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Corporate Information

Board of directors	* Mr. Yeung Ping Leung, Howard (<i>Chairman</i>)
	* Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. (<i>Vice Chairman</i>)
	* Mr. Cheng Ka On, Dominic
	* Mr. Yeung Bing Kwong, Kenneth
	* Ms. Fung Chung Yee, Caroline
	+ Mr. Lau To Yee
	+ Mr. Cheng Kar Shing, Peter
	Mr. Wong Wei Ping, Martin
	+ Mr. Chan Chak Cheung, William
	Mr. Ho Hau Hay, Hamilton
	Mr. Sin Nga Yan, Benedict
Mr. Yeung Ka Shing	
	* <i>Executive Directors</i>
	+ <i>Independent Non-executive Directors</i>
Company Secretary	Ms. Cheung Kit Man, Melina
Auditors	Grant Thornton <i>Certified Public Accountants</i>
Principal bankers	BNP Paribas Hang Seng Bank Limited The Hongkong and Shanghai Banking Corporation Limited Industrial and Commercial Bank of China (Asia) Limited The Bank of East Asia, Limited The Bank of Tokyo-Mitsubishi UFJ, Limited
Solicitors	Jennifer Cheung & Co.
Registered office	9th Floor, King Fook Building 30–32 Des Voeux Road Central Hong Kong
Share registrars and transfer office	Computershare Hong Kong Investor Services Limited 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Miramar Ballroom, 18th Floor, Hotel Miramar, 130 Nathan Road, Kowloon, Hong Kong on Monday, 1st September, 2008 at 12:00 noon for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2008.
2. To declare a final dividend of HK1.3 cents per share and a special final dividend of HK0.3 cent per share for the year ended 31st March, 2008.
3. To elect directors and to authorise the board of directors to fix the directors' remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require shares to be allotted after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or a scrip dividend scheme or similar arrangement of the Company or the exercise of the subscription rights under the share option scheme of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

Notice of Annual General Meeting (Continued)

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory).”

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

Hong Kong, 30th July, 2008

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. In order to be valid, a 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.
2. The Register of Members of the Company will be closed from 26th August, 2008 to 1st September, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and special final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 25th August, 2008.

Brief Biographical Details of the Directors and the Senior Management

DIRECTORS

Mr. Yeung Ping Leung, Howard (*Chairman*)

Aged 51. A director of New World Development Company Limited and Miramar Hotel and Investment Company, Limited. Appointed director and chairman of the Company in 1987 and 1998 respectively.

Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. (*Vice Chairman*)

Aged 55. A MBA graduate from The University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. The chairman and managing director of Richcom Company Limited. A director of Miramar Hotel and Investment Company, Limited, Hang Seng Bank Limited and various private business enterprises. A member of Tang Shiu Kin and Ho Tim Charitable Fund. Appointed director and vice chairman of the Company in 1987 and 1998 respectively.

Mr. Cheng Ka On, Dominic

Aged 58. A director of Miramar Hotel and Investment Company, Limited. The managing director of the Onflo International Group of Companies. Appointed director of the Company in 1987.

Mr. Yeung Bing Kwong, Kenneth

Aged 63. Has over 30 years of experience in the jewellery business. Appointed director of the Company in 1987.

Ms. Fung Chung Yee, Caroline

Aged 55. Joined the Group in 1983 and appointed director of the Company in 1987.

Mr. Lau To Yee (*Independent Non-executive Director*)

Aged 70. A director of Bestfaith Management Limited and a governor of Albert Young Foundation Limited. Appointed independent non-executive director of the Company in 1994.

Mr. Cheng Kar Shing, Peter (*Independent Non-executive Director*)

Aged 55. A director of New World Development Company Limited and New World Hotels (Holdings) Limited. An executive director of New World China Land Limited. Appointed independent non-executive director of the Company in 1997.

Mr. Wong Wei Ping, Martin

Aged 66. A director of Citizen Thunderbird Travel Limited and Columbia Express Limited. Appointed director of the Company in 2000.

Mr. Chan Chak Cheung, William (*Independent Non-executive Director*)

Aged 60. A retired partner of PricewaterhouseCoopers after a career spanning 33 years in Canada, Hong Kong and China — formerly partner in charge of China Tax Services at PricewaterhouseCoopers, oversaw the advisory practice of 30 partners and over 500 professional staff in 9 offices; specialised in advising foreign companies on their China entry and expansion strategies, ownership and financial structures, and on mergers and acquisitions. A member of the Canadian Institute of Chartered Accountants. Appointed independent non-executive director of the Company in 2004. Chairman of the Audit Committee and the Remuneration Committee of the Company.

Brief Biographical Details of the Directors and the Senior Management (Continued)

DIRECTORS (Continued)

Mr. Ho Hau Hay, Hamilton

Aged 57. An independent non-executive director of CITIC Pacific Limited and New World Development Company Limited. A non-executive director of Dah Chong Hong Holdings Limited. An executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited. Appointed director of the Company in 2004.

Mr. Sin Nga Yan, Benedict

Aged 44. A director and general manager of Myer Jewelry Manufacturer Limited. An associate of the Australian Society of Certified Practising Accountants. A solicitor of the Supreme Court of New South Wales, Australia, the Supreme Court of England and Wales and the High Court of Hong Kong. A committee member of the Jewellery Advisory Committee of The Hong Kong Trade Development Council, a permanent honorary director of The Federation of Hong Kong Watch Trades & Industries Limited, a director of the Council of Management of Hong Kong Jewellery & Jade Manufacturers Association, and a member of the Assembly of General Committee of Hong Kong Jewelry Manufacturers' Association. Appointed director of the Company in 2006.

Mr. Yeung Ka Shing

Aged 26. A holder of Bachelor of Political Science degree from The University of Victoria, Canada. A director of Brightway Investments Limited and King Fook Finance Company Limited (a subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company). Appointed director of the Company in 2008.

(Mr. Yeung Bing Kwong, Kenneth and Mr. Yeung Ping Leung, Howard are brothers and Mr. Wong Wei Ping, Martin is their brother-in-law. Mr. Yeung Ka Shing is the son of Mr. Yeung Bing Kwong, Kenneth and the nephew of Mr. Yeung Ping Leung, Howard and Mr. Wong Wei Ping, Martin.)

SENIOR MANAGEMENT

Ms. Wong Ka Ki, Kay

Aged 50. The general manager of the Group. She joined the Group in 1999 and is responsible for the Group's overall management and business development. She has extensive management experience in the service and retail industry.

Mr. Luk Kwing Yung

Aged 60. The general manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in gold and jewellery and watch retailing. He has been with the Group for 42 years.

Mr. Yip King Hung

Aged 55. The assistant general manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in branded watch retailing. He has been with the Group for 35 years.

Mr. Chan Loong Sang, Tommy

Aged 36. The financial controller of the Group. He is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants as well as an associate of the Hong Kong Institute of Chartered Secretaries. He has over 12 years of experience in finance and accounting in companies listed in Hong Kong or overseas.

In the financial year under review, economic growth in Mainland China and Hong Kong provided favourable operating environment to the Group. The Group benefited from increase of travellers from Mainland China and improving consumer sentiment in Hong Kong. The management is pleased to report a satisfactory result for the financial year ended 31st March, 2008.

REVIEW OF OPERATIONS

For the year ended 31st March, 2008, the Group's consolidated profit before taxation amounted to HK\$164,991,000. During the year under review, the Group disposed of 560,000 shares of Hong Kong Exchanges and Clearing Limited at a profit of HK\$59,062,000. The Group's revenue for the year increased by 26% as compared with that of the previous year.

During the year under review, the Group's gold ornament, jewellery, watch, fashion and gift retail business benefited from the increase of Mainland travellers and the improving economic environment in Hong Kong. The retail business achieved a satisfactory result with an increased turnover of HK\$1,099 million.

The commission income from the securities broking division of the Group increased by 66% as a result of the blooming Hong Kong stock market. However, the division still faced keen competition from banks.

FINAL DIVIDEND AND SPECIAL FINAL DIVIDEND

The Board of Directors resolved to recommend the payment of a final dividend of HK1.3 cents per ordinary share and a special final dividend of HK0.3 cent per ordinary share, making a total of HK1.6 cents (2007: HK1.2 cents) per ordinary share, to shareholders whose names appear on the Register of Members on 1st September, 2008 subject to the approval of shareholders at the forthcoming Annual General Meeting. The dividend warrants for the proposed final dividend and special final dividend are expected to be despatched to shareholders on or about 10th September, 2008.

PROSPECTS

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

The management will follow its prudent management policy and take steps to improve the Group's businesses. In order to upgrade customer services, the management will provide more training programs for the frontline staff in both Hong Kong and the PRC.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our staff members for their support in the past year.

Yeung Ping Leung, Howard
Chairman

Hong Kong, 11th July, 2008

Management Discussion and Analysis

OVERALL GROUP RESULTS

The results of the Group for the year ended 31st March, 2008 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 23 to 77.

The Group's revenue for the year under review increased by 26% as compared with that of the previous year. The Group's consolidated net profit attributable to the shareholders of the Company for the year was HK\$146,940,000. The earnings per share were HK33.8 cents.

JEWELLERY RETAILING

Turnover of the Group's gold ornament, jewellery, watch, fashion and gift retail business for the year increased from HK\$839 million to HK\$1,099 million.

SECURITIES BROKING

During the year under review, commission income from the securities broking division of the Group increased by 66% as compared with that of the previous year as a result of the blooming Hong Kong stock market. However, the division still faced keen competition within the industry and the introduction of on-line brokerage services by many banks in Hong Kong.

INVESTMENTS

As at 31st March, 2008, the Group held 1,314,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$175,550,000 and certain available-for-sale investments listed outside Hong Kong amounting to HK\$5,889,000.

The Group plans to obtain the authorisation of the Company's shareholders to dispose of all the 1,314,000 shares of Hong Kong Exchanges and Clearing Limited held by King Fook Securities Company Limited, a wholly owned subsidiary of the Company. The directors will monitor the market condition and dispose of such shares in the market when appropriate to recognise the gain.

FINANCE

As at 31st March, 2008, the Group's current assets and current liabilities were about HK\$867 million and HK\$208 million respectively. There were bank balances and cash of about HK\$86 million and unsecured bank loans of about HK\$110 million.

Based on the total borrowings of the Group of about HK\$143 million and the capital and reserves attributable to the shareholders of the Company of about HK\$828 million as at 31st March, 2008, the overall borrowings to equity ratio was 17%, which was at a healthy level.

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

Management Discussion and Analysis (Continued)

PROVISION

During the year ended 31st March, 2006, the Company had discovered that a former director of a subsidiary of the Group might have misappropriated securities belonging to clients of the Group. At the best estimates of the directors of the Company, such securities had a total market value of about HK\$28,800,000. During the year ended 31st March, 2007, the Group made compensation to the relevant customers. Based on current information, including the findings of the investigation and internal control review reports prepared by a firm of independent professional accountants, the directors considered that the provisions made in the prior years were adequate.

In this regard, the Group also has an insurance policy with a cover of HK\$15 million (subject to an excess of HK\$3 million). Taking into consideration of the latest development of the insurance claim, the Group recognised the net amount of HK\$12 million as “insurance claim receivable”.

INTERNAL CONTROL

The board of directors had engaged an independent division of Grant Thornton to conduct a review of the Group’s internal control system in the financial year ended 31st March, 2007 that included the corporate governance practices and the key business processes. An internal control review report (excluding the securities broking division of the Group) had been presented to the audit committee. A follow-up audit on Grant Thornton’s recommendations as stipulated in the internal control review report has been completed by the internal audit department of the Group during the year. As part of their audit work, Grant Thornton have reviewed the Group’s internal control matters relevant to the preparation and the true and fair presentation of the Group’s financial statements for the year ended 31st March, 2008, but their review was not for the purpose of expressing an opinion on the effectiveness of its internal control. With the assistance of the internal audit department, the audit committee endeavours to continually identify areas for improvement.

EMPLOYEES AND EMOLUMENT POLICY

At 31st March, 2008, the Group had approximately 310 employees. The employees (including directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward the employees based on their performance. It also provides training programs to employees to improve the standard of customer services.

The Company has adopted a share option scheme whereby options may be granted to employees and directors of the Group as incentive for them to contribute to the business of the Group. No option has been granted by the Company as at 31st March, 2008.

Report of the Directors

The directors would like to present their report together with the audited financial statements for the year ended 31st March, 2008.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 18 to the financial statements.

An analysis of the Group's performance for the year, which arose mainly in Hong Kong, by business segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 23.

The directors declared an interim dividend of HK0.5 cent per ordinary share and a special interim dividend of HK0.7 cent per ordinary share, making a total of HK1.2 cents (2007: HK0.45 cent) per ordinary share, totalling HK\$5,221,000. The interim dividends were paid on 11th January, 2008.

The directors recommend the payment of a final dividend of HK1.3 cents per ordinary share and a special final dividend of HK0.3 cent per ordinary share, making a total of HK1.6 cents (2007: HK1.2 cents) per ordinary share, totalling HK\$6,961,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 26 and 27 and note 31 to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March, 2008, calculated in accordance with section 79B of the Hong Kong Companies Ordinance, amounted to HK\$178,886,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 15 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 79.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

— the largest supplier	16%
— five largest suppliers combined	52%

Sales

— the largest customer	2%
— five largest customers combined	3%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

DIRECTORS

The directors during the year and up to the date of this report are:

- * Mr. Yeung Ping Leung, Howard
 - * Mr. Tang Yat Sun, Richard
 - * Mr. Cheng Ka On, Dominic
 - * Mr. Yeung Bing Kwong, Kenneth
 - * Ms. Fung Chung Yee, Caroline
 - + Mr. Lau To Yee
 - + Mr. Cheng Kar Shing, Peter
 - Mr. Wong Wei Ping, Martin
 - + Mr. Chan Chak Cheung, William
 - Mr. Ho Hau Hay, Hamilton
 - Mr. Sin Nga Yan, Benedict
 - Mr. Yeung Ka Shing (*appointed on 11th July, 2008*)
- * *Executive Directors*
- + *Independent Non-executive Directors*

Brief biographical details of the directors are set out on pages 5 and 6.

In accordance with article 116 of the Company's Articles of Association, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth and Mr. Lau To Yee will retire by rotation at the coming annual general meeting of the Company and, being eligible, have offered themselves for re-election. In accordance with article 99 of the Company's Articles of Association, Mr. Yeung Ka Shing will retire at the coming annual general meeting of the Company and, being eligible, has offered himself for re-election. Details of such directors as required under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are as follows:

Mr. Tang Yat Sun, Richard, aged 55, is the vice chairman and an executive director of the Company, and a director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is a director of Miramar Hotel and Investment Company, Limited and Hang Seng Bank Limited, both are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Tang has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest and a corporate interest in 3,585,000 shares and 5,852,000 shares of the Company respectively within the meaning of Part XV of the Securities & Futures Ordinance ("SFO"). He was appointed director and vice chairman of the Company in 1987 and 1998 respectively.

Mr. Cheng Ka On, Dominic, aged 58, is an executive director of the Company, and a director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is a director of Miramar Hotel and Investment Company Limited, a company listed on the Main Board of the Stock Exchange. Mr. Cheng is the distant cousin of Mr. Yeung Bing Kwong, Kenneth (an executive director of the Company) and Mr. Yeung Ping Leung, Howard (the chairman and an executive director of the Company). He has a personal interest and a family interest in 4,020,000 shares and 15,000 shares of the Company respectively within the meaning of Part XV of SFO. He was appointed director of the Company in 1987.

Mr. Yeung Bing Kwong, Kenneth, aged 63, is an executive director of the Company, and a director of King Fook Jewellery Group Limited, King Fook Gold & Jewellery Company Limited, King Fook Commodities Company Limited and King Fook Holding Management Limited, four wholly owned subsidiaries in the Group. Mr. Yeung is also a director of Young's Diamond Corporation (International) Limited, a subsidiary of the Company. He is the elder brother of Mr. Yeung Ping Leung, Howard (the chairman and an executive director of the Company) and the brother-in-law of Mr. Wong Wei Ping, Martin (a non-executive director of the Company). Mr. Yeung, together with other members of his family, control the management of Yeung Chi Shing Estates Limited (a substantial shareholder of the Company). He has no interest in the shares of the Company within the meaning of Part XV of SFO. He was appointed director of the Company in 1987.

Report of the Directors (Continued)

DIRECTORS (Continued)

Mr. Lau To Yee, aged 70, is an independent non-executive director of the Company. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Lau has no interest in the shares of the Company within the meaning of Part XV of SFO. He was appointed director of the Company in 1994.

Mr. Yeung Ka Shing, aged 26, is a non-executive director of the Company. Mr. Yeung is the son of Mr. Yeung Bing Kwong, Kenneth (an executive director of the Company) and the nephew of Mr. Yeung Ping Leung, Howard (the chairman and an executive director of the Company) and Mr. Wong Wei Ping, Martin (a non-executive director of the Company). He is a director of a subsidiary of Yeung Chi Shing Estates Limited (a substantial shareholder of the Company). He has no interest in the shares of the Company within the meaning of Part XV of SFO. He was appointed director of the Company on 11th July, 2008.

The above retiring directors do not have any service contract with the Company. They are not appointed for a specific term but each of them is subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company.

Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth and Mr. Lau To Yee received directors' emoluments/fees from the Group for the year ended 31st March, 2008 in the sums of HK\$25,000, HK\$25,000, HK\$252,900 and HK\$55,000 respectively, details of which are set out in note 13 to the financial statements. The emolument of Mr. Yeung Bing Kwong, Kenneth is determined based on the compensation policy fixed by the management. The fees of Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth and Mr. Lau To Yee are nominal amounts.

The above retiring directors confirm that save as disclosed above, there is no information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that need to be brought to the attention of the shareholders of the Company.

The Company confirms that it has received letters of confirmation of independence from all of the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules and considers that the independent non-executive directors are independent.

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, 2008 at fees totalling HK\$7,251,000. 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 aforesaid, none of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' INTERESTS

At 31st March, 2008, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register maintained by the Company under section 352 of Part XV of SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

	Number of ordinary shares held			Total	Percentage of shareholding
	Personal	Family	Corporate		
Mr. Tang Yat Sun, Richard	3,585,000	Nil	Nil	3,585,000	0.82%
Mr. Cheng Ka On, Dominic	4,020,000	15,000	Nil	4,035,000	0.93%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*3,170,000	3,170,000	0.73%

* These shares are held by Tak Hung (Holding) Co. Ltd. ("Tak Hung") in which Mr. Ho has a 40% interest. Accordingly, Mr. Ho is deemed to be interested in all these shares held by Tak Hung.

DIRECTORS' INTERESTS (Continued)

Save as disclosed above, as at 31st March, 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of SFO) as recorded in the register required to be kept under section 352 of Part XV of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed below, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year:

1. (a) The Group (as tenant) entered into six tenancy agreements (the "King Fook Leases") on normal commercial terms with Stanwick Properties Limited (as landlord) (a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company) on 13th August, 2005 and 4th May, 2007 respectively in respect of premises in King Fook Building, Hong Kong. The leased properties are used as the key retail outlet and the headquarters of the Group.

Major terms of the King Fook Leases are as follows:

Basement, Ground Floor and Mezzanine Floor, King Fook Building

Tenant	Term	Rent per month
King Fook Jewellery Group Limited	2 years from 16/8/05 to 15/8/07 16/8/07 to 15/8/09	HK\$411,520 HK\$450,425

3rd Floor, King Fook Building

Tenant	Term	Rent per month
the Company	2 years from 16/8/05 to 15/8/07 16/8/07 to 15/8/09	HK\$21,636 HK\$29,120

5th Floor, King Fook Building

Tenant	Term	Rent per month
the Company	2 years from 16/8/05 to 15/8/07 16/8/07 to 15/8/09	HK\$21,636 HK\$26,460

8th Floor, King Fook Building

Tenant	Term	Rent per month
King Fook Jewellery Group Limited	2 years from 16/8/05 to 15/8/07 16/8/07 to 15/8/09	HK\$21,636 HK\$26,460

Report of the Directors (Continued)

DIRECTORS' INTERESTS (Continued)

9th Floor, King Fook Building

Tenant	Term	Rent per month
the Company	2 years from 16/8/05 to 15/8/07	HK\$21,636
	16/8/07 to 15/8/09	HK\$26,460

10th Floor, King Fook Building

Tenant	Term	Rent per month
King Fook Jewellery Group Limited	2 years from 16/8/05 to 15/8/07	HK\$21,636
	16/8/07 to 15/8/09	HK\$26,460

- (b) King Fook Jewellery Group Limited (as tenant) entered into a tenancy agreement dated 4th April, 2007 with Fabrico (Mfg) Limited (as landlord) (a wholly owned subsidiary of Yeung Chi Shing Estates Limited) relating to Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon for a term of two years from 1st April, 2007 at the monthly rent of HK\$15,000 exclusive of rates.
- (c) The Company has entered into an agreement with Stanwick Properties Limited pursuant to which the Company is granted the right to use the furniture and fixture at 3rd Floor of King Fook Building (which is used by the Group as conference rooms) at the monthly fee of HK\$25,480 for a term of two years from 16th August, 2007.
- (d) The Company has also entered into a licence agreement (the "Licence Agreement") with Yeung Chi Shing Estates Limited 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 HK\$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, directors of the Company, together with other members of their family control the management of Yeung Chi Shing Estates Limited.

2. (a) King Fook Jewellery Group Limited (as tenant) (a wholly owned subsidiary of the Company) entered into a tenancy agreement (the "First Miramar Lease") with Contender Limited (as landlord) (a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited, a substantial shareholder of the Company until 12th September, 2007, being the date of relevant event as notified to the Company and the Stock Exchange pursuant to section 324 of Part XV of SFO) on 17th October, 2006 on normal commercial terms in respect of shop units G1-2 and G1A on the ground floor and shop units AR201-02 and AR217 on the first floor of Hotel Miramar Shopping Arcade, Kowloon, Hong Kong. The leased shops are the key retail outlets of the Group.

Major terms of the First Miramar Lease are as follows:

Term	Rent per month
3 years from 16/7/06 to 15/7/09	HK\$1,100,000

DIRECTORS' INTERESTS (Continued)

- (b) Top Angel Limited (as tenant) (a wholly owned subsidiary of the Company) and Contender Limited (as landlord) entered into a tenancy agreement (the "Second Miramar Lease") on 6th July, 2006 on normal commercial terms relating to shops 1B1 and 1B2, 1st Basement Level, Hotel Miramar Shopping Arcade, Kowloon, Hong Kong. The leased shops are used as a deluxe style fashion outlet of the Group.

Major terms of the Second Miramar Lease are as follows:

Term	Rent per month
3 years from 9/6/06 to 8/6/09	HK\$473,430

- (c) Top Angel Limited (as licensee) and Contender Limited (as licensor) entered into a licence agreement on 25th June, 2007 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 14th August, 2006 at the monthly licence fee of HK\$40,000.
- (d) Top Angel Limited (as licensee) and Contender Limited (as licensor) entered into a licence agreement on 5th September, 2006 relating to the signboard and showcases at Ground Floor Entrance facing Nathan Road of Hotel Miramar Shopping Arcade for a term of three years from 9th June, 2006 at the licence fee of HK\$1 for the whole licence period.

Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors and shareholders of Miramar Hotel and Investment Company, Limited. Mr. Yeung Ping Leung, Howard is a director of Miramar Hotel and Investment Company, Limited.

The above transactions (except the Licence Agreement) constituted continuing connected transactions not exempt under rule 14A.33 of the Listing Rules. Details of these transactions and other related party transactions for the year ended 31st March, 2008 are set out in note 36 to the financial statements.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions pursuant to rule 14A.37 of the Listing Rules and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reviewed the continuing connected transactions for the year ended 31st March, 2008 pursuant to rule 14A.38 of the Listing Rules and advised the board of directors in writing with a copy provided to the Stock Exchange that the transactions:

- (1) have received the approval of the board of directors of the Company;
- (2) have been entered into in accordance with the relevant agreements governing the transactions; and
- (3) have not exceeded the caps disclosed in the relevant previous announcements.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to rule 8.10(2) of the Listing Rules:

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

Mr. Sin Nga Yan, Benedict is a director and general manager 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 exchange 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.

GOLD LOANS AND BANK LOANS

Particulars of gold loans and bank loans of the Group are set out under current and non-current liabilities on the consolidated balance sheet and in notes 27 and 28 to the financial statements.

SUBSTANTIAL SHAREHOLDER

At 31st March, 2008, the following person (other than a director or chief executive of the Company) had interest in the share capital of the Company as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of SFO:

Name of shareholder	Number of ordinary shares held	Nature of interest	Percentage of shareholding
Yeung Chi Shing Estates Limited	193,145,055	Note	44.39%

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

Save as disclosed above, as at 31st March, 2008, according to the register of interests required to be kept by the Company under section 336 of SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

SHARE OPTION SCHEME

On 27th August, 2004, the Company adopted a share option scheme (the “Scheme”) for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted without any initial payment to persons including directors, employees or consultants of the Group. Presently the maximum number of shares issuable under the Scheme is 43,507,165 shares (being 10% of the issued share capital of the Company at 27th August, 2004). The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders’ approval. The option period shall be not more than 10 years from the date of grant of an option, and may include a minimum period an option must be held before it can be exercised. The exercise price is the highest of (i) the nominal value of one share of the Company; (ii) the closing price per share as stated in the Stock Exchange’s daily quotations sheet on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option. The Scheme will remain in force until 26th August, 2014. The Company has not granted any option under the Scheme since its adoption.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of directors and senior management for the year ended 31st March, 2008 are set out in notes 13, 14 and 36 (g) to the financial statements.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of its directors, not less than 25% of the issued share capital of the Company are held by the public.

AUDITORS

The financial statements have been audited by Grant Thornton who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Yeung Ping Leung, Howard
Chairman

Hong Kong, 11th July, 2008

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices. It met all the code provisions in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in the year ended 31st March, 2008 except that the non-executive directors were not appointed for a specific term but each of them is subject to retirement by rotation at annual general meetings of the Company at least once every three years in accordance with the Articles of Association of the Company.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as a code of conduct regarding its directors’ securities transactions.

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code regarding directors’ securities transactions during the year ended 31st March, 2008.

BOARD OF DIRECTORS

The Company is governed by a board of directors (the “Board”) which has the responsibility for leadership and control of the Company. The directors are collectively responsible for promoting the success of the Company and its subsidiaries (the “Group”) by directing and supervising the Group’s affairs. The Board sets strategies and directions for the Group’s activities with a view to develop the Group’s business and to enhance shareholders’ value.

The Board met 4 times in the year ended 31st March, 2008. All directors are given the opportunity to put items on the agenda for regular Board meetings. All directors have access to the Company Secretary to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any director may, in furtherance of his/her duties, take independent professional advice where necessary at the expense of the Company.

During the year, the Board had at all times complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

BOARD OF DIRECTORS (Continued)

The Board's composition and the attendance of individual directors at the Board meetings were as follows:

Name of directors	Number of meetings attended
<i>Executive directors</i>	
Mr. Yeung Ping Leung, Howard (<i>Chairman</i>)	4/4
Mr. Tang Yat Sun, Richard (<i>Vice Chairman</i>)	4/4
Mr. Cheng Ka On, Dominic	4/4
Mr. Yeung Bing Kwong, Kenneth	3/4
Ms. Fung Chung Yee, Caroline	4/4
<i>Non-executive directors</i>	
Mr. Wong Wei Ping, Martin	3/4
Mr. Ho Hau Hay, Hamilton	4/4
Mr. Sin Nga Yan, Benedict	4/4
Mr. Yeung Ka Shing (<i>appointed on 11th July, 2008</i>)	0/4
<i>Independent non-executive directors</i>	
Mr. Lau To Yee	4/4
Mr. Cheng Kar Shing, Peter	2/4
Mr. Chan Chak Cheung, William	3/4

Messrs. Yeung Ping Leung, Howard and Yeung Bing Kwong, Kenneth are brothers and Mr. Wong Wei Ping, Martin is their brother-in-law. Mr. Yeung Ka Shing is the son of Mr. Yeung Bing Kwong, Kenneth and the nephew of Mr. Yeung Ping Leung, Howard and Mr. Wong Wei Ping, Martin.

Details of the directors are disclosed in the section headed "Brief Biographical Details of the Directors" on pages 5 and 6.

CHAIRMAN AND GROUP GENERAL MANAGER (CHIEF EXECUTIVE OFFICER)

The roles of the Chairman and the Group General Manager (Chief Executive Officer) of the Company are separated, with a clear division of responsibilities.

Mr. Yeung Ping Leung, Howard is the Chairman of the Company. He is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting agenda of the Board meetings and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group. He is also responsible for the strategic planning of the Company.

Ms. Wong Ka Ki, Kay is the Group General Manager of the Company responsible for the day-to-day management of the Group's business and for the growth and diversification thereof to accomplish the vision of the Company. She also monitors performance of the Group's operational and financial results.

Corporate Governance Report (Continued)

NON-EXECUTIVE DIRECTORS

All the non-executive directors of the Company are not appointed for a specific term but each of them is subject to retirement by rotation and re-election at the Company's annual general meetings at least once every three years in accordance with the Articles of Association of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee has three members, comprising Messrs. Chan Chak Cheung, William and Cheng Kar Shing, Peter (both independent non-executive directors) and Ms. Fung Chung Yee, Caroline (an executive director). This Committee is chaired by Mr. Chan Chak Cheung, William. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met once in the year. All members had attended the meeting.

The Remuneration Committee has reviewed and approved the Group's remuneration policy and the levels of remuneration paid to the senior management of the Group. The Remuneration Committee had considered factors such as the performance of the senior management, the profitability of the Group, salaries paid by comparable companies and time commitment and responsibilities of the senior management. The Remuneration Committee has to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group.

NOMINATION OF DIRECTORS

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment.

Potential new directors are selected on the basis of their qualifications, skills and experience which the directors consider will make a positive contribution to the performance of the Board.

During the year, no new director was appointed.

Mr. Yeung Ka Shing was appointed on 11th July, 2008.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company. As at 31st March, 2008, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the Company's auditors about their financial reporting are set out in the Independent Auditors' Report attached to the Company's annual report for the year ended 31st March, 2008.

The Board had engaged an independent division of Grant Thornton in the financial year ended 31st March, 2007 to conduct a review of the Group's internal control system that included the corporate governance practices and the key business processes. An internal control review report has been presented to the Audit Committee. A follow-up audit on Grant Thornton's recommendations as stipulated in the internal control review report has been completed by the internal audit department of the Group during the year. As part of their audit work, Grant Thornton have reviewed the Group's internal control matters relevant to the preparation and the true and fair presentation of the Group's financial statements for the year ended 31st March, 2008, but their review was not for the purpose of expressing an opinion on the effectiveness of its internal control. With the assistance of the internal audit department of the Group, the Audit Committee identifies areas for improvement.

AUDITORS' REMUNERATION

During the year, the total fee paid or payable to Grant Thornton for statutory audit was approximately HK\$765,000 (2007: HK\$750,000). In addition, the total fee paid or payable to Grant Thornton for interim review, tax compliance and others was approximately HK\$217,000 (2007: HK\$782,000).

AUDIT COMMITTEE

The Audit Committee has three members, comprising Messrs. Chan Chak Cheung, William and Lau To Yee (both independent non-executive directors) and Mr. Wong Wei Ping, Martin (a non-executive director). The Chairman of this Committee is Mr. Chan Chak Cheung, William. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The primary duties of the Audit Committee include the review of the Group's interim and annual financial reports, and the nature and scope of the external and internal audits including review of the effectiveness of the system of internal control. The Audit Committee is also responsible for making recommendation in relation to the appointment, reappointment and removal of the auditors, and reviews and monitors the auditors' independence and objectivity. In addition, the Audit Committee discusses matters raised by the Company's auditors to ensure that appropriate recommendations are implemented.

During the year, the Audit Committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 31st March, 2008 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

The Audit Committee met 3 times in the year. The attendance of individual members at these meetings was as follows:

Name	Number of meetings attended
Mr. Chan Chak Cheung, William	3/3
Mr. Wong Wei Ping, Martin	3/3
Mr. Lau To Yee	3/3

COMMUNICATIONS WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and, in particular, through annual general meetings or other general meetings to communicate with shareholders and encourage their participation. Shareholders of the Company are entitled to attend all general meetings in person or by proxy. The Company will inform the shareholders at all general meetings of the procedures for demanding a poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the Articles of Association of the Company.

Independent Auditors' Report



Member of Grant Thornton International Ltd

TO THE MEMBERS OF KING FOOK HOLDINGS LIMITED 景福集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of King Fook Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") set out on pages 23 to 77, which comprise the consolidated and company balance sheets as at 31st March, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong
11th July, 2008

Consolidated Income Statement

For the year ended 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Revenue	4	1,222,261	969,044
Cost of sales		<u>(890,375)</u>	<u>(735,527)</u>
Gross profit		331,886	233,517
Other operating income		92,477	36,019
Distribution and selling costs		(160,784)	(131,587)
Administrative expenses		(80,179)	(70,482)
Other operating expenses		<u>(9,153)</u>	<u>(2,099)</u>
Operating profit		174,247	65,368
Finance costs	6	(8,892)	(12,707)
Share of loss of a jointly controlled entity		<u>(364)</u>	<u>(205)</u>
Profit before taxation	7	164,991	52,456
Taxation	8	<u>(18,466)</u>	<u>(7,117)</u>
Profit for the year		<u>146,525</u>	<u>45,339</u>
Attributable to:			
Shareholders of the Company	9	146,940	45,193
Minority interests		<u>(415)</u>	<u>146</u>
Profit for the year		<u>146,525</u>	<u>45,339</u>
Dividends	10	<u>12,182</u>	<u>7,179</u>
Earnings per share for profit attributable to the shareholders of the Company during the year	11		
— Basic (HK cents)		<u>33.8 cents</u>	<u>10.4 cents</u>

Consolidated Balance Sheet

As at 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	20,129	19,415
Leasehold interests in land	16	5,719	5,849
Investment properties	17	868	1,087
Interest in a jointly controlled entity	19	5,099	4,953
Available-for-sale investments	20	182,035	152,565
Other assets	21	2,196	2,183
		<u>216,046</u>	<u>186,052</u>
Current assets			
Inventories	22	673,286	590,252
Debtors, deposits and prepayments	23	93,311	102,321
Investments at fair value through profit or loss	24	13,153	32,582
Tax recoverable		451	1,920
Cash and cash equivalents	25	86,474	56,697
		<u>866,675</u>	<u>783,772</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	26	97,861	106,824
Taxation payable		12,185	3,809
Gold loans, unsecured	27	33,347	23,705
Bank loans, unsecured	28	64,167	92,215
		<u>207,560</u>	<u>226,553</u>
Net current assets		<u>659,115</u>	<u>557,219</u>
Total assets less current liabilities		<u>875,161</u>	<u>743,271</u>
Non-current liabilities			
Bank loans, unsecured	28	45,833	86,000
Provision for long service payments	29	1,029	1,152
		<u>46,862</u>	<u>87,152</u>
Net assets		<u>828,299</u>	<u>656,119</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	30	108,768	108,768
Other reserves	31(a)	222,873	186,691
Retained profits	31(a)		
Proposed final dividends		6,961	5,221
Others		489,459	354,701
		<u>828,061</u>	<u>655,381</u>
Minority interests		<u>238</u>	<u>738</u>
		<u>828,299</u>	<u>656,119</u>

Yeung Ping Leung, Howard
Chairman

Tang Yat Sun, Richard
Vice Chairman

Balance Sheet

As at 31st March, 2008

	Notes	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	5,645	3,772
Leasehold interest in land	16	676	677
Investment property	17	429	448
Investments in subsidiaries	18	123,005	122,784
		<u>129,755</u>	<u>127,681</u>
Current assets			
Debtors, deposits and prepayments	23	1,208	1,207
Amounts due from subsidiaries	18	578,269	566,881
Tax recoverable		308	1,113
Cash and cash equivalents	25	13,022	5,914
		<u>592,807</u>	<u>575,115</u>
Current liabilities			
Creditors, deposits received and accruals	26	16,287	8,600
Amounts due to subsidiaries	18	257,676	185,324
Gold loans, unsecured	27	33,347	23,705
Bank loans, unsecured	28	64,167	86,000
		<u>371,477</u>	<u>303,629</u>
Net current assets		<u>221,330</u>	<u>271,486</u>
Total assets less current liabilities		<u>351,085</u>	<u>399,167</u>
Non-current liabilities			
Bank loans, unsecured	28	45,833	86,000
Provision for long service payments	29	23	146
		<u>45,856</u>	<u>86,146</u>
Net assets		<u>305,229</u>	<u>313,021</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	30	108,768	108,768
Other reserves	31(b)	17,575	17,575
Retained profits	31(b)		
Proposed final dividends		6,961	5,221
Others		171,925	181,457
		<u>305,229</u>	<u>313,021</u>

Yeung Ping Leung, Howard
Chairman

Tang Yat Sun, Richard
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2008

	Capital and reserves attributable to the shareholders of the Company							Minority interests	Total
	Share capital	Share premium	Capital reserve on consolidation	Exchange reserve	Investment revaluation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	108,768	17,575	24,753	126	105,016	320,168	576,406	610	577,016
Change in fair value of available-for-sale investments	—	—	—	—	53,835	—	53,835	—	53,835
Realisation of fair value change of available-for-sale investments on disposal	—	—	—	—	(16,380)	—	(16,380)	—	(16,380)
Exchange translation differences	—	—	—	1,766	—	—	1,766	(18)	1,748
Net income/(expense) recognised directly in equity	—	—	—	1,766	37,455	—	39,221	(18)	39,203
Profit for the year	—	—	—	—	—	45,193	45,193	146	45,339
Total recognised income and expense for the year	—	—	—	1,766	37,455	45,193	84,414	128	84,542
Dividends	—	—	—	—	—	(5,439)	(5,439)	—	(5,439)
At 31st March, 2007	108,768	17,575	24,753	1,892	142,471	359,922	655,381	738	656,119
<i>Representing:</i>									
Proposed final dividend						5,221			
Others						354,701			
Retained profits as at 31st March, 2007						359,922			

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st March, 2008

	Capital and reserves attributable to the shareholders of the Company							Minority interests	Total
	Share capital	Share premium	Capital reserve on consolidation	Exchange reserve	Investment revaluation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2007	108,768	17,575	24,753	1,892	142,471	359,922	655,381	738	656,119
Change in fair value of available-for-sale investments	—	—	—	—	74,425	—	74,425	—	74,425
Realisation of fair value change of available-for-sale investments on disposal	—	—	—	—	(42,644)	—	(42,644)	—	(42,644)
Exchange translation differences	—	—	—	4,401	—	—	4,401	30	4,431
Net income recognised directly in equity	—	—	—	4,401	31,781	—	36,182	30	36,212
Profit/(loss) for the year	—	—	—	—	—	146,940	146,940	(415)	146,525
Total recognised income and expense for the year	—	—	—	4,401	31,781	146,940	183,122	(385)	182,737
Acquisition of additional interest in a subsidiary from minority shareholders	—	—	—	—	—	—	—	(115)	(115)
Dividends	—	—	—	—	—	(10,442)	(10,442)	—	(10,442)
At 31st March, 2008	108,768	17,575	24,753	6,293	174,252	496,420	828,061	238	828,299
<i>Representing:</i>									
Proposed final dividends						6,961			
Others						489,459			
Retained profits as at 31st March, 2008						496,420			

Consolidated Cash Flow Statement

For the year ended 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	32	122,817	46,694
Increase in inventories		(88,527)	(13,513)
Decrease/(Increase) in debtors, deposits and prepayments		6,499	(20,155)
(Decrease)/Increase in creditors, deposits received, accruals and deferred income		(10,419)	27,428
Dividends received from investments at fair value through profit or loss		394	479
Proceeds from sale of investments at fair value through profit or loss		102,082	21,257
Purchases of investments at fair value through profit or loss		(61,570)	(34,597)
Interest received		1,076	829
Hong Kong profits tax paid		(8,772)	(5,873)
Hong Kong profits tax refund		1,315	—
Overseas tax paid		(1,164)	(207)
Long service payments paid		(8)	(7)
<i>Net cash generated from operating activities</i>		<u>63,723</u>	<u>22,335</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other assets		—	20
Proceeds from sale of available-for-sale investments		59,062	18,270
Dividends received from available-for-sale investments		4,582	2,961
Acquisition of additional interest in a subsidiary from minority shareholders		(115)	—
Proceeds from sale of property, plant and equipment		33	—
Purchase of property, plant and equipment		(13,661)	(10,990)
Purchase of available-for-sale investments		(430)	(3,493)
<i>Net cash generated from investing activities</i>		<u>49,471</u>	<u>6,768</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(8,111)	(11,994)
New bank and gold loans		533,543	320,975
Repayment of bank and gold loans		(601,758)	(328,056)
Dividends paid		(10,442)	(5,439)
<i>Net cash used in financing activities</i>		<u>(86,768)</u>	<u>(24,514)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		56,697	50,355
Effect of foreign exchange rates changes, net		3,351	1,753
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>73,281</u>	<u>52,813</u>

Notes to the Financial Statements

For the year ended 31st March, 2008

1. GENERAL INFORMATION

King Fook Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is located at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding. Details of principal activities of its subsidiaries are set out in note 18 to the financial statements.

The financial statements for the year ended 31st March, 2008 were approved for issue by the board of directors on 11th July, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 23 to 77 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments classified as available-for-sale and at fair value through profit or loss. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on the management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.2 Adoption of new or amended HKFRSs

From 1st April, 2007, the Company and its subsidiaries (collectively referred to as the “Group”) has adopted all the new and amended HKFRSs issued by the HKICPA which were first effective on 1st April, 2007 and relevant to the Group’s operations. The adoption of these new and amended HKFRSs did not result in significant changes in the Group’s accounting policies.

However, as a result of the adoption of HKFRS 7 Financial Instruments: Disclosures and HKAS 1 (Amendment) Presentation of Financial Statements: Capital Disclosures, there have been some additional disclosures provided as follows:

HKAS 1 (Amendment) Presentation of Financial Statements: Capital Disclosures

In accordance with HKAS 1 (Amendment) Presentation of Financial Statements: Capital Disclosures, the Company now reports on its capital management objectives, policies and procedures in each financial report. The new disclosures become necessary due to this change in HKAS 1 can be found in note 39.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or amended HKFRSs (Continued)

HKFRS 7 Financial Instruments: Disclosures

HKFRS 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1st January, 2007 or later. The new standard replaces and amends disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31st March, 2008. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

- a sensitivity analysis, to explain the Group's market risk exposure with regards to its financial instruments, and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments of cash flows, net income or balance sheet line items.

2.3 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 (Amendment)	Financial Instruments: Presentation ¹
HKFRS 2 (Amendment)	Amendments to HKFRS 2 Share-based Payment: Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combination ⁴
HKFRS 8	Operating Segments ¹
HK (IFRIC) — Interpretation 12	Service Concession Arrangements ²
HK (IFRIC) — Interpretation 13	Customer Loyalty Programmes ³
HK (IFRIC) — Interpretation 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

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

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

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

⁴ Effective for annual periods beginning on or after 1st July, 2009

Among these new standards and interpretations, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements. This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. The directors of the Company are currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company are currently assessing the impact of other new standards and interpretations but are not yet in a position to state whether they would have material impact on the Group's financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within capital and reserves, separately from the capital and reserves attributable to the shareholders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

2.5 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's balance sheet, subsidiaries are carried at cost less any provision for impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

2.6 Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In the consolidated financial statements, investment in a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in jointly controlled entity recognised for the year.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Jointly controlled entity (Continued)

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

In the Company's balance sheet, investment in a jointly controlled entity is stated at cost less any provision for impairment losses. The results of the jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

2.7 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK\$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's functional currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in capital and reserves.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.8 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets which yield interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) *Sale of goods*

Income from gold ornament, jewellery, watch, fashion and gift retailing, diamond wholesaling, bullion trading and sale of computer related products is recognised upon delivery of goods to customers, which is also the time when the significant risks and rewards of ownership is transferred to the customer.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Revenue recognition (Continued)

(ii) *Commission income*

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

(iii) *Revenue on construction contracts*

When the outcome of the contract can be estimated reliably, revenue on fixed price construction contracts is determined using the percentage of completion method. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If the contract is considered profitable, it is stated at cost plus attributable profits by reference to the percentage of completion. Any expected loss on individual construction contracts is recognised immediately as an expense in the income statement.

(iv) *Income from provision of travel related products and services*

Income from provision of travel related products and services is recognised when the services are rendered. Deposits received from customers prior to the delivery of services are included in current liabilities as “deferred income” and not recognise as revenue.

(v) *Dividend income*

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

(vi) *Rental income*

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

(vii) *Interest income*

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

2.9 Borrowing costs

All borrowing costs are expensed as incurred.

2.10 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives at the following rates per annum:

Buildings on leasehold land	2%–2.5% or over the remaining period of the lease, whichever is shorter
Leasehold improvement	15% or over the remaining period of the lease, whichever is shorter
Plant and machinery, furniture and equipment	15%
Motor vehicles	15%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.11 Investment properties

Investment properties are buildings held to earn rental income and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of the investment property using the straight-line method over the expected useful lives to the Group, which range from forty to fifty years or over the remaining period of the lease, whichever is shorter.

2.12 Leasehold interests in land

Leasehold interests in land are up-front payments to acquire long term interests for the usage of land. They are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

2.13 Impairment of assets

Property, plant and equipment, leasehold interests in land, investment properties, investments in subsidiaries and a jointly controlled entity stated at cost are subject to impairment testing. These assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms.

Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

2.15 Financial assets

The Group classified its financial assets into debtors, investments at fair value through profit or loss, available-for-sale investments and cash and cash equivalents. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Investments at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned. These are recognised in accordance with the policies set out in notes 2.8 (v) and 2.8 (vii).

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as an investment at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial assets (Continued)

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement.

Available-for-sale investments include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below), until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Dividend income from those investments is recognised in profit or loss in accordance with the policy set out in note 2.8 (v). Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the debtor will enter into bankruptcy or financial reorganisation; or
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial assets (Continued)

Impairment of financial assets (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) *Available-for-sale investments*

When a decline in the fair value of an available-for-sale investments has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) *Financial assets carried at cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.16 Inventories

Inventories, 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 stated at fair value less cost to sell. Changes in fair value are recognised in the income statement in the period of the change.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement. Current tax and deferred tax is charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and a jointly controlled entity, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash at banks, other financial institution and in hand, short-term bank deposits.

2.19 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

2.20 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.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

(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. Contributions are made based on certain percentages of employee's basic salaries and are charged to the income statement as they become payable in accordance with the schemes. The retirement schemes are funded by payments from employees and the Group. The assets of the schemes are held separately from those of the Group in certain independently administered funds.

The employees of the Group's subsidiaries which operate in the People's Republic of China, except Hong Kong ("PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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.

2.21 Financial liabilities

The Group's financial liabilities include bank loans, gold loans, creditors and accruals. They are included in balance sheet line items as "bank loans", "gold loans" and "creditors, deposit received, accruals and deferred income" under current liabilities and "bank loans" under non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the bank loans using the effective interest method.

On initial recognition, gold loans are designated as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, gold loans are measured at fair value with changes in fair value recognised in the income statement. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be reclassified.

Borrowings, which include bank loans and gold loans, are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Creditors and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

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

Segment assets consist primarily of property, plant and equipment, inventories, receivables, operating cash and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

2.24 Related parties

Parties are considered to be related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the Group:
 - controls, is controlled by, or is under common control with, the entity;
 - has an interest in the entity that gives it significant influence over the entity;
 - has joint control over the entity;
- (ii) the party is a jointly-controlled entity;
- (iii) the party is a member of the key management personnel of the Group or its parent;
- (iv) the party is a close member of the family of any individual referred to in (i) or (iii);
- (v) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iii) or (iv); or
- (vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates property, plant and equipment on a straight-line basis over the estimated useful lives of 7 to 50 years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(ii) Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the issuer/investee.

(iii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the balance sheet date to ensure inventory is shown at the lower of cost and net realisable value.

(v) Percentage of completion and estimation of foreseeable losses in respect of construction contracts

Revenue from construction contracts is recognised according to the percentage of completion of individual contracts. When foreseeable loss in respect of a particular contract is identified, such loss is recognised as an expense in the income statement immediately. The percentage of completion and foreseeable loss of individual contracts are determined based on the actual costs incurred and the total estimated contract cost prepared by the management of the Group. In order to ensure the total estimated contract cost is accurate and up-to-date, management reviews the costs incurred to date and costs to completion frequently, in particular any cost overruns and variation orders from customers, and revises the total estimated contract cost where necessary.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

4. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which includes the Group's turnover and other revenue, recognised during the year comprised the following:

	2008 HK\$'000	2007 HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	1,098,523	839,254
Bullion trading	45,475	73,237
Commission from securities broking	13,986	8,423
Diamond wholesaling	13,475	13,047
	<u>1,171,459</u>	<u>933,961</u>
Other revenue		
Revenue on construction contracts	39,817	21,895
Sale of computer related products	5,427	8,283
Income from provision of travel related products and services	5,558	4,905
	<u>50,802</u>	<u>35,083</u>
Total revenue	<u><u>1,222,261</u></u>	<u><u>969,044</u></u>

5. SEGMENT INFORMATION

The Group is organised into three main business segments:

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

There was no intersegment sale and transfer during the year (2007: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

5. SEGMENT INFORMATION (Continued)

(a) Business segments

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	Unallocated* HK\$'000	Group HK\$'000
Year ended 31st March, 2008					
Segment revenue	<u>1,157,473</u>	<u>13,986</u>	<u>39,817</u>	<u>10,985</u>	<u>1,222,261</u>
Segment results	<u>134,161</u>	<u>4,551</u>	<u>920</u>	<u>(7,535)</u>	<u>132,097</u>
Unallocated operating income and expenses					<u>42,150</u>
Operating profit					174,247
Finance costs					(8,892)
Share of loss of a jointly controlled entity	(364)	—	—	—	<u>(364)</u>
Profit before taxation					164,991
Taxation					<u>(18,466)</u>
Profit for the year					<u>146,525</u>
At 31st March, 2008					
Segment assets	798,857	37,787	16,223	224,304	1,077,171
Tax recoverable					451
Interest in a jointly controlled entity	5,099	—	—	—	<u>5,099</u>
Total assets					<u>1,082,721</u>
Segment liabilities	84,672	14,521	6,036	137,008	242,237
Taxation payable					<u>12,185</u>
Total liabilities					<u>254,422</u>
Year ended 31st March, 2008					
Capital expenditure					
Additions of property, plant and equipment	10,113	403	59	3,086	13,661
Depreciation	10,194	1,102	123	1,447	12,866
Provision for and write down of inventories	15,135	—	—	—	15,135
Provision for impairment losses of debtors					
— provided against allowance account	157	—	—	2,340	2,497
— written off directly to the account	1	—	13	—	14

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	Unallocated*	Group HK\$'000
Year ended 31st March, 2007					
Segment revenue	<u>925,538</u>	<u>8,423</u>	<u>21,895</u>	<u>13,188</u>	<u>969,044</u>
Segment results	<u>74,150</u>	<u>(2,492)</u>	<u>(234)</u>	<u>(1,549)</u>	69,875
Unallocated operating income and expenses					<u>(4,507)</u>
Operating profit					65,368
Finance costs					(12,707)
Share of loss of a jointly controlled entity	(205)	—	—	—	<u>(205)</u>
Profit before taxation					52,456
Taxation					<u>(7,117)</u>
Profit for the year					<u>45,339</u>
At 31st March, 2007					
Segment assets	679,936	58,939	14,192	209,884	962,951
Tax recoverable					1,920
Interest in a jointly controlled entity	4,953	—	—	—	<u>4,953</u>
Total assets					<u>969,824</u>
Segment liabilities	73,786	36,138	7,881	192,091	309,896
Taxation payable					<u>3,809</u>
Total liabilities					<u>313,705</u>
Year ended 31st March, 2007					
Capital expenditure					
Additions of property, plant and equipment	9,572	706	31	681	10,990
Depreciation	7,066	680	115	1,320	9,181
Provision for and write down of inventories	1,869	—	—	—	1,869
Provision for impairment losses of debtors — written off directly to the account	833	36	—	361	1,230

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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

5. SEGMENT INFORMATION (Continued)

(b) Geographical segments

Over 90% of the Group's revenue and assets are derived from activities in Hong Kong and therefore no geographic segment information is presented.

6. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	8,478	12,364
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	<u>414</u>	<u>343</u>
	<u><u>8,892</u></u>	<u><u>12,707</u></u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	2008 HK\$'000	2007 HK\$'000
Charging:		
Amortisation of leasehold interests in land	130	131
Auditors' remuneration		
— Provision for the current year	749	786
Cost of inventories sold	876,765	732,451
Depreciation of property, plant and equipment	12,866	9,181
Depreciation of investment properties	25	47
Loss on disposal of property, plant and equipment	242	157
Loss on liquidation of a subsidiary	675	—
Operating lease charges in respect of properties	63,270	54,045
Operating lease charges in respect of furniture and fixtures	191	—
Outgoings in respect of investment properties	62	75
Provision for impairment losses of debtors		
— provided against allowance account	2,497	—
— written off directly to the account	14	1,230
Provision for impairment losses of available-for-sale investments, net (note 20)	2,741	586
Provision for and write down of inventories	15,135	1,869
Provision for long service payments (note 29)	—	727
Provision for loss resulting from misappropriation of clients' securities, net	<u>—</u>	<u>126</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

7. PROFIT BEFORE TAXATION (Continued)

Profit before taxation is arrived at after charging and crediting: (Continued)

	2008 HK\$'000	2007 HK\$'000
Crediting:		
Dividend income	4,976	3,440
Fair value change of investments at fair value through profit or loss held for trading	20,016	9,971
Foreign exchange gain	2,301	218
Gain on disposal of available-for-sale investments (including HK\$42,644,000 (2007: HK\$16,380,000) previously recognised in investment revaluation reserve)	59,062	18,270
Interest income from financial assets at amortised cost	1,076	829
Rental income		
— owned properties	1,188	1,129
— operating subleases	1,280	1,137
Write back of provision for long service payments (note 29)	<u>115</u>	<u>—</u>

8. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2008 HK\$'000	2007 HK\$'000
Current tax		
— Hong Kong		
Tax for the year	17,254	7,020
Under/(Over) provision in prior years	<u>48</u>	<u>(110)</u>
	17,302	6,910
— Overseas taxation	<u>1,164</u>	<u>207</u>
Total taxation charge	<u>18,466</u>	<u>7,117</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

8. TAXATION (Continued)

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2008 HK\$'000	2007 HK\$'000
Profit before taxation	<u>164,991</u>	<u>52,456</u>
Tax on profit before taxation, calculated at the rates applicable to profits in the relevant tax jurisdictions	28,786	8,958
Tax effect of non-taxable income	(10,766)	(4,065)
Tax effect of non-deductible expenses	1,233	1,203
Temporary differences not recognised	390	393
Tax losses not recognised	2,487	2,258
Utilisation of previously unrecognised tax losses	(3,094)	(1,166)
Others	<u>(570)</u>	<u>(464)</u>
Taxation charge	<u>18,466</u>	<u>7,117</u>

9. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Out of the consolidated profit attributable to the shareholders of the Company of HK\$146,940,000 (2007: HK\$45,193,000), a profit of HK\$2,650,000 (2007: HK\$3,207,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

(a) Dividends attributable to the year

	2008 HK\$'000	2007 HK\$'000
Interim dividend of HK0.5 cent (2007: HK0.45 cent) per ordinary share	2,175	1,958
Special interim dividend of HK0.7 cent (2007: Nil) per ordinary share	3,046	—
Proposed final dividend of HK1.3 cents (2007: HK1.2 cents) per ordinary share	5,656	5,221
Proposed special final dividend of HK0.3 cent (2007: Nil) per ordinary share	<u>1,305</u>	<u>—</u>
	<u>12,182</u>	<u>7,179</u>

At a meeting held on 8th December, 2006, the directors declared an interim dividend of HK0.45 cent per ordinary share for the year ended 31st March, 2007. The interim dividend was paid on 12th January, 2007 and was reflected as an appropriation of retained profits for the year ended 31st March, 2007.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

10. DIVIDENDS (Continued)

(a) Dividends attributable to the year (Continued)

At a meeting held on 6th July, 2007, the directors proposed a final dividend of HK1.2 cents per ordinary share for the year ended 31st March, 2007, which was approved by the shareholders at the annual general meeting held on 7th September, 2007. This final dividend was paid on 14th September, 2007 and has been reflected as an appropriation of retained profits for the year.

At a meeting held on 7th December, 2007, the directors declared an interim dividend of HK0.5 cent per ordinary share and a special interim dividend of HK0.7 cent per ordinary share, making a total of HK1.2 cents per ordinary share for the year. These interim dividends were paid on 11th January, 2008 and were reflected as an appropriation of retained profits for the year.

At a meeting held on 11th July, 2008, the directors proposed a final dividend of HK1.3 cents per ordinary share and a special final dividend of HK0.3 cent per ordinary share, making a total of HK1.6 cents per ordinary share for the year, subject to the approval of shareholders at the annual general meeting to be held on 1st September, 2008. These proposed final dividends are not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2009.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2008	2007
	HK\$'000	HK\$'000
2007 final dividend of HK1.2 cents per ordinary share (2007: 2006 final dividend of HK0.8 cent per ordinary share)	<u>5,221</u>	<u>3,481</u>

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$146,940,000 (2007: HK\$45,193,000) and on 435,071,650 (2007: 435,071,650) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31st March, 2008 has not been presented as there were no dilutive potential ordinary shares during the year (2007: Nil).

12. EMPLOYEE BENEFIT EXPENSE

	2008	2007
	HK\$'000	HK\$'000
Wages, salaries and allowances	76,696	66,810
Pension costs — defined contribution retirement schemes*	<u>3,428</u>	<u>3,729</u>
	<u>80,124</u>	<u>70,539</u>

Employee benefit expense as shown above include directors' emoluments (note 13).

* As permitted under the rules of the provident fund schemes, all forfeited contributions for the two years ended 31st March, 2007 and 2008 have been credited to the employers' balance in respect of the remaining members' accounts.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

13. DIRECTORS' EMOLUMENTS

	Fees HK\$'000	Salaries and allowances HK\$'000	Bonuses HK\$'000	Pension costs — defined contribution retirement schemes HK\$'000	Total HK\$'000
2008					
Executive directors					
Mr. Yeung Ping Leung, Howard	24	—	—	1	25
Mr. Tang Yat Sun, Richard	24	—	—	1	25
Mr. Cheng Ka On, Dominic	24	—	—	1	25
Mr. Yeung Bing Kwong, Kenneth	26	216	—	11	253
Ms. Fung Chung Yee, Caroline	22	1,020	1,569	76	2,687
Non-executive directors					
Mr. Wong Wei Ping, Martin	17	—	—	—	17
Mr. Ho Hau Hay, Hamilton	17	—	—	—	17
Mr. Sin Nga Yan, Benedict	17	—	—	—	17
Independent non-executive directors					
Mr. Lau To Yee	55	—	—	—	55
Mr. Cheng Kar Shing, Peter	57	—	—	—	57
Mr. Chan Chak Cheung, William	275	—	—	—	275
	<u>558</u>	<u>1,236</u>	<u>1,569</u>	<u>90</u>	<u>3,453</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

13. DIRECTORS' EMOLUMENTS (Continued)

	Fees HK\$'000	Salaries and allowances HK\$'000	Bonuses HK\$'000	Pension costs — defined contribution retirement schemes HK\$'000	Total HK\$'000
2007					
Executive directors					
Mr. Yeung Ping Leung, Howard	23	—	—	1	24
Mr. Tang Yat Sun, Richard	22	—	—	1	23
Mr. Cheng Ka On, Dominic	22	—	—	1	23
Mr. Yeung Bing Kwong, Kenneth	24	216	—	10	250
Ms. Fung Chung Yee, Caroline	20	960	275	72	1,327
Non-executive directors					
Mr. Wong Wei Ping, Martin	15	—	—	—	15
Mr. Ho Hau Hay, Hamilton	15	—	—	—	15
Mr. Sin Nga Yan, Benedict	15	—	—	—	15
Dr. Sin Wai Kin	—	—	—	—	—
Independent non-executive directors					
Mr. Lau To Yee	50	—	—	—	50
Mr. Cheng Kar Shing, Peter	52	—	—	—	52
Mr. Chan Chak Cheung, William	50	200	—	—	250
Mr. Cheng Kwai Yin	—	—	—	—	—
	<u>308</u>	<u>1,376</u>	<u>275</u>	<u>85</u>	<u>2,044</u>

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2007: Nil).

None of the directors has waived or agreed to waive any emoluments in respect of the year (2007: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included one (2007: one) director whose emoluments are reflected in the analysis presented in note 13. The emoluments payable to the remaining four (2007: four) highest paid, non-director individuals during the year are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries, allowances and benefits in kind	3,421	2,729
Bonuses	3,792	2,315
Pension costs — defined contribution retirement schemes	<u>129</u>	<u>177</u>
	<u><u>7,342</u></u>	<u><u>5,221</u></u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2008	2007
Nil–HK\$1,000,000	1	2
HK\$1,000,001–HK\$1,500,000	1	1
HK\$1,500,001–HK\$2,000,000	1	—
HK\$2,000,001–HK\$2,500,000	—	1
HK\$3,000,001–HK\$3,500,000	<u>1</u>	<u>—</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2007: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK\$'000	Leasehold improvement HK\$'000	Plant and machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1st April, 2006					
Cost	4,481	24,469	27,956	1,360	58,266
Accumulated depreciation	<u>(2,841)</u>	<u>(15,796)</u>	<u>(21,124)</u>	<u>(737)</u>	<u>(40,498)</u>
Net book amount	<u>1,640</u>	<u>8,673</u>	<u>6,832</u>	<u>623</u>	<u>17,768</u>
Net book amount					
At 1st April, 2006	1,640	8,673	6,832	623	17,768
Exchange difference	—	(1)	(1)	(3)	(5)
Additions	—	9,480	1,510	—	10,990
Disposals	—	(140)	(17)	—	(157)
Depreciation	<u>(82)</u>	<u>(6,586)</u>	<u>(2,310)</u>	<u>(203)</u>	<u>(9,181)</u>
At 31st March, 2007	<u>1,558</u>	<u>11,426</u>	<u>6,014</u>	<u>417</u>	<u>19,415</u>
At 31st March, 2007					
Cost	4,481	33,609	28,258	1,360	67,708
Accumulated depreciation	<u>(2,923)</u>	<u>(22,183)</u>	<u>(22,244)</u>	<u>(943)</u>	<u>(48,293)</u>
Net book amount	<u>1,558</u>	<u>11,426</u>	<u>6,014</u>	<u>417</u>	<u>19,415</u>
Net book amount					
At 1st April, 2007	1,558	11,426	6,014	417	19,415
Additions	—	9,580	4,081	—	13,661
Transfer from investment properties	620	—	—	—	620
Transfer to investment properties	(426)	—	—	—	(426)
Disposals	—	(219)	(56)	—	(275)
Depreciation	<u>(106)</u>	<u>(9,665)</u>	<u>(2,897)</u>	<u>(198)</u>	<u>(12,866)</u>
At 31st March, 2008	<u>1,646</u>	<u>11,122</u>	<u>7,142</u>	<u>219</u>	<u>20,129</u>
At 31st March, 2008					
Cost	3,103	41,395	31,196	1,360	77,054
Accumulated depreciation	<u>(1,457)</u>	<u>(30,273)</u>	<u>(24,054)</u>	<u>(1,141)</u>	<u>(56,925)</u>
Net book amount	<u>1,646</u>	<u>11,122</u>	<u>7,142</u>	<u>219</u>	<u>20,129</u>

The Group's buildings are situated in Hong Kong and are held under medium term leases.

Depreciation expense of HK\$11,067,000 (2007: HK\$7,548,000) was included in distribution and selling costs and HK\$1,799,000 (2007: HK\$1,633,000) was included in administrative expenses.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

	Leasehold improvement HK\$'000	Plant and machinery, furniture and equipment HK\$'000	Total HK\$'000
At 1st April, 2006			
Cost	1,475	15,443	16,918
Accumulated depreciation	<u>(612)</u>	<u>(12,043)</u>	<u>(12,655)</u>
Net book amount	<u>863</u>	<u>3,400</u>	<u>4,263</u>
Net book amount			
At 1st April, 2006	863	3,400	4,263
Additions	21	573	594
Depreciation	<u>(223)</u>	<u>(862)</u>	<u>(1,085)</u>
At 31st March, 2007	<u>661</u>	<u>3,111</u>	<u>3,772</u>
At 31st March, 2007			
Cost	1,496	16,016	17,512
Accumulated depreciation	<u>(835)</u>	<u>(12,905)</u>	<u>(13,740)</u>
Net book amount	<u>661</u>	<u>3,111</u>	<u>3,772</u>
Net book amount			
At 1st April, 2007	661	3,111	3,772
Additions	79	2,948	3,027
Depreciation	<u>(229)</u>	<u>(925)</u>	<u>(1,154)</u>
At 31st March, 2008	<u>511</u>	<u>5,134</u>	<u>5,645</u>
At 31st March, 2008			
Cost	1,575	18,964	20,539
Accumulated depreciation	<u>(1,064)</u>	<u>(13,830)</u>	<u>(14,894)</u>
Net book amount	<u>511</u>	<u>5,134</u>	<u>5,645</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

16. LEASEHOLD INTERESTS IN LAND

(a) Group

	2008 HK\$'000	2007 HK\$'000
Opening net carrying amount	5,849	5,980
Amortisation charge for the year	<u>(130)</u>	<u>(131)</u>
Closing net carrying amount	<u><u>5,719</u></u>	<u><u>5,849</u></u>

The prepaid lease payments for leasehold interests in land are held under long and medium term leases in Hong Kong of HK\$676,000 (2007: HK\$677,000) and HK\$5,043,000 (2007: HK\$5,172,000) respectively.

(b) Company

	2008 HK\$'000	2007 HK\$'000
Opening net carrying amount	677	678
Amortisation charge for the year	<u>(1)</u>	<u>(1)</u>
Closing net carrying amount	<u><u>676</u></u>	<u><u>677</u></u>

The prepaid lease payment for leasehold interest in land is held under a long term lease in Hong Kong.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

17. INVESTMENT PROPERTIES

(a) Group

	2008 HK\$'000	2007 HK\$'000
At 1st April		
Gross carrying amount	1,169	1,169
Accumulated depreciation	<u>(82)</u>	<u>(35)</u>
Net carrying amount at 1st April	<u>1,087</u>	<u>1,134</u>
Opening net carrying amount	1,087	1,134
Transfer from property, plant and equipment	426	—
Transfer to property, plant and equipment	(620)	—
Depreciation	<u>(25)</u>	<u>(47)</u>
Closing net carrying amount	<u>868</u>	<u>1,087</u>
At 31st March		
Gross carrying amount	934	1,169
Accumulated depreciation	<u>(66)</u>	<u>(82)</u>
Net carrying amount at 31st March	<u>868</u>	<u>1,087</u>

All of the Group's investment properties are situated in Hong Kong and are held under long and medium term leases of HK\$429,000 (2007: HK\$448,000) and HK\$439,000 (2007: HK\$639,000) respectively.

The fair value of the Group's investment properties at 31st March, 2008 was approximately HK\$3,164,000 (2007: HK\$3,510,000) which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuations were based on the properties' open market value on 31st March, 2008.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

17. INVESTMENT PROPERTIES (Continued)

(b) Company

	2008 HK\$'000	2007 HK\$'000
At 1st April		
Gross carrying amount	484	484
Accumulated depreciation	<u>(36)</u>	<u>(17)</u>
Net carrying amount at 1st April	<u>448</u>	<u>467</u>
Opening net carrying amount	448	467
Depreciation	<u>(19)</u>	<u>(19)</u>
Closing net carrying amount	<u>429</u>	<u>448</u>
At 31st March		
Gross carrying amount	484	484
Accumulated depreciation	<u>(55)</u>	<u>(36)</u>
Net carrying amount at 31st March	<u>429</u>	<u>448</u>

The Company's investment property is situated in Hong Kong and is held under long term lease.

The fair value of the Company's investment property at 31st March, 2008 was approximately HK\$930,000 (2007: HK\$910,000) which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuation was based on the property's open market value on 31st March, 2008.

18. INTERESTS IN SUBSIDIARIES — COMPANY

	2008 HK\$'000	2007 HK\$'000
Investments in subsidiaries		
Unlisted shares, at cost	128,655	127,926
Less: Provision for impairment loss	<u>(5,650)</u>	<u>(5,142)</u>
	<u>123,005</u>	<u>122,784</u>
Amounts due from subsidiaries	<u>578,269</u>	<u>566,881</u>
Amounts due to subsidiaries	<u>(257,676)</u>	<u>(185,324)</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

18. INTERESTS IN SUBSIDIARIES — COMPANY (Continued)

The amounts due from/to subsidiaries were unsecured, interest free, except for receivables of HK\$144,960,000 (2007: HK\$195,000,000) and payables of HK\$7,744,000 (2007: HK\$6,588,000) which bore interest at rates ranging from 3.50% to 5.25% (2007: 3.50% to 7.75%) per annum, being the effective interest rates as at 31st March, 2008, and repayable on demand. The weighted average effective interest rates of the interest bearing balances due from/to subsidiaries during the year ranged from 3.50% to 7.75% (2007: 3.50% to 8.00%) per annum.

Details of the subsidiaries as at 31st March, 2008 are as follows:

Name	Place of incorporation/ operation	Particulars of issued capital	Percentage of issued capital held by		Principal activities
			Group	Company	
Elias Holdings Limited	The Republic of Liberia	1 ordinary share with no par value	100	100	Dormant
Evermind Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	80	80	Investment holding
Grand Year Engineering Limited [^]	Hong Kong	1 ordinary share of HK\$1	80	—	Provision of interior design services
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	PRC, limited liability company	US\$1,000,000	100	100	Dormant
Jacqueline Emporium Limited	Hong Kong	1,000 ordinary shares of HK\$100 each	100	—	Investment and watch trading
Jet Bright Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Jewellery and watch retailing
Jewellery Hospital Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	—	Manufacturing of jewellery products
King Fook China Resources Limited	Hong Kong	2 ordinary shares of HK\$10 each	100	100	Investment holding
King Fook Commodities Company Limited	Hong Kong	50,000 ordinary shares of HK\$100 each	100	—	Commodities broking
King Fook Gold & Jewellery Company Limited	Hong Kong	546,750 ordinary shares of HK\$100 each	100	100	Investment holding and trading
King Fook Holding Management Limited	Hong Kong	50 ordinary shares of HK\$100 each	100	100	Dormant
King Fook International Money Exchange (Kowloon) Limited	Hong Kong	65,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook Investment Company Limited	Hong Kong	2,500,000 ordinary shares of HK\$1 each	100	100	Investment holding

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

18. INTERESTS IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation/ operation	Particulars of issued capital	Percentage of issued capital held by		Principal activities
			Group	Company	
King Fook Jewellery Designing & Trading Company Limited	Hong Kong	5,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook Jewellery Group Limited	Hong Kong	600,000 ordinary shares of HK\$100 each	100	100	Gold ornament, jewellery and watch retailing and bullion trading
King Fook Securities Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	—	Securities broking
King Shing Bullion Traders & Finance Company Limited	Hong Kong	60,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook (Beijing) Consultancy Services Limited [#]	PRC, limited liability company	US\$100,000	100	—	Business consultancy
King Fook Jewellery (China) Company Limited	PRC, limited liability company	RMB30,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook (Shanghai) International Trading Limited [#]	PRC, limited liability company	US\$200,000	100	—	Gold ornament, jewellery and watch wholesaling
Mario Villa Limited	Hong Kong	2,000,000 ordinary shares of HK\$1 each	100	100	Investment trading
Mempro Limited	Isle of Man	100 ordinary shares of £1 each	60	—	Investment holding
Mempro S.A.*	Switzerland	1,052 ordinary shares of CHF1,000 each	59	—	Import and distribution of memory extensions and computer peripheral products
Metal Innovation Limited	British Virgin Islands and operating in Hong Kong	1 ordinary share of US\$1	80	—	Design and metalising
Most Worth Investments Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100	100	Investment holding
Perfectrade Limited	Hong Kong	20,000 ordinary shares of HK\$1 each	80	—	Provision of interior design services

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

18. INTERESTS IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation/ operation	Particulars of issued capital	Percentage of issued capital held by		Principal activities
			Group	Company	
Perfectrade Macau	Macau	MOP25,000	80	—	Provision of interior design services
Polyview International Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Watch trading and investment holding
PTE Engineering Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	80	—	Provision of construction services
Rich Point Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Dormant
Superior Travellers Services Limited	Hong Kong	500,000 ordinary shares of HK\$1 each	100	100	Sale of travel related products and provision of marketing services for sale of travel related products
Sure Glory Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Jewellery and watch retailing
Top Angel Limited	Hong Kong	1 ordinary share of HK\$1	100	—	Trading of fashion
Trade Vantage Holdings Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Jewellery and watch retailing
Yatheng Investments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	—	Property subletting
Young's Diamond Corporation (International) Limited	Hong Kong	100,000 ordinary shares of HK\$100 each	98.6	98.6	Diamond wholesaling
Young's Diamond Factory Limited	Hong Kong	2,000 ordinary shares of US\$10 each	98.6	—	Diamond wholesaling
Young's Diamond Corporation (Shanghai) Limited [^]	PRC, limited liability company	US\$200,000	100	100	Diamond wholesaling

[^] The company was newly incorporated during the year.

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

^{*} This company was engaged in the import and distribution of memory extensions and computer peripheral products. It applied for liquidation during the year.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

19. INTEREST IN A JOINTLY CONTROLLED ENTITY — GROUP

	2008 HK\$'000	2007 HK\$'000
Share of net assets	<u>5,099</u>	<u>4,953</u>

Details of the jointly controlled entity, established and operating in the PRC and held indirectly by the Company, as at 31st March, 2008 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.

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.

The aggregate amounts relating to the jointly controlled entity attributable to the Group that have been included in the Group's consolidated financial statements are as follows:

	2008 HK\$'000	2007 HK\$'000
At 31st March		
Non-current assets	1,394	1,521
Current assets	<u>4,124</u>	<u>3,741</u>
	5,518	5,262
Current liabilities	<u>(419)</u>	<u>(309)</u>
Net assets	<u>5,099</u>	<u>4,953</u>
Year ended 31st March		
Income	240	363
Expenses	<u>(604)</u>	<u>(568)</u>
Loss for the year	<u>(364)</u>	<u>(205)</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

20. AVAILABLE-FOR-SALE INVESTMENTS — GROUP

	2008 HK\$'000	2007 HK\$'000
Listed equity securities, at market value and fair value		
Listed in Hong Kong	175,550	142,705
Listed outside Hong Kong*	<u>5,889</u>	<u>6,953</u>
	<u>181,439</u>	<u>149,658</u>
Unlisted equity securities, at cost	3,923	3,493
Less: Provision for impairment loss [#]	<u>(3,327)</u>	<u>(586)</u>
	<u>596</u>	<u>2,907</u>
	<u>182,035</u>	<u>152,565</u>

* As at 31st March, 2008, 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 40.6% (2007: 41.2%) and 5.1% (2007: 5.2%) equity interests in that company respectively.

[#] Impairment loss made for the year in the consolidated income statement had taken into account Jet Quay Pte. Ltd.'s current year's results.

Impairment losses in respect of unlisted equity securities are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against unlisted equity securities directly. The movement in provision for impairment loss is as follows:

	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	586	—
Impairment loss for the year	3,327	586
Unrecoverable amounts written off	<u>(586)</u>	<u>—</u>
At the end of the year	<u>3,327</u>	<u>586</u>

The amounts presented for the listed equity securities have been determined directly by reference to published price quotations in active markets.

The fair value of unlisted equity securities was not disclosed as the fair value cannot be measured reliably. There was no open market on the unlisted investment and the management has no intention to dispose of such investment at 31st March, 2008.

These investments are subject to financial risk exposure in terms of price and currency risks.

As at 31st March, 2008, the carrying amount of interest in the following company exceeded 10% of the total assets of the Group:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Hong Kong Exchanges and Clearing Limited	Hong Kong	Owns and operates the only stock exchange and futures exchange in Hong Kong	1,314,000 shares of HK\$1 each	0.123%

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

21. OTHER ASSETS — GROUP

	2008 HK\$'000	2007 HK\$'000
Statutory deposits	2,126	2,125
Guarantee deposit	<u>70</u>	<u>58</u>
	<u><u>2,196</u></u>	<u><u>2,183</u></u>

22. INVENTORIES — GROUP

	2008 HK\$'000	2007 HK\$'000
Jewellery	297,149	213,314
Gold ornament and bullion	56,426	32,892
Watch and gift	318,562	341,946
Fashion	<u>1,149</u>	<u>2,100</u>
	<u><u>673,286</u></u>	<u><u>590,252</u></u>

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	Notes	Group		Company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade debtors	(a)	38,406	54,998	—	—
Other receivables		22,835	20,316	365	503
Deposits and prepayments		20,070	15,007	843	704
Insurance claim receivable	(b)	<u>12,000</u>	<u>12,000</u>	<u>—</u>	<u>—</u>
		<u><u>93,311</u></u>	<u><u>102,321</u></u>	<u><u>1,208</u></u>	<u><u>1,207</u></u>

Notes:

(a) Trade debtors — Group

	2008 HK\$'000	2007 HK\$'000
Gross carrying amount of trade debtors	41,692	56,633
Less: Provision for impairment loss	<u>(3,286)</u>	<u>(1,635)</u>
Trade debtors	<u><u>38,406</u></u>	<u><u>54,998</u></u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

23. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) Trade debtors — Group (Continued)

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The movement in provision for impairment loss is as follows:

	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	1,635	1,635
Impairment loss for the year	<u>1,651</u>	<u>—</u>
At the end of the year	<u><u>3,286</u></u>	<u><u>1,635</u></u>

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

	2008 HK\$'000	2007 HK\$'000
Within 30 days	33,925	52,327
31–90 days	798	1,471
More than 90 days	<u>3,683</u>	<u>1,200</u>
	<u><u>38,406</u></u>	<u><u>54,998</u></u>

The trade debtors as at 31st March, 2008 consist of receivables of the securities broking business amounting to HK\$13,511,000 (2007: HK\$36,710,000), 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, bullion trading and diamond wholesaling businesses which are normally due within three months.

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2008 HK\$'000	2007 HK\$'000
Neither past due nor impaired	30,498	45,661
Past due 90 days or less	4,225	8,134
Past due more than 90 days but less than 1 year	5,165	49
Past due more than 1 year	1,804	2,789
Determined to be impaired	<u>(3,286)</u>	<u>(1,635)</u>
At 31st March	<u><u>38,406</u></u>	<u><u>54,998</u></u>

Trade debtors that were neither past due nor impaired related to customers for whom there were no recent history of default.

Trade debtors that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

- (b) During the year ended 31st March, 2006, the Company had discovered that a former director of a subsidiary of the Group might have misappropriated securities belonging to clients of the Group. At the best estimates of the directors of the Company, such securities had a total market value of about HK\$28,800,000. During the year ended 31st March, 2007, the Group made compensation to the relevant customers. Based on current information, including the findings of the investigation and internal control review reports prepared by a firm of independent professional accountants, the directors considered that the provisions made in the prior years were adequate.

In this regard, the Group also has an insurance policy with a cover of HK\$15 million (subject to an excess of HK\$3 million). Taking into consideration of the latest development of the insurance claim, the Group recognised the net amount of HK\$12 million as "Insurance claim receivable".

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

24. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	2008 HK\$'000	2007 HK\$'000
Equity securities, at market value and fair value		
Listed in Hong Kong	4,551	19,626
Listed outside Hong Kong	<u>8,602</u>	<u>12,956</u>
	<u><u>13,153</u></u>	<u><u>32,582</u></u>

The above investments are classified as held for trading.

Fair values for the listed equity securities have been determined by reference to their quoted market prices at the balance sheet date.

Investments at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the consolidated cash flow statement.

Changes in fair value of investments at fair value through profit or loss are recorded in other operating income in the consolidated income statement.

These investments are subject to financial risk exposure in terms of price and currency risks.

25. CASH AND CASH EQUIVALENTS

(a) Group

Cash and cash equivalents include the following components:

	2008 HK\$'000	2007 HK\$'000
Cash at banks and in hand	50,491	45,970
Cash at other financial institution	21,602	—
Short-term bank deposits	<u>14,381</u>	<u>10,727</u>
	<u><u>86,474</u></u>	<u><u>56,697</u></u>

The cash balances at banks and other financial institution bore interests at floating rates based on daily bank deposit rates.

The effective interest rates of short-term bank deposits ranged from 1.20% to 3.57% (2007: 0.05% to 3.88%) per annum, which were the effective interest rates at 31st March, 2008. The weighted average effective interest rates of short-term bank deposits throughout the year ranged from 0.05% to 4.10% (2007: 0.01% to 3.95%) per annum. These deposits had a maturity of 1 to 31 days (2007: 1 to 31 days) and were eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash and cash equivalents of the Group, balances of HK\$27,651,000 (2007: HK\$15,846,000) were denominated in Renminbi ("RMB"). RMB is not a freely convertible currency.

(b) Company

	2008 HK\$'000	2007 HK\$'000
Cash at banks and in hand	<u>13,022</u>	<u>5,914</u>

The cash balances at banks bore interests at floating rates based on daily bank deposit rates.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

26. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Notes	Group		Company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade payables	(a)	39,171	59,622	—	—
Other payables and accruals	(b)	41,827	35,796	16,197	8,540
Deposits received and deferred income		16,188	11,406	90	60
Other provision	(c)	675	—	—	—
		<u>97,861</u>	<u>106,824</u>	<u>16,287</u>	<u>8,600</u>

Notes:

(a) At 31st March, the ageing analysis of the trade payables, based on the invoice date, was as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Within 30 days	33,079	58,438
31–90 days	4,304	1,020
More than 90 days	1,788	164
	<u>39,171</u>	<u>59,622</u>

(b) At 31st March 2008, the balance included an amount due to a director of a subsidiary of approximately HK\$2,948,000 (2007: HK\$3,157,000). The amount due was unsecured, interest free and repayable on demand.

(c) The Group has applied for liquidation for a subsidiary and a provision on the liquidation loss of HK\$675,000 was made during the year ended 31st March, 2008.

27. GOLD LOANS, UNSECURED

The movement of unsecured gold loans is as follows:

	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	23,705	25,006
Increase in fair value, net	9,642	2,995
Repayment	—	(4,296)
At the end of the year	<u>33,347</u>	<u>23,705</u>

Gold loans bore interests at fixed rates ranging from 1.38% to 1.60% (2007: 1.38% to 1.60%) per annum, which were the effective interest rates at 31st March, 2008. The weighted average effective interest rates of gold loans throughout the year ranged from 1.38% to 1.60% (2007: 1.13% to 1.60%) per annum.

Gold loans were borrowed to reduce the impact of fluctuation in gold prices on gold inventory. However, the criteria for hedge accounting were not fully met. Gold loans were then designated as financial liabilities at fair value through profit or loss to avoid an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

Gold loans are subject to financial risk exposure in terms of price risk.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

28. BANK LOANS, UNSECURED

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans are repayable as follows:				
Within one year	64,167	92,215	64,167	86,000
In the second year	16,668	40,167	16,668	40,167
In third to fifth years, inclusive	<u>29,165</u>	<u>45,833</u>	<u>29,165</u>	<u>45,833</u>
	110,000	178,215	110,000	172,000
Portion classified as current liabilities	<u>(64,167)</u>	<u>(92,215)</u>	<u>(64,167)</u>	<u>(86,000)</u>
Non-current portion	<u>45,833</u>	<u>86,000</u>	<u>45,833</u>	<u>86,000</u>

All bank loans were denominated in Hong Kong dollars and bore interests at variable rates ranging from 2.70% to 6.20% (2007: 4.86% to 5.78%) per annum, which were the effective interest rates at 31st March, 2008. The weighted average effective interest rates of bank loans throughout the year ranged from 2.55% to 8.60% (2007: 3.50% to 9.00%) per annum.

29. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	1,152	432	146	153
Payments	(8)	(7)	(8)	(7)
Write back	(115)	—	(115)	—
Provision for the year	<u>—</u>	<u>727</u>	<u>—</u>	<u>—</u>
At the end of the year	<u>1,029</u>	<u>1,152</u>	<u>23</u>	<u>146</u>

The balances as at 31st March, 2007 and 2008 represent the provision for entitlements of the Group's employees to long service payments on termination of their employment, which are not fully covered by the Group's provident fund schemes, under the required circumstances specified in the Employment Ordinance.

30. SHARE CAPITAL

	2008	2007
	HK\$'000	HK\$'000
Authorised:		
620,000,000 (2007: 620,000,000) ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
Issued and fully paid:		
435,071,650 (2007: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

31. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity of the financial statements.

The share premium account of the Group includes the premium arising from issue of shares of the Company at a premium.

The capital reserve account of the Group includes negative goodwill arising on acquisitions of subsidiaries before 1st April, 2001 which represented the excess of the fair value of the Group's share of the net assets acquired over the cost of the acquisitions.

(b) Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2006	17,575	188,910	206,485
Profit for the year	—	3,207	3,207
Dividends	—	(5,439)	(5,439)
	<u>17,575</u>	<u>186,678</u>	<u>204,253</u>
At 31st March, 2007	<u>17,575</u>	<u>186,678</u>	<u>204,253</u>
Representing:			
Proposed final dividend (note 10)		5,221	
Others		<u>181,457</u>	
		<u>186,678</u>	
At 1st April, 2007	17,575	186,678	204,253
Profit for the year	—	2,650	2,650
Dividends	—	(10,442)	(10,442)
	<u>17,575</u>	<u>178,886</u>	<u>196,461</u>
At 31st March, 2008	<u>17,575</u>	<u>178,886</u>	<u>196,461</u>
Representing:			
Proposed final dividends (note 10)		6,961	
Others		<u>171,925</u>	
		<u>178,886</u>	

Details of the share premium account of the Company are set out in note 31(a) above.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT — GROUP

Reconciliation of profit before taxation to operating profit before working capital changes is as follows:

	2008 HK\$'000	2007 HK\$'000
Profit before taxation	164,991	52,456
Amortisation of leasehold interests in land	130	131
Depreciation of property, plant and equipment	12,866	9,181
Depreciation of investment properties	25	47
Dividend income from investments at fair value through profit or loss/ available-for-sale investments	(4,976)	(3,440)
Exchange differences	(510)	(218)
Loss on disposal of property, plant and equipment	242	157
Loss on liquidation of a subsidiary	675	—
Interest expense	8,892	12,707
Interest income	(1,076)	(829)
Gain on disposal of available-for-sale investments	(59,062)	(18,270)
Fair value change of investments at fair value through profit or loss	(20,016)	(9,971)
Provision for impairment losses of available-for-sale investments	2,741	586
Provision for impairment losses of debtors	2,511	1,230
Provision for and write down of inventories	15,135	1,869
Provision for long service payments	—	727
Provision for loss resulting from misappropriation of clients' securities, net	—	126
Write back of provision for long service payments	(115)	—
Share of loss of a jointly controlled entity	364	205
	<u>122,817</u>	<u>46,694</u>
Operating profit before working capital changes	<u>122,817</u>	<u>46,694</u>

33. DEFERRED TAX

(a) Group

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a taxation rate of 17.5% (2007: 17.5%).

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	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	615	390	(615)	(390)	—	—
Charged/(credited) to consolidated income statement	<u>255</u>	<u>225</u>	<u>(255)</u>	<u>(225)</u>	<u>—</u>	<u>—</u>
At the end of the year	<u>870</u>	<u>615</u>	<u>(870)</u>	<u>(615)</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

33. DEFERRED TAX (Continued)

(a) Group (Continued)

Deferred tax liabilities/(assets) (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$75,919,000 (2007: HK\$80,118,000) to carry forward against future taxable income and these tax losses have no expiry date.

As at 31st March, 2008, there were no material unrecognised deferred tax liabilities (2007: Nil).

(b) Company

The Company has no material deferred tax as at 31st March, 2008 (2007: Nil). The Company has unrecognised tax losses of HK\$7,774,000 (2007: Nil) to carry forward against future taxable income and these tax losses have no expiry date.

34. OPERATING LEASE COMMITMENTS

At 31st March, the total future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(a) Group

	2008			2007		
	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Within one year	66,753	786	67,539	54,232	—	54,232
In the second to fifth years inclusive	47,601	291	47,892	60,399	—	60,399
	<u>114,354</u>	<u>1,077</u>	<u>115,431</u>	<u>114,631</u>	<u>—</u>	<u>114,631</u>

At 31st March, 2008, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$713,000 (2007: HK\$1,853,000).

(b) Company

	2008			2007		
	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Within one year	984	306	1,290	292	—	292
In the second to fifth years inclusive	368	114	482	—	—	—
	<u>1,352</u>	<u>420</u>	<u>1,772</u>	<u>292</u>	<u>—</u>	<u>292</u>

The Group and the Company lease a number of properties under operating leases. The leases run for an initial period of one to four and two years respectively, without option to renew the lease term at the expiry date.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

35. FUTURE OPERATING LEASE RECEIVABLES

At 31st March, the total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Within one year	992	504	360	77
In the second to fifth years inclusive	<u>1,127</u>	<u>52</u>	<u>120</u>	<u>—</u>
	<u>2,119</u>	<u>556</u>	<u>480</u>	<u>77</u>

The Group and the Company lease their investment properties under operating lease arrangements which run for an initial period of two years, with option to renew the lease term at the expiry date.

36. RELATED PARTY TRANSACTIONS — GROUP

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2008 HK\$'000	2007 HK\$'000
Operating lease rental on land and buildings paid to related companies:			
Stanwick Properties Limited	(a)	6,730	6,236
Contender Limited	(b)	19,046	17,080
Fabrico (Mfg) Limited	(c)	180	180
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	(a)	191	—
Consultancy fees paid to related companies:			
Verbal Company Limited	(d)	7,251	3,882
Excellent Base Trading Limited	(e)	650	—
Revenue on construction contracts from a related company	(f)	<u>1,426</u>	<u>—</u>

Notes:

- (a) The operating lease rentals were 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 and the furniture and fixtures located in King Fook Building. 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 (“Contender”), a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited (“Miramar”), a shareholder of the Company, for the shop premises occupied by the Group on the ground and first floors and the 1st Basement Level of Hotel Miramar Shopping Arcade, advertising signboards C1 and C2 at the external wall of Hotel Miramar and the signboard and showcases at the ground floor entrance facing Nathan Road of Hotel Miramar Shopping Arcade. Miramar ceased to be a substantial shareholder of the Company under SFO as Miramar’s shareholding in the Company decreased to below 5% of the share capital of the Company as at 31st March, 2008. Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Dr. Sin Wai Kin (the father of Mr. Sin Nga Yan, Benedict, a director of the Company), a director and shareholder of Miramar, was not a director of the Company during the year ended 31st March, 2008. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

36. RELATED PARTY TRANSACTIONS — GROUP (Continued)

Notes: (Continued)

- (c) The operating lease rental was paid to Fabrico (Mfg) Limited (“Fabrico”) for the warehouse occupied by the Group in Comfort Building. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).
- (d) The Company has entered into a consultation service agreement with Verbal Company Limited (“Verbal”), whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.
- (e) The Group has entered into a marketing consultancy agreement with Excellent Base Trading Limited (“Excellent Base”), whereby Excellent Base provides marketing consultation service to a subsidiary of the Company. The spouse of Mr. Yeung Ping Leung, Howard (a director of the Company) is a director and the sole shareholder of Excellent Base.
- (f) Revenue on construction contracts was recognised by the Group for the interior design services provided to Nudgee Hawaii Limited (“Nudgee”). Nudgee is a wholly owned subsidiary indirectly owned by an associated company of Yeung Chi Shing Estates Limited (note (a)).
- (g) Compensation of key management personnel

	2008 HK\$'000	2007 HK\$'000
Wages, salaries and allowances	9,353	6,572
Pension costs — defined contribution retirement schemes	<u>266</u>	<u>295</u>
	<u>9,619</u>	<u>6,867</u>

37. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which results from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group’s exposure to market risks, including changes in interest rates and currency exchange rates. Generally, the Group utilises conservative strategies on its risk management. The Group’s exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

The most significant financial risks to which the Group is exposed are described below. A summary of the Group’s financial assets and liabilities by category is shown in note 38.

(a) Credit risk

The Group’s maximum exposure to credit risk in the event of the counter parties’ failure to perform their obligations as at 31st March, 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as shown in note 38. In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the directors consider that the Group’s credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

The credit risks for proceeds from sale of investments at fair value through profit or loss and available-for-sale investments of the Group are considered immaterial as the counterparties are reputable financial institutions (broker with high quality credit ratings). The credit risks for cash and cash equivalents of the Group and the Company are also regarded as immaterial as they are deposited with major banks and other financial institution located in Hong Kong and the PRC.

The Group does not hold material collateral over the financial assets. None of the financial assets of the Company are secured by collateral or other credit enhancements.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Foreign currency risk

Most of the Group's transactions are carried out in Hong Kong dollars. Exposures to currency exchange rates arise from the Group's PRC operations, which are denominated in RMB, and investments, which are denominated in United States dollars ("USD") and RMB.

Details of financial assets and liabilities denominated in foreign currencies as at the balance sheet date, translated into Hong Kong dollars equivalents at the closing rate, are as follows:

	2008		2007	
	USD HK\$'000	RMB HK\$'000	USD HK\$'000	RMB HK\$'000
Financial assets				
Available-for-sale investments	5,889	—	6,953	—
Investments at fair value through profit or loss	—	8,602	—	12,956
Cash and cash equivalents	394	27,651	391	15,846
	<u>6,283</u>	<u>36,253</u>	<u>7,344</u>	<u>28,802</u>
Exposure				

The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign currency risk becomes significant.

A reasonable change in foreign currency rates in the next twelve months is assessed to result in immaterial change in the Group's and Company's profit after tax, retained profits and other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exchange differences.

(c) Interest rate risk

The Group is exposed to changes in market interest rates through its cash at banks and other financial institution and bank loans at floating interest rates, which are subject to variable interest rates. The interest rates and terms are disclosed in notes 25 and 28.

The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

A reasonable change in interest rates in the next twelve months is assessed to result in immaterial change in the Group's and Company's profit after tax and retained profits. Changes in interest rates have no impact on the Group's and Company's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

(d) Price risk

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as investments at fair value through profit or loss and available-for-sale investments. Other than unquoted securities, all of these investments are listed. The Company has no significant investments subject to equity price risk.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Price risk (Continued)

Equity price risk (Continued)

The Group's listed investments are primarily listed on the stock exchanges of Hong Kong, the PRC and the United States of America ("USA"). Listed investments held in the available-for-sale portfolio have been chosen based on their long term growth potential and are monitored regularly for performance against expectations.

The following table indicates the approximate change in the Group's investment revaluation reserve in response to the reasonably possible changes in the Hong Kong stock market prices, to which the Group has significant exposure at the balance sheet date. A reasonable change in equity prices for the Hong Kong market in the next twelve months is assessed to result in immaterial change in the Group's profit after tax and retained profits.

	2008		2007	
	Increase/ (decrease) in security market price	Effect on investment revaluation reserve HK\$'000	Increase/ (decrease) in security market price	Effect on investment revaluation reserve HK\$'000
Hong Kong market	30%	52,665	30%	42,812
Hong Kong market	(30%)	(52,665)	(30%)	(42,812)

The sensitivity analysis above has been determined assuming that the change in equity price had occurred at the balance sheet date and had been applied to the exposure to price risk for the non-derivative financial instruments in existence at that date. The 30% increase/decrease represents management's assessment of a reasonably possible change in equity prices over the period until the next annual balance sheet date. The analysis is performed on the same basis for the year ended 31st March, 2007.

A reasonable change in equity prices for USA and PRC markets in the next twelve months is assessed to result in immaterial change in the Group's profit after tax, retained profits and other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exposure to fair value change.

Commodity price risk

The Group's and the Company's commodity price risk arises from gold loans (note 27). The gold loans are designated to reduce the impact of fluctuation in gold prices on gold inventory. Given this, management does not expect that there will be any significant commodity price risk associated with the gold loans.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

As at 31st March, 2008, the Group's financial liabilities have contractual maturities, which are based on contractual undiscounted cash flows, as set out below:

(i) Group

	On demand HK\$'000	Within 6 months HK\$'000	6 to 12 Months HK\$'000	1 to 5 Years HK\$'000	Total HK\$'000
At 31st March, 2008					
Trade payable	—	39,171	—	—	39,171
Other payables and accruals	11,989	29,802	4	32	41,827
Gold loans, unsecured	—	33,401	—	—	33,401
Bank loans, unsecured	—	30,170	35,337	49,356	114,863
	<u>11,989</u>	<u>132,544</u>	<u>35,341</u>	<u>49,388</u>	<u>229,262</u>
At 31st March, 2007					
Trade payable	—	59,622	—	—	59,622
Other payables and accruals	8,520	27,276	—	—	35,796
Gold loans, unsecured	—	23,750	—	—	23,750
Bank loans, unsecured	—	86,532	6,298	97,396	190,226
	<u>8,520</u>	<u>197,180</u>	<u>6,298</u>	<u>97,396</u>	<u>309,394</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Liquidity risk (Continued)

(ii) Company

	On demand HK\$'000	Within 6 months HK\$'000	6 to 12 Months HK\$'000	1 to 5 Years HK\$'000	Total HK\$'000
At 31st March, 2008					
Other payables and accruals	793	15,404	—	—	16,197
Gold loans, unsecured	—	33,401	—	—	33,401
Bank loans, unsecured	—	30,170	35,337	49,356	114,863
Amounts due to subsidiaries	<u>257,676</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>257,676</u>
	<u>258,469</u>	<u>78,975</u>	<u>35,337</u>	<u>49,356</u>	<u>422,137</u>
At 31st March, 2007					
Other payables and accruals	723	7,817	—	—	8,540
Gold loans, unsecured	—	23,750	—	—	23,750
Bank loans, unsecured	—	80,316	6,298	97,396	184,010
Amounts due to subsidiaries	<u>185,324</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>185,324</u>
	<u>186,047</u>	<u>111,883</u>	<u>6,298</u>	<u>97,396</u>	<u>401,624</u>

(f) Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity. The fair values of non-current liabilities are not disclosed because their carrying values are not materially different from their fair values.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

38. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The categories of financial assets and financial liabilities included in the balance sheet and the headings in which they are included are as follows:

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value				
Non-current assets				
— Available-for-sale investments	181,439	149,658	—	—
Current assets				
— Investments at fair value through profit or loss	13,153	32,582	—	—
	<u>194,592</u>	<u>182,240</u>	<u>—</u>	<u>—</u>
Financial assets at cost less impairment loss				
Non-current assets				
— Available-for-sale investments	596	2,907	—	—
Financial assets at amortised cost				
Current assets				
— Trade debtors	38,406	54,998	—	—
— Amounts due from subsidiaries	—	—	578,269	566,881
— Other receivables	22,835	20,316	365	503
— Insurance claim receivable	12,000	12,000	—	—
— Cash and cash equivalents	86,474	56,697	13,022	5,914
	<u>159,715</u>	<u>144,011</u>	<u>591,656</u>	<u>573,298</u>
	<u>354,903</u>	<u>329,158</u>	<u>591,656</u>	<u>573,298</u>
Financial liabilities at fair value				
Current liabilities				
— Gold loans, unsecured	33,347	23,705	33,347	23,705
Financial liabilities at amortised cost				
Non-current liabilities				
— Bank loans, unsecured	45,833	86,000	45,833	86,000
Current liabilities				
— Trade payables	39,171	59,622	—	—
— Amounts due to subsidiaries	—	—	257,676	185,324
— Other payables and accruals	41,827	35,796	16,197	8,540
— Bank loans, unsecured	64,167	92,215	64,167	86,000
	<u>190,998</u>	<u>273,633</u>	<u>383,873</u>	<u>365,864</u>
	<u>224,345</u>	<u>297,338</u>	<u>417,220</u>	<u>389,569</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

39. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern; and
- (ii) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The equity capital-to-overall financing ratio at balance sheet date was as follows:

	2008 HK\$'000	2007 HK\$'000
Equity capital		
Total capital and reserves	<u>828,299</u>	<u>656,119</u>
Overall financing		
Bank loans, unsecured	110,000	178,215
Gold loans, unsecured	<u>33,347</u>	<u>23,705</u>
	<u>143,347</u>	<u>201,920</u>
Equity capital-to-overall financing ratio	<u>5.78 : 1</u>	<u>3.25 : 1</u>

40. COMPARATIVE FIGURES

Comparative figures on cash flow statement, segment assets and liabilities, tax recoverable and taxation payable have been reclassified to conform with the current year's presentation.

Summary of Investment Properties

Description	Lot No.	Gross Floor Area (sq. feet)	Interest Attributable to The Group	Type	Lease Term
1st Floor, Cheung Hing Commercial Building, No. 37 Cochrane Street, Central, Hong Kong	The remaining portion of section A Inland Lot No. 105	1,141	100%	C	Long
Unit H, 3rd Floor, Kaiser Estate 2nd Phase, Nos. 47–53 Man Yue Street & Nos. 20–28 Man Lok Street, Hungghom, Kowloon, Hong Kong	The remaining portion of section H of Kowloon Marine Lot No. 40	4,436	98.6%	C	Medium
Private Car Parking Space Nos. G10 & G33 on Ground Floor, Kaiser Estate 2nd Phase, Nos. 47–53 Man Yue Street & Nos. 20–28 Man Lok Street, Hungghom, Kowloon, Hong Kong	The remaining portion of section H of Kowloon Marine Lot No. 40	N/A	98.6%	CP	Medium

C: Commercial

CP: Carpark

N/A: Not applicable

Five Year Financial Summary

	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)
Assets and liabilities					
Total assets	1,082,721	969,824	862,989	759,987	723,814
Total liabilities	254,422	313,705	285,973	242,184	231,834
Current assets/current liabilities (times)	4.18	3.46	3.83	5.43	3.00
Capital and reserves					
Capital and reserves	828,299	656,119	577,016	517,803	491,980
Capital and reserves per share (HK\$)	1.90	1.51	1.33	1.19	1.13
Total assets/capital and reserves (times)	1.31	1.48	1.50	1.47	1.47
Earnings					
Profit before taxation	164,991	52,456	22,003	20,984	24,632
Profit attributable to shareholders	146,940	45,193	17,947	20,562	24,536
Earnings per share (cents)	33.77	10.39	4.13	4.73	5.64
Return on average total assets	14.3%	4.9%	2.2%	2.8%	3.6%
Return on average capital and reserves	19.8%	7.3%	3.3%	4.1%	5.3%
Dividend					
Dividend paid	10,442	5,439	5,439	3,915	—
Dividend per share (cents)	2.40	1.25	1.25	0.90	—
Dividend paid cover (times)	14.07	8.31	3.30	5.25	—

自豪

源自尊貴





Stenzhorn



Fabergé



Aaron Basha



Annamaria Cammilli



Wellendorff



Palmiero



Alain Philippe



HD3



Jacob & Co



Mattia Cielo

Exclusively at

masterpiece
by king fook