



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 590)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

The Board of Directors (the "Board") of Luk Fook Holdings (International) Limited (the "Company" or "Luk Fook") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2005 together with comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

		Unaudited Six months ended 30th September 2005		2004
	Note	HK\$'000	HK\$'000	(restated)
Turnover	3	816,355	869,058	
Cost of sales		(630,757)	(687,946)	
Gross profit		185,598	181,112	
Other revenues	3	11,460	12,534	
Selling and distribution costs		(149,144)	(120,291)	
Administrative expenses		(15,440)	(12,726)	
Other operating expenses		(1,677)	(1,851)	
Gain on disposal of land and building		-	16,537	
Operating profit	6	30,797	75,315	
Finance costs		(30)	(132)	
Profit before taxation		30,767	75,183	
Taxation	7	(1,108)	(9,498)	
Profit for the period		29,659	65,685	
Profit attributable to:				
Equity holders of the Company		29,441	64,844	
Minority interests		218	841	
		29,659	65,685	
Earnings per share for profit attributable to the equity holders of the Company during the period	8			
- Basic		6.06 cents	13.48 cents	
- Diluted		6.02 cents	13.24 cents	
Dividends		14,638	19,418	

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2005

		Unaudited 30th September 2005	Audited 31st March 2005
	Note	HK\$'000	HK\$'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment		87,378	85,972
Prepaid premium for land leases		14,151	14,309
Intangible asset		1,080	-
Available-for-sale financial asset		1,067	-
Other investments		-	2,147
Rental deposits paid		19,947	15,690
Deferred tax assets		6,604	6,380
		130,227	124,498
Current assets			
Inventories		578,050	544,828
Trade receivables	4	13,639	15,206
Deposits, prepayments and other receivables		30,296	16,146
Bank balances and cash		90,705	131,406
		712,690	707,586
Total assets		842,917	832,084
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		48,794	48,544
Reserves		193,050	192,633
Retained earnings			
- Proposed dividends		14,638	38,836
- Others		398,850	384,047
		655,332	664,060
Minority interests		9,467	9,249
Total equity		664,799	673,309
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		552	1,945
Current liabilities			
Trade and other payables	5	142,393	121,493
Taxation payable		15,173	13,917
Short-term bank loan, unsecured		20,000	21,420
		177,566	156,830
Total equity and liabilities		842,917	832,084
Net current assets		535,124	550,756
Total assets less current liabilities		665,351	675,254

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

	Unaudited							
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April 2005, as previously reported as equity	48,544	57,189	135,713	8,752	(269)	424,099	-	674,028
At 1st April 2005, as previously reported as minority interests	-	-	-	-	-	-	9,249	9,249
Reversal of revaluation reserve for leasehold land (Note 2a(i))	-	-	-	(8,752)	-	-	-	(8,752)
Opening adjustment for the adoption of HKAS 17	-	-	-	-	-	(1,216)	-	(1,216)
At 1st April 2005, as restated 2004/2005 final dividend paid	48,544	57,189	135,713	-	(269)	422,883	9,249	673,309
Profit for the period	-	-	-	-	-	(38,836)	-	(38,836)
Exchange differences	-	-	-	-	(183)	29,441	218	29,659
Issue of shares	250	600	-	-	-	-	-	850
At 30th September 2005	48,794	57,789	135,713	-	(452)	413,488	9,467	664,799
Unaudited								
Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April 2004, as previously reported as equity	48,097	56,116	135,713	1,796	(143)	341,578	-	583,157
At 1st April 2004, as previously reported as minority interests	-	-	-	-	-	-	7,836	7,836
Reversal of revaluation reserve for leasehold land (Note 2a(i))	-	-	-	(1,796)	-	-	-	(1,796)
Opening adjustment for the adoption of HKAS 17	-	-	-	-	-	(1,023)	-	(1,023)
At 1st April 2004, as restated 2003/2004 final dividend paid	48,097	56,116	135,713	-	(143)	340,555	7,836	588,174
Profit for the period	-	-	-	-	-	(24,049)	-	(24,049)
Loan from a minority shareholder	-	-	-	-	-	64,844	841	65,685
Exchange differences	-	-	-	-	82	-	-	82
At 30th September 2004	48,097	56,116	135,713	-	(61)	381,350	9,167	630,382

NOTES:

1 Basis of preparation and accounting policies

This unaudited condensed consolidated 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 2004/2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the 2004/2005 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively referred to as the "new HKFRSs") which have become effective for accounting periods commencing on or after 1st January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this interim financial information. The HKFRS standards and interpretations that will be applicable at 31st March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

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

2 Changes in accounting policies

(a) Effect of adopting new HKFRSs

In 2005/2006, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004/2005 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS Int 15	Operating Leases - Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 33, 36, HKAS-Int 15 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interests and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 33, 36, HKAS-Int 15 and HKFRS 3 had no material effect on the Group's policies.
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the revised standard.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated amortisation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1st January 2005, the Group charged the cost of share options, if any, to the income statement. As a transitional provision, the cost of share options granted after 7th November 2002 and had not yet vested on 1st January 2005 was expensed retrospectively in the income statement of the respective periods.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Hong Kong Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investments in securities for the 2004/2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st April 2005;
- HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st January 2005;
- HKFRS 2 – only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and
- HKFRS 3 – prospectively after the adoption date.

While adoption of HKFRS 2 has no impact on the Group's profit and loss and opening reserves, effect of adopting HKAS 17, HKAS 32 and HKAS 39 are as follows:

- The adoption of HKAS 17 resulted in a decrease in opening reserves at 1st April 2004 by HK\$1,796,000.

	As at 30th September 2005 HK\$'000	As at 31st March 2005 HK\$'000
Decrease in property, plant and equipment	(14,151)	(14,309)
Increase in prepaid premium for land leases	14,151	14,309
Decrease in revaluation reserve	-	(6,956)

	For the year ended 31st March 2005 HK\$'000	For the six months ended 30th September 2005 HK\$'000	30th September 2004 HK\$'000
Decrease in selling and distribution costs	108	159	54
Increase in basic earnings per share	HK 0.02 cents	HK 0.03 cents	HK 0.01 cents
Increase in diluted earnings per share	HK 0.02 cents	HK 0.03 cents	HK 0.01 cents

- The adoption of HKAS 32 and HKAS 39 has no effect in opening reserves at 1st April 2005 and the details of the adjustments to the balance sheet at 30th September 2005 are as follows:

	As at 30th September 2005 HK\$'000	As at 31st March 2005 HK\$'000
Increase in available-for-sale financial asset	1,067	-
Decrease in other investment	(1,067)	-

No early adoption of the following new standards or interpretations that have been issued but are not yet effective. The adoption of such standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

(b) Comparatives

As explained above, due to the adoption of the new HKFRSs during the current period, the accounting treatment and presentation of certain items in the interim financial information have been revised to comply with the new requirements. Accordingly, certain comparatives have been restated to conform with the current period presentation.

3 Revenue, turnover and segment information

The Group is principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones, and other accessory items. The Group also provides technical support and consultancy services including quality control of jewellery products to licensees.

Revenues recognised during the period were as follows:

	Six months ended 30th September 2005 HK\$'000	2004 HK\$'000
Turnover		
Sales of goods	816,355	869,058
Other revenues		
Quality control service income	6,799	6,465
Consultancy service income	3,335	2,795
Interest income	167	41
Web hosting service income	48	589
Others	1,111	2,644
	<u>11,460</u>	<u>12,534</u>
Total revenues	<u><u>827,815</u></u>	<u><u>881,592</u></u>

Primary reporting format – business segments

An analysis of the Group's revenue and results for the period by business segment is as follows:

	Retailing		Wholesaling		Other operations		Eliminations		Group	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Sales to external customers	761,560	794,848	54,455	71,915	340	2,295	-	-	816,355	869,058
Inter-segment sales	14,172	7,088	205,806	188,861	-	-	(219,978)	(195,949)	-	-
Other revenues from external customers	83	85	10,296	9,894	914	2,514	-	-	11,293	12,493
Inter-segment other revenues	-	-	-	-	459	629	(459)	(629)	-	-
Total	<u>775,815</u>	<u>802,021</u>	<u>270,557</u>	<u>270,670</u>	<u>1,713</u>	<u>5,438</u>	<u>(220,437)</u>	<u>(196,578)</u>	<u>827,648</u>	<u>881,551</u>
Segment results	31,334	47,986	16,007	23,836	(592)	169	(823)	(660)	45,926	71,331
Interest income									167	41
Unallocated costs									(15,296)	(12,594)
Gain on disposal of land and building	-	16,537	-	-	-	-	-	-	-	16,537
Operating profit									30,797	75,315
Finance costs									(30)	(132)
Profit before taxation									30,767	75,183
Taxation									(1,108)	(9,498)
Profit for the period									<u><u>29,659</u></u>	<u><u>65,685</u></u>

Other segment items included in the consolidated income statements are as follows:

	Retailing		Wholesaling		Other operations		Eliminations		Group	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Depreciation										
- allocated	3,743	3,839	1,724	822	332	279	-	-	5,799	4,940
- unallocated									2,414	500
									<u>8,213</u>	<u>5,440</u>
Amortisation										
- allocated	11	11	68	68	63	63	-	-	142	142
- unallocated									16	16
									<u>158</u>	<u>158</u>

Secondary reporting format – geographical segments

No geographical analysis is presented for revenue as over 90% of the Group's revenue is derived from activities in Hong Kong during the six months ended 30th September 2004 and 2005.

4 Trade receivables

The majority of the Group's sales are on cash basis. Credit sales are mainly for the Group's wholesale customers with terms of 30 to 90 days.

The ageing analysis of trade receivables is as follows:

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
0 – 30 days	13,327	13,090
31 – 60 days	168	1,072
61 – 90 days	-	70
91 – 120 days	-	122
Over 120 days	144	852
	<u>13,639</u>	<u>15,206</u>

The carrying amounts of trade receivables approximate their fair value.

5 Trade and other payables

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
0 – 30 days	62,600	44,530
31 – 60 days	22,529	19,220
61 – 90 days	3,947	8,873
91 – 120 days	179	2,070
Over 120 days	306	217
	<u>89,561</u>	<u>74,910</u>

6 Operating profit

	Six months ended 30th September 2005 HK\$'000	2004 HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Write-back of provision for slow-moving inventories	3,941	-
Charging		
Cost of inventories sold	634,698	687,127
Provision for slow-moving inventories	-	819
Depreciation of property, plant and equipment	8,213	5,440
Amortisation of prepaid premium for land leases	158	158
Operates lease rentals in respect of land leases and buildings	42,776	29,294

7 Taxation

Operating profit is stated after crediting and charging the following:

	Six months ended 30th September 2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
- current	6,450	9,881
- over-provision in prior year	(3,725)	-
Deferred taxation	(1,617)	(383)
	<u>1,108</u>	<u>9,498</u>

8 Earnings per share

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

The amount of taxation charged/(credited) to the consolidated income statement represents:

	Six months ended 30th September 2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
- current	6,450	9,881
- over-provision in prior year	(3,725)	-
Deferred taxation	(1,617)	(383)
	<u>1,108</u>	<u>9,498</u>

8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$29,441,000 (2004: HK\$64,844,000) and the weighted average number of 485,539,478 (2004: 480,974,850) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$29,441,000 (2004: HK\$64,844,000) and the weighted average number of 489,438,082 (2004: 489,798,890) ordinary shares in issue during the period after adjusting for the effects of all potential dilutive ordinary shares deemed to be issued at no consideration if all outstanding share options granted under the share option scheme of the Company had been exercised.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 3.0 HK cents (2004: 4.0 HK cents) per share for the year ending 31st March 2006. The interim dividend will be payable on 13th January 2006 to shareholders whose names appear on the Register of Members of the Company on 6th January 2006.

OPERATION REVIEW

For the six months ended 30th September 2005, the Group recorded a turnover of approximately HK\$816,355,000, representing a decrease of 6% from HK\$869,058,000 last year. Profit attributable to shareholders reached approximately HK\$29,441,000 (2004 (restated): HK\$64,844,000). Basic earnings per share were 6.06 HK cents (2004: 13.48 HK cents).

While about 50% of the Group's turnover comes from mainland tourists, the floods in China during the first half-year and the delayed visiting schedule of mainlanders as a result of the opening of Disneyland in September 2005 attributed to the decrease in turnover. In addition, severe weather has adverse impact on consumers shopping appetite in Hong Kong. Moreover, the increase in number of tourists visiting Hong Kong because of the opening of Disneyland in September and the Golden Week in early October was not as strong as expected. In addition, the rental expenses have greatly increased by 46% during the period under review. This sharp increase in rent mainly leads to the decrease of net profit compared to the same period of the previous year.

INDUSTRY REVIEW

According to figures from the Census and Statistics Department, the number of visitors to Hong Kong from January to September 2005 rose by 7.6% compared with the same period of 2004. However, most of the visitors rushed in during the Lunar New Year holidays in February. Also some visitors postponed their trips till September to catch the opening ceremony of Disneyland, or as a result of the influence of floodings in some areas in the Mainland. As for the local retail market, the retail turnover from April to September 2005 increased by 6%-8% compared with the same period of last year, whilst August had the lowest growth rate due to continuous heavy rains.

BUSINESS REVIEW

Hong Kong Market

To promote the brand and image of the Group, we will invest approximately HK\$20 million on new image and shops renovation. We have already engaged world-renowned designer to create a new design concept for our retail outlets. The new design is demonstrated in three of our new shops in Sheung Shui, Jordan and Tuen Mun. The new shops feature magnificent, luxury and modern design, delivering to our customers a sense of welcome-back-home amicability and hospitality. Our first new image shop was opened at Landmark North in Sheung Shui in September 2005, followed by the Tuen Mun and Jordan shops in October. The new design will be applied in other shops over the next three years. The Group aims to provide a brand new shopping experience to our customers through shops of brand new faces and design and further improved customer services.

To strengthen the Group's corporate branding, Luk Fook has sponsored various beauty competitions during the period under review, including the sponsorship for the diamond crown and jewellery pieces for the winners of the "Miss Hong Kong Pageant 2005" for the 8th consecutive year as well as being the sole jewellery sponsor of "Miss Asia Pageant 2005".

PRC Market

The Group has in recent years been dynamically exploring the PRC market. Apart from sponsoring the "City Beauties Pageant 2005" in Guangzhou, we also increased the number of our licensee shops in the PRC from 145 to over 170. By providing technical support, product design and staff training to domestic jewellery retailers, we have built up our reputation in the PRC market.

The Group's jewellery manufacturing plant in Panyu, Guangdong has commenced operation in the fourth quarter 2004 and is in good operating condition. It is expected to reach its full capacity in two years time.

OVERSEAS DEVELOPMENT

The results of our first wholly-owned shop on the main street of Macau is satisfactory. To further secure huge business opportunities coming up with the boom of the tourism and gambling industries recently, our second shop on the main street of Macau was opened in August this year, which has made Luk Fook more familiar to the local people and laid the foundation for deeper penetration into the local market.

REWARDS AND HONORS

The key to the Group's growth is our established brand-name. We are well received by consumers for our finest product design and first-class customer service. This year again we stood out and was one of the 92 companies being titled as "Superbrands". This achievement proves again that we are widely recognized in terms of market share, qualification, goodwill and customer loyalty.

Luk Fook was named as Asia and the Pacific's "Best Under a Billion" by Forbes Magazine in November. Among the 22 Hong Kong enterprises on the list, Luk Fook is the only jewellery company being selected in recognition of Luk Fook's leading position in Asia and the Pacific region and its high standard of corporate governance.

Luk Fook's products are well-known for their ingenious and supernatural design. "Jiang" created by the Group's designer was dubbed as the masterpiece by the Platinum Guild International in 2005. This is the first time for a Chinese designer to receive this award. Our talented design team represents our unparalleled design capability. It also proves that we have reached international standard in respect of jewellery design.

In the Tahitian Pearl Trophy 2005 Asia, our designers also won 5 awards, including champions of the Necklace Category, Parure Category and Pearl Row category, first runner up of the Pearl Row and the second runner up of the Ring Category. The second runner up of the Ring Category is designed by the designers of Ice g. collection, a testimonial to the recognition by the industry of this younger product line design. Further, our "Dandelion", "Fire", and "Meet and Part" won 4 awards in the 7th Buyers' Favorite Jewelry Design Competition 2005, among which was the "Dandelion" which was granted the Best of the Best Award, a really brilliant acknowledgement.

The Fourth Tahitian Pearl Trophy Asia

Product	Prize	Category
The Fate	Champion	Parure Category
Banquet	Champion	Pearl Row Category
Jiffy	Champion	Necklace Category
Fire Dancer	First runner up	Pearl Row Category
Drops of Memories	Second runner up	Ring Category

PROSPECTS

Going onward, Luk Fook will strive its best to provide the best service for its customer with effective marketing strategies and promotions. With cocktail "Splendor of Creativity" launched in the end of November 2005, the Group aims at expanding its market segment, enhancing its brand image to attract consumers with higher disposable income.

From 1st November, citizens in another 4 PRC provinces will be allowed to visit Hong Kong in individual basis. As jewellery is one of the most popular commodities among visitors, the Group remains optimistic for the prospects of the jewellery industry of Hong Kong. We will leverage on the opportunity to explore business in Hong Kong, the PRC and overseas to further enhance the brand awareness of Luk Fook jewellery and to grab bigger market share.

We will continue to expand our licensee shops network in the PRC, and to open new wholly-owned shops in major cities. Meanwhile, we will look for suitable shop locations in South East Asia and the US as an implementation of our globalization strategy in preparation for entering international market.

EMPLOYEES

As at 30th September 2005, the Group had approximately 1,605 employees (including staff and workers) (31st March 2005: 1,550). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured taking into account factors of comparable markets. Bonus and others merit payments are linked to performance of the Group and individual employees.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's core business is gold and jewellery retailing. As at 30th September 2005, the Group's cash and bank balances reached approximately HK\$90,705,000 (31st March 2005: HK\$131,406,000). The Group's debt-to-equity ratio at the period-end, being the proportion of total debts of approximately HK\$178,118,000 (31st March 2005: HK\$158,775,000) against total equity of approximately HK\$664,799,000 (31st March 2005: HK\$673,309,000), was 26.8% (31st March 2005: 23.6%). During the period, the capital investment of the Group was approximately HK\$9,985,000 (2004: HK\$18,323,000).

As at 30th September 2005, the Group had banking facilities amounted to approximately HK\$111,000,000 (31st March 2005: HK\$105,000,000) out of which HK\$20,000,000 (31st March 2005: 21,420,000) was utilised.

The Group's income and expenditure streams are mainly denominated in Hong Kong dollars.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30th September 2005 and 31st March 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 5th January 2006 to 6th January 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Central Registration Hong Kong Limited, Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 4th January 2006.

AUDIT COMMITTEE

In compliance with the Code of Best Practice applicable before 1st January 2005, the Board has established an audit committee, comprising all independent non-executive directors, to monitor the accounting and financial reporting practices and internal control systems of the Company. Since 1st April 2005, the audit committee has held several meetings to consider matters including the 2005 annual report of the Company, internal controls and the implications of the new accounting standards to the Group's financial reporting, the unaudited interim condensed consolidated financial information for the six months ended 30th September 2005, and the Group's IT control environment.

The interim results have been reviewed by external auditors and the audit committee of the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September 2005, in compliance with Appendix 14 of the Listing Rules which contain the Code on Corporate Governance Practices (the "Code") except for the following deviations from certain Code Provisions:

1. Code Provision A.4.1

Code: Non-executive directors should be appointed for a specific term, subject to re-election.

Deviation: Non-executive directors are not appointed for a specific term but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

Remedy: Appropriate actions will be taken to ensure the appointments of all non-executive directors are for a specific term.

2. Code Provision A.4.2

Code: All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Deviation: In accordance with the Company's Bye-laws, one-third of the directors shall retire from office by rotation save any director holding office as Chairman or Managing Director.

Remedy: A special resolution will be proposed at the next annual general meeting to amend the Company's Bye-laws in order to comply with this Code Provision.

3. Code Provisions B.1.4 & C.3.4

Code: The Remuneration Committee and the Audit Committee should make available their terms of reference, explaining their role and the authority delegated to them by the Board.

Deviation: At present, such terms of reference are not available to the public.

Remedy: Appropriate actions will be taken to make them available on request and include the information on the Company's website.

REMUNERATION COMMITTEE

In compliance with the Code, the Board on 7th April 2005 established a remuneration committee comprising three independent non-executive directors and two executive directors. The remuneration committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; to determine the specific remuneration packages; to review and approve performance-based remuneration; to review and approve the compensation payable in connection with any loss or termination of office or appointment of directors and senior management; to oversee any major changes in employee benefits structures throughout the Company or Group; and to review the ongoing appropriateness and relevance of the remuneration policy.

MODEL CODE ON SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, it is confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions in relation to the six months ended 30th September 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's share during the period.

As at the date of this report, the Company's executive directors are Mr. WONG Wai Sheung (Chief Executive), Mr. TSE Moon Chuen, Mr. LAW Tim Fuk, Paul, Mr. POON Kam Chi and Mr. LAU Kwok Sum; the non-executive directors are Mr. WONG Koon Cheung, Mr. CHAN Wai, Mr. LEE Shu Kuan, Ms. YEUNG Po Ling, Pauline and Mr. HUI King Wai; the independent non-executive directors are Mr. HUI Chiu Chung, Mr. CHIU Wai Mo, and Mr. LO Mun Lam, Raymond (Chairman).

By Order of the Board
Wong Wai Sheung
Chief Executive

16th December 2005