



king fook holdings limited
景福集團有限公司

Stock Code: 280

for the six months ended 30th September, 2007
Interim Report

Contents

2	Management Commentary
7	Independent Review Report
8	Condensed Consolidated Income Statement
9	Condensed Consolidated Balance Sheet
10	Condensed Consolidated Statement of Changes in Equity
12	Condensed Consolidated Cash Flow Statement
13	Notes to the Condensed Interim Financial Statements

Management Commentary

The Board of Directors of King Fook Holdings Limited (the “Company”) is 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, 2007. The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the six months ended 30th September, 2007, and the consolidated balance sheet as at 30th September, 2007 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 8 to 26 of this report.

Interim dividend and special interim dividend

The directors have resolved the payment of an interim dividend of HK0.5 cent per ordinary share and a special interim dividend of HK0.7 cent per ordinary share, making a total of HK1.2 cents per ordinary share in respect of the year ending 31st March, 2008 (2007: HK0.45 cent), payable to all shareholders whose names appear on the register of members of the Company on 3rd January, 2008. The interim and special interim dividends will be paid on or about 11th January, 2008.

Closure of register of members

The register of members of the Company will be closed from 31st December, 2007 to 3rd January, 2008, 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 4:30 p.m. on Friday, 28th December, 2007 in order to qualify for the interim dividends 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, 2007 was approximately HK\$93,085,000. The Group’s overall turnover for the period increased by 17% as compared with the same period for the previous year. Such increase in turnover

Management Commentary (*continued*)

was mainly due to the growth in sales of the gold ornament, jewellery and watches retailing business by HK\$105 million though the turnover of the gold bullion trading business decreased by HK\$46 million. Due to the active stock market in Hong Kong, commission income from the securities broking division of the Group for the period increased by 128%.

During the period, the Group's gold ornament, jewellery, watches, fashion and gifts retailing business benefited from growing number of travellers from Mainland China (the "PRC") and the good consumer sentiment in Hong Kong. Nevertheless, the operating result of the Group was hit by increased rental payments and staff costs in Hong Kong.

Looking forward, the Group plans to expand its retailing business in Hong Kong by opening more shops in prime locations. The Group also plans to expand its retail business in the PRC, especially in major cities such as Shanghai and Beijing. The management will look for suitable investment opportunities and continue to introduce more international branded jewellery and watches to satisfy customer need. Recently, the Group has introduced "Mattia Cielo" brand of stylish jewellery to customers.

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

During the period, the Group disposed of 560,000 shares of Hong Kong Exchanges and Clearing Limited ("HKEC Shares") at a profit of about HK\$59,000,000.

As at 30th September, 2007 and the date of this report, the Group held 1,314,000 HKEC Shares as available-for-sale investments. The market value of such HKEC Shares amounted to HK\$312,206,000 as at 30th September, 2007. 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\$5,643,000 as at 30th September, 2007.

Management Commentary (continued)

Finance

As at 30th September, 2007, the Group's current assets and current liabilities were HK\$874 million and HK\$234 million respectively. There were bank balances and cash of HK\$79 million and unsecured bank loans of HK\$141 million on such date.

Based on the total borrowings of HK\$167 million and the capital and reserves attributable to the shareholders of the Company of about HK\$913 million of the Group as at 30th September, 2007, the overall borrowings to equity ratio decreased to 18% and was at a healthy level.

Employees

As at 30th September, 2007, the Group had approximately 330 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.

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, 2007, 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") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

	Number of ordinary shares held			Total	Percentage of shareholding
	Personal	Family	Corporate		
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.

Management Commentary (*continued*)

Save as disclosed above, as at 30th September, 2007, 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.

Substantial shareholder

As at 30th September, 2007, the following person (other than a director or chief executive of the Company) had interest in the share capital of the Company, as recorded in the register 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	<i>Note</i>	44.39%

Note: 186,985,035 shares are beneficially owned by Yeung Chi Shing Estates Limited while 6,160,020 shares are of its corporate interest.

Save as disclosed above, as at 30th September, 2007, 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, 2007.

Management Commentary (*continued*)

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.

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. 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, 2007, except that 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.

Review by auditors and audit committee

The Interim Financial Report of the Company for the six months ended 30th September, 2007 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 Interim Financial Report for the six months ended 30th September, 2007.

Independent Review Report

TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 8 to 26 which comprise the condensed consolidated balance sheet of King Fook Holdings Limited as of 30th September, 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. 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 the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review 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 of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Grant Thornton

Certified Public Accountants

13th Floor, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

7th December, 2007

Condensed Consolidated Income Statement

For the six months ended 30th September, 2007

		Unaudited	
		Six months ended	
		30th September,	
		2007	2006
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	497,236	423,183
Cost of sales		(367,887)	(333,600)
Gross profit		129,349	89,583
Other operating income		87,664	25,505
Distribution and selling costs		(76,955)	(60,652)
Administrative expenses		(35,372)	(31,601)
Other operating expenses		(108)	(97)
Operating profit		104,578	22,738
Finance costs		(5,135)	(6,021)
Share of loss of a jointly controlled entity		(161)	(72)
Profit before taxation	4	99,282	16,645
Taxation	6	(6,196)	(1,286)
Profit for the period		93,086	15,359
Attributable to:			
Shareholders of the Company		93,085	15,351
Minority interests		1	8
Profit for the period		93,086	15,359
Dividends	7	5,221	1,958
Earnings per share for profit attributable to the shareholders of the Company	8		
— Basic (HK cents)		21.4 cents	3.5 cents

Condensed Consolidated Balance Sheet

As at 30th September, 2007

	Notes	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	19,622	19,415
Leasehold interests in land		5,784	5,849
Investment properties		1,063	1,087
Interest in a jointly controlled entity		4,929	4,953
Available-for-sale investments	10	321,188	152,565
Other assets		2,185	2,183
		<u>354,771</u>	<u>186,052</u>
Current assets			
Inventories		647,972	590,252
Debtors, deposits and prepayments	11	116,656	102,321
Investments at fair value through profit or loss		28,196	32,582
Tax recoverable		1,600	1,920
Cash and cash equivalents		79,206	56,697
		<u>873,630</u>	<u>783,772</u>
Current liabilities			
Creditors, deposits received and accruals	12	139,365	106,824
Taxation payable		7,483	3,809
Gold loans, unsecured		26,177	23,705
Bank loans, unsecured	13	61,056	92,215
		<u>234,081</u>	<u>226,553</u>
Net current assets		<u>639,549</u>	<u>557,219</u>
Total assets less current liabilities		<u>994,320</u>	<u>743,271</u>
Non-current liabilities			
Bank loans, unsecured	13	80,000	86,000
Provision for long service payments		1,144	1,152
		<u>81,144</u>	<u>87,152</u>
Net assets		<u>913,176</u>	<u>656,119</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	14	108,768	108,768
Other reserves		355,979	186,691
Retained profits			
Proposed dividends		5,221	5,221
Others		442,565	354,701
		<u>912,533</u>	<u>655,381</u>
Minority interests		<u>643</u>	<u>738</u>
		<u>913,176</u>	<u>656,119</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2007

	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
For the six months ended 30th September, 2007									
At 1st April, 2007 (Audited)	108,768	17,575	24,753	1,892	142,471	359,922	655,381	738	656,119
Change in fair value of available-for-sale investments	—	—	—	—	210,836	—	210,836	—	210,836
Realisation of fair value change of available-for-sale investments	—	—	—	—	(42,644)	—	(42,644)	—	(42,644)
Exchange translation differences	—	—	—	1,096	—	—	1,096	(96)	1,000
Net income/(expense) recognised directly in equity	—	—	—	1,096	168,192	—	169,288	(96)	169,192
Profit for the period	—	—	—	—	—	93,085	93,085	1	93,086
Total recognised income and expense for the period	—	—	—	1,096	168,192	93,085	262,373	(95)	262,278
Dividend (note 7(b))	—	—	—	—	—	(5,221)	(5,221)	—	(5,221)
At 30th September, 2007 (Unaudited)	108,768	17,575	24,753	2,988	310,663	447,786	912,533	643	913,176
<i>Representing:</i>									
Proposed interim dividends						5,221			
Others						442,565			
Retained profits as at 30th September, 2007						447,786			

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30th September, 2007

	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
For the six months ended 30th September, 2006									
At 1st April, 2006 (Audited)	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	—	—	—	—	(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	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
At 30th September, 2006 (Unaudited)	108,768	17,575	24,753	901	106,055	332,038	590,090	596	590,686
Representing:									
Proposed interim dividend						1,958			
Others						330,080			
Retained profits as at 30th September, 2006						332,038			

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2007

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	6,984	(36,147)
Net cash generated from investing activities	58,983	9,994
Net cash (used in)/generated from financing activities	(44,319)	62,843
Net increase in cash and cash equivalents	21,648	36,690
Effect of foreign exchange rates changes, net	861	—
Cash and cash equivalents at the beginning of the period	56,697	50,355
Cash and cash equivalents at the end of the period	79,206	87,045
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	79,206	87,116
Bank overdrafts	—	(71)
	79,206	87,045

Notes to the Condensed Interim Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") of the Company for the six months ended 30th September, 2007 (the "period") 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 the applicable disclosure requirements of Appendix 16 to the Listing Rules. The Interim Financial Statements should be read in conjunction with the annual financial statements of the Company for the year ended 31st March, 2007 (the "2007 Annual Financial Statements").

Comparative figures on revenue, cost of sales, other operating income, segment results, tax recoverable and taxation payable have been reclassified to conform with the presentation of the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Interim Financial Statements have been prepared under the historical convention, except for the revaluation of certain financial instruments classified as available-for-sale and at fair value through profit or loss. The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2007 Annual Financial Statements.

From 1st April, 2007, the Group has adopted all the new and amended HKFRSs issued by HKICPA which were first effective on 1st April, 2007 and relevant to the Group's operation.

The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in any material financial impact on the Group’s financial statements:

HKFRS 8	Operating Segments ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HK (IFRIC) — Interpretation 12	Service Concession Arrangements ²
HK (IFRIC) — Interpretation 13	Customer Loyalty Programmes ³
HK (IFRIC) — Interpretation 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction ²

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st January, 2008

³ Effective for annual periods beginning on or after 1st July, 2008

3. REVENUE AND SEGMENT INFORMATION

(a) Business segments

The Group is principally engaged in gold ornament, jewellery, watches, fashion and gifts retailing, bullion trading, securities broking and diamond wholesaling.

The business of the Group is organised into three main segments:

- (i) Retailing, bullion trading and diamond wholesaling
- (ii) Securities broking
- (iii) Construction services

Notes to the Condensed Interim Financial Statements (*continued*)

3. REVENUE AND SEGMENT INFORMATION (*continued*)

(a) Business segments (*continued*)

There was no intersegment sale and transfer during the period (2006: Nil). An analysis of the Group's revenue and results for the period by business segments was as follows:

	Unaudited				
	Six months ended 30th September, 2007				
	Retailing, bullion trading and diamond wholesaling	Securities broking	Construction services	Unallocated*	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>470,990</u>	<u>7,688</u>	<u>11,221</u>	<u>7,337</u>	<u>497,236</u>
Segment results	<u>35,078</u>	<u>3,410</u>	<u>73</u>	<u>(109)</u>	<u>38,452</u>
Unallocated operating income and expenses					<u>66,126</u>
Operating profit					104,578
Finance costs					(5,135)
Share of loss of a jointly controlled entity	(161)				<u>(161)</u>
Profit before taxation					99,282
Taxation					<u>(6,196)</u>
Profit for the period					<u>93,086</u>

Notes to the Condensed Interim Financial Statements *(continued)*

3. REVENUE AND SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Unaudited				
	Six months ended 30th September, 2006				
	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	Unallocated*	Group HK\$'000
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment revenue	<u>410,790</u>	<u>3,376</u>	<u>2,628</u>	<u>6,389</u>	<u>423,183</u>
Segment results	<u>20,673</u>	<u>(909)</u>	<u>(864)</u>	<u>(405)</u>	<u>18,495</u>
Unallocated operating income and expenses					<u>4,243</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>

* Unallocated revenue and results represented revenue and results from sale of computer related products and provision of travel related products and services.

(b) Geographical segments

Over 90% of the Group's revenue and assets were derived from activities in Hong Kong.

Notes to the Condensed Interim Financial Statements *(continued)*

4. PROFIT BEFORE TAXATION

Profit before taxation was arrived at after charging and crediting the following:

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Charging:		
Amortisation of leasehold interests in land	65	65
Cost of inventories sold	361,915	331,291
Depreciation of property, plant and equipment	4,240	5,082
Depreciation of investment properties	24	23
Loss on disposal of property, plant and equipment	105	7
Provision for and write down of inventories	5,387	1,551
Operating lease charges in respect of properties	30,245	25,581
Outgoings in respect of investment properties	30	38
	<u> </u>	<u> </u>
Crediting:		
Dividend income	4,904	3,342
Interest income	492	417
Fair value change of investments at fair value through profit or loss	20,569	852
Gain on disposal of available-for-sale investments	59,062	18,270
Rental income		
— owned properties	594	580
— operating subleases	570	582
	<u> </u>	<u> </u>

5. EMPLOYEE BENEFIT EXPENSE

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Wages, salaries and allowances	37,977	32,247
Pension costs — defined contribution retirement schemes	1,694	1,652
	39,671	33,899

Employee benefit expense as shown above included directors' emoluments.

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 operated.

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

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
— Hong Kong		
Tax for the period	5,052	1,200
Under provision in prior years	48	—
	5,100	1,200
— Overseas taxation	1,096	86
Total taxation charge	6,196	1,286

Notes to the Condensed Interim Financial Statements (continued)

7. DIVIDENDS

	Unaudited Six months ended 30th September,	
	2007	2006
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interim dividend declared after the interim period end of HK0.5 cent (2006: HK0.45 cent) per ordinary share	2,175	1,958
Special interim dividend declared after the interim period end of HK0.7 cent (2006: Nil) per ordinary share	<u>3,046</u>	<u>—</u>
	<u>5,221</u>	<u>1,958</u>

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 ended 31st March, 2007. This interim dividend was paid on 12th January, 2007 and was reflected as an appropriation of retained profits for the year ended 31st March, 2007.
- (b) At a meeting held on 6th July, 2007, the directors proposed a final dividend of HK1.2 cents per ordinary share for the year ended 31st March, 2007, which was approved by the shareholders at the annual general meeting held on 7th September, 2007. This final dividend was paid on 14th September, 2007 and has been reflected as an appropriation of retained profits for the six months ended 30th September, 2007.
- (c) At a meeting held on 7th December, 2007, the directors declared an interim dividend of HK0.5 cent per ordinary share and a special interim dividend of HK0.7 cent per ordinary share, making a total of HK1.2 cents per ordinary share for the year ending 31st March, 2008. These interim and special interim dividends were not reflected as dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2008.

8. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the profit attributable to the shareholders of the Company of HK\$93,085,000 (2006: HK\$15,351,000) and on 435,071,650 (2006: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2007 has not been presented as there were no dilutive potential ordinary shares during the period (2006: Nil).

9. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$4,573,000 (2006: HK\$8,743,000) which mainly related to the acquisitions of leasehold improvements, furniture and equipment.

10. AVAILABLE-FOR-SALE INVESTMENTS

Included in available-for-sale investments were equity securities of a company listed outside Hong Kong ("the Investee Company") stated at market value of approximately HK\$5,643,000 (At 31st March, 2007: HK\$6,953,000).

As at 30th September, 2007, 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, 2007: 41.2%) and 5.2% (At 31st March, 2007: 5.2%) equity interests in the Investee Company respectively.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Trade debtors	52,153	54,998
Other receivables	31,656	20,316
Deposits and prepayments	20,847	15,007
Insurance claim receivable	12,000	12,000
	116,656	102,321

Notes to the Condensed Interim Financial Statements (*continued*)

11. DEBTORS, DEPOSITS AND PREPAYMENTS (*continued*)

Ageing analysis of the trade debtors was as follows:

	Within 30 days HK\$'000	31–90 days HK\$'000	More than 90 days HK\$'000	Total HK\$'000
Balance at 30th September, 2007 (Unaudited)	<u>49,258</u>	<u>914</u>	<u>1,981</u>	<u>52,153</u>
Balance at 31st March, 2007 (Audited)	<u>52,327</u>	<u>1,471</u>	<u>1,200</u>	<u>54,998</u>

As at 30th September, 2007, the trade debtors mainly consisted of receivables from the securities broking business amounting to HK\$29,458,000 (At 31st March, 2007: HK\$36,710,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of the trade debtors was primarily receivables from the retailing, bullion trading and diamond wholesaling businesses which were normally due within three months.

12. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Trade payables	78,016	59,622
Other payables and accruals	44,091	35,796
Deposits received and deferred income	<u>17,258</u>	<u>11,406</u>
	<u>139,365</u>	<u>106,824</u>

12. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS *(continued)*

At 30th September, 2007, included in the creditors was an amount due to a director of a subsidiary of approximately HK\$3,092,000 (At 31st March, 2007: HK\$2,614,000) which was unsecured, interest free and repayable on demand.

Ageing analysis of the trade payables was as follows:

	Within 30 days HK\$'000	31–90 days HK\$'000	More than 90 days HK\$'000	Total HK\$'000
Balance at 30th September, 2007 (Unaudited)	<u>76,969</u>	<u>889</u>	<u>158</u>	<u>78,016</u>
Balance at 31st March, 2007 (Audited)	<u>58,438</u>	<u>1,020</u>	<u>164</u>	<u>59,622</u>

13. BANK LOANS, UNSECURED

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Bank loans are repayable as follows:		
Within one year	61,056	92,215
In the second year	42,501	40,167
In the third to fifth years, inclusive	<u>37,499</u>	<u>45,833</u>
	141,056	178,215
Portion classified as current liabilities	<u>(61,056)</u>	<u>(92,215)</u>
Non-current portion	<u>80,000</u>	<u>86,000</u>

14. SHARE CAPITAL

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Authorised:		
620,000,000 (At 31st March, 2007: 620,000,000) ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
Issued and fully paid:		
435,071,650 (At 31st March, 2007: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

15. COMMITMENTS

(a) Commitments under operating leases

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

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Within one year	<u>67,039</u>	54,232
In the second to fifth years, inclusive	<u>71,725</u>	60,399
	<u>138,764</u>	<u>114,631</u>

15. COMMITMENTS *(continued)*

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

The Group leased a number of properties under operating leases. The leases ran for a period of one to five years, without option to renew the lease term at the expiry date.

At 30th September, 2007, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$1,283,000 (At 31st March, 2007: HK\$1,853,000).

(b) Future operating lease receivables

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

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
	<u> </u>	<u> </u>
Within one year	713	504
In the second to fifth years, inclusive	<u>563</u>	<u>52</u>
	<u>1,276</u>	<u>556</u>

The Group leased its investment properties under operating lease arrangements which ran for an initial period of two years, with option to renew the lease term at the expiry date.

16. RELATED PARTY TRANSACTIONS

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

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
	_____	_____
Operating lease rental on land and buildings paid to related companies:		
Stanwick Properties Limited ("Stanwick") (<i>Note a</i>)	3,218	3,139
Contender Limited ("Contender") (<i>Note b</i>)	9,523	7,599
Fabrico (Mfg) Limited ("Fabrico") (<i>Note c</i>)	90	90
Consultancy fees paid to a related company (<i>Note d</i>)	3,772	1,200
	=====	=====

The above related party transactions were carried out based on terms mutually agreed between the parties to the transactions.

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 shareholder of the Company, for the shop premises occupied by the Group on the ground and first floors and the 1st Basement Level of the Shopping Arcade at Hotel Miramar and the signboard and showcases at the ground floor entrance facing Nathan Road of Hotel Miramar Shopping Arcade. Miramar ceased to be a substantial shareholder of the Company under the SFO as Miramar's shareholding in the Company decreased to below 5% of the share capital of the Company as at 30th September, 2007. Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Dr. Sin Wai Kin (the father of Mr. Sin Nga Yan, Benedict, a director of the Company), a director and shareholder of Miramar, was not a director of the Company during the six months ended 30th September, 2007. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.

16. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (c) The operating lease rental was paid to Fabrico for the warehouse occupied by the Group in Comfort Building. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note a).
- (d) 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.
- (e) Compensation of key management personnel

Included in employee benefit expense was the compensation of key management personnel and comprised the following categories:

	Unaudited	
	Six months ended	
	30th September,	
	2007	2006
	HK\$'000	HK\$'000
Wages, salaries and allowances	3,587	3,028
Pension costs — defined contribution retirement schemes	108	102
	<u>3,695</u>	<u>3,130</u>

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 7th December, 2007.

By order of the Board
Yeung Ping Leung, Howard
 Chairman

Hong Kong, 7th December, 2007

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.