IMPORTANT
THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in King Fook Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

PROPOSALS FOR CONTINUING CONNECTED TRANSACTIONS RELATING TO TENANCIES AND LICENSE, AND DISPOSAL WHICH MAY CONSTITUTE A VERY SUBSTANTIAL DISPOSAL

Independent Financial Adviser
to the Independent Board Committee
and the Independent Shareholders

ACCESS
CAPITAL

A notice convening an extraordinary general meeting of King Fook Holdings Limited to be held at 2:30 p.m. on 16th June, 2006 at Miramar Ballroom, Hotel Miramar Penthouse, 130 Nathan Road, Kowloon, Hong Kong is set out on pages 88 and 89 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the meeting. Completion and delivery of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

30th May, 2006

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In this circular, the following expressions have the following meanings unless the context requires otherwise :

"Access Capital"	Access Capital Limited, a licensed corporation to carry on types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
"Advertising Signboards"	advertising signboards C1 and C2 at the external wall of Hotel Miramar
"Announcement"	announcement of the Company relating to the Proposals dated 3rd May, 2006
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"Company"	King Fook Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Directors"	directors of the Company
"Disposals"	the disposals of a total of 980,000 HKEC Shares by the Vendors during the periods from 10th February, 2006 to 3rd March, 2006 and from 9th March, 2006 to 7th April, 2006 respectively as detailed in the circulars of the Company dated 24th March, 2006 and 28th April, 2006 respectively
"Disposal Proposal"	the proposal relating to the disposal of up to 1,874,000 HKEC Shares owned by KF Securities
"EGM"	the extraordinary general meeting of the Company to be held at 2:30 p.m. on 16th June, 2006 at Miramar Ballroom, Hotel Miramar Penthouse, 130 Nathan Road, Kowloon, Hong Kong, notice of which is set out on pages 88 and 89 of this circular
"Existing Property 1 Tenancy Agreement"	the tenancy agreement dated 28th April, 2004 between KF Jewellery and the Landlord in respect of Property 1
"Group"	the Company and its subsidiaries
"ft."	foot/feet
"HKEC"	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange

"HKEC Share(s)"	share(s) of $1 each in the share capital of HKEC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hotel Miramar Shopping Arcade"	the Shopping Arcade at Hotel Miramar, 118-130 Nathan Road, Tsimshatsui, Kowloon
"Independent Board Committee"	an independent committee of the Board comprising Messrs. Lau To Yee, Cheng Kar Shing, Peter and Chan Chak Cheung, William, formed for the purpose of advising the Independent Shareholders regarding the Tenancies Proposal and the License Proposal
"Independent Shareholders"	Shareholders other than Miramar and its associates
"KF Jewellery"	King Fook Jewellery Group Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
"KF Securities"	King Fook Securities Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
"Landlord"	Contender Limited, a wholly owned subsidiary of Miramar
"Latest Practicable Date"	25th May, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"License Proposal"	the proposal relating to the license of the Advertising Signboards
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Miramar"	Miramar Hotel and Investment Company, Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"PRC"	The People's Republic of China
"Properties"	Property 1 and Property 2
"Property 1"	shop units G1-2 and G1A on Ground Floor and shop units AR201-02 and AR217 on 1st Floor, Hotel Miramar Shopping Arcade

"Property 2"	shops 2B1 and 2B2 on 2nd Basement Level, Hotel Miramar Shopping Arcade
"Property 3"	shops 1B1 and 1B2 on 1st Basement Level, Hotel Miramar Shopping Arcade
"Property 3 Tenancy Agreement"	the tenancy agreement to be entered into between Top Angel and the Landlord in respect of Property 3
"Proposals"	the Tenancies Proposal, the License Proposal and the Disposal Proposal
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of $0.25 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"sq. ft."	square foot/feet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tenancies Proposal"	the proposal relating to tenancies in respect of the Properties
"Top Angel"	Top Angel Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
"Valuer"	BMI Appraisals Limited
"Vendors"	King Fook Gold & Jewellery Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company, and KF Securities
"$" and "cent(s)"	Hong Kong dollar(s) and cent(s) respectively

king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

Directors:
Yeung Ping Leung, Howard
Tang Yat Sun, Richard
Cheng Ka On, Dominic
Yeung Bing Kwong, Kenneth
Fung Chung Yee, Caroline
Dr. Sin Wai Kin *
Wong Wei Ping, Martin *
Ho Hau Hay, Hamilton *
Lau To Yee **
Cheng Kar Shing, Peter **
Chan Chak Cheung, William **

** Non-executive Directors*
*** Independent non-executive Directors*

Registered office:
9th Floor
King Fook Building
30-32 Des Voeux Road Central
Hong Kong

30th May, 2006

To the shareholders

Dear Sir or Madam,

PROPOSALS FOR CONTINUING CONNECTED TRANSACTIONS RELATING TO TENANCIES AND LICENSE, AND DISPOSAL WHICH MAY CONSTITUTE A VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

It was announced on 3rd May, 2006 that KF Jewellery proposed to renew the tenancy for Property 1 and Top Angel proposed to enter into a new tenancy for Property 2 and a new license agreement for the Advertising Signboards. The Tenancies Proposal and the License Proposal constitute continuing connected transactions under the Listing Rules which require the approval of the Independent Shareholders.

It is also proposed to obtain the authorisation of Shareholders for further disposal of HKEC Shares held by KF Securities to independent third parties, which together with the Disposals may constitute a very substantial disposal of the Company under the Listing Rules.

It was stated in the Announcement that an independent board committee comprising Messrs. Cheng Kwai Yin, Lau To Yee, Cheng Kar Shing, Peter and Chan Chak Cheung, William (all being independent non-executive Directors) had been appointed to advise the Independent Shareholders in respect of the Tenancies Proposal and the License Proposal. As Mr. Cheng Kwai Yin passed away subsequently, the Independent Board Committee now comprises Messrs. Lau To Yee, Cheng Kar Shing, Peter and Chan Chak Cheung, William only. The Company has appointed Access Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Tenancies Proposal and the License Proposal.

The purpose of this circular is to give you further details of the Proposals and to convene an extraordinary general meeting to consider and, if thought fit, pass the necessary resolutions to approve the Proposals.

THE TENANCIES PROPOSAL AND THE LICENSE PROPOSAL

Property 1

KF Jewellery entered into a tenancy agreement with the Landlord on 28th April, 2004 in respect of Property 1 (with floor area of approximately 11,348 sq. ft.), which is the key retail outlet of the Group for gold ornaments, jewellery, watches and gifts. The Existing Property 1 Tenancy Agreement is for a term of 3 years from 16th July, 2003 to 15th July, 2006 at the monthly rent of $897,290 (representing monthly rent per sq. ft. of about $79.07), exclusive of rates, management fees, air-conditioning charges and promotion contribution fees.

Currently, the monthly management fees, air-conditioning charges and promotion contribution fees payable to the Landlord are as follows :

	Amount ($)
Management fees and air-conditioning charges (subject to adjustment)	61,867
Promotion contribution fees (subject to adjustment)	8,972.90

KF Jewellery proposes to renew the tenancy in respect of Property 1 in order to continue to use such property as its key retail outlet. The proposed renewal will be for a term of up to 3 years from 16th July, 2006 at the prevailing market rent not exceeding that valued by an independent valuer, subject to a maximum annual consideration payable to the Landlord of $16,200,000. This cap is arrived at with reference to the monthly market rent of $1,260,000 for Property 1 as at 21st April, 2006 as advised by the Valuer, and aggregating the promotion contribution fees (being 1% of the rent according to the Group's experience) and management fees and air-conditioning charges at the current rates, with buffer of 20% to allow for the respective adjustment of such fees/charges during the term of the tenancy.

The Valuer is a professional property valuer. It and its ultimate beneficial owner are independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

The Directors, having taken into account the existing property market condition as compared with that in July 2003 (after the outbreak of Severe Acute Respiratory Syndrome) when the terms of the Existing Property 1 Tenancy Agreement were fixed, consider that it is reasonable and in the interests of the Company and the Shareholders to renew the tenancy agreement for Property 1 at the monthly market rent of Property 1 as advised by an independent professional property valuer and the increase of rent is reasonable.

Having considered that Property 1 is located at the ground floor of a shopping arcade with significant pedestrian traffic, the Directors consider that the monthly rent per sq.ft. of Property 1, which is far higher than that of the basement levels of the same shopping arcade, is reasonable.

The Group has commenced negotiation with the Landlord. However, no agreement has been made.

Property 2

Top Angel proposes to enter into a tenancy agreement with the Landlord in respect of Property 2, which will be used as a shop of luxurious items such as watches and jewellery, and fashion to expand the Group's business activities. Negotiation with the Landlord has reached an advanced stage but no agreement has been made. The main terms of the proposed tenancy agreement are as follows :

Area (Sq.ft.)	Monthly rent	Rent-free period	Term
18,121	$362,420 (representing monthly rent per sq. ft. of $20)	Initial 2 months	From delivery of vacant possession of Property 2 by the Landlord to Top Angel, up to the expiry date of the Property 3 Tenancy Agreement (with an option for Top Angel to renew for 2 years at market rent)

The proposed monthly rent will be exclusive of rates, management fees, air-conditioning charges and promotion contribution fees. Other fees/charges payable to the Landlord will include:

	Amount ($)
Vetting fee on decoration plans	18,121
Monthly management fees and air-conditioning charges (subject to adjustment)	100,752.76
Monthly promotion contribution fees (subject to adjustment)	3,624.20

The total annual amount of the rent, management fees, air-conditioning charges and promotion contribution fees payable to the Landlord under the proposed tenancy agreement in respect of Property 2 at the above rates will be about $5,601,563.52. The promotion contribution fees, management fees and air-conditioning charges will be subject to adjustment by the Landlord from time to time. The vetting fee on decoration plans is expected to be an one-off payment only.

The Valuer has valued the market rent of Property 2 at $370,000 per month as at 21st April, 2006. It is proposed that the cap of the total annual consideration payable to the Landlord under the proposed tenancy agreement in respect of Property 2 shall be $5,950,000, which is arrived at with reference to the market rent of Property 2 valued by the Valuer, and aggregating the promotion contribution fees, and the management fees and air-conditioning charges at the above rates with buffer of about 20% to allow for the respective adjustment of such fees/charges during the term of the tenancy.

The Group's key retail outlet for its gold ornaments, jewellery, watches and gifts in Kowloon is located at Property 1. The Group proposes to rent premises in Tsimshatsui, Kowloon for a new shop offering various luxurious items with targeted customers different from that of Property 1. As there will not be any direct competition between the existing outlet located at Property 1 and the proposed new shop, and it is not easy to rent premises in Tsimshatsui, Kowloon of similar size and rental as Property 2, the Directors propose to rent Property 2 for its new shop in spite of the close proximity of Property 1 and Property 2. Further, the management considers that the benefit of mutual referral of customers may be achieved by maintaining two outlets with different targeted customers in the same shopping arcade.

Advertising Signboards

Top Angel also proposes to enter into a license agreement with the Landlord to use the Advertising Signboards for exhibiting advertisements. Negotiation with the Landlord (on arm's length basis) has reached an advanced stage but no agreement has been made. The main terms of the proposed license agreement are as follows:

Area	Monthly license fee	Term
50 ft. x 25 ft. for each signboard	$40,000	3 years from delivery of vacant possession of the Advertising Signboards by the Landlord to Top Angel.

The proposed monthly license fee will be exclusive of rates and electricity charges. It is proposed that the cap of the total annual license fee payable to the Landlord under the proposed license agreement in respect of the Advertising Signboards shall be $480,000 based on the above terms. The Group has made reference to the terms of its posting of advertisements in other places/media in the negotiation of the terms of the proposed license agreement with the Landlord.

Connection between the parties

The Landlord is principally engaged in property investment. It is a wholly owned subsidiary of Miramar, a substantial shareholder of the Company holding approximately 13.66% of the issued share capital of the Company and a company whose shares are listed on the Main Board of the Stock Exchange.

Listing Rules requirements

On 30th March, 2006, it was announced that Top Angel and the Landlord had agreed to enter into a tenancy agreement relating to Property 3 on the following terms under an offer letter dated 27th March, 2006 and accepted by the agent of the Landlord on 30th March, 2006 :

Area (sq.ft.)	Monthly rental	Rent-free period	Term
15,781	$473,430	Initial 2 months	3 years from delivery of vacant possession of Property 3 by the Landlord to Top Angel (with an option for Top Angel to renew for 2 years at market rent)

Other fees/charges payable by Top Angel to the Landlord includes:

	Amount ($)
Vetting fee on decoration plans	15,781
Monthly management fees and air-conditioning charges (subject to adjustment)	87,742.36
Monthly promotion contribution fees	4,734.30

The Group has made reference to the monthly market rent of Property 3 as advised by an independent valuer in the negotiation of the terms of the relevant offer letter.

The total annual consideration payable to the Landlord under the Property 3 Tenancy Agreement for the year ending 31st March, 2007 (with payment of vetting fee for decoration plans and rent-fee period of the initial 2 months) and each of the two years ending 31st March, 2009 (without payment of vetting fee for decoration plans) are $5,859,800.92 and $6,790,879.92 respectively.

For the Company, the proposed transactions under the Tenancies Proposal and the License Proposal (which will be effected in the ordinary course of business and on normal commercial terms) will be continuing connected transactions under the Listing Rules. It is expected that the total annual consideration payable to the Landlord (which will be paid in cash) under the Property 3 Tenancy Agreement and the Existing Property 1 Tenancy Agreement, the proposed tenancy agreements in respect of the Properties and the proposed license agreement in respect of the Advertising Signboards aggregated pursuant to Rule 14A.27 of the Listing Rules (for the purpose of determining in which category the aggregated transactions fall under the Listing Rules) for the year ending 31st March, 2007 and each of the two years ending 31st March, 2009 will be about $21,911,693.91 and $28,886,047.44 respectively (assuming that the tenancy for Property 2 and the license in respect of the Advertising Signboards will commence on 1st December, 2006 and without taking into account the possible increase of the promotion contribution fees, the management fees and the air-conditioning charges under the aforesaid existing and proposed tenancy agreements). As the aggregate annual consideration payable to the Landlord under the aforesaid existing and proposed transactions on the above basis will exceed $10 million, each of the Tenancies Proposal and the License Proposal and its individual cap is subject to the approval of the Independent Shareholders in accordance with the Listing Rules.

If the Tenancies Proposal and the License Proposal materialise, the Landlord will accept the Group's offer letters in relation to such proposals, and the parties will then enter into formal tenancy agreements and license agreement. Further announcement on their respective finalised terms will be made after the relevant offer letters have been accepted by the Landlord. The Company will comply with the relevant Listing Rules requirements in the event of renewal of the tenancy agreement in respect of any of the Properties, the Property 3 Tenancy Agreement and the license agreement in respect of the Advertising Signboards.

The Company intends to seek Independent Shareholders' approval prior to entering into the proposed tenancy and license agreements in respect of the Properties and the Advertising Signboards respectively as (i) the Group will be provided with the flexibility in negotiating for terms which are more favourable to the Group with reference to the then property market conditions in the event of a falling property market; and (ii) the Group does not consider commercially viable to request the Landlord to enter into conditional tenancy/license agreements which are subject to the Company's obtaining Independent Shareholders' approval, and fulfilment of such condition may take about 2 months.

If the actual annual consideration paid to the Landlord under the transaction contemplated under any of the Tenancies Proposal or the License Proposal exceeds its individual cap stated in this circular, the Company will comply with the relevant requirements under the Listing Rules.

Valuation

In providing rental valuation in respect of the Properties to the Company, the Valuer has based on the Properties' market rent which is defined as the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion in its valuation report; assumed that (i) the Landlord has valid and enforceable title to the Properties and is entitled to lease the Properties to the Group, and (ii) the proposed tenancy of each concerned property is legally valid and enforceable under the applicable laws in Hong Kong and no onerous terms and conditions are included in the tenancy that would materially affect its rental value and adopted the comparison approach by reference to comparable market rents.

THE DISPOSAL PROPOSAL

Assets to be disposed of

On 7th March, 2006 and 10th April, 2006, the Company announced that the Vendors disposed of a total of 980,000 HKEC Shares during the periods from 10th February, 2006 to 3rd March, 2006 and from 9th March, 2006 to 7th April, 2006 respectively on-market through the Stock Exchange at the price range of $38 to $53.5 per share (totalling $43,350,229) in cash, details of which were set out in the circulars of the Company dated 24th March, 2006 and 28th April, 2006 respectively.

HKEC is a company incorporated in Hong Kong. It owns and operates the only stock exchange and futures exchange in Hong Kong and their related clearing houses. For the two years ended 31st December, 2005, its net profits before taxation were about $1,250,525,000 and $1,567,008,000 respectively. For the two years ended 31st December, 2005, its net profits after taxation were about $1,056,884,000 and $1,399,548,000 respectively.

As at the Latest Practicable Date, KF Securities held 1,874,000 HKEC Shares (representing approximately 0.18% of the issued share capital of HKEC as at 31st March, 2006, being the latest information on the issued share capital of HKEC available to the Company), which were distributed by HKEC to KF Securities (a member of the Stock Exchange) in 2000 as consideration for the cancellation of shares in the Stock Exchange then held by KF Securities pursuant to a scheme of arrangement prior to the listing of HKEC and such shares are accounted for as "available-for-sale investments" under the category of non-current assets in the Company's unaudited consolidated financial statements as at 30th September, 2005 (being the date to which the Company's latest published unaudited consolidated financial statements were made up). Such shares will be treated as current assets in the Company's consolidated financial statements once Shareholders' approval on the Disposal Proposal is obtained at the EGM. The book value of the 1,874,000 HKEC Shares held by KF Securities as at the Latest Practicable Date amounted to $93,887,400.

KF Securities intends to further dispose of the HKEC Shares held by it on-market through the Stock Exchange to independent third parties at the prevailing market prices in cash.

KF Securities may or may not dispose of all the 1,874,000 HKEC Shares in the near future. Disposal of such shares is a commercial decision which depends on various factors including the market conditions. As KF Securities needs the flexibility in further disposal of such shares, the Company seeks Shareholders' approval for the disposal of all the HKEC Shares held by KF Securities. The authorisation proposed to be sought will be limited to a period of one year from the date of the approval of Shareholders.

Reasons for the Disposal Proposal

The market price of HKEC Shares has risen substantially since last year. The closing price per HKEC Share quoted on the Stock Exchange as at the last trading day of each calendar month for the 12 months preceding the Latest Practicable Date is set out below for Shareholders' information:

31st May, 2005	$19.10
30th June, 2005	$20.10
29th July, 2005	$24.15
31st August, 2005	$23.90
30th September, 2005	$26.55
31st October, 2005	$25.90
30th November, 2005	$28.20
30th December, 2005	$32.15
27th January, 2006	$37.85
28th February, 2006	$39.85
31st March, 2006	$46.80
28th April, 2006	$55.75

The Directors consider that it will be for the benefit of the Company and Shareholders to obtain the authorisation of Shareholders to dispose of all the HKEC Shares held by KF Securities so that KF Securities can have the flexibility to dispose of such shares in the market efficiently in order to realise the gain on its holding.

Use of proceeds

It is intended that the proceeds under the Disposal Proposal will be used as additional working capital and to reduce the liability of the Group.

Listing Rules requirements

Based on the closing price of $50.10 per HKEC Share quoted on the Stock Exchange as at the Latest Practicable Date, the total consideration for the disposal of all 1,874,000 HKEC Shares held by KF Securities will be about $93,887,400. Such further disposal, together with the Disposals, may constitute a very substantial disposal of the Company which requires the approval of Shareholders in accordance with the Listing Rules.

Further announcement on the disposal of the HKEC Shares will be made after all of the 1,874,000 HKEC Shares have been disposed of.

Financial effect of the Group's position after implementation of the Disposal Proposal

Any disposal of HKEC Shares by KF Securities pursuant to the Disposal Proposal will have the effect of increasing the asset value of the Group by the amount of the net gain and increasing the earnings of the Group for the relevant financial year, but will not affect the liability of the Group.

Profit and loss statement on and valuation attributable to the 2,854,000 HKEC Shares under the Disposal Proposal and Disposals

In accordance with Rule 14.68(2)(b)(i) of the Listing Rules, the profit and loss statement on and valuation attributable to the 1,874,000 HKEC Shares under the Disposal Proposal and the 980,000 HKEC Shares under the Disposals for each of the three years ended 31st March, 2003, 2004 and 2005 and for the nine months ended 31st December, 2005 are set out below. In the opinion of the Directors, such information has been properly compiled and derived from the underlying books and records of the Group. Grant Thornton, the reporting accountants of the Group, have compared and found that such information has been properly compiled and derived from the underlying books and records of the Group by the Company.

(i) Proifit and loss statement

					Nine months ended 31st
			Year ended 31st March,		**December,**
	Notes	**2003**	**2004**	**2005**	**2005**
		$'000	*$'000*	*$'000*	*$'000*
Dividend income	(i)	615	5,068	804	1,798
Dividend income	(ii)	321	2,651	420	941
Unrealised gain or (loss) on investments at fair value through profit or loss	(iii)	(1,140)	2,520	1,035	3,600
Taxation	(iv)	-	(441)	(181)	(630)
Profit/(Loss) for the year/period		(204)	9,798	2,078	5,709

Notes:

(i) Dividend income generated from the 1,874,000 HKEC Shares under the Disposal Proposal.

(ii) Dividend income generated from the 980,000 HKEC Shares under the Disposals.

(iii) Unrealised gain or (loss) on the 300,000 HKEC Shares classified as "Investments at fair value through profit or loss" which had been disposed by the Group under the Disposals.

(iv) Hong Kong profits tax on the unrealised gain on investments at fair value through profit or loss as set out in note (iii) at the tax rate of 17.5%, 17.5% and 17.5% for each of the two years ended 31st March, 2004 and 2005 and nine months ended 31st December, 2005 respectively.

(ii) Valuation

	Notes	As at 31st March, 2003	As at 31st March, 2004	As at 31st March, 2005	As at 31st December, 2005
		$'000	*$'000*	*$'000*	*$'000*
Available-for-sale investments under					
- Disposal Proposal	(i)	15,554	31,296	37,761	60,249
- Disposals	(ii)	5,644	11,356	13,702	21,862
Investments at fair value through profit or loss under Disposals	(iii)	2,490	5,010	6,045	9,645

Notes:

(i) 1,874,000 HKEC Shares at closing price quoted on the Stock Exchange of respective balance sheet date.

(ii) 680,000 HKEC Shares (disposed of during the periods from 10th February, 2006 to 3rd March, 2006 and from 9th March, 2006 to 7th April, 2006 respectively) at closing price quoted on the Stock Exchange of respective balance sheet date.

(iii) 300,000 HKEC Shares (disposed of during the period from 10th February, 2006 to 3rd March, 2006) at closing price quoted on the Stock Exchange of respective balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION OF THE GROUP

Liquidity and financial resources

The Group centralises funding for all its operations through the corporate treasury based in Hong Kong. This policy achieves better control of treasury operations and lower average cost of funds.

As at 30th September, 2005, the Group had current assets of $729 million. There were bank balances and cash of $48 million. The Group's current liabilities were $194 million including gold loans equivalent to $20 million which were made in terms of ounces of gold. Included in the total borrowings of the Group were bank loans and overdrafts of $210 million which were made in Hong Kong dollars. All borrowings of the Group as at 30th September, 2005 (which were unsecured and unguaranteed) were interest bearing and were not at fixed interest rate. Except for the non-current portion of bank loans amounting to $112 million which were repayable in the second to fifth year, all borrowings of the Group were repayable within one year.

Based on the total borrowings of the Group of $230 million and the capital and reserves attributable to equity holders of the Company of about $533 million, the overall borrowings to equity ratio increased to 43% as at 30th September, 2005 and was still at a healthy level.

The Group had foreign currency exposure in Renminbi and Swiss Francs. The management considers the Group's foreign exchange exposure insignificant.

Most of the Group's assets and liabilities, revenue and payments were in Hong Kong dollars.

Contingencies

As at 30th September, 2005, the Group had contingent liabilities in respect of bank guarantees up to $3 million given to third parties and other matters arising in the ordinary course of business. It is not anticipated that there are any material contingent liabilities except for the misappropriation of clients' securities by a former director of KF Securities as detailed in the Company's announcement dated 7th March 2006. At the best estimate of the Directors as at the Latest Practicable Date, such securities have a total market value of about $28.6 million. KF Securities has taken out an insurance policy with a cover of $15 million (subject to an excess of $3 million).

Charges

The Group had no charges on its assets as at 30th September, 2005.

Employees

As at 30th September, 2005, the Group had approximately 250 employees. The employees are remunerated according to the nature of their jobs and are entitled to an incentive bonus based on their performance.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in retailing of gold ornaments, jewellery, watches and gifts, trading of bullion, wholesaling of diamond and securities broking in Hong Kong.

The economic environment of Hong Kong is improving with improving employment rate, booming property market and increasing number of tourists, especially from Mainland China. These favourable factors are expected to benefit the retail business of the Group. Nonetheless, the management believes the escalating rental payment and staff cost in Hong Kong are two imminent unfavourable operating factors for the Group in the coming year. In order to counteract the impact of such factors, the management will continue to introduce new marketing policies and sales measures to stimulate sales in Hong Kong, to explore and introduce more international branded jewellery to Hong Kong and to develop markets in respect of gold ornaments, jewellery, watches and gifts in major cities in the PRC. In respect of the Group's securities broking business, it is expected that the Group's future profit attributable to this division will continue to shrink due to the keen competition with brokers and banks in Hong Kong.

Save as the aforesaid, there is no other information required to be disclosed under Rule 14.68(3) of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

You will find on pages 88 and 89 of this circular a notice of the EGM to be held at 2:30 p.m. on 16th June, 2006 at Miramar Ballroom, Hotel Miramar Penthouse, 130 Nathan Road, Kowloon, Hong Kong.

Resolution no. 1 will be proposed as an ordinary resolution to approve the Tenancies Proposal and the License Proposal and their respective caps, voting of which will be taken on a poll.

Resolution no. 2 will be proposed as an ordinary resolution to approve the Disposal Proposal.

There is enclosed a form of proxy for use at the EGM. You are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the EGM, whether or not you intend to be present at the EGM. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

According to the Articles of Association of the Company, on or before the declaration of the result of voting on a show of hands on a resolution at the EGM, a poll may be demanded by :

(a) at least three members present in person or by proxy entitled to vote at the EGM; or

(b) any member or members present in person or by proxy and representing not less than 10% of the total voting right of all the members having the right to vote at the EGM; or

(c) a member or members present in person or by proxy and holding Shares conferring a right to vote at the EGM being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

As at the Latest Practicable Date, to the extent that the Company is aware having made all reasonable enquiries, Miramar and its associates had beneficial interests in a total of 59,416,000 Shares, representing about 13.66% of the issued share capital of the Company as at the Latest Practicable Date. They will be required to abstain from voting in respect of resolution no. 1 approving the Tenancies Proposal and the License Proposal and their respective caps at the EGM under the Listing Rules.

RECOMMENDATIONS

You are advised to read carefully the letters from the Independent Board Committee and Access Capital respectively as contained in this circular before deciding whether or not to vote in favour of resolution no. 1 to be proposed at the EGM to approve the Tenancies Proposal and the License Proposal and their repective caps.

The Directors believe that the Proposals are fair and reasonable and in the best interest of the Company and the Shareholders as a whole and so recommend you to vote in favour of the resolutions to be proposed at the EGM. The Directors intend to vote in favour of such resolutions in respect of their shareholdings in the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
Yeung Ping Leung, Howard
Chairman

king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

30th May, 2006

To the Independent Shareholders

Dear Sir or Madam,

PROPOSALS FOR CONTINUING CONNECTED TRANSACTIONS RELATING TO TENANCIES AND LICENSE, AND DISPOSAL WHICH MAY CONSTITUTE A VERY SUBSTANTIAL DISPOSAL

We refer to the circular dated 30th May, 2006 issued by the Company (the "Circular"), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Company to constitute the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Tenancies Proposal and the License Proposal (and their respective caps) are fair and reasonable and whether such proposals are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendations of Access Capital (which has been appointed as the independent financial adviser to advise us in this respect).

Your attention is drawn to the letter from the Board and the letter from Access Capital containing its advice to us as set out in the Circular respectively.

Taking into account the advice from Access Capital, we consider that the terms of the Tenancies Proposal and the License Proposal (and their respective caps) are fair and reasonable so far as the Independent Shareholders are concerned and the Tenancies Proposal and the License Proposal are in the interests of the Company and the Shareholders as a whole, and so recommend the Independent Shareholders to vote for resolution no. 1 to be proposed at the EGM.

Yours faithfully,

Lau To Yee **Cheng Kar Shing, Peter** **Chan Chak Cheung, William**

Independent Board Committee

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Access Capital prepared for incorporation in this circular.

ACCESS
CAPITAL
Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

30th May 2006

To: The Independent Board Committee and the Independent Shareholders of King Fook Holdings Limited

Dear Sirs,

Proposals for continuing connected transactions relating to tenancies and license

I. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Tenancies Proposal and the License Proposal. Details of the Tenancies Proposal and the License Proposal are contained in the "Letter from the Board" set out in the circular to the Shareholders dated 30th May 2006 (the "Circular"), of which this letter forms part. The terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specifies.

The Company is proposed to renew the existing tenancy for Property 1, and enter into a new tenancy for Property 2 and a new license agreement for two advertising signboards. Given the abovementioned transactions contemplated under the Tenancies Proposal and the License Proposal are on-going for a period of 3-years, these transactions will constitute continuing connected transactions under Chapter 14A of the Listing Rules. In addition, it is expected that the aggregate annual consideration payable to the Landlord under the Existing Property 1 Tenancy Agreement, the Tenancies Proposal, the License Proposal and the Property 3 Tenancy Agreement (details of which are set out in the announcement of the Company dated 3rd May, 2006 and in the "Letter from the Board") will exceed $10 million. Accordingly, pursuant to Rule 14A.27 of the Listing Rules, the Tenancies Proposal and the License Proposal, together with the relevant cap amounts will be subject to the passing of a resolution by way of poll by the Independent Shareholders at the EGM.

As at the Latest Practicable Date, Miramar is a substantial shareholder of the Company holding approximately 13.66% interest in the Company. Miramar and its associates will abstain from voting at the EGM to be convened for the approval of the Tenancies Proposal and the License Proposal and the relevant cap amounts.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of five executive Directors, namely Messrs. Yeung Ping Leung, Howard, Tang Yat Sun, Richard, Cheng Ka On, Dominic, Yeung Bing Kwong, Kenneth and Ms. Fung Chung Yee, Caroline, three non-executive Directors, namely Dr. Sin Wai Kin, Mr. Wong Wei Ping, Martin and Mr. Ho Hau Hay, Hamilton, and three independent non-executive Directors, namely Messrs. Lau To Yee, Cheng Kar Shing, Peter and Chan Chak Cheung, William.

The Independent Board Committee comprising the independent non-executive Directors, Messrs. Lau To Yee, Cheng Kar Shing, Peter and Chan Chak Cheung, William, has been established to consider the terms of the Tenancies Proposal and the License Proposal and the relevant cap amounts.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Tenancies Proposal and the License Proposal and the relevant cap amounts are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion in relation to the Tenancies Proposal and the License Proposal and the relevant cap amounts for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

III. BASES AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available under the present circumstances and have performed all necessary steps required under Rules 13.80 of the Listing Rules, including the notes thereto, to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background to and reason for the Tenancies Proposal, Property 3 Tenancy Agreement and the License Proposal

The Group is principally engaged in retailing of gold ornaments, jewellery, watches and gifts, trading of bullion, wholesaling of diamond and securities broking in Hong Kong.

1.1 Tenancies Proposal

Property 1

KF Jewellery, a wholly owned subsidiary of the Company, entered into a tenancy agreement with the Landlord on 28th April, 2004 in respect of Property 1, which is the key retail outlet of the Group for gold ornaments, jewellery, watches and gifts. The Existing Property 1 Tenancy Agreement is for a term of 3 years from 16th July, 2003 to 15th July, 2006 at the monthly rent of $897,290, exclusive of rates, management fees, air-conditioning charges and promotion contribution fees.

KF Jewellery proposed to renew the tenancy in respect of Property 1 for another term of up to 3 years with effect from 16th July, 2006.

As at the Latest Practicable Date, the Group is still negotiating with the Landlord and no agreement has been made.

Property 2

Top Angel, a wholly owned subsidiary of the Company, proposed to enter into a tenancy agreement with the Landlord in respect of Property 2, which will be used as a shop of luxurious items such as watches, jewellery and fashion to expand the Group's business activities.

The tenancy agreement in respect of Property 2 is expected to be for a term of 3 years and commence from delivery of vacant possession of Property 2 by the Landlord to Top Angel, up to the expiry date of the Property 3 Tenancy Agreement (with an option for Top Angel to renew for another 2 years at market rent).

As at the Latest Practicable Date, although negotiation with the Landlord has reached an advanced stage, no agreement has been made.

1.2 Property 3 Tenancy Agreement

Property 3

Top Angel, a wholly owned subsidiary of the Company, agreed to enter into a tenancy agreement with the Landlord in respect of Property 3, which will be used as a deluxe style fashion outlet to expand the Group's business activities.

The tenancy agreement in respect of Property 3 will be for a term of 3 years and commence from delivery of vacant possession of Property 3 by the Landlord to Top Angel (with an option for Top Angel to renew for another 2 years at market rent).

As at the Latest Practicable Date, Top Angel and the Landlord has agreed to enter into the Property 3 Tenancy Agreement.

1.3 License Proposal

Advertising Signboards

Top Angel also proposed to enter into a license agreement with the Landlord to use the Advertising Signboards for exhibiting advertisements.

The license agreement in respect of the Advertising Signboards will be for a term of 3 years and commence from delivery of vacant possession of the Advertising Signboards by the Landlord to Top Angel.

As at the Latest Practicable Date, although negotiation with the Landlord has reached an advanced stage, no agreement has been made.

1.4 Summary of this section

As stated in the "Letter from the Board", the Tenancies Proposal and the License Proposal are to be entered into in the ordinary course of business (as the Group is engaged in the retail business which requires leasing retail outlets from various landlords as well as advertising to promote its business) and on normal commercial terms (after taking into account the negotiations between the parties involved were carried out on arm's length basis with reference to the monthly market rent as advised by the Valuer).

Also as stated in the "Letter from the Board", the Company intends to seek Independent Shareholders' approval prior to entering into the proposed tenancy and license agreements in respect of the Properties and the Advertising Signboards respectively as:

(i) the Group will be provided with the flexibility in negotiating for terms which are more favourable to the Group with reference to the then property market conditions in the event of a falling property market; and

(ii) the Group does not consider commercially viable to request the Landlord to enter into conditional tenancy/license agreements which are subject to the Company's obtaining Independent Shareholders' approval, and fulfilment of such conditions may take about two months.

We have discussed with the management of the Company and noted that the Group had operated in Property 1 for a long time before the listing of the Company in 1988. We also noted that this "King Fook" retail outlet (located at Tsimshatsui) is the key outlet operated by the Group in the Kowloon Peninsula, apart from its flagship store in Central on the Hong Kong Island and five other outlets in Mongkok, Tsuen Wan, Causeway Bay, Admiralty and Central. We have also considered the following factors:

(i) this Tsimshatsui "King Fook" retail outlet is located in the Hotel Miramar Shopping Arcade with significant pedestrian traffic, and Hotel Miramar is recognised as a landmark of that area;

(ii) this Tsimshatsui "King Fook" retail outlet has a ground floor long store front facing Nathan Road (the main road in the Kowloon Peninsula) of over 24 metres which is crucial for the business engaged by the Group and is not easy to secure an alternative location with such feature;

(iii) the entering into the tenancy agreement for Property 1 will provide a stable operation of KF Jewellery and avoid any unnecessary business interruption;

(iv) the entering into the tenancy agreement for Property 2 will provide a suitable premise for the expansion of the Group's business activities, which forms part of the Company's ordinary and usual course of business;

(v) the relocation of the key retail outlet of the Group will incur additional costs such as relocation, renovation, design and refurbishments; and

(vi) the entering into the license agreement for the Advertising Signboards will secure an important spot (i.e. in front of the outlet and facing Nathan Road) for the Group to promote its retail outlets located at the basements of Hotel Miramar Shopping Arcade as well as display their products,

we are of the view that it is logical and reasonable to entering into the proposed tenancy and license agreements in respect of the Properties and the Advertising Signboards respectively. In addition, we believe that it is justifiable for the Company to seek Independent Shareholders' approval prior to entering into the proposed tenancy and license agreements in respect of the Properties and the Advertising Signboards.

2. Terms and the cap amounts of the proposed tenancy and license agreements in respect of the Properties and the Advertising Signboards

Details of the proposed tenancy and license agreements in respect of the Properties and the Advertising Signboards are set out in the "Letter from the Board".

As stated in the "Letter from the Board", the proposed tenancy agreements in respect of the Properties was negotiated by the parties involved under arm's length negotiations with reference to the prevailing market conditions and based on the independent valuation by the Valuer.

Also stated in the "Letter from the Board", the proposed monthly license fee under the License Proposal was negotiated by the parties involved under arm's length negotiations with reference to the terms of the Group's posting of advertisements in other places/media.

In sum, the key terms thereof are as follows:

2.1 Tenancies Proposal

Property 1

Existing term: 16th July, 2003 to 15th July, 2006

Proposed term: 16th July, 2006 to 15th July, 2009

Gross floor area: About 11,348 sq. ft.

	Monthly rent	**Monthly management fees and air-conditioning charges (subject to adjustment)**	**Monthly promotion contribution fees**	**Annual amount paid/Proposed annual amount payable**
	$	*$*	*$*	*$*
Existing tenancy	897,290	61,867	8,972.90	11,601,346.50
Proposed terms	1,260,000 (Note 1)			16,200,000 (Note 2)

Notes:

1. The existing tenancy agreement for Property 1 was determined and agreed between the parties involved at the then market price during the outbreak of Severe Acute Respiratory Syndrome in 2003 (i.e. for a term from 16th July, 2003 to 15th July, 2006). The proposed monthly rent is arrived at based on the monthly market rent of Property 1 at $1,260,000 per month as at 21st April, 2006 as advised by the Valuer. We have discussed with the Valuer on the underlying bases and assumptions adopted, including the comparable market rents for similar properties in close proximity with such property, in arriving at the monthly market rent of Property 1, and believed that they are reasonable. We have also obtained their confirmation that they are not aware of any event with respect to the valuation which needs to highlight to the Shareholders' attention.

2. This cap amount is calculated by adding the monthly rent of $1,260,000, the promotion contribution fees (being 1% of the rent according to the Group's experience) and the management fees and air-conditioning charges at the current rates, with a buffer of about 20% to allow for adjustment of such fees/charges during the term of the tenancy. We have discussed with the management of the Company, reviewed the historical record of the Group with regard to the promotion contribution fees for Property 1 (which support the fact that it is approximately 1% of the rent) and the potential adjustment of the management fees and air-conditioning charges and promotion contribution fees (due to the economic performance of Hong Kong) during the term of the tenancy, we are of the view that the basis applied by the Company is reasonable.

Property 2

Proposed term: commencing from delivery of vacant possession of Property 2 by the Landlord to Top Angel up to the expiry date of the Property 3 Tenancy Agreement (with an option for Top Angel to renew for another 2 years at market rent)

Gross floor area: 18,121 sq. ft.

	Monthly rent	Monthly management fees and air-conditioning charges (subject to adjustment)	Monthly promotion contribution fees (subject to adjustment)	Proposed annual amount payable
	$	*$*	*$*	*$*
Proposed terms	362,420 (Note 1)	100,752.76	3,624.20	5,950,000 (Note 2)

In addition to the abovementioned fees, there is a one-off payment for the vetting on decoration plans of $18,121.

Notes:

1. This monthly rent is arrived at with reference to the monthly market rent of Property 2 at $370,000 per month as at 21st April, 2006 as advised by the Valuer. We have discussed with the Valuer on the underlying bases and assumptions adopted, including the comparable market rents for similar properties in close proximity with such property, in arriving at the monthly market rent of Property 2, and believed that they are reasonable. We have also obtained their confirmation that they are not aware of any event with respect to the valuation which needs to highlight to the Shareholders' attention.

2. This cap amount is calculated by adding the monthly market rent of $370,000, the promotion contribution fees (being 1% of the rent according to the Group's experience) and the management fees and air-conditioning charges at the current rates with a buffer of about 20% to allow for adjustment of such fees/charges during the term of the tenancy. We have discussed with the management of the Company, reviewed the historical record of the Group with regard to the promotion contribution fees for Property 1 (which support the fact that it is approximately 1% of the rent) and the potential adjustment of the management fees and air-conditioning charges and promotion contribution fees (due to the economic performance of Hong Kong) during the term of the tenancy, we are of the view that the basis applied by the Company is reasonable.

It is normal for rental for different units within a shopping mall to be charged at different rate due to difference in traffic flow. The management of the Company believes and we concur that it is normal for the rent of Property 2 to be lower (due to the considerably lower traffic flow) than Property 1.

After taking into account various factors including the rental, location and size, the management of the Company further considers and we concur that the benefit of mutual referral of customers may be achieved by maintaining two outlets with different targeted customers in the same shopping arcade.

Taking into account the basis above to determine the monthly rent for each of the Properties and the proposed annual cap amount payable to the Landlord under each of the proposed tenancy agreements in respect of the Properties and the length of such proposed tenancy agreements (i.e. either 3 years or 3 years with 2 years option at the discretion of the tenant which we believe are quite normal market practice in Hong Kong), we are of the view that the terms and the annual amounts of the proposed tenancy agreements in respect of the Properties are fair and reasonable.

As stated in the "Letter from the Board", the Company will comply with the relevant Listing Rules requirements in the event of renewal of the tenancy agreement in respect of any of the Properties.

2.2 License Proposal

Advertising Signboards

The proposed license agreement will be for a term of 3 years from delivery of vacant possession of the Advertising Signboards by the Landlord to Top Angel at a monthly license fee of $40,000 for each signboard with an area of 50 ft X 25 ft.

The proposed monthly license fee will be exclusive of rates and electricity charges. It is proposed that the cap of the total annual license fee payable to the Landlord under the proposed license agreement in respect of the Advertising Signboards shall be $480,000 based on the above terms. The Group has made reference to the terms of its posting of advertisements in other places/media in the negotiation of the terms of the proposed license agreement with the Landlord.

It is an industry practice for shopping malls to charge their tenants for a fee (i.e. promotion contribution fee) for the implementation of promotional activities such as decoration and advertising in order to enhance traffic flow. Based on the Group's experience, the promotion contribution fees of 1% of the rent under the Tenancies Proposal are in line with promotional fees charged by another shopping mall operator where the Group has an outlet.

In assessing the fairness and reasonableness of the license fee payable under the License Proposal, we have discussed with users of similar advertising signboards with respect to the license fee for similar signboards located at prime areas and of comparable size and noted that the terms of the License Proposal are comparable to the prevailing market rate. Accordingly, we are of the view that the terms of the License Proposal and the annual cap amount under the License Proposal are fair and reasonable.

V. RECOMMENDATION

Having considered the principal factors and reasons referred to above, namely (i) background to and reasons for the Tenancies Proposal and the License Proposal; (ii) the entering into the Tenancies Proposal and the License Proposal in the ordinary course of business (as the Group is engaged in the retail business which requires leasing retail outlets from various landlords as well as advertising to promote its business) and on normal commercial terms (after taking into account the negotiations between the parties involved were carried out on arm's length basis with reference to the monthly market rent as advised by the Valuer); and (iii) the terms and the cap amounts of the proposed tenancy and licence agreements in respect of the Properties and the Advertising Signboards respectively, we are of the view that entering into the Tenancies Proposal and the License Proposal is in the interests of the Company and the Shareholders as a whole and the terms and the relevant cap amounts of the proposed tenancy and licence agreements in respect of the Properties and the Advertising Signboards respectively are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the ordinary resolution in relation to the Tenancies Proposal and the License Proposal and the relevant cap amounts, to be proposed at the EGM.

Yours faithfully,
For and on behalf of
ACCESS CAPITAL LIMITED
Jeanny Leung
Managing Director

1. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three years ended 31st March, 2005 as extracted from the respective published audited financial statements.

RESULTS

Consolidated Income Statement

	Year ended 31st March,		
	2005	2004	2003
	$'000	$'000	$'000
TURNOVER	**679,320**	612,065	566,785
COST OF SALES	**(515,688)**	(477,374)	(448,940)
GROSS PROFIT	**163,632**	134,691	117,845
OTHER OPERATING INCOME	**12,574**	30,751	5,483
DISTRIBUTION AND SELLING COSTS	**(101,796)**	(96,895)	(89,761)
ADMINISTRATIVE EXPENSES	**(46,430)**	(36,941)	(33,795)
IMPAIRMENT OF NON-TRADING INVESTMENTS	**-**	-	(20,227)
OTHER OPERATING EXPENSES	**(3,793)**	(2,855)	(859)
OPERATING PROFIT/(LOSS) BEFORE FINANCE COSTS	**24,187**	28,751	(21,314)
FINANCE COSTS	**(3,313)**	(4,253)	(5,502)
OPERATING PROFIT/(LOSS)	**20,874**	24,498	(26,816)
SHARE OF PROFIT OF A JOINTLY CONTROLLED ENTITY	**110**	134	96
PROFIT/(LOSS) BEFORE TAXATION	**20,984**	24,632	(26,720)
TAXATION	**(449)**	(126)	(161)
PROFIT/(LOSS) AFTER TAXATION	**20,535**	24,506	(26,881)
MINORITY INTERESTS	**27**	30	1
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	**20,562**	24,536	(26,880)
DIVIDENDS	**5,221**	2,175	-
Profit/(Loss) for the year retained by:			
Company and subsidiaries	**20,452**	24,402	(26,976)
A jointly controlled entity	**110**	134	96
	20,562	24,536	(26,880)
EARNINGS/(LOSS) PER SHARE	**4.7 cents**	5.6 cents	(6.2 cents)

ASSETS AND LIABILITIES

Consolidated Balance Sheet

	As at 31st March,		
	2005	2004	2003
	$'000	$'000	$'000
NON-CURRENT ASSETS			
Goodwill	**-**	1,661	454
Fixed assets	**27,492**	27,339	38,465
Investment in a jointly controlled entity	**4,884**	4,853	4,716
Non-trading investments	**65,830**	54,544	26,592
Other assets	**2,105**	2,105	2,200
	100,311	90,502	72,427
CURRENT ASSETS			
Stocks	**549,219**	496,742	507,100
Debtors, deposits and prepayments	**60,141**	89,962	41,255
Trading investments	**15,453**	11,658	9,395
Tax recoverable	**445**	195	-
Bank balances and cash	**34,418**	34,755	25,644
	659,676	633,312	583,394
CURRENT LIABILITIES			
Creditors and accruals	**48,156**	73,415	41,724
Taxation payable	**-**	17	143
Loan from a director	**-**	15,000	20,000
Gold loans, unsecured	**11,185**	11,009	12,968
Current portion of long term bank loans	**-**	40,000	-
Bank loans and overdrafts, unsecured	**62,236**	71,687	80,433
	121,577	211,128	155,268
NET CURRENT ASSETS	**538,099**	422,184	428,126
	638,410	512,686	500,553
Financed by:			
SHARE CAPITAL	**108,768**	108,768	108,768
OTHER RESERVES	**101,053**	91,850	63,542
RETAINED PROFITS			
Proposed final dividend	**3,481**	2,175	-
Others	**304,179**	288,838	266,477
SHAREHOLDERS' FUNDS	**517,481**	491,631	438,787
MINORITY INTERESTS	**322**	349	379
LONG TERM BANK LOANS	**120,000**	20,000	60,000
PROVISION FOR LONG SERVICE PAYMENTS	**607**	706	1,387
	638,410	512,686	500,553

2. FINANCIAL STATEMENTS OF THE GROUP

2.1 Set out below are the audited financial statements of the Group as extracted from the annual report of the Group for the year ended 31st March, 2005:

Consolidated Income Statement
For the year ended 31st March, 2005

	Note	**2005** **$'000**
TURNOVER	2	**679,320**
COST OF SALES		**(515,688)**
GROSS PROFIT		**163,632**
OTHER OPERATING INCOME		**12,574**
DISTRIBUTION AND SELLING COSTS		**(101,796)**
ADMINISTRATIVE EXPENSES		**(46,430)**
OTHER OPERATING EXPENSES		**(3,793)**
OPERATING PROFIT BEFORE FINANCE COSTS	3	**24,187**
FINANCE COSTS	5	**(3,313)**
OPERATING PROFIT		**20,874**
SHARE OF PROFIT OF A JOINTLY CONTROLLED ENTITY		**110**
PROFIT BEFORE TAXATION		**20,984**
TAXATION	6	**(449)**
PROFIT AFTER TAXATION		**20,535**
MINORITY INTERESTS		**27**
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	7	**20,562**
DIVIDENDS	8	**5,221**
Profit for the year retained by:		
Company and subsidiaries		**20,452**
A jointly controlled entity		**110**
		20,562
EARNINGS PER SHARE	**9**	**4.7 cents**

Consolidated Balance Sheet
As at 31st March, 2005

	Note	**2005**
		$'000
NON-CURRENT ASSETS		
Goodwill	11	**-**
Fixed assets	12	**27,492**
Investment in a jointly controlled entity	14	**4,884**
Non-trading investments	15	**65,830**
Other assets	16	**2,105**
		100,311
CURRENT ASSETS		
Stocks	17	**549,219**
Debtors, deposits and prepayments	18	**60,141**
Trading investments	19	**15,453**
Tax recoverable		**445**
Bank balances and cash		**34,418**
		659,676
CURRENT LIABILITIES		
Creditors and accruals	20	**48,156**
Taxation payable		**-**
Loan from a director	28(d)	**-**
Gold loans, unsecured		**11,185**
Current portion of long term bank loans	23	**-**
Bank loans and overdrafts, unsecured		**62,236**
		121,577
NET CURRENT ASSETS		**538,099**
		638,410
Financed by:		
SHARE CAPITAL	21	**108,768**
OTHER RESERVES		**101,053**
RETAINED PROFITS		
Proposed final dividend		**3,481**
Others		**304,179**
SHAREHOLDERS' FUNDS		**517,481**
MINORITY INTERESTS		**322**
LONG TERM BANK LOANS	23	**120,000**
PROVISION FOR LONG SERVICE PAYMENTS	24	**607**
		638,410

Balance Sheet
As at 31st March, 2005

	Note	**2005** **$'000**
NON-CURRENT ASSETS		
Fixed assets	12	**5,738**
Investments in subsidiaries	13	**483,879**
		489,617
CURRENT ASSETS		
Debtors, deposits and prepayments	18	**6,933**
Bank balances and cash		**937**
		7,870
CURRENT LIABILITIES		
Creditors and accruals	20	**4,664**
Gold loans, unsecured		**11,184**
Current portion of long term bank loans	23	**-**
Bank loans and overdrafts, unsecured		**59,000**
		74,848
NET CURRENT LIABILITIES		**(66,978)**
		422,639
Financed by:		
SHARE CAPITAL	21	**108,768**
OTHER RESERVES	22	**17,575**
RETAINED PROFITS		
Proposed final dividend	22	**3,481**
Others	22	**172,617**
SHAREHOLDERS' FUNDS		**302,441**
LONG TERM BANK LOANS	23	**120,000**
PROVISION FOR LONG SERVICE PAYMENTS	24	**198**
		422,639

Consolidated Statement of Changes in Equity
For the year ended 31st March, 2005

	Share capital $'000	Share premium $'000	Capital reserve on consolidation $'000	Exchange reserve $'000	Investment revaluation reserve $'000	Retained profits $'000	Total $'000
At 1st April, 2004	108,768	17,575	24,753	76	49,446	291,013	491,631
Exchange translation differences	-	-	-	6	-	-	6
Surplus on revaluation of non-trading investments	-	-	-	-	10,503	-	10,503
Net gains not recognised in the profit and loss account	-	-	-	6	10,503	-	10,509
Profit for the year	-	-	-	-	-	20,562	20,562
Realisation upon disposal of non-trading investments	-	-	-	-	(1,306)	-	(1,306)
Dividends	-	-	-	-	-	(3,915)	(3,915)
	-	-	-	-	(1,306)	16,647	15,341
At 31st March, 2005	**108,768**	**17,575**	**24,753**	**82**	**58,643**	**307,660**	**517,481**
Representing:							
Proposed final dividend						3,481	
Others						304,179	
Retained profits as at 31st March, 2005						**307,660**	
Retained by:							
Company and subsidiaries	108,768	17,575	24,753	87	58,643	307,396	517,222
A jointly controlled entity	-	-	-	(5)	-	264	259
	108,768	**17,575**	**24,753**	**82**	**58,643**	**307,660**	**517,481**

Consolidated Cash Flow Statement
For the year ended 31st March, 2005

	Note	**2005**
		$'000
OPERATING ACTIVITIES		
Net cash outflow from operations	25(a)	**(22,500)**
Interest received		**342**
Hong Kong profits tax paid		**(883)**
Hong Kong profits tax refunded		**195**
Overseas tax paid		**(28)**
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(22,874)**
INVESTING ACTIVITIES		
Net refund of statutory deposits		**-**
Acquisition of a subsidiary, net of cash acquired	25(b)	**-**
Sale of trading investments		**15,841**
Sale of non-trading investments		**3,682**
Sale of fixed assets		**21**
Dividends received from listed investments		**1,544**
Dividends received from a jointly controlled entity		**76**
Purchase of trading investments		**(15,248)**
Purchase of fixed assets		**(8,631)**
Purchase of non-trading investments		**(3,069)**
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(5,784)**
FINANCING ACTIVITIES		
Repayment of loan due to a director		**(15,000)**
Interest paid		**(3,313)**
New bank loans		**1,159,187**
Repayment of bank loans		**(1,109,187)**
Dividends paid		**(3,915)**
NET CASH INFLOW FROM FINANCING ACTIVITIES		**27,772**
DECREASE IN CASH AND CASH EQUIVALENTS		**(886)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**34,755**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**33,869**
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash		**34,418**
Bank overdrafts		**(549)**
		33,869

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investments in securities are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether the use of these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Basis of consolidation

The group accounts include the accounts of the Company and its subsidiaries made up to 31st March.

The group accounts also include the Group's share of the results for the year, and of the net assets of its jointly controlled entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

The Company's investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(d) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

The Company's investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

(e) Goodwill/negative goodwill

Goodwill/negative goodwill on acquisition of subsidiaries and jointly controlled entities occurring on or after 1st April, 2001 is included as intangible assets and is amortised over its estimated useful life on a straight-line basis in accordance with the provisions of Statement of Standard Accounting Practice ("SSAP") 30. For acquisitions prior to 1st April, 2001, goodwill/negative goodwill was written off against/taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions of SSAP 30 and such goodwill/negative goodwill has not been retrospectively restated. However, any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

(f) Income recognition

The Group recognises income on the following bases:

(i) Sale of goods

Income from gold ornament, jewellery, watch and gift retailing, diamond wholesaling and bullion trading is recognised upon delivery of goods to customers.

(ii) Commission income

Commission income from securities broking and money exchange is recognised when services are rendered.

(iii) Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Income recognition (Continued)

(iv) Rental income

Rental income is recognised on a straight-line basis over the period of each lease.

(v) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Leasehold land is depreciated over the remaining period of the lease while other fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis at the following annual rates:

Buildings	2% - 2.5%
Leasehold improvements	15% or over the remaining period of leases, whichever is shorter
Furniture and equipment	15%
Other fixed assets	15%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the fixed asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

(h) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payment obligations in respect of operating leases on properties with fixed rentals are accounted for on a straight-line basis over the periods of the respective leases; payment obligations in respect of operating leases on properties with rentals which vary with gross revenue of the Group are charged to the profit and loss account as incurred.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Stocks

Stocks, other than gold stocks, are stated at the lower of cost and estimated net realisable value. Cost is determined on an actual cost basis. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Gold stocks are hedged on a daily basis through the use of gold loans (see note 1(l) below) or spot contracts with independent third parties. Gold stocks are stated at market price prevailing at the close of business on the balance sheet date.

(j) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(k) Investments in securities

(i) Non-trading investments

Non-trading investments are stated at fair value at the balance sheet date. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value. Changes in the fair value of individual investments are credited or debited to the investment revaluation reserve until the investment is sold or is determined to be impaired.

Upon the disposal of an investment, the cumulative gain or loss, representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(ii) Trading investments

Trading investments are carried at fair value at the balance sheet date. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value.

At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(l) Gold loans

Gold loans are stated in Hong Kong dollars at the gold price prevailing at the close of business on the balance sheet date. Profits and losses arising therefrom are dealt with in the profit and loss account.

(m) Translation of foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst their profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a number of defined contribution retirement schemes in Hong Kong, the assets of which are held in separate trustee-administered funds. The retirement schemes are funded by payments from employees and the Group.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(ii) Pension obligations (Continued)

Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

(p) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(q) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated results mainly represent dividend income from listed investments and the gain or loss from investments in securities less corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables, operating cash and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading, securities broking and diamond wholesaling. Turnover recognised during the year comprised the following:

	2005	2004
	$'000	$'000
Gold ornament, jewellery, watch and gift retailing	**616,275**	561,338
Bullion trading	**36,928**	24,947
Commission from securities broking	**8,001**	9,581
Diamond wholesaling	**18,116**	16,199
	679,320	612,065

Primary reporting format - business segments

The Group is organised into two main business segments:

(i) Retailing, bullion trading and diamond wholesaling
(ii) Securities broking

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	Retailing, bullion trading and diamond wholesaling 2005 $'000	Securities broking 2005 $'000	Group 2005 $'000
Turnover	671,319	8,001	679,320
Segment results	52,100	2,643	54,743
Unallocated results			(30,556)
Operating profit before finance costs			24,187
Finance costs			(3,313)
Operating profit			20,874
Share of profit of a jointly controlled entity	110		110
Profit before taxation			20,984
Taxation			(449)
Profit after taxation			20,535
Minority interests			27
Profit attributable to shareholders			20,562
Segment assets	612,624	40,740	653,364
Investment in a jointly controlled entity	4,884		4,884
Unallocated assets			101,739
Total assets			759,987
Segment liabilities	35,051	17,457	52,508
Unallocated liabilities			189,676
Minority interests			322
Total liabilities			242,506
Capital expenditure			
Additions of fixed assets			
- segment	6,195	585	6,780
- unallocated			1,851
Amortisation of goodwill			414
Impairment losses of goodwill			1,247
Depreciation			
- segment	5,992	756	6,748
- unallocated			1,119

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	Retailing, bullion trading and diamond wholesaling 2004 $'000	Securities broking 2004 $'000	Group 2004 $'000
Turnover	602,484	9,581	612,065
Segment results	42,240	8,832	51,072
Unallocated results			(22,321)
Operating profit before finance costs			28,751
Finance costs			(4,253)
Operating profit			24,498
Share of profit of a jointly controlled entity	134		134
Profit before taxation			24,632
Taxation			(126)
Profit after taxation			24,506
Minority interests			30
Profit attributable to shareholders			24,536
Segment assets	555,849	67,277	623,126
Investment in a jointly controlled entity	4,853		4,853
Unallocated assets			95,835
Total assets			723,814
Segment liabilities	35,108	40,248	75,356
Unallocated liabilities			156,478
Minority interests			349
Total liabilities			232,183
Capital expenditure			
Additions of fixed assets			
- segment	10,285	162	10,447
- unallocated			1,907
Additions of fixed assets through acquisition of a subsidiary			4
Amortisation of goodwill			363
Depreciation			
- segment	5,685	793	6,478
- unallocated			938

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

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

3. OPERATING PROFIT BEFORE FINANCE COSTS

Operating profit before finance costs is stated after crediting and charging the following:

	2005	2004
	$'000	$'000
Crediting		
Dividend income from listed investments	**1,544**	7,986
Interest income	**342**	548
Gain on disposal of fixed assets	**-**	13,922
Net realised and unrealised gains on trading listed investments	**4,388**	4,850
Gain on disposal of non-trading listed investments	**2,702**	523
Rental income less outgoings		
- owned land and buildings	**563**	537
- operating subleases	**1,128**	1,508
Charging		
Amortisation of goodwill	**414**	363
Auditors' remuneration	**1,124**	996
Cost of stocks sold	**515,037**	474,248
Depreciation of fixed assets	**7,867**	7,416
Loss on disposal of fixed assets	**590**	-
Impairment losses of goodwill	**1,247**	-
Operating leases - land and buildings	**41,002**	36,723
Provision for bad debts	**1,522**	2,411
Provision for and write down of stocks	**268**	2,811

4. STAFF COSTS

	2005	2004
	$'000	$'000
Wages, salaries and allowances	**46,441**	42,389
Pension costs - defined contribution retirement schemes*	**2,554**	2,416
Write back of provision for long service payments (note 24)	**-**	(600)
	48,995	44,205

4. STAFF COSTS (Continued)

Staff costs as shown above include directors' emoluments except fees.

* As permitted under the rules of the provident fund schemes, all forfeited contributions for the two years ended 31st March, 2005 and 2004 have been credited to the employers' balance in respect of the remaining members' accounts.

5. FINANCE COSTS

	2005	2004
	$'000	$'000
Interest on		
- bank loans and overdrafts	2,972	3,667
- gold loans	169	215
- loan from a director	172	371
	3,313	4,253

6. TAXATION

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

The amount of taxation charged to the consolidated profit and loss account represents:

	2005	2004
	$'000	$'000
Hong Kong profits tax	420	86
Under provision in prior years	1	40
Overseas taxation	28	-
	449	126

6. TAXATION (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2005	2004
	$'000	$'000
Profit before taxation	**20,984**	24,632
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**3,672**	4,311
Effect of different taxation rates in other countries	**(283)**	(151)
Income not subject to taxation	**(586)**	(3,850)
Expenses not deductible for taxation purposes	**715**	945
Temporary differences not recognised	**33**	125
Tax losses not recognised	**2,062**	1,720
Recognition of previously unrecognised temporary differences	**-**	31
Utilisation of previously unrecognised tax losses	**(5,165)**	(3,045)
Under provision in prior years	**1**	40
Taxation charge	**449**	126

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of $2,253,000 (2004: $4,349,000) which is dealt with in the accounts of the Company.

8. DIVIDENDS

	2005	2004
	$'000	$'000
Interim, paid, of 0.4 cent (2004: Nil) per ordinary share	**1,740**	-
Final, proposed, of 0.8 cent (2004: 0.5 cent) per ordinary share	**3,481**	2,175
	5,221	2,175

At a meeting held on 8th July, 2005, the directors proposed a final dividend of 0.8 cent per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2006.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of $20,562,000 (2004: $24,536,000) and the total number of 435,071,650 (2004: 435,071,650) ordinary shares in issue during the year.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

The aggregate amounts of emoluments paid and payable to the directors of the Company during the year are as follows:

	2005	2004
	$'000	$'000
Fees	**157**	150
Salaries, allowances, benefits in kind and other emoluments	**1,007**	638
Pension costs - defined contribution retirement schemes	**38**	30
	1,202	818

The emoluments were paid to the directors as follows:

	Number of directors	
Emolument bands	**2005**	2004
$Nil - $1,000,000	**13**	11

None of the directors has waived or agreed to waive any emoluments in respect of the year ended 31st March, 2005 (2004: Nil).

Directors' fees/emoluments disclosed above include directors' fees of $39,500 (2004: $32,000) and directors' emoluments of $130,556 (2004: Nil) paid and payable to independent non-executive directors during the year.

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The aggregate emoluments of the five highest paid individuals include emoluments of one of the directors disclosed above (2004: Nil). Details of emoluments of the remaining four highest paid individuals (2004: five individuals) are as follows:

	2005	2004
	$'000	$'000
Salaries, allowances and benefits in kind	**3,146**	2,645
Pension costs - defined contribution retirement schemes	**152**	161
	3,298	2,806

	Number of individuals	
Emolument bands	**2005**	2004
$Nil - $1,000,000	**4**	5

11. GOODWILL

	Group	
	2005	2004
	$'000	$'000
Net book value at the beginning of the year	**1,661**	454
Acquisition of a subsidiary (note 25(b))	**-**	1,570
Amortisation charge (note 3)	**(414)**	(363)
Impairment losses (note 3)	**(1,247)**	-
Net book value at the end of the year	**-**	1,661
At the end of the year		
Cost	**2,074**	2,074
Accumulated amortisation and impairment losses	**(2,074)**	(413)
Net book value	**-**	1,661

12. FIXED ASSETS

Group

	Leasehold land and buildings $'000	Leasehold improvements, furniture and equipment $'000	Other fixed assets $'000	Total $'000
Cost				
At 1st April, 2004	14,495	46,996	4,098	65,589
Additions	-	8,399	232	8,631
Disposals/write off	-	(7,278)	-	(7,278)
At 31st March, 2005	**14,495**	**48,117**	**4,330**	**66,942**
Accumulated depreciation and impairment losses				
At 1st April, 2004	4,812	29,943	3,495	38,250
Charge for the year	321	7,246	300	7,867
Disposals/write off	-	(6,667)	-	(6,667)
At 31st March, 2005	**5,133**	**30,522**	**3,795**	**39,450**
Net book value				
At 31st March, 2005	**9,362**	**17,595**	**535**	**27,492**
At 31st March, 2004	9,683	17,053	603	27,339

The Group's interests in leasehold land and buildings at their net book values are analysed as follows:

	2005 $'000	2004 $'000
In Hong Kong, held on:		
Leases of over 50 years	**1,163**	1,203
Leases of between 10 to 50 years	**8,199**	8,480
	9,362	9,683

12. FIXED ASSETS (Continued)

Company

	Leasehold land and buildings $'000	Leasehold improvements, furniture and equipment $'000	Total $'000
Cost			
At 1st April, 2004	1,603	14,314	15,917
Additions	-	1,851	1,851
At 31st March, 2005	**1,603**	**16,165**	**17,768**
Accumulated depreciation			
At 1st April, 2004	400	10,632	11,032
Charge for the year	40	958	998
At 31st March, 2005	**440**	**11,590**	**12,030**
Net book value			
At 31st March, 2005	**1,163**	**4,575**	**5,738**
At 31st March, 2004	1,203	3,682	4,885

The Company's leasehold land and buildings are all situated in Hong Kong and held on leases of over 50 years.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 $'000	2004 $'000
Unlisted shares, at cost	**127,926**	127,926
Less: provision for impairment losses	**(5,142)**	(5,141)
	122,784	122,785
Amounts due from subsidiaries less provision	**546,733**	487,701
	669,517	610,486
Amounts due to subsidiaries	**(185,638)**	(173,666)
	483,879	436,820

13. INVESTMENTS IN SUBSIDIARIES (Continued)

The amounts due from/to subsidiaries are unsecured, interest free except for receivables of \$190,184,000 (2004: \$131,687,000) and payables of \$21,029,000 (2004: \$8,846,000) which bear interest at rates ranging from 1.025% to 4.385% (2004: 1.0875% to 3.25%) per annum, and have no fixed terms of repayment.

Details of the subsidiaries as at 31st March, 2005 are as follows:

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by Group	Company	Principal activities
Incorporated and operating in Hong Kong:				
Evermind Limited	10,000 ordinary shares of \$1 each	80	80	Investment holding
Jacqueline Emporium Limited	1,000 ordinary shares of \$100 each	100	-	Investment and watch trading
Jet Bright Trading Limited	2 ordinary shares of \$1 each	100	-	Jewellery and watch retailing
King Fook China Resources Limited	2 ordinary shares of \$10 each	100	100	Investment holding
King Fook Commodities Company Limited	50,000 ordinary shares of \$100 each	100	-	Commodities broking
King Fook Gold & Jewellery Company Limited	546,750 ordinary shares of \$100 each	100	100	Investment holding and trading
King Fook Jewellery Group Limited	600,000 ordinary shares of \$100 each	100	100	Gold ornament, jewellery and watch retailing and bullion trading
King Fook Investment Company Limited	2,500,000 ordinary shares of \$1 each	100	100	Investment holding
King Fook International Money Exchange (Kowloon) Limited	65,000 ordinary shares of \$100 each	100	-	Dormant
King Fook Holding Management Limited	50 ordinary shares of \$100 each	100	100	Dormant

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by Group	Company	Principal activities
Incorporated and operating in Hong Kong: (Continued)				
King Fook Securities Company Limited	10,000,000 ordinary shares of $1 each	100	-	Securities broking
King Shing Bullion Traders & Finance Company Limited	60,000 ordinary shares of $100 each	100	-	Dormant
King Fook Jewellery Designing & Trading Company Limited	5,000 ordinary shares of $100 each	100	-	Dormant
Kingswood Trading Limited	2 ordinary shares of $1 each	100	-	Under liquidation
Mario Villa Limited	2,000,000 ordinary shares of $1 each	100	100	Dormant
Perfectrade Limited	20,000 ordinary shares of $1 each	80	-	Provision of interior design services
Polyview International Limited	2 ordinary shares of $1 each	100	100	Watch trading
Rich Point Trading Limited	2 ordinary shares of $1 each	100	-	Dormant
Superior Travellers Services Limited	2 ordinary shares of $1 each	100	100	Sale of travel related products and provision of marketing services for sale of travel related products
Sure Glory Limited	2 ordinary shares of $1 each	100	-	Jewellery and watch retailing
Trade Vantage Holdings Limited	2 ordinary shares of $1 each	100	-	Jewellery and watch retailing
Yatheng Investments Limited	10,000 ordinary shares of $1 each	100	-	Property subletting

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by Group	Company	Principal activities
Incorporated and operating in Hong Kong: (Continued)				
Young's Diamond Corporation (International) Limited	100,000 ordinary shares of $100 each	97.8	97.8	Diamond wholesaling
Young's Diamond Factory Limited	2,000 ordinary shares of US$10 each	97.8	-	Diamond wholesaling
Incorporated and operating in Republic of Liberia:				
Elias Holdings Limited	1 ordinary share with no par value	100	100	Dormant
Established and operating in the PRC:				
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	US$1,000,000	100	100	Dormant
King Fook (Beijing) Consultancy Services Limited#	US$100,000	100	-	Dormant
Young's Diamond Corporation (Shanghai) Limited#	US$200,000	100	100	Dormant
King Fook (Shanghai) International Trading Limited#	US$200,000	100	-	Gold ornament, jewellery, watch wholesaling
King Fook Jewellery (China) Company Limited*	RMB10,000,000	100	-	Gold ornament, jewellery, watch and diamond retailing and wholesaling
Incorporated in British Virgin Islands and operating in Hong Kong:				
Metal Innovation Limited	1 ordinary share of US$1	80	-	Design and metalising

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by Group	Company	Principal activities
Incorporated and operating in British Virgin Islands:				
Most Worth Investments Limited	100 ordinary shares of US$1 each	100	100	Investment holding
Incorporated and operating in Isle of Man:				
Mempro Limited	100 ordinary shares of £1 each	60	-	Investment holding
Incorporated and operating in Switzerland:				
Mempro S.A.	100 ordinary shares of CHF1,000 each	54	-	Import and distribution of memory extensions and computer peripheral products

\# The names of these subsidiaries represent management's translation of the Chinese names of these companies as no English names have been registered.

* A company established during the year ended 31st March, 2005.

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group 2005 $'000	2004 $'000
Share of net assets	**4,884**	4,853

Details of the jointly controlled entity, established and operating in the PRC and held indirectly by the Company, as at 31st March, 2005 are as follows:

Name	Principal activity
Shandong Tarzan King Fook Precious Metal Refinery Co. Ltd.*	Gold refining and assaying

* The name of the jointly controlled entity represents management's translation of the Chinese name of the company as no English name has been registered.

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (Continued)

Pursuant to the joint venture agreement dated 25th January, 2002, the Group established a jointly controlled entity in the PRC with a PRC partner. The jointly controlled entity is a limited liability company with a registered capital of RMB10,000,000 and has a joint venture period of 15 years. The Group has 49% interest in ownership and profit sharing and 40% interest in voting power in the jointly controlled entity.

15. NON-TRADING INVESTMENTS

	Group	
	2005	2004
	$'000	$'000
Equity securities, at market value		
Listed in Hong Kong	**51,463**	42,652
Listed outside Hong Kong*	**14,367**	11,892
	65,830	54,544

* As at 31st March, 2005, 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 34.28% and 6.6% equity interests in that company respectively.

16. OTHER ASSETS

	Group	
	2005	2004
	$'000	$'000
Statutory deposits	**2,105**	2,105

17. STOCKS

	Group	
	2005	2004
	$'000	$'000
Jewellery	**195,456**	188,211
Gold ornament and bullion	**24,931**	28,080
Watches and gift	**328,832**	280,451
	549,219	496,742

At 31st March, 2005, the carrying amount of stocks that are carried at net realisable value amounted to $44,347,000 (2004: $48,669,000).

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Trade debtors	**38,921**	58,410	**-**	-
Deposits and prepayments	**11,690**	9,466	**845**	674
Other receivables	**9,530**	22,086	**6,088**	9,225
	60,141	89,962	**6,933**	9,899

At 31st March, the ageing analysis of the trade debtors was as follows:

	Group	
	2005	2004
	$'000	$'000
Within 30 days	**34,402**	54,395
31 - 90 days	**2,401**	2,432
More than 90 days	**2,118**	1,583
	38,921	58,410

The trade debtors as at the year end mainly consist of receivables of the securities broking business amounting to $22,096,000 (2004: $46,363,000), the credit terms of which are in accordance with the securities broking industry practice. The remaining balance of trade debtors are primarily receivables from retailing and bullion trading and diamond wholesaling businesses which are normally due within three months.

19. TRADING INVESTMENTS

	Group	
	2005	2004
	$'000	$'000
Equity securities, at market value		
Listed in Hong Kong	**15,453**	11,658

20. CREDITORS AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Trade payables	**24,832**	48,801	**-**	-
Other payables and accruals	**17,399**	19,529	**4,167**	5,293
Deposits received	**5,925**	5,085	**497**	16
	48,156	73,415	**4,664**	5,309

At 31st March, the ageing analysis of the trade payables was as follows:

	Group	
	2005	2004
	$'000	$'000
Within 30 days	**24,832**	48,801

21. SHARE CAPITAL

	2005	2004
	$'000	$'000
Authorised:		
620,000,000 ordinary shares of $0.25 each	**155,000**	155,000
Issued and fully paid:		
435,071,650 ordinary shares of $0.25 each	**108,768**	108,768

22. RESERVES

Company

	Share premium $'000	Retained profits $'000	Total $'000
At 1st April, 2004	17,575	177,760	195,335
Profit for the year	-	2,253	2,253
Dividends	-	(3,915)	(3,915)
At 31st March, 2005	**17,575**	**176,098**	**193,673**
Representing:			
Proposed final dividend		3,481	
Others		172,617	
Retained profits as at 31st March, 2005		**176,098**	
At 1st April, 2003	17,575	173,411	190,986
Profit for the year	-	4,349	4,349
At 31st March, 2004	17,575	177,760	195,335
Representing:			
Proposed final dividend		2,175	
Others		175,585	
Retained profits as at 31st March, 2004		177,760	

23. LONG TERM BANK LOANS

	Group and Company	
	2005 **$'000**	2004 $'000
Long term bank loans, unsecured	**120,000**	60,000
Less: Current portion of long term bank loans included in current liabilities	**-**	(40,000)
	120,000	20,000

23. LONG TERM BANK LOANS (Continued)

The bank loans are repayable as follows:

	Group and Company	
	2005	2004
	$'000	$'000
Within one year	**-**	40,000
In the second year	**22,000**	-
In the third to fifth year	**98,000**	20,000
	120,000	60,000

24. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
At the beginning of the year	**706**	1,387	**250**	1,216
Payments	**(99)**	(81)	**(52)**	(81)
Write back (note 4)	**-**	(600)	**-**	(600)
Transfer to a subsidiary	**-**	-	**-**	(285)
At the end of the year	**607**	706	**198**	250

The balances as at 31st March, 2005 and 2004 represent the provision for entitlements of the Group's employees to long service payments on termination of their employment under the required circumstances specified in the Employment Ordinance which are not covered by the Group's provident fund schemes.

25. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash outflow from operations

	2005 $'000	2004 $'000
Profit before taxation	**20,984**	24,632
Amortisation of goodwill	**414**	363
Depreciation	**7,867**	7,416
Dividend income from listed investments	**(1,544)**	(7,986)
Exchange differences	**9**	32
Loss/(gain) on disposal of fixed assets	**590**	(13,922)
Impairment losses of goodwill	**1,247**	-
Interest expense	**3,313**	4,253
Interest income	**(342)**	(548)
Gain on disposal of non-trading listed investments	**(2,702)**	(523)
Net realised and unrealised gains on trading listed investments	**(4,388)**	(4,850)
Provision for bad debts	**1,522**	2,411
Provision for and write down of stocks	**268**	2,811
Share of profit of a jointly controlled entity	**(110)**	(134)
Operating profit before working capital changes	**27,128**	13,955
Decrease in amount due from a jointly controlled entity	**-**	26
(Increase)/decrease in stocks	**(52,745)**	7,547
Decrease/(increase) in debtors, deposits and prepayments	**28,299**	(50,595)
(Decrease)/increase in creditors and accruals	**(25,259)**	28,892
Increase/(decrease) in gold loans	**176**	(1,959)
Decrease in provision for long service payments	**(99)**	(681)
Net cash outflow from operations	**(22,500)**	(2,815)

(b) Acquisition of a subsidiary

	2005 $'000	2004 $'000
Net assets acquired:		
Fixed assets	**-**	4
Debtors, deposits and prepayments	**-**	523
Bank balances and cash	**-**	702
Creditors and accruals	**-**	(2,799)
	-	(1,570)
Goodwill arising on acquisition (note 11)	**-**	1,570
Consideration and acquisition costs	**-**	-

The acquisition in the previous year was satisfied by cash consideration of $1.

25. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of a subsidiary (Continued)

An analysis of the net inflow of cash in respect of the acquisition of a subsidiary is as follows:

	2005	2004
	$'000	$'000
Cash consideration	**-**	-
Cash and cash equivalents acquired	**-**	702
Net cash inflow in respect of the acquisition of a subsidiary	**-**	702

26. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement on the deferred taxation account is as follows:

	Group	
	2005	2004
	$'000	$'000
At the beginning and the end of the year	**-**	-

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities/(assets)

	Accelerated taxation depreciation		**Tax losses**		**Net amount shown in balance sheet**	
	2005	2004	**2005**	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
At the beginning of the year	**1,201**	635	**(1,201)**	(635)	**-**	-
Charged/(credited) to profit and loss account	**(266)**	566	**266**	(566)	**-**	-
At the end of the year	**935**	1,201	**(935)**	(1,201)	**-**	-

26. DEFERRED TAXATION (Continued)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group and the Company have unrecognised tax losses of $77,697,000 (2004: $86,139,000) and $2,011,000 (2004: $2,381,000) respectively to carry forward against future taxable income and these tax losses have no expiry date.

27. COMMITMENTS

(a) Capital commitments for purchase of fixed assets

	Group and Company	
	2005	2004
	$'000	$'000
Contracted but not provided for	**34**	424

(b) Commitments under operating leases

At 31st March, the Group/Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Not later than one year	**38,809**	33,605	**256**	684
Later than one year and not later than five years	**23,108**	25,661	**-**	256
	61,917	59,266	**256**	940

At 31st March, 2005, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to $l,560,000 (2004: $412,500).

27. COMMITMENTS (Continued)

(c) Future rental receivables

At 31st March, the Group/Company had future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of the Group's land and buildings as follows:

	Group		Company	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Not later than one year	**367**	826	**-**	72
Later than one year and not later than five years	**40**	147	**-**	-
	407	973	**-**	72

28. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the accounts, which were carried out in the normal course of the Group's business during the year:

	Group	
	2005	2004
	$'000	$'000
Operating lease rentals on land and buildings paid to related companies:		
Stanwick Properties Limited (note a)	**5,612**	5,465
Contender Limited (note b)	**10,662**	11,180
Consultancy fees paid to a related company (2004: 2 related companies) (note c)	**2,200**	2,154
Interest expense paid to a director (note d)	**172**	371

(a) The operating lease rental was paid to Stanwick Properties Limited ("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 Limited, a wholly owned subsidiary of Miramar, a substantial shareholder of the Company, for the shop premises occupied by a subsidiary on the ground and first floors of Miramar Hotel. Mr. Tang Yat Sun, Richard, Dr. Sin Wai Kin and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.

28. RELATED PARTY TRANSACTIONS (Continued)

(c) The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group for the year ended 31st March, 2005 at fees totalling $2,200,000 (2004: $1,530,000). 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.

(d) The Group borrowed an unsecured short term loan of $15,000,000 (2004: $15,000,000) from a director of the Company. The loan was repayable on demand and was totally repaid during the year. Interest was charged on the loan at 1.5% (2004: 1.5%) per annum.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Board on 8th July, 2005.

2.2 Set out below are the unaudited financial statements of the Group as extracted from the interim report of the Group for the six months ended 30th September, 2005:

Condensed Consolidated Income Statement
For the six months ended 30th September, 2005

		Unaudited Six months ended 30th September,	
		2005	2004
	Note	**$'000**	$'000
Revenue	3	**309,341**	287,455
Cost of sales		**(232,063)**	(218,307)
Gross profit		**77,278**	69,148
Other operating income		**10,892**	8,423
Distribution and selling costs		**(53,130)**	(47,845)
Administrative expenses		**(24,659)**	(21,237)
Other operating expenses		**(130)**	(1,236)
Operating profit	4	**10,251**	7,253
Finance costs		**(3,678)**	(1,345)
Share of profit of a jointly controlled entity		**55**	34
Profit before taxation		**6,628**	5,942
Taxation	6	**(272)**	(165)
Profit for the period		**6,356**	5,777
Attributable to:			
Equity holders of the Company		**5,888**	5,778
Minority interests		**468**	(1)
Profit for the period		**6,356**	5,777
Dividend	7	**1,958**	1,740
Earnings per share attributable to equity holders of the Company			
- Basic	8	**1.4 cents**	1.3 cents

Condensed Consolidated Balance Sheet
As at 30th September, 2005 and 31st March, 2005

	Note	**Unaudited 30th September, 2005 $'000**	Audited 31st March, 2005 $'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Goodwill		**-**	-
Property, plant and equipment	9	**17,745**	21,378
Investment properties		**1,134**	-
Leasehold interest in land		**6,049**	6,114
Investment in a jointly controlled entity		**5,024**	4,884
Available-for-sale investments	10	**78,547**	65,830
Other assets		**2,126**	2,105
		110,625	100,311
Current assets			
Stocks		**599,590**	549,219
Debtors, deposits and prepayments	11	**63,637**	60,141
Investments at fair value through profit or loss		**17,529**	15,453
Tax recoverable		**216**	445
Bank balances and cash		**48,268**	34,418
		729,240	659,676
Current liabilities			
Creditors and accruals	12	**75,293**	48,156
Gold loans, unsecured		**20,301**	11,185
Bank loans and overdrafts, unsecured	14	**98,514**	62,236
		194,108	121,577
Net current assets		**535,132**	538,099
Total assets less current liabilities		**645,757**	638,410
Non-current liabilities			
Long term bank loans	14	**111,500**	120,000
Provision for long service payments		**440**	607
Total non-current liabilities		**111,940**	120,607
Net assets		**533,817**	517,803
CAPITAL AND RESERVES			
Share capital	13	**108,768**	108,768
Retained profits			
Others		**308,109**	304,179
Proposed dividend		**1,958**	3,481
Other reserves		**114,192**	101,053
Capital and reserves attributable to equity holders of the Company		**533,027**	517,481
Minority interests		**790**	322
		533,817	517,803

Condensed Consolidated Cash Flow Statement
For the six months ended 30th September, 2005

	Unaudited Six months ended 30th September, 2005 $'000	2004 $'000
Net cash outflow from operating activities	**(7,320)**	(33,565)
Net cash generated from/(used in) investing activities	**551**	(100)
Net cash generated from financing activities	**21,154**	23,479
Increase/(decrease) in cash and cash equivalents	**14,385**	(10,186)
Cash and cash equivalents at the beginning of the period	**33,869**	34,755
Cash and cash equivalents at the end of the period	**48,254**	24,569
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**48,268**	25,959
Bank overdrafts	**(14)**	(1,390)
	48,254	24,569

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30th September, 2005

	Equity attributable to equity holders							
	Share capital $'000	Share premium $'000	Capital reserve on consolidation $'000	Exchange reserve $'000	Investments revaluation reserve $'000	Retained profits $'000	Minority interests $'000	Total $'000
Unaudited								
For the six months ended 30th September, 2005								
At 1st April, 2005	108,768	17,575	24,753	82	58,643	307,660	322	517,803
Exchange translation differences	-	-	-	422	-	-	-	422
Net surplus on revaluation of available-for-sale investments	-	-	-	-	12,717	-	-	12,717
Net gains not recognised in the income statement	-	-	-	422	12,717	-	-	13,139
Profit for the period	-	-	-	-	-	5,888	468	6,356
Dividend	-	-	-	-	-	(3,481)	-	(3,481)
	-	-	-	-	-	2,407	468	2,875
At 30th September, 2005	**108,768**	**17,575**	**24,753**	**504**	**71,360**	**310,067**	**790**	**533,817**
Representing :								
Proposed interim dividend						1,958		
Others						308,109		
Retained profits as at 30th September, 2005						**310,067**		

Condensed Consolidated Statement of Changes in Equity (Continued)
For the six months ended 30th September, 2005

	Equity attributable to equity holders							
	Share capital $'000	Share premium $'000	Capital reserve on consolidation $'000	Exchange reserve $'000	Investments revaluation reserve $'000	Retained profits $'000	Minority interests $'000	Total $'000
Unaudited								
For the six months ended 30th September, 2004								
At 1st April, 2004	108,768	17,575	24,753	76	49,446	291,013	349	491,980
Exchange translation differences	-	-	-	(9)	-	-	-	(9)
Surplus on revaluation of non-trading investments (now redesignated as available-for-sale investments)	-	-	-	-	716	-	-	716
Net (losses)/gains not recognised in the income statement	-	-	-	(9)	716	-	-	707
Profit / (loss) for the period	-	-	-	-	-	5,778	(1)	5,777
Reserve realised upon disposal of non-trading investments (now redesignated as available-for-sale investments)	-	-	-	-	(1,306)	-	-	(1,306)
Dividend	-	-	-	-	-	(2,175)	-	(2,175)
	-	-	-	-	(1,306)	3,603	(1)	2,296
At 30th September, 2004	108,768	17,575	24,753	67	48,856	294,616	348	494,983
Representing :								
Proposed interim dividend						1,740		
Others						292,876		
Retained profits as at 30th September, 2004						294,616		

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by The Hong Kong Institute of Certified Public Accountants and applicable disclosure provisions in Appendix 16 of the Listing Rules. The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31st March, 2005 (the "2005 Annual Financial Statements").

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2005 Annual Financial Statements, except for the changes in accounting policies made thereafter in adopting certain new and revised Hong Kong Financial Reporting Standards and HKASs ("New HKFRSs") which are effective for accounting periods commencing on or after 1st January, 2005.

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

From 1st April, 2005, the Group has adopted the following New HKFRSs which are relevant to its operations:

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 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
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 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations

2. CHANGES IN ACCOUNTING POLICIES (Continued)

All these standards have been applied retrospectively except where specific transitional provisions require a different treatment. Due to the changes in accounting policies, certain comparative amounts contained in the Interim Financial Statements have been amended in accordance with HKAS 8 and differ from those published in the 2005 Annual Financial Statements and the condensed financial statements for the six months ended 30th September, 2004.

The adoption of the above New HKFRSs has the following impact on the Group's accounting policies:

(a) HKAS 1 "Presentation of Financial Statements"

Under HKAS 1, minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company are now presented as an allocation of the net result of the period.

(b) HKAS 17 "Leases"

The adoption of HKAS 17 has resulted in a reclassification of leasehold interest in land separate from property, plant and equipment. The up-front prepayments made for the leasehold interest in land are presented on the consolidated balance sheet as leasehold interest in land and expensed in the income statement on a straight-line basis over the period of the lease. In prior years, the leasehold interest in land together with property, plant and equipment were accounted for at cost less accumulated depreciation and accumulated impairment losses. Apart from certain presentational changes with comparative amounts restated, this change in accounting policy does not have a material effect on the Interim Financial Statements. This change in accounting policy has been applied retrospectively.

(c) HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

On the adoption of HKAS 32 and 39, the Group has redesignated "Non-trading investments" and "Trading investments" as "Available-for-sale investments" and "Investments at fair value through profit or loss" respectively at 1st April, 2005.

(d) HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets"

These standards stipulate a prospective change to the accounting policies.

In accordance with the provision of HKFRS 3, the amortisation of goodwill has ceased and the accumulated amortisation at 31st March, 2005 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is an indication of impairment.

2. CHANGES IN ACCOUNTING POLICIES (Continued)

(d) HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets" (Continued)

In respect of goodwill previously eliminated against or credited to reserves, HKFRS 3 does not require entities to recognise that goodwill in the income statement when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. Moreover, the Group is not required nor permitted to restate goodwill previously eliminated against reserves.

(e) HKAS 40 "Investment Property"

During the period, certain owned properties of the Group with carrying value of $1,169,000 were reclassified from property, plant and equipment to investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the investment properties and is recognised in the income statement.

Depreciation on investment properties is calculated using the straight-line method to allocate their residual values over the remaining lease period.

(f) Other standards adopted

The adoption of the other new standards did not result in any significant changes to the amounts or disclosures in the Interim Financial Statements.

The effect on the consolidated balance sheet of changes in accounting policies on the adoption of HKAS 17, which takes effect retrospectively, is summarised below:

	30th September, 2005 $'000	31st March, 2005 $'000
(Decrease)/increase in assets		
Property, plant and equipment	**(6,049)**	(6,114)
Leasehold interest in land	**6,049**	6,114
	-	-

3. SEGMENT INFORMATION

(a) Business segments

The Group is principally engaged in gold ornaments, jewellery, watches and gifts retailing, bullion trading, securities broking and diamond wholesaling. An analysis of the Group's revenue and results for the period by business segments is as follows:

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

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Unaudited Six months ended 30th September, 2004		
	Retailing, bullion trading and diamond wholesaling $'000	Securities broking $'000	Total $'000
Revenue – Turnover	284,275	3,180	287,455
Segment results	19,147	745	19,892
Unallocated results			(12,639)
Operating profit			7,253
Finance costs			(1,345)
Share of profit of a jointly controlled entity	34		34
Profit before taxation			5,942
Taxation			(165)
Profit for the period			5,777

(b) Geographical segments

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

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited Six months ended 30th September, 2005 $'000	2004 $'000 (Restated)
Crediting		
Dividend income	**2,956**	1,380
Interest income	**194**	205
Net realised and unrealised gains on investments at fair value through profit or loss	**1,452**	1,242
Net realised gains on available-for-sale investments	**-**	2,702
Net reversal of provision for stocks	**-**	70
Rental income less outgoings		
- owned properties	**503**	297
- operating subleases	**459**	545
Charging		
Amortisation of goodwill	**-**	207
Amortisation of leasehold interest in land	**65**	65
Cost of stocks sold	**233,722**	218,637
Depreciation	**4,157**	3,407
Net provision for and write down of stocks	**1,239**	-
Operating lease charges in respect of properties	**21,227**	19,385
Staff costs (note 5)	**26,499**	23,017
Write off of property, plant and equipment	**103**	223

5. STAFF COSTS

	Unaudited Six months ended 30th September, 2005 $'000	2004 $'000
Wages, salaries and allowances	**25,251**	21,561
Pension costs - defined contribution retirement schemes	**1,379**	1,271
(Overprovision)/provision for long service payments	**(131)**	185
	26,499	23,017

Staff costs as shown above include directors' emoluments except fees.

6. TAXATION

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

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

	Unaudited Six months ended 30th September,	
	2005	2004
	$'000	$'000
Hong Kong profits tax	**229**	163
Under provision in prior years	**-**	1
Overseas taxation	**43**	1
	272	165

7. DIVIDEND

	Unaudited Six months ended 30th September,	
	2005	2004
	$'000	$'000
Interim dividend declared after the interim period end of 0.45 cent (2004: 0.4 cent) per ordinary share	**1,958**	1,740

Notes:

(a) At a meeting held on 9th December, 2005, the directors declared an interim dividend of 0.45 cent per ordinary share for the year ending 31st March, 2006. This interim dividend is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2006.

(b) At a meeting held on 8th July, 2005, the directors proposed a final dividend of 0.8 cent per ordinary share for the year ended 31st March, 2005, which was approved by the shareholders at the annual general meeting held on 12th September, 2005. This final dividend was paid on 16th September, 2005 and has been reflected as an appropriation of retained profits for the six months ended 30th September, 2005.

(c) At a meeting held on 17th December, 2004, the directors declared an interim dividend of 0.4 cent per ordinary share for the year ended 31st March, 2005. This interim dividend was paid on 21st January, 2005 and was reflected as an appropriation of retained profits for the year ended 31st March, 2005.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of $5,888,000 (2004: $5,778,000) and on 435,071,650 (2004: 435,071,650) ordinary shares in issue during the period.

No diluted earnings per share have been presented as there were no dilutive potential ordinary shares in issue for both periods.

9. CAPITAL EXPENDITURE

During the period, the Group's capital expenditures amounted to $1,760,000 (Six months ended 30th September, 2004: $1,811,000) which mainly related to the acquisitions of leasehold improvements, furniture and equipment and motor vehicles.

10. AVAILABLE-FOR-SALE INVESTMENTS
(formerly known as Non-trading investments)

Included in available-for-sale investments are equity securities of a company listed outside Hong Kong (''the Investee Company'') stated at market value of $10,738,000 (At 31st March, 2005: $14,367,000).

As at 30th September, 2005, 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 31.4% and 6.0% equity interests in the Investee Company respectively.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

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

	Within 30 days $'000	**31-90 days $'000**	**More than 90 days $'000**	**Total $'000**
Balance at 30th September, 2005 (Unaudited)	**34,022**	**421**	**2,427**	**36,870**
Balance at 31st March, 2005 (Audited)	34,402	2,401	2,118	38,921

As at 30th September, 2005, the trade debtors mainly consist of receivables of the securities broking business amounting to $26,056,000 (At 31st March, 2005: $22,096,000), the credit terms of which are in accordance with securities broking industry practice. The remaining balance of trade debtors are primarily receivables from retailing, bullion trading and diamond wholesaling businesses which are normally due within three months.

12. CREDITORS AND ACCRUALS

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

	Within 30 days $'000
Balance at 30th September, 2005 (Unaudited)	**47,909**
Balance at 31st March, 2005 (Audited)	24,832

13. SHARE CAPITAL

	Unaudited 30th September, 2005 $'000	Audited 31st March, 2005 $'000
Authorised:		
620,000,000 ordinary shares of $0.25 each	**155,000**	155,000
Issued and fully paid:		
435,071,650 ordinary shares of $0.25 each	**108,768**	108,768

There was no movement in share capital during the period and the year ended 31st March, 2005.

14. BANK LOANS AND OVERDRAFTS

	Unaudited 30th September, 2005 $'000	Audited 31st March, 2005 $'000
Short term bank loans, unsecured	**90,000**	61,687
Long term bank loans, unsecured	**120,000**	120,000
Bank overdrafts, unsecured	**14**	549
	210,014	182,236
Less: Non-current portion of long-term bank loans	**(111,500)**	(120,000)
Bank loans and overdrafts included in current liabilities	**98,514**	62,236

15. COMMITMENTS

(a) Capital commitments for purchase of property, plant and equipment

	Unaudited 30th September, 2005 $'000	Audited 31st March, 2005 $'000
Contracted but not provided for	**171**	34

(b) Commitments under operating leases

At 30th September, 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows :

	Unaudited 30th September, 2005 $'000	Audited 31st March, 2005 $'000
Not later than one year	**40,520**	38,809
In the second to fifth years	**15,845**	23,108
	56,365	61,917

At 30th September, 2005, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to $1,080,000 (At 31st March, 2005: $1,560,000).

(c) Future rental receivables

At 30th September, 2005, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of the Group's owned properties as follows:

	Unaudited 30th September, 2005 $'000	Audited 31st March, 2005 $'000
Not later than one year	**491**	367
In the second to fifth years	**192**	40
	683	407

16. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30th September, **2005** **$'000**	 2004 $'000
Operating lease rentals on properties paid to related companies:		
Stanwick Properties Limited (Note a)	**2,901**	2,802
Contender Limited (Note b)	**5,265**	5,045
Consultancy fee paid to a related company (Note c)	**1,050**	900
Interest expense paid to a director (Note d)	**-**	113

Notes:

(a) The operating lease rental was paid to Stanwick Properties Limited ("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 Limited, a wholly owned subsidiary of Miramar, a substantial shareholder of the Company, for the shop premises occupied by the Group on the ground and first floors of Miramar Hotel. Mr. Tang Yat Sun, Richard, Dr. Sin Wai Kin and Mr. Cheng Ka On, Dominic, directors of the Company, are directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.

(c) The Company has entered into a consultation service agreement with Verbal Company Limited (''Verbal''), whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group for the six months ended 30th September, 2005 at fees totalling $1,050,000 (2004: $900,000). 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.

(d) During the six months ended 30th September, 2004, the Group borrowed an unsecured short term loan of $15,000,000 from a director of the Company at an interest rate of 1.5% per annum. The loan was repaid in full during the year ended 31st March, 2005.

3. INDEBTEDNESS

As at the close of business on 31st March, 2006, being the latest practicable date for ascertaining information regarding this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately $206 million comprising unsecured long term bank loans of approximately $120 million, unsecured short term bank loans of approximately $61 million and unsecured short term gold loan of approximately $25 million. There were no secured or guaranteed borrowings.

As at 31st March, 2006, the Group had contingent liabilities in respect of bank guarantees up to $5 million given to third parties and other matters arising in the ordinary course of business.

As further detailed in the Company's announcement dated 7th March, 2006, the Company had discovered that a former director of KF Securities might have misappropriated securities belonging to clients of KF Securities. At the best estimate of the Directors as at the Latest Practicable Date, such securities have a total market value of about $28.6 million. KF Securities has taken out an insurance policy with a cover of $15 million (subject to an excess of $3 million).

Save as aforesaid and apart from intra-group liabilities, the Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31st March, 2006.

4. WORKING CAPITAL

The Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular after taking into account the internal resources of and banking facilities available to the Group.

5. MATERIAL CHANGE

Save as disclosed in the Company's interim report for the six months ended 30th September, 2005 and its announcement dated 7th March, 2006 relating to the misappropriation of clients' securities by a former director of KF Securities and its circulars dated 24th March, 2006 and 28th April, 2006 respectively relating to the Disposals, the Directors are not aware of any material changes in the financial or trading position or prospects of the Group since 31st March, 2005, being the date to which the latest published audited consolidated financial statements of the Company were made up.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited pro forma net assets statement of the Group as at 30th September, 2005 and the unaudited pro forma profit and loss statement for the six months then ended (collectively known as "unaudited pro forma financial information") which have been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Disposals and Disposal Proposal as if they had taken place on 30th September, 2005 for the unaudited pro forma net assets statement and on 1st April, 2005 for the unaudited pro forma profit and loss statement.

The unaudited pro forma financial information has been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the Group's financial position or results following completion of the Disposals and Disposal Proposal.

The unaudited pro forma financial information are based on the unaudited consolidated net assets of the Group as at 30th September, 2005 and the unaudited consolidation income statement for the six months then ended as shown in the interim financial statements of the Group for the six months ended 30th September, 2005, after giving effect to the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments of the Disposals and Disposal Proposal that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma financial information of the Group is based on a number of assumptions, estimates and uncertainties. The accompanying unaudited pro forma financial information of the Group does not purport to describe the actual financial position or results of the Group that would have been attained had the Disposals and Disposal Proposal been completed on 30th September, 2005 for the unaudited pro forma net assets statement and on 1st April, 2005 for the unaudited pro forma profit and loss statement. The unaudited pro forma financial information of the Group does not purport to predict the future financial position or results of the Group.

1.1 Unaudited pro forma net assets statement

	Unaudited at 30th September, 2005	Pro forma adjustments				Unaudited pro forma at 30th September, 2005
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
ASSETS AND LIABILITIES						
Non-current assets						
Goodwill	-					-
Property, plant and equipment	17,745					17,745
Investment properties	1,134					1,134
Leasehold interest in land	6,049					6,049
Investment in a jointly controlled entity	5,024					5,024
Available-for-sale investments	78,547		(67,809)			10,738
Other assets	2,126					2,126
	110,625					42,816
Current assets						
Stocks	599,590					599,590
Debtors, deposits and prepayments	63,637					63,637
Investments at fair value through profit or loss	17,529		(7,965)			9,564
Tax recoverable	216					216
Bank balances and cash	48,268	154,529		(250)		202,547
	729,240					875,554
Current liabilities						
Creditors and accruals	75,293					75,293
Gold loans, unsecured	20,301					20,301
Tax provision	-				709	709
Bank loans and overdrafts, unsecured	98,514					98,514
	194,108					194,817
Net current assets	535,132					680,737
Total assets less current liabilities	645,757					723,553
Non-current liabilities						
Long term bank loans	111,500					111,500
Provision for long service payments	440					440
Total non-current liabilities	111,940					111,940
Net assets	533,817					611,613

Notes:

1. The adjustment reflects the net proceeds arising from the Disposals and the Disposal Proposal of approximately $154,529,000 which comprise the followings:

   a. the net proceeds of approximately $43,335,000, after deduction of handling charges of approximately $78,000, received by the Group on the Disposals; and

   b. the estimated net proceeds of approximately $111,194,000, after deduction of handling charges of approximately $122,000 (i.e. 0.11% on the gross proceeds), to be received by the Group assuming the 1,874,000 HKEC Shares under the Disposal Proposal will be fully disposed at the price of $59.4 per HKEC Share (i.e. the closing price quoted on the Stock Exchange as at 17th May, 2006).

2. The adjustment reflects the fair value at 30th September, 2005 of:

   a. the 980,000 HKEC Shares under the Disposals of approximately $26,019,000; and

   b. the 1,874,000 HKEC Shares under the Disposal Proposal of approximately $49,755,000.

   2,554,000 HKEC Shares of approximately $67,809,000 were included in “Available-for-sale investments”, whereas 300,000 HKEC Shares of $7,965,000 were included in “Investments at fair value through profit or loss”.

3. The adjustment reflects the estimated related expenses of approximately $250,000 in connection with the Disposal Proposal which are directly attributable to the Disposal Proposal and are based on the latest quotations from various working parties.

4. The adjustment reflects the estimated Hong Kong profits tax at the rate of 17.5% on the net profit arising from disposal of the 300,000 HKEC Shares which were classified as “Investments at fair value through profit or loss” (note 2).

   In prior years, the Group disposed HKEC Shares which were formerly classified as "Non-trading investments" and now reclassified as "Available-for-sale investments" and the net gain from such disposal was not subject to Hong Kong profits tax. Therefore, in the opinion of the Directors, the net gain from disposal of the 2,554,000 HKEC Shares which were classified as "Available-for-sale investments" (note 2) will not be subject to Hong Kong profits tax due to the capital nature of such investments. There is no potential tax liability based on the Company's experience.

1.2 Unaudited pro forma profit and loss statement

	Unaudited six months ended 30th September, 2005	Pro forma adjustments				Unaudited pro forma for the six months ended 30th September, 2005
	$'000	$'000	$'000	$'000	$'000	$'000
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Revenue	309,341					309,341
Cost of sales	(232,063)					(232,063)
Gross profit	77,278					77,278
Other operating income	10,892	(1,920)	(2,739)	96,771	51,463	154,467
Distribution and selling costs	(53,130)					(53,130)
Administrative expenses	(24,659)					(24,659)
Other operating expenses	(130)					(130)
Operating profit	10,251					153,826
Finance costs	(3,678)					(3,678)
Share of profit of a jointly controlled entity	55					55
Profit before taxation	6,628					150,203
Taxation	(272)	336		(1,045)		(981)
Profit for the period	6,356					149,222
Attributable to:						
Equity holders of the Company	5,888	(1,584)	(2,739)	95,726	51,463	148,754
Minority interests	468					468
Profit for the period	6,356					149,222

Notes:

1. The adjustment reflects the reversal of fair value change and the corresponding Hong Kong profits tax on such gain at the tax rate of 17.5% during the six months ended 30th September, 2005 for the 300,000 HKEC Shares which were classified as "Investments at fair value through profit or loss".

2. The adjustment reflects the reversal of dividend income received by the Group for the 2,854,000 HKEC Shares during the six months ended 30th September, 2005 had the Disposals and Disposal Proposal been in place on 1st April, 2005.

3. The adjustment reflects the net gain arising from the Disposals and the Disposal Proposal assuming these transactions had taken place on 1st April, 2005. The adjustment of approximately $95,726,000 takes into account the followings :

   a. the net proceeds of approximately $43,335,000, after deduction of handling charges of approximately $78,000, received by the Group on the Disposals;

   b. the estimated net proceeds of approximately $111,194,000, after deduction of handling charges of approximately $122,000 (i.e. 0.11% on the gross proceeds), to be received by the Group assuming the 1,874,000 HKEC Shares under the Disposal Proposal will be fully disposed at the price of $59.4 per HKEC Share (i.e. closing price quoted on the Stock Exchange as at 17th May, 2006);

   c. the fair value of the 2,854,000 HKEC Shares as at 1st April, 2005 disposed or to be disposed as set out in notes 3(a) and 3(b) amounted to approximately $57,508,000;

   d. the estimated related expenses of approximately $250,000 in connection with the Disposal Proposal which are directly attributable to the Disposal Proposal and are based on the latest quotations from various working parties; and

   e. the estimated Hong Kong profits tax at the tax rate of 17.5% for the gain on disposal of 300,000 HKEC Shares which were classified as "Investments at fair value through profit or loss".

4. The adjustment reflects the realisation of revaluation surplus for the 2,554,000 HKEC Shares which were classified as "Available-for-sale investments" assuming the Disposals and the Disposal Proposal had been in place on 1st April, 2005.

2. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE DISPOSALS AND DISPOSAL PROPOSAL

The following is the full text of report from the Company's reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong for incorporation in this circular:

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

30th May, 2006

The Directors
King Fook Holdings Limited
9/F, King Fook Building
30-32 Des Voeux Road Central
Hong Kong

Dear Sirs

Accountants' report on the unaudited pro forma financial information to the directors of King Fook Holdings Limited (the "Company")

We report on the unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the actual disposal of 980,000 shares in Hong Kong Exchanges and Clearing Limited (the "Disposals") and the proposed disposal of 1,874,000 shares in Hong Kong Exchanges and Clearing Limited (the "Disposal Proposal") might have affected the financial information presented, for inclusion in Appendix II of the Company's circular dated 30th May, 2006 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in the section headed "Unaudited pro forma financial information" in Appendix II to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial positions of the Group as at 30th September, 2005 or any future date; or

- the results of the Group for the six months ended 30th September, 2005 or any future periods.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Grant Thornton
Certified Public Accountants
Hong Kong

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares	Nature of interest	Percentage of Shareholding
Mr. Tang Yat Sun, Richard	3,585,000	Personal	0.82%
Dr. Sin Wai Kin	1,792,500	Personal	0.41%
Mr. Cheng Ka On, Dominic	4,035,000	(Note 1)	0.93%
Mr. Ho Hau Hay, Hamilton	3,170,000	Corporate (Note 2)	0.73%

Notes:

1. *4,020,000 Shares are personal interest and 15,000 Shares are family interest.*

2. *These Shares are held by Tak Hung (Holding) Co. Ltd. in which Mr. Ho has a 40% interest.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO :

Name	Number of Shares	Nature of interest	Percentage of Shareholding
Yeung Chi Shing Estates Limited (“YCS”)	193,145,055	Note 1	44.39%
Miramar	59,416,000	Note 2	13.66%
Miramar Hotel and Investment (Express) Limited (“Miramar Express”)	22,790,000	Beneficial owner	5.24%

Notes:

1. *186,985,035 Shares are beneficially owned by YCS while 6,160,020 Shares are its corporate interest.*

2. *28,122,000 Shares are beneficially owned by Miramar while 31,294,000 Shares are its corporate interest.*

Save as disclosed above, as at the Latest Practicable Date, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. Tang Yat Sun, Richard, Dr. Sin Wai Kin and Mr. Cheng Ka On, Dominic are directors of Miramar and Miramar Express. Mr. Yeung Ping Leung, Howard is a director of Miramar.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company :

(a) Mr. David Cheng Kam Hung was interested in (i) 20% of the issued share capital of each of Evermind Limited, Perfectrade Limited and Metal Innovation Limited; (ii) 15% of the issued share capital of Mempro Limited; and (iii) 13.5% of the issued share capital of Mempro S.A.;

(b) Temple Belle Limited was interested in (i) 25% of the issued share capital of Mempro Limited; and (ii) 22.5% of the issued share capital of Mempro S.A.; and

(c) Mr. Mark Hermans was interested in 10% of the issued share capital of Mempro S.A..

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any person (other than a Director or chief executive of the Company) who was interested, directly or indirectly, in 10% or more of the issued shares of any member of the Group or any options in respect of such capital.

Interests of experts in the Group

None of the experts named in the paragraph headed "Consents" in this appendix has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Interests in contract or arrangement

(a) (i) The Group entered into six tenancy agreements (the "King Fook Leases") with Stanwick Properties Limited, a wholly owned subsidiary of YCS (a substantial shareholder of the Company) in respect of the Basement, Ground Floor, Mezzanine Floor, and 3rd, 5th, 8th, 9th and 10th Floors of King Fook Building, 30-32 Des Voeux Road Central, Hong Kong. The leased properties are used as the key retail outlet and the headquarters of the Group.

Each of the King Fook Leases is for a term of 2 years from 16th August, 2005 to 15th August, 2007. The total monthly rent under the King Fook Leases is $519,700, exclusive of rates, management fees and air-conditioning charges, payable in advance on the 1st day of each calendar month. A breakdown of the monthly rent and area under the King Fook Leases is as follows:

Premises	**Area (sq.ft)**	**Rent per month($)**
Basement	1,885	18,640
Ground Floor	1,860	372,000
Mezzanine Floor	1,160	20,880
3rd Floor	1,653	21,636
5th Floor	1,225	21,636
8th Floor	1,225	21,636
9th Floor	1,225	21,636
10th Floor	1,225	21,636
	11,458	519,700

(ii) The Company has entered into a licence agreement with YCS pursuant to which the Company was granted an exclusive right for the design, manufacture and distribution of gold and jewellery products under the trademark of "King Fook" on a worldwide basis for a total consideration of $1. The contract commenced from 7th December, 1998 and does not fix the termination date.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, together with other members of their family, control the management of YCS.

(b) (i) KF Jewellery and the Landlord entered into the Existing Property 1 Tenancy Agreement.

(ii) Top Angel and the Landlord has agreed to enter into the Property 3 Tenancy Agreement.

Mr. Tang Yat Sun, Richard, Dr. Sin Wai Kin and Mr. Cheng Ka On, Dominic are directors and shareholders of Miramar, the holding company of the Landlord. Mr. Yeung Ping Leung, Howard is a director of Miramar.

(c) The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of Verbal and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.

Save as disclosed above, none of the Directors has any interests in contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group as a whole.

Interests in assets

Save as disclosed in the paragraph headed "Interests in contract or arrangement" above, none of the Directors or experts named in the paragraph headed "Consents" in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31st March, 2005, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Competing business

Mr. Cheng Kar Shing, Peter is a director of Chow Tai Fook Jewellery Co. Ltd. ("Chow Tai Fook"). The gold ornament, jewellery and watch retailing business of Chow Tai Fook may compete with similar business of the Group.

Dr. Sin Wai Kin is the chairman of Myer Jewelry Manufacturer Limited. The trading of fine and costume jewellery business of Myer Jewelry Manufacturer Limited and its subsidiaries ("Myer Group") may compete with similar business of the Group.

Mr. Tang Yat Sun, Richard is a director of Hang Seng Bank Limited ("Hang Seng"). The bullion trading, securities broking and money changer business of Hang Seng may compete with similar business of the Group.

The Group has experienced senior management independent of the above-named Directors to conduct its business and is therefore capable of carrying on its business independently of and at arm's length from the respective businesses of Chow Tai Fook, Myer Group and Hang Seng.

Save as disclosed above, none of the Directors has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

LITIGATION

On 8th March, 2006, KF Securities commenced legal action in the High Court of Hong Kong against Ching Chun Kuen, a former director of KF Securities, for, inter alia, damages for misappropriation of securities belonging to its clients with a market value as at the date of the action of about $25 million (as referred to in the Company's announcement of 7th March, 2006). As at the Latest Practicable Date, KF Securities had obtained an injunction on ex-parte basis against the defendant restraining him from disposing of his assets in Hong Kong. This action is continuing. A hearing for the injunction has been fixed on 25th July, 2006.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

CONSENTS

Access Capital, Grant Thornton and the Valuer have given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

QUALIFICATION OF EXPERTS

The qualifications of the experts who have given opinions in this circular are as follows :

Name	**Qualification**
Access Capital	licensed corporation to carry on types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Grant Thornton	Certified Public Accountants
The Valuer	General Practice Surveyors of The Hong Kong Institute of Surveyors

MATERIAL CONTRACTS

No contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular which are or may be material.

GENERAL

(a) The secretary of the Company is Ms. Cheung Kit Man, Melina. She holds a bachelor degree in business administration from the Chinese University of Hong Kong and has over 22 years' experience in company secretarial work.

(b) The qualified accountant of the Company is Mr. Lee Kwok Wah, a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and a member of The Hong Kong Institute of Certified Public Accountants.

(c) The share registrars of the Company are Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours up to and including 14th June, 2006 :

(a) the Memorandum and Articles of Association of the Company;

(b) the annual reports of the Company for the two years ended 31st March, 2005 and the interim report of the Company for the six months ended 30th September, 2005;

(c) the letter from the Independent Board Committee;

(d) the letter from Access Capital;

(e) the circulars of the Company dated 24th March, 2006 and 28th April, 2006 respectively;

(f) the report of the Company's reporting accountants, Grant Thornton, on the unaudited pro forma financial information of the Group, the text of which is reproduced in Appendix II to this circular;

(g) the rental valuation report of the Valuer on the Properties dated 21st April, 2006; and

(h) the written consents referred to in the paragraph headed "Consents" in this appendix.

king fook holdings limited

景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the abovementioned company (the "Company") will be held at Miramar Ballroom, Hotel Miramar Penthouse, 130 Nathan Road, Kowloon, Hong Kong on 16th June, 2006 at 2:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions :

ORDINARY RESOLUTIONS

1. "**THAT** :

   (a) King Fook Jewellery Group Limited or any wholly owned subsidiary of the Company be and is hereby authorised to enter into a tenancy agreement with Contender Limited (the "Landlord") relating to shop units G1-2 and G1A on Ground Floor and shop units AR201-02 and AR217 on 1st Floor, Hotel Miramar Shopping Arcade, 118-130 Nathan Road, Tsimshatsui, Kowloon for a term of up to three years from 16th July, 2006 at the prevailing market rent not exceeding that valued by an independent valuer appointed by the Company;

   (b) Top Angel Limited or any wholly owned subsidiary of the Company be and is hereby authorised to enter into a tenancy agreement with the Landlord relating to shops 2B1 and 2B2 on 2nd Basement Level, Hotel Miramar Shopping Arcade, 118-130 Nathan Road, Tsimshatsui, Kowloon for a term from the date of delivery of vacant possession of such property by the Landlord up to the expiry date of the tenancy agreement in respect of shops 1B1 and 1B2 on 1st Basement Level, Hotel Miramar Shopping Arcade, 118-130 Nathan Road, Tsimshatsui, Kowloon between Top Angel Limited and the Landlord, at the prevailing market rent not exceeding that valued by an independent valuer appointed by the Company; and

   (c) Top Angel Limited or any wholly owned subsidiary of the Company be and is hereby authorised to enter into a license agreement with the Landlord relating to advertising signboards C1 and C2 at the external wall of Hotel Miramar, 118-130 Nathan Road, Tsimshatsui, Kowloon for a term of three years from the date of delivery of vacant possession of such advertising signboards by the Landlord,

   and on such other terms and conditions as may be approved by the directors of the Company, and the respective caps of these transactions set out in the section headed "The Tenancies Proposal and the License Proposal" in the letter from the board of directors of the Company contained in a circular of the Company dated 30th May, 2006 (a copy of which is tabled at the meeting and signed by the Chairman for the purpose of identification) be and are hereby approved, and the directors of the Company be and are hereby authorised to implement the same."

2. "**THAT** the disposal of up to 1,874,000 shares of $1 each of Hong Kong Exchanges and Clearing Limited owned by King Fook Securities Company Limited, a wholly owned subsidiary of the Company, to purchasers (who and whose ultimate beneficial owners are independent and not connected with the Company, any directors, chief executive officers or substantial shareholders of the Company or any of its subsidiaries or their respective associates) at prevailing market prices on-market through The Stock Exchange of Hong Kong Limited within a period of one year from the date on which this resolution is passed and on such terms and conditions as may be determined by the directors of the Company from time to time be and is hereby approved and the directors of the Company be and are hereby authorised to implement the same."

By Order of the Board
Cheung Kit Man, Melina
Company Secretary

Hong Kong, 30th May, 2006

Registered office:
9th Floor
King Fook Building
30-32 Des Voeux Road Central
Hong Kong

Notes :

1. A member entitled to attend and vote at the meeting convened by the above notice (the "Meeting") is entitled to appoint not more than two proxies (except a member who is a clearing house or its nominee may appoint more than two proxies) to attend and vote in his stead. A proxy need not be a member of the Company.

2. A form of proxy for the Meeting is enclosed. In order to be valid, the form of proxy must be deposited at the Company's registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the Meeting or adjourned meeting.

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