 1</i>)	172,881,324	22.66%
Quality Prince Limited (<i>Note 1</i>)	172,881,324	22.66%
Phenomenal Limited	68,843,250	9.02%
Allglobe Holdings Limited (<i>Note 2</i>)	57,627,108	7.55%

Notes:

1. Quality Prince Limited is a company wholly owned by S.W. Lam, Inc., a company in which Mr. Lam Sai Wing holds approximately 82% interest through Good Day Holdings Limited, a company wholly owned by Mr. Lam Sai Wing.
2. Allglobe Holdings Limited is a company wholly owned by Mr. Lam Sai Wing.

Save as disclosed above, as at 30 September 2006, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 September 2006.

DISCLOSURE PURSUANT TO RULES 13.18 & 13.21 OF THE LISTING RULES

Hang Fung Jewellery Company Limited, a wholly-owned subsidiary of the Company, entered into a facility agreement (the "Facility Agreement") dated 16 March 2006 with financial institutions not connected with the directors, chief executive, substantial shareholders of the Company or its subsidiaries or any of their respective associates, in respect of a loan facility of up to a principal amount of HK\$500,000,000 for a term of three years. Its obligations under the Facility Agreement are guaranteed by the Company.

Amongst other things, there will be an event of default under the Facility Agreement if Mr. Lam Sai Wing, the controlling shareholder of the Company, fails to maintain a direct or indirect holding of at least 20% of the issued voting share capital of the Company or ceases to be the chairman of the board of Directors of the Company, so that on such a default, the entire facility may be terminated.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2006, with the exception of the following deviations:

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and under A.4.2, every director should be subject to retirement by rotation at least once every three years. Currently, non-executive Directors are not appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, they are subject to retirement by rotation at each annual general meeting under the Company's Bye-Laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code. Furthermore, under the Company's Bye-Laws prior to 31 August 2006, the chairman of the Board and the managing director of the Company are not subject to retirement by rotation. This constitutes a deviation from the code provision A.4.2. To comply with the code provision, the Company's Bye-Laws were amended at the annual general meeting held on 31 August 2006.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of one non-executive Director, namely, Mr. Wong Kwong Chi and four independent non-executive Directors, namely, Mr. Lee Kok Keung, Mr. Liu Ngai Wing, Mr. Lui Sun Wing and Mr. Lou Ping Ho.

The Audit Committee has 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 interim report for the six months ended 30 September 2006.

REMUNERATION COMMITTEE

The remuneration committee was established on 12 May 2005 with specific written terms of reference which deal clearly with its authority and duties. The remuneration committee comprises of one executive director, namely Mr. Lam Sai Wing, one non-executive Director, namely, Mr. Wong Kwong Chi and four independent non-executive Directors, namely, Mr. Lee Kok Keung, Mr. Liu Ngai Wing, Mr. Lui Sun Wing and Mr. Lou Ping Ho.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period covered by the interim report.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors are Mr. Lam Sai Wing, Ms. Chan Yam Fai, Jane, Ms. Ng Yee Mei, Mr. Yeung Hon Yuen and Mr. Kuang Hao Kun, Giovanni, the non-executive Director is Mr. Wong Kwong Chi and the independent non-executive Directors are Mr. Lee Kok Keung, Mr. Liu Ngai Wing, Mr. Lui Sun Wing and Mr. Lou Ping Ho.

By Order of the Board
Lam Sai Wing
Chairman

Hong Kong, 20 December 2006

CORPORATE INFORMATION

Executive Directors

Lam Sai Wing (*Chairman*)

Chan Yam Fai, Jane (*Deputy Chairman*)

Ng Yee Mei

(appointed on 1 June 2006)

Yeung Hon Yuen

(appointed on 1 June 2006)

Kuang Hao Kun, Giovanni

(appointed on 1 June 2006)

Non-Executive Director

Wong Kwong Chi

Independent Non-Executive Directors

Lee Kok Keung

Liu Ngai Wing

Lui Sun Wing

Lou Ping Ho

Qualified Accountant

Wu Ying Keung

Company Secretary

Wu Ying Keung

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business

2nd Floor

Kaiser Estate Phase II

28 Man Lok Street

Hunghom

Kowloon

Hong Kong

Auditors

PricewaterhouseCoopers

Certified Public Accountants

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited

1 Queen's Road Central

Hong Kong

Bermuda Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited

46th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

Stock Code

870