



king fook holdings limited  
景福集團有限公司

FOR THE YEAR ENDED 31ST MARCH, 2009  
ANNUAL REPORT

Stock Code: 280





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# Corporate Information

<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>* Mr. Yeung Ping Leung, Howard (<i>Chairman</i>)</li> <li>* Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. (<i>Vice Chairman</i>)</li> <li>* Mr. Cheng Ka On, Dominic</li> <li>* Mr. Yeung Bing Kwong, Kenneth</li> <li>* Ms. Fung Chung Yee, Caroline</li> <li>+ Mr. Lau To Yee</li> <li>+ Mr. Cheng Kar Shing, Peter</li> <li>Mr. Wong Wei Ping, Martin</li> <li>+ Mr. Chan Chak Cheung, William</li> <li>Mr. Ho Hau Hay, Hamilton</li> <li>Mr. Sin Nga Yan, Benedict</li> <li>Mr. Yeung Ka Shing</li> </ul> <p style="margin-left: 20px;">* <i>Executive Directors</i></p> <p style="margin-left: 20px;">+ <i>Independent Non-executive Directors</i></p>
<b>Company Secretary</b>	Ms. Cheung Kit Man, Melina
<b>Auditors</b>	Grant Thornton <i>Certified Public Accountants</i>
<b>Principal bankers</b>	BNP Paribas China Construction Bank Corporation, Hong Kong Branch Hang Seng Bank Limited Industrial and Commercial Bank of China (Asia) Limited Standard Chartered Bank (Hong Kong) Limited The Bank of East Asia, Limited The Hongkong and Shanghai Banking Corporation Limited The Bank of Tokyo-Mitsubishi UFJ, Limited
<b>Solicitors</b>	Jennifer Cheung & Co.
<b>Registered office</b>	9th Floor, King Fook Building 30-32 Des Voeux Road Central Hong Kong
<b>Share registrar</b>	Computershare Hong Kong Investor Services Limited 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

## Brief Biographical Details of the Directors and the Senior Management

### DIRECTORS

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

Aged 52. 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 56. 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. An executive director of Miramar Hotel and Investment Company, Limited. A director of 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 59. 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 64. Has over 30 years of experience in the jewellery business. Appointed director of the Company in 1987.

#### **Ms. Fung Chung Yee, Caroline**

Aged 56. Joined the Group in 1983. Appointed director of the Company in 1987.

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

Aged 71. 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 56. A director of New World Development Company Limited and New World Hotels (Holdings) Limited. An executive director of New World China Land Limited. An independent non-executive director of Symphony Holdings Limited. Appointed independent non-executive director of the Company in 1997.

#### **Mr. Wong Wei Ping, Martin**

Aged 67. 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 61. 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 58. 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 45. 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. 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 27. 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 51. 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 61. The general manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in gold, jewellery and watch retailing. He has been with the Group for 43 years.

#### Mr. Yip King Hung

Aged 56. 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 36 years.

#### Ms. Mok Sau Fun

Aged 41. She joined the Group in 2009 and is the financial controller of the Group. She has 18 years of experience in the field of finance, auditing and accounting. She holds a MBA from the University of Strathclyde, United Kingdom. She is also a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

Despite the collapse in consumer demand triggered by the global financial crisis from the second half of the financial year under review, the Group has not been severely affected. The management is pleased to present the annual report of the Group for the year ended 31st March, 2009.

## REVIEW OF OPERATIONS

While the first half of the year under review was characterised by robust demand, the rapid contraction of sales in the second half inevitably affected the Group's performance. The Group's revenue from gold ornament, jewellery, watch, fashion and gift retail business for the year ended 31st March, 2009 decreased by 10% to HK\$993,356,000 as compared with that of the previous year.

Due to the fair value losses on revaluation of investments at fair value through profit or loss and no disposal of the investments in Hong Kong Exchanges and Clearing Limited for the year under review, the Group's consolidated profit before tax for the year ended 31st March, 2009 reduced to HK\$72,629,000 and earnings per share were HK13.6 cents.

## DIVIDEND

The Board of Directors resolved to recommend the payment of a final dividend of HK1.0 cent (2008: HK1.6 cents - HK1.3 cents final dividend and HK0.3 cent special final dividend) per ordinary share to shareholders whose names appear on the Register of Members on 25th September, 2009 subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 25th September, 2009. The dividend warrants for the proposed final dividend will be despatched to shareholders on or about 2nd October, 2009.

## PROSPECTS

Amid the uncertain global economic environment and the swine flu, the number of tourists to Hong Kong has dropped significantly. It is difficult to predict when the financial tsunami will end and the worldwide economy will recover. However, with the financial supports and a series of policies implemented by central banks and governments around the world, the turmoil of the financial crisis has gradually eased.

The Group will continue to expand its retail business in the People's Republic of China ("the PRC") and to maintain our presence in prime locations. We had recently expanded the shop at Causeway Bay by opening its mezzanine floor with a more spacious and stylish environment for our customers. As consumers become more selective and cautious in spending on luxurious items, we believe that there will be a shift towards demand in quality by the affluent consumers. The Group will continue to oversee the leverage on its core competencies and make an effort to meet the constantly changing demands, styles and trends. The Group has recently obtained the sole agency of "Clerc", a Swiss branded watch.

Facing the pressure on continuing increase in retail rental and the impact of the adverse factors mentioned above, we are exercising stringent cost controls to maintain the Group's operation efficiency. We will also actively formulate timely and effective strategies to strengthen our brand name to enhance the Group's business. With a solid foundation of sixty years, we are confident that we could weather through these financial difficulties.

## Chairman's Statement (Continued)

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our thanks to our shareholders, business partners, customers and suppliers for their support. I would also like to express our sincere gratitude to the management and all the employees for their dedication and hard work.

**Yeung Ping Leung, Howard**  
*Chairman*

Hong Kong, 10th July, 2009



## OVERALL GROUP RESULTS

The results of the Group for the year ended 31st March, 2009 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 22 to 77.

The Group's revenue for the year under review decreased by 11% 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\$59,183,000. The earnings per share were HK13.6 cents.

## JEWELLERY RETAILING

Turnover of the Group's gold ornament, jewellery, watch, fashion and gift retail business for the year decreased by 10% from HK\$1,098,523,000 to HK\$993,356,000.

## SECURITIES BROKING

During the year under review, commission income from the securities broking business of the Group decreased by 60% as compared with that of the previous year as a result of the uncertain economic environment brought by the global financial crisis. In addition, our business still faced keen competition within the industry with a matured on-line brokerage services by many banks in Hong Kong.

## INVESTMENTS

As at 31st March, 2009, the Group held 1,314,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$96,185,000 and certain listed equity securities listed outside Hong Kong amounting to HK\$6,823,000 under available-for-sale investments.

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, 2009, the Group's current assets and current liabilities were about HK\$1,048,595,000 and HK\$356,817,000 respectively. There were bank balances and cash of about HK\$58,025,000, unsecured bank loans of about HK\$238,499,000 and unsecured gold loans of about HK\$28,251,000.

Based on the total borrowings of the Group of about HK\$266,750,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$796,047,000 as at 31st March, 2009, the overall borrowings to equity ratio was 34%, which was at a healthy level.

The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant.

# 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 of the Company considered that the provisions made in the prior years were adequate.

In this regard, the Group also has an insurance policy with a coverage of HK\$15,000,000 (subject to an excess of HK\$3,000,000). Taking into consideration the latest development of the insurance claim, the Group recognised the net amount of HK\$12,000,000 as “insurance claim receivable”.

## INTERNAL CONTROL

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, 2009 as part of their audit work, 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

As at 31st March, 2009, the Group had 355 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 and further advancement.

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 had been granted by the Company as at 31st March, 2009.

The directors would like to present their report together with the audited financial statements for the year ended 31st March, 2009.

## **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 22.

The directors declared an interim dividend of HK0.4 cent (2008: HK1.2 cents - HK0.5 cent interim dividend and HK0.7 cent special interim dividend) per ordinary share, totalling HK\$1,740,000. The interim dividend was paid on 14th January, 2009.

The directors recommend the payment of a final dividend of HK1.0 cent (2008: HK1.6 cents - HK1.3 cents final dividend and HK0.3 cent special final dividend) per ordinary share, totalling HK\$4,351,000.

## **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 25 and 26 and note 32 to the financial statements respectively.

## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company as at 31st March, 2009, calculated in accordance with section 79B of the Hong Kong Companies Ordinance, amounted to HK\$173,336,000.

## **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.

# Report of the Directors (Continued)

## MAJOR SUPPLIERS AND CUSTOMERS

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	23%
- five largest suppliers combined	64%

### Sales

- the largest customer	2%
- five largest customers combined	4%

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 3 and 4.

In accordance with article 116 of the Company's Articles of Association, Mr. Cheng Kar Shing, Peter, Mr. Wong Wei Ping, Martin, Mr. Sin Nga Yan, Benedict and Mr. Chan Chak Cheung, William will retire by rotation at the coming Annual General Meeting of the Company and, being eligible, have offered themselves 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:

**DIRECTORS** (Continued)

**Mr. Cheng Kar Shing, Peter**, aged 56, is an independent non-executive director of the Company and a director of King Fook Gold & Jewellery Company Limited, a wholly owned subsidiary of the Company. Mr. Cheng is a director of New World Development Company Limited, an executive director of New World China Land Limited and an independent non-executive director of Symphony Holdings Limited, all are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Cheng has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He was appointed as an independent non-executive director of the Company in 1997.

**Mr. Wong Wei Ping, Martin**, aged 67, is a non-executive director of the Company. He is a director of Citizen Thunderbird Travel Limited and Columbia Express Limited. Mr. Wong is the brother-in-law of Mr. Yeung Ping Leung, Howard (the chairman of the Company) and Mr. Yeung Bing Kwong, Kenneth (an executive director of the Company) and an uncle of Mr. Yeung Ka Shing (a non-executive director of the Company). He has no interest in the shares of the Company within the meaning of Part XV of the SFO. He was appointed as a director of the Company in 2000.

**Mr. Sin Nga Yan, Benedict**, aged 45, is a non-executive director of the Company. He is a director and general manager of Myer Jewellery Manufacturer Limited. He is an associate of the Australian Society of Certified Practising Accountants and 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. Mr. Sin is 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. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Sin has no interest in the shares of the Company within the meaning of Part XV of the SFO. He was appointed as a director of the Company in 2006.

**Mr. Chan Chak Cheung, William**, aged 61, is an independent non-executive director of the Company and the chairman of the Audit Committee and the Remuneration Committee of the Company. Mr. Chan is a retired partner of PricewaterhouseCoopers after a career spanning 33 years in Canada, Hong Kong and China. He was formerly the 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. Mr. Chan is a member of the Canadian Institute of Chartered Accountants. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Chan has no interest in the shares of the Company within the meaning of Part XV of the SFO. He was appointed as an independent non-executive director of the Company in 2004.

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 in annual general meetings at least once every three years in accordance with the Articles of Association of the Company.

Mr. Cheng Kar Shing, Peter, Mr. Wong Wei Ping, Martin, Mr. Sin Nga Yan, Benedict and Mr. Chan Chak Cheung, William received directors' fees from the Group for the year ended 31st March, 2009 in the sums of HK\$57,000, HK\$17,000, HK\$17,000 and HK\$275,000 respectively, details of which are set out in note 13 to the financial statements. The fees of Mr. Cheng Kar Shing, Peter, Mr. Wong Wei Ping, Martin and Mr. Sin Nga Yan, Benedict are nominal. The fee of Mr. Chan Chak Cheung, William is determined based on the recommendation of the Remuneration Committee with reference to the fact that Mr. Chan acts as the chairman of both the Audit Committee and the Remuneration Committee and oversees the internal audit function of the Company, and has been approved by the directors of the Company.

# Report of the Directors (Continued)

## DIRECTORS (Continued)

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 matters 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, 2009 at fees totalling HK\$5,500,000. 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, 2009, 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 the 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	#15,034,000	18,619,000	4.28%
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 Daily Moon Investments Limited (“Daily Moon”) in which Mr. Tang has a 100% interest. Accordingly, Mr. Tang is deemed to be interested in all these shares held by Daily Moon.

\* 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.

Save as disclosed above, as at 31st March, 2009, 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 Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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. 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 4th May, 2007 in respect of the premises in King Fook Building, Hong Kong. The leased properties are used as the key retail outlet and headquarters of the Group.

**DIRECTORS' INTERESTS** (Continued)

Major terms of the King Fook Leases are as follows:

*Basement, Ground Floor and Mezzanine Floor, King Fook Building*

<b>Tenant</b>	<b>Term</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
King Fook Jewellery Group Limited	2 years from 16/8/07 to 15/8/09	HK\$450,425	HK\$18,270

*3rd Floor, King Fook Building*

<b>Tenant</b>	<b>Term</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
the Company	2 years from 16/8/07 to 15/8/09	HK\$29,120	HK\$8,190

*5th Floor, King Fook Building*

<b>Tenant</b>	<b>Term</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
the Company	2 years from 16/8/07 to 15/8/09	HK\$26,460	HK\$5,670

*8th Floor, King Fook Building*

<b>Tenant</b>	<b>Term</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
King Fook Jewellery Group Limited	2 years from 16/8/07 to 15/8/09	HK\$26,460	HK\$5,670

*9th Floor, King Fook Building*

<b>Tenant</b>	<b>Term</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
the Company	2 years from 16/8/07 to 15/8/09	HK\$26,460	HK\$5,670

*10th Floor, King Fook Building*

<b>Tenant</b>	<b>Term</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
King Fook Jewellery Group Limited	2 years from 16/8/07 to 15/8/09	HK\$26,460	HK\$5,670

# Report of the Directors (Continued)

## DIRECTORS' INTERESTS (Continued)

2. King Fook Jewellery Group Limited (as tenant) entered into a tenancy agreement dated 4th April, 2007 and 26th March, 2009 respectively 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 and 1st April, 2009 respectively, both at the monthly rent of HK\$15,000 exclusive of rates.
3. The Company 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) for a term of two years from 16th August, 2007 at the monthly fee of HK\$25,480.
4. The Company has also entered into a licence agreement (the "Licence Agreement") with Yeung Chi Shing Estates Limited pursuant to which the Company is 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.

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, 2009 are set out in note 37 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, 2009 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) were charged in accordance with the terms of the relevant agreements.

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

Save as disclosed above, there is no contract of significance between the Group and a controlling shareholder of the Company (as defined in the Listing Rules) or any of its subsidiaries, including for the provision of services to the Group.



**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 28 and 29 to the financial statements.

**SUBSTANTIAL SHAREHOLDER**

At 31st March, 2009, 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 the SFO:

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

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

Save as disclosed above, as at 31st March, 2009, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

**PURCHASE, SALE OR REDEMPTION OF SHARES**

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

# Report of the Directors (Continued)

## 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 not be 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, 2009 are set out in notes 13, 14 and 37(h) 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, 10th July, 2009

## 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, 2009 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. It has also carried out a review of the new provision of C.2.2 of the Code (“the new provision of C.2.2 of the Code”) for the adequacy of resources, qualifications and experience of staff of the Company’s accounting and financial reporting function, and their training programmes and budget subsequent to 1st January, 2009.

## 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 to 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, 2009 except that Mr. Tang Yat Sun, Richard had inadvertently dealt in 132,000 shares of the Company in November, 2008 without noticing that such dealings were made within the prohibited one-month period immediately preceding the publication date of the half-year results of the Company for the six months ended 30th September, 2008. Since then, the Company has adopted the practice to remind all directors of the Company of the commencement of each period during which directors are not allowed to deal in the securities of the Company under the Model Code.

## 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 shareholder value.

The Board met 4 times in the year ended 31st March, 2009. 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.

# Corporate Governance Report (Continued)

## 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	4/4
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> )	3/3
<i>Independent non-executive directors</i>	
Mr. Lau To Yee	4/4
Mr. Cheng Kar Shing, Peter	3/4
Mr. Chan Chak Cheung, William	4/4

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 Messrs. Yeung Ping Leung, Howard and Wong Wei Ping, Martin.

Details of the directors are disclosed in the section headed "Brief Biographical Details of the Directors" on pages 3 and 4.

## 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 Group.

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.

## 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 executive directors and senior management of the Group. The Remuneration Committee had considered factors such as the performance of the executive directors and 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.

On 11th July, 2008, Mr. Yeung Ka Shing was appointed as a non-executive director of the Company.

## ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company. As at 31st March, 2009, 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 Financial Statements for the year ended 31st March, 2009.

During the year, the Group's internal audit department continued to review the internal control matters relating to the key business of the Group and reported to the Audit Committee regularly. With the assistance of the internal audit department, the Audit Committee managed to review regularly the internal control matters relating to the key business of the Group with the aim to identify areas for improvement.

# Corporate Governance Report (Continued)

## AUDITORS' REMUNERATION

During the year, the total fee in respect of the statutory audit provided by Grant Thornton was approximately HK\$750,000 (2008: HK\$750,000). In addition, the total fee in respect of the interim results review, tax compliance and other services provided by Grant Thornton was approximately HK\$339,000 (2008: HK\$307,000).

## AUDIT COMMITTEE

The Audit Committee has 3 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, 2009 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.

During the year, the Audit Committee had also requested the internal audit department to carry out a special review of the Listing Rules, including the new provision of C.2.2 of the Code, in order to meet the newly-added requirements under the terms of reference of the Audit Committee and the result of the special review was satisfactory. For additional assurance purpose, the Audit Committee, upon approval by the Board, had asked an independent division of Grant Thornton to review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget and Grant Thornton have issued their review report recently.

The Audit Committee met 3 times in the year which were attended by all members.

## 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.



Member of Grant Thornton International Ltd

**TO THE MEMBERS OF KING FOOK HOLDINGS LIMITED***(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 22 to 77, which comprise the consolidated and company balance sheets as at 31st March, 2009, 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, 2009 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  
10th July, 2009

# Consolidated Income Statement

For the year ended 31st March, 2009

	<i>Note</i>	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
<b>Revenue</b>	4	1,087,169	1,222,261
Cost of sales		<u>(772,782)</u>	<u>(890,375)</u>
<b>Gross profit</b>		<b>314,387</b>	331,886
Other operating income		25,935	92,477
Distribution and selling costs		(170,371)	(160,784)
Administrative expenses		(76,846)	(80,179)
Other operating expenses		<u>(11,941)</u>	<u>(9,153)</u>
<b>Operating profit</b>		<b>81,164</b>	174,247
Finance costs	6	(8,126)	(8,892)
Share of loss of a jointly controlled entity		<u>(409)</u>	<u>(364)</u>
<b>Profit before taxation</b>	7	<b>72,629</b>	164,991
Taxation	8	<u>(13,455)</u>	<u>(18,466)</u>
<b>Profit for the year</b>		<u><b>59,174</b></u>	<u>146,525</u>
<b>Attributable to:</b>			
Shareholders of the Company	9	59,183	146,940
Minority interests		<u>(9)</u>	<u>(415)</u>
<b>Profit for the year</b>		<u><b>59,174</b></u>	<u>146,525</u>
<b>Dividends</b>	10	<u><b>6,091</b></u>	<u>12,182</u>
<b>Earnings per share for profit attributable to the shareholders of the Company during the year</b>	11		
- Basic (HK cents)		<u><b>13.6 cents</b></u>	<u>33.8 cents</u>



## Consolidated Balance Sheet

As at 31st March, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	19,990	20,129
Leasehold interests in land	16	4,914	5,719
Investment properties	17	418	868
Interest in a jointly controlled entity	19	4,778	5,099
Available-for-sale investments	20	103,651	182,035
Other assets	21	2,196	2,196
		<u>135,947</u>	<u>216,046</u>
<b>Current assets</b>			
Inventories	22	838,657	673,286
Debtors, deposits and prepayments	23	118,491	93,311
Investments at fair value through profit or loss	24	19,385	13,153
Tax recoverable		26	451
Trust bank balances held on behalf of clients	25	14,011	1,053
Cash and cash equivalents	26	58,025	85,421
		<u>1,048,595</u>	<u>866,675</u>
<b>Current liabilities</b>			
Creditors, deposits received, accruals and deferred income	27	114,145	97,861
Taxation payable		5,089	12,185
Gold loans, unsecured	28	28,251	33,347
Bank loans, unsecured	29	209,332	64,167
		<u>356,817</u>	<u>207,560</u>
<b>Net current assets</b>		<u>691,778</u>	<u>659,115</u>
<b>Total assets less current liabilities</b>		<u>827,725</u>	<u>875,161</u>
<b>Non-current liabilities</b>			
Bank loans, unsecured	29	29,167	45,833
Provision for long service payments	30	2,282	1,029
		<u>31,449</u>	<u>46,862</u>
<b>Net assets</b>		<u>796,276</u>	<u>828,299</u>
<b>CAPITAL AND RESERVES</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	31	108,768	108,768
Other reserves	32(a)	140,377	222,873
Retained profits	32(a)		
Proposed final dividends		4,351	6,961
Others		542,551	489,459
		<u>796,047</u>	<u>828,061</u>
<b>Minority interests</b>		<u>229</u>	<u>238</u>
		<u>796,276</u>	<u>828,299</u>

Yeung Ping Leung, Howard  
Chairman

Tang Yat Sun, Richard  
Vice Chairman

# Balance Sheet

As at 31st March, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	4,730	5,645
Leasehold interest in land	16	—	676
Investment property	17	—	429
Investments in subsidiaries	18	<u>123,005</u>	<u>123,005</u>
		----- 127,735	----- 129,755
<b>Current assets</b>			
Debtors, deposits and prepayments	23	820	1,208
Amounts due from subsidiaries	18	695,859	578,269
Tax recoverable		—	308
Cash and cash equivalents	26	<u>19,438</u>	<u>13,022</u>
		----- 716,117	----- 592,807
<b>Current liabilities</b>			
Creditors, deposits received and accruals	27	12,682	16,287
Amounts due to subsidiaries	18	264,468	257,676
Gold loans, unsecured	28	28,251	33,347
Bank loans, unsecured	29	<u>209,332</u>	<u>64,167</u>
		----- 514,733	----- 371,477
<b>Net current assets</b>		<u>201,384</u>	<u>221,330</u>
<b>Total assets less current liabilities</b>		----- 329,119	----- 351,085
<b>Non-current liabilities</b>			
Bank loans, unsecured	29	29,167	45,833
Provision for long service payments	30	<u>273</u>	<u>23</u>
		----- 29,440	----- 45,856
<b>Net assets</b>		<u>299,679</u>	<u>305,229</u>
<b>CAPITAL AND RESERVES</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	31	108,768	108,768
Other reserves	32(b)	17,575	17,575
Retained profits	32(b)		
Proposed final dividends		4,351	6,961
Others		<u>168,985</u>	<u>171,925</u>
		----- 299,679	----- 305,229

Yeung Ping Leung, Howard  
Chairman

Tang Yat Sun, Richard  
Vice Chairman

# Consolidated Statement of Changes in Equity

For the year ended 31st March, 2009

	Capital and reserves attributable to the shareholders of the Company						Minority interests	Total	
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total 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/ (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
Representing:									
Proposed final dividends						6,961			
Others						489,459			
Retained profits as at 31st March, 2008						496,420			

# Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st March, 2009

	Capital and reserves attributable to the shareholders of the Company						Minority interests	Total	
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1st April, 2008	108,768	17,575	24,753	6,293	174,252	496,420	828,061	238	828,299
Change in fair value of available-for-sale investments	—	—	—	—	(83,097)	—	(83,097)	—	(83,097)
Exchange translation differences	—	—	—	601	—	—	601	—	601
Net income/(expense) recognised directly in equity	—	—	—	601	(83,097)	—	(82,496)	—	(82,496)
Profit/(loss) for the year	—	—	—	—	—	59,183	59,183	(9)	59,174
Total recognised income/(expense) for the year	—	—	—	601	(83,097)	59,183	(23,313)	(9)	(23,322)
Dividends	—	—	—	—	—	(8,701)	(8,701)	—	(8,701)
<b>At 31st March, 2009</b>	<b>108,768</b>	<b>17,575</b>	<b>24,753</b>	<b>6,894</b>	<b>91,155</b>	<b>546,902</b>	<b>796,047</b>	<b>229</b>	<b>796,276</b>
Representing:									
Proposed final dividend						4,351			
Others						542,551			
<b>Retained profits as at 31st March, 2009</b>						<b>546,902</b>			

## Consolidated Cash Flow Statement

For the year ended 31st March, 2009

	Note	2009 HK\$'000	2008 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit before working capital changes	33	80,773	122,817
Increase in inventories		(167,408)	(88,527)
(Increase)/decrease in debtors, deposits and prepayments		(25,322)	6,499
Increase/(decrease) in creditors, deposits received, accruals and deferred income		13,749	(10,419)
Increase in trust bank balances held on behalf of clients		(12,958)	(1,053)
Dividends received from investments at fair value through profit or loss		296	394
Proceeds from sale of investments at fair value through profit or loss		1,919	102,082
Purchases of investments at fair value through profit or loss		(16,921)	(61,570)
Interest received		1,261	1,076
Hong Kong profits tax paid		(20,615)	(8,772)
Hong Kong profits tax refund		451	1,315
Overseas tax refund/(paid)		38	(1,164)
Long service payments paid		(5)	(8)
		<u>          </u>	<u>          </u>
<i>Net cash (used in)/generated from operating activities</i>		<u>(144,742)</u>	<u>62,670</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of available-for-sale investments		—	59,062
Dividends received from available-for-sale investments		7,747	4,582
Acquisition of additional interest in a subsidiary from minority shareholders		—	(115)
Proceeds from sale of property, plant and equipment		2	33
Proceeds from sale of investment property and corresponding interests in land		13,000	—
Purchase of property, plant and equipment		(8,989)	(13,661)
Purchase of available-for-sale investments		(4,713)	(430)
		<u>          </u>	<u>          </u>
<i>Net cash generated from investing activities</i>		<u>7,047</u>	<u>49,471</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(5,591)	(8,111)
New bank and gold loans		400,451	533,543
Repayment of bank and gold loans		(276,325)	(601,758)
Dividends paid		(8,701)	(10,442)
		<u>          </u>	<u>          </u>
<i>Net cash generated from/(used in) financing activities</i>		<u>109,834</u>	<u>(86,768)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		85,421	56,697
Effect of foreign exchange rates changes, net		465	3,351
		<u>          </u>	<u>          </u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u><u>58,025</u></u>	<u><u>85,421</u></u>

# Notes to the Financial Statements

For the year ended 31st March, 2009

## 1. GENERAL INFORMATION

King Fook Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. 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 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, 2009 were approved for issue by the Board of Directors on 10th July, 2009.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements on pages 22 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 of Hong Kong Limited (“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 gold stocks, gold loans and financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. 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

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) has applied for the first time the following new standards, amendments and interpretations (the new “HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1st April, 2008:

HKAS 39 (Amendments)	Reclassification of Financial Assets
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The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Adoption of new or amended HKFRSs (Continued)

At the date of authorisation of these financial statements, the following new or amended HKFRSs that have been issued but are not yet effective, have not been early adopted by the Group:

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>2</sup>
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Embedded Derivatives <sup>5</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate <sup>1</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>2</sup>
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>2</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK (IFRIC) - Interpretation 9 (Amendment)	Reassessment of Embedded Derivatives <sup>5</sup>
HK (IFRIC) - Interpretation 13	Customer Loyalty Programmes <sup>3</sup>
HK (IFRIC) - Interpretation 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK (IFRIC) - Interpretation 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>
HK (IFRIC) - Interpretation 17	Distributions of Non-cash Assets to Owners <sup>2</sup>
HK (IFRIC) - Interpretation 18	Transfers of Assets from Customers <sup>6</sup>
Various	Annual Improvements to HKFRS 2008 <sup>7</sup>
Various	Annual Improvements to HKFRS 2009 <sup>8</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008

<sup>5</sup> Effective for annual periods ending on or after 30th June, 2009

<sup>6</sup> Effective for transfers received on or after 1st July, 2009

<sup>7</sup> Generally effective for annual periods beginning on or after 1st January, 2009 unless otherwise stated in the specific HKFRS

<sup>8</sup> Generally effective for annual periods beginning on or after 1st January, 2010 unless otherwise stated in the specific HKFRS

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses 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 comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Adoption of new or amended HKFRSs (Continued)

In addition, HKFRS 8 “Operating Segments” may result in new or amended disclosures. The directors of the Company are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group’s results and financial position.

### 2.3 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.

### 2.4 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 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 estimation of 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 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.

### 2.5 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.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Jointly controlled entity (Continued)

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.

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.

### 2.6 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 re-translation 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 re-translated 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 re-translated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK\$ 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.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 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.

(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 recognised 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 apportionment basis, taking into account the principal amounts outstanding and the interest rates applicable.

### 2.8 Borrowing costs

All borrowing costs are expensed as incurred.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 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.

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' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

### 2.10 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 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 their expected useful lives ranging from forty to fifty years or over the lease term, if shorter.

### 2.11 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.

### 2.12 Impairment of non-financial 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.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Impairment of non-financial assets (Continued)

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.

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.

### 2.13 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 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 right to 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 except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

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.

### 2.14 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and jointly controlled entity are set out below.

Financial assets are classified into the following categories:

- investments at fair value through profit or loss;
- loans and receivables; and
- available-for-sale investments.

Management determines the classification of its financial assets at 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Financial assets (Continued)

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.

De-recognition 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.

#### (i) *Investments at fair value through profit or loss*

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.

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 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.

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 is 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. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.7(v) and 2.7(vii) to these financial statements.

#### (ii) *Loans and receivables*

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 cost.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Financial assets (Continued)

#### (iii) *Available-for-sale investments*

Non-derivative financial assets that do not qualify for inclusion in any of the categories of financial assets are classified as available-for-sale investments.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is de-recognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to profit or loss. Dividend income from those investments is recognised in profit or loss in accordance with the policy set out in note 2.7(v). Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in capital and reserves.

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.

#### *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 of individual financial assets 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 debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 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 investment has been recognised directly in capital and reserves and there is objective evidence that the asset is impaired, an amount is removed from capital and reserves 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 capital and reserves. 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.

For financial assets other than investments at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 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.

### 2.16 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 period, 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.

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, including existing taxable temporary differences, 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.

### 2.17 Cash and cash equivalents

Cash and cash equivalents include cash at banks, other financial institution and in hand, short-term bank deposits with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

### 2.18 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 share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 Employee benefits

#### (i) *Short-term employee benefits*

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.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Defined contribution plans*

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 the 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 (the "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.

### 2.20 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, deposits 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 de-recognised 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 de-recognition 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.

#### *Borrowings*

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.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Financial liabilities (Continued)

#### *Borrowings* (Continued)

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*

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

### 2.21 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 of the amount of the obligation 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 future uncertain 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.

### 2.22 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.

In respect of business segment reporting, 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 certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.23 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

## 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 unlisted investments that are carried at cost less impairment, objective evidence of impairment would include information about adverse changes in the technological, market, economic or legal environment in which the investee operates which indicate the cost of the investment may not be recovered. Management judgement is required in determining whether these indicators exist and in estimating the future cash flows from holding (such as dividends) or selling the asset.

### (iii) Impairment of receivables

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

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (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 re-assesses 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.

## 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:

	2009 HK\$'000	2008 HK\$'000
<b>Turnover</b>		
Gold ornament, jewellery, watch, fashion and gift retailing	993,356	1,098,523
Bullion trading	32,185	45,475
Commission from securities broking	5,528	13,986
Diamond wholesaling	9,431	13,475
	<u>1,040,500</u>	<u>1,171,459</u>
<b>Other revenue</b>		
Revenue on construction contracts	40,670	39,817
Sale of computer related products	—	5,427
Income from provision of travel related products and services	5,999	5,558
	<u>46,669</u>	<u>50,802</u>
Total revenue	<u>1,087,169</u>	<u>1,222,261</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 inter-segment sale and transfer during the year (2008: Nil).

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 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, 2009					
Segment revenue	<u>1,034,972</u>	<u>5,528</u>	<u>40,670</u>	<u>5,999</u>	<u>1,087,169</u>
Segment results	<u>121,540</u>	<u>(1,757)</u>	<u>(3,804)</u>	<u>(648)</u>	115,331
Unallocated operating income and expenses					<u>(34,167)</u>
Operating profit					81,164
Finance costs					(8,126)
Share of loss of a jointly controlled entity	(409)	—	—	—	<u>(409)</u>
Profit before taxation					72,629
Taxation					<u>(13,455)</u>
Profit for the year					<u>59,174</u>
At 31st March, 2009					
Segment assets	928,172	70,126	27,898	153,542	1,179,738
Tax recoverable					26
Interest in a jointly controlled entity	4,778	—	—	—	<u>4,778</u>
Total assets					<u>1,184,542</u>
Segment liabilities	64,064	47,695	9,565	261,853	383,177
Taxation payable					<u>5,089</u>
Total liabilities					<u>388,266</u>
Year ended 31st March, 2009					
Capital expenditure					
Additions of property, plant and equipment	6,215	12	2,144	618	8,989
Depreciation	6,634	503	284	1,548	8,969
Provision for and write down of inventories to net realisable value	2,845	—	—	—	2,845
Reversal of write down of inventories to net realisable value	(1,531)	—	—	—	(1,531)
Provision for impairment losses of debtors - provided against allowance account	—	—	142	—	142

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 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* 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>	132,097
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 to net realisable value	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

\* 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, 2009

## 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

	2009 HK\$'000	2008 HK\$'000
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	7,502	8,478
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	624	414
	<u>8,126</u>	<u>8,892</u>

## 7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	2009 HK\$'000	2008 HK\$'000
Charging:		
Amortisation of leasehold interests in land	130	130
Auditors' remuneration		
- provision for the current year	799	749
Cost of inventories, including	776,497	876,765
- provision for and write down of inventories to net realisable value	2,845	15,135
- reversal of write down of inventories to net realisable value	(1,531)	—
Depreciation of property, plant and equipment	8,969	12,866
Depreciation of investment properties	28	25
Fair value change of investments at fair value through profit or loss held for trading	8,904	—
Foreign exchange loss	2,633	—
Loss on disposal of property, plant and equipment	159	242
Loss on liquidation of a subsidiary	—	675
Operating lease charges in respect of properties	78,588	63,270
Operating lease charges in respect of furniture and fixtures	306	191
Outgoings in respect of investment properties	59	62
Provision for impairment losses of debtors		
- provided against allowance account	142	2,497
- written off directly to the account	—	14
Provision for impairment losses of available-for-sale investments, net (note 20)	—	2,741
Provision for long service payments (note 30)	1,258	—
	<u>1,258</u>	<u>—</u>

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 7. PROFIT BEFORE TAXATION (Continued)

	2009 HK\$'000	2008 HK\$'000
Crediting:		
Dividend income	8,043	4,976
Fair value change of investments at fair value through profit or loss held for trading	—	20,016
Foreign exchange gain	—	2,301
Gain on disposal of available-for-sale investments (including HK\$Nil (2008: HK\$42,644,000) previously recognised in investment revaluation reserve)	—	59,062
Gain on disposal of investment property and corresponding interests in land	11,903	—
Interest income from financial assets at amortised cost	1,261	1,076
Rental income		
- owned properties	1,154	1,188
- operating sub-leases	1,015	1,280
Write back of provision for long service payments (note 30)	—	115
	<u>11,903</u>	<u>115</u>

## 8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

	2009 HK\$'000	2008 HK\$'000
Current tax		
- Hong Kong		
Tax for the year	12,527	17,254
Under provision in prior years	966	48
	<u>13,493</u>	<u>17,302</u>
- Overseas taxation		
Tax for the year	30	1,164
Over provision in prior years	(68)	—
	<u>(38)</u>	<u>1,164</u>
Total taxation charge	<u>13,455</u>	<u>18,466</u>



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

**8. TAXATION (Continued)**

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

	2009 HK\$'000	2008 HK\$'000
Profit before taxation	<u>72,629</u>	<u>164,991</u>
Tax on profit before taxation, calculated at the rates applicable to profits in the relevant tax jurisdictions	10,965	28,786
Tax effect of non-taxable income	(3,774)	(10,766)
Tax effect of non-deductible expenses	3,222	1,233
Temporary differences not recognised	176	390
Tax losses not recognised	2,811	2,487
Utilisation of previously unrecognised tax losses	(547)	(3,094)
Under provision in prior years	898	48
Others	<u>(296)</u>	<u>(618)</u>
Taxation charge	<u>13,455</u>	<u>18,466</u>

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax assets and liabilities have been calculated using the new tax rate of 16.5%.

**9. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY**

Out of the consolidated profit attributable to the shareholders of the Company of HK\$59,183,000 (2008: HK\$146,940,000), a profit of HK\$3,151,000 (2008: HK\$2,650,000) has been dealt with in the financial statements of the Company.

**10. DIVIDENDS****(a) Dividends attributable to the year**

	2009 HK\$'000	2008 HK\$'000
Interim dividend of HK0.4 cent (2008: HK0.5 cent) per ordinary share	1,740	2,175
Special interim dividend of Nil (2008: HK0.7 cent) per ordinary share	—	3,046
Proposed final dividend of HK1.0 cent (2008: HK1.3 cents) per ordinary share	4,351	5,656
Proposed special final dividend of Nil (2008: HK0.3 cent) per ordinary share	<u>—</u>	<u>1,305</u>
	<u>6,091</u>	<u>12,182</u>

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 10. DIVIDENDS (Continued)

### (a) Dividends attributable to the year (Continued)

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 ended 31st March, 2008. These interim dividends were paid on 11th January, 2008 and were reflected as an appropriation of retained profits for the year ended 31st March, 2008.

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 ended 31st March, 2008, which were approved by the shareholders at the Annual General Meeting held on 1st September, 2008. These final dividends were paid on 10th September, 2008 and have been reflected as an appropriation of retained profits for the year.

At a meeting held on 12th December, 2008, the directors declared an interim dividend of HK0.4 cent per ordinary share for the year. This interim dividend was paid on 14th January, 2009 and was reflected as an appropriation of retained profits for the year.

At a meeting held on 10th July, 2009, the directors proposed a final dividend of HK1.0 cent per ordinary share for the year, subject to the approval of shareholders at the Annual General Meeting to be held on 25th September, 2009. This proposed final dividend is 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, 2010.

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

	2009 HK\$'000	2008 HK\$'000
2008 final and special dividends totalling HK1.6 cents per ordinary share (2008: 2007 final dividend of HK1.2 cents per ordinary share)	<u>6,961</u>	<u>5,221</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\$59,183,000 (2008: HK\$146,940,000) and on 435,071,650 (2008: 435,071,650) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31st March, 2009 was not presented as there were no dilutive potential ordinary shares during the year (2008: Nil).

## 12. EMPLOYEE BENEFIT EXPENSE

	2009 HK\$'000	2008 HK\$'000
Wages, salaries and allowances	78,919	76,696
Pension costs - defined contribution retirement schemes*	<u>3,609</u>	<u>3,428</u>
	<u>82,528</u>	<u>80,124</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, 2008 and 2009 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, 2009

## 13. DIRECTORS' EMOLUMENTS

	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Bonuses HK\$'000	Pension costs - defined contribution retirement schemes HK\$'000	Total HK\$'000
<b>2009</b>					
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	238	—	12	276
Ms. Fung Chung Yee, Caroline	22	1,122	878	84	2,106
Non-executive directors					
Mr. Wong Wei Ping, Martin	17	—	—	—	17
Mr. Ho Hau Hay, Hamilton	17	—	—	—	17
Mr. Sin Nga Yan, Benedict	17	—	—	—	17
Mr. Yeung Ka Shing	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>575</u>	<u>1,360</u>	<u>878</u>	<u>99</u>	<u>2,912</u>
<b>2008</b>					
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, 2009

## 13. DIRECTORS' EMOLUMENTS (Continued)

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 (2008: Nil).

None of the directors has waived or agreed to waive any emoluments in respect of the year (2008: Nil).

## 14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included one (2008: one) director whose emoluments are reflected in the analysis presented in note 13. The emoluments payable to the remaining four (2008: four) highest paid, non-director individuals during the year are as follows:

	2009 HK\$'000	2008 HK\$'000
Salaries, allowances and benefits in kind	3,577	3,421
Bonuses	3,595	3,792
Pension costs - defined contribution retirement schemes	199	129
	<u>7,371</u>	<u>7,342</u>

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
<b>Emolument bands</b>		
Nil - HK\$1,000,000	—	1
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	2	1
HK\$2,500,001 - HK\$3,000,000	1	—
HK\$3,000,001 - HK\$3,500,000	—	1
	<u>—</u>	<u>1</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 (2008: Nil).

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 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, 2007					
Cost	4,481	33,609	28,258	1,360	67,708
Accumulated depreciation	(2,923)	(22,183)	(22,244)	(943)	(48,293)
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	(106)	(9,665)	(2,897)	(198)	(12,866)
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	(1,457)	(30,273)	(24,054)	(1,141)	(56,925)
Net book amount	<u>1,646</u>	<u>11,122</u>	<u>7,142</u>	<u>219</u>	<u>20,129</u>
Net book amount At 1st April, 2008	1,646	11,122	7,142	219	20,129
Additions	—	5,187	3,665	137	8,989
Disposals	—	(156)	(3)	—	(159)
Depreciation	(90)	(6,066)	(2,620)	(193)	(8,969)
<b>At 31st March, 2009</b>	<b><u>1,556</u></b>	<b><u>10,087</u></b>	<b><u>8,184</u></b>	<b><u>163</u></b>	<b><u>19,990</u></b>
At 31st March, 2009					
Cost	3,103	44,882	34,663	1,497	84,145
Accumulated depreciation	(1,547)	(34,795)	(26,479)	(1,334)	(64,155)
<b>Net book amount</b>	<b><u>1,556</u></b>	<b><u>10,087</u></b>	<b><u>8,184</u></b>	<b><u>163</u></b>	<b><u>19,990</u></b>

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

Depreciation expense of HK\$146,000 (2008: HK\$Nil) was included in cost of sales, HK\$6,894,000 (2008: HK\$11,067,000) was included in distribution and selling costs and HK\$1,929,000 (2008: HK\$1,799,000) was included in administrative expenses.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 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, 2007			
Cost	1,496	16,016	17,512
Accumulated depreciation	(835)	(12,905)	(13,740)
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	(229)	(925)	(1,154)
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	(1,064)	(13,830)	(14,894)
Net book amount	<u>511</u>	<u>5,134</u>	<u>5,645</u>
Net book amount At 1st April, 2008	511	5,134	5,645
Additions	167	405	572
Depreciation	(261)	(1,226)	(1,487)
<b>At 31st March, 2009</b>	<b><u>417</u></b>	<b><u>4,313</u></b>	<b><u>4,730</u></b>
At 31st March, 2009			
Cost	1,742	19,361	21,103
Accumulated depreciation	(1,325)	(15,048)	(16,373)
<b>Net book amount</b>	<b><u>417</u></b>	<b><u>4,313</u></b>	<b><u>4,730</u></b>

## 16. LEASEHOLD INTERESTS IN LAND

## (a) Group

	2009 HK\$'000	2008 HK\$'000
Opening net carrying amount	5,719	5,849
Disposal	(675)	—
Amortisation charge for the year	(130)	(130)
Closing net carrying amount	<u>4,914</u>	<u>5,719</u>

The prepaid lease payments for leasehold interests in land are held under long and medium term leases in Hong Kong of HK\$Nil (2008: HK\$676,000) and HK\$4,914,000 (2008: HK\$5,043,000) respectively.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 16. LEASEHOLD INTERESTS IN LAND (Continued)

## (b) Company

	2009 HK\$'000	2008 HK\$'000
Opening net carrying amount	676	677
Disposal	(675)	—
Amortisation charge for the year	(1)	(1)
Closing net carrying amount	<u>—</u>	<u>676</u>

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

## 17. INVESTMENT PROPERTIES

## (a) Group

	2009 HK\$'000	2008 HK\$'000
At 1st April		
Gross carrying amount	934	1,169
Accumulated depreciation	(66)	(82)
Net carrying amount at 1st April	<u>868</u>	<u>1,087</u>
Opening net carrying amount	868	1,087
Transfer from property, plant and equipment	—	426
Transfer to property, plant and equipment	—	(620)
Disposal	(422)	—
Depreciation	(28)	(25)
Closing net carrying amount	<u>418</u>	<u>868</u>
At 31st March		
Gross carrying amount	450	934
Accumulated depreciation	(32)	(66)
Net carrying amount at 31st March	<u>418</u>	<u>868</u>

All of the Group's investment properties are situated in Hong Kong and are held under long and medium term leases of HK\$Nil (2008: HK\$429,000) and HK\$418,000 (2008: HK\$439,000) respectively.

The fair value of the Group's investment properties at 31st March, 2009 was approximately HK\$2,126,000 (2008: HK\$3,164,000) 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, 2009.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 17. INVESTMENT PROPERTIES (Continued)

### (b) Company

	2009 HK\$'000	2008 HK\$'000
At 1st April		
Gross carrying amount	484	484
Accumulated depreciation	(55)	(36)
Net carrying amount at 1st April	<u>429</u>	<u>448</u>
Opening net carrying amount	429	448
Disposal	(422)	—
Depreciation	(7)	(19)
Closing net carrying amount	<u>—</u>	<u>429</u>
At 31st March		
Gross carrying amount	—	484
Accumulated depreciation	—	(55)
Net carrying amount at 31st March	<u>—</u>	<u>429</u>

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

The fair value of the Company's investment property at 31st March, 2008 was approximately HK\$930,000 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	
	2009 HK\$'000	2008 HK\$'000
Investments in subsidiaries		
Unlisted shares, at cost	128,655	128,655
Less: Provision for impairment loss	(5,650)	(5,650)
	<u>123,005</u>	<u>123,005</u>
Amounts due from subsidiaries	<u>695,859</u>	<u>578,269</u>
Amounts due to subsidiaries	<u>(264,468)</u>	<u>(257,676)</u>

The amounts due from/to subsidiaries were unsecured, interest free, except for receivables of HK\$275,748,000 (2008: HK\$144,960,000) and payables of HK\$6,013,000 (2008: HK\$7,744,000) which bore interest at rates ranging from 2.52% to 5.00% (2008: 3.50% to 5.25%) per annum, being the effective interest rates as at 31st March, 2009, and repayable on demand. The weighted average effective interest rates of the interest bearing balances due from/to subsidiaries during the year ranged from 2.52% to 6.09% (2008: 3.50% to 7.75%) per annum.



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 18. INTERESTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31st March, 2009 are as follows:

Name	Place of incorporation/ operation	Particulars of issued capital/ registered 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	—	Trading of construction materials
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	PRC	US\$1,000,000	100	100	Dormant
Guangzhou Grand Year Building Materials Limited*	PRC	HK\$1,000,000	80	—	Manufacturing of construction materials
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	—	Dormant
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	—	Dormant
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, 2009

## 18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued capital/ registered 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 <sup>#</sup>	PRC	US\$100,000	100	—	Business consultancy
King Fook Jewellery (Beijing) Company Limited <sup>^</sup>	PRC	US\$1,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook Jewellery (China) Company Limited	PRC	RMB30,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook (Shanghai) International Trading Limited <sup>#</sup>	PRC	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	—	Under liquidation
Metal Innovation Limited	British Virgin Islands and operating in Hong Kong	1 ordinary share of US\$1	80	—	Dormant
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, 2009

## 18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
Perfectrade Macau Limited	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	—	Dormant
Top Angel Limited	Hong Kong	1 ordinary share of HK\$1	100	—	Fashion wholesaling
Trade Vantage Holdings Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Investment trading
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 <sup>*</sup>	PRC	US\$200,000	100	100	Diamond wholesaling

<sup>^</sup> The companies were newly incorporated during the year.

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

<sup>\*</sup> This company was engaged in the import and distribution of memory extensions and computer peripheral products. It applied for liquidation during the year ended 31st March, 2008.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2009 HK\$'000	2008 HK\$'000
Share of net assets	<u>4,778</u>	<u>5,099</u>

Details of the jointly controlled entity, established and operating in the PRC and held indirectly by the Company, as at 31st March, 2009 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 a 49% interest in ownership and profit sharing and a 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:

	2009 HK\$'000	2008 HK\$'000
At 31st March		
Non-current assets	1,183	1,394
Current assets	<u>4,124</u>	<u>4,124</u>
	5,307	5,518
Current liabilities	<u>(529)</u>	<u>(419)</u>
Net assets	<u>4,778</u>	<u>5,099</u>
Year ended 31st March		
Income	121	240
Expenses	<u>(530)</u>	<u>(604)</u>
Loss for the year	<u>(409)</u>	<u>(364)</u>

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 20. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK\$'000	2008 HK\$'000
Listed equity securities, at market value and fair value		
Listed in Hong Kong	96,185	175,550
Listed outside Hong Kong*	<u>6,823</u>	<u>5,889</u>
	<u>103,008</u>	<u>181,439</u>
Unlisted equity securities, at cost	3,970	3,923
Less: Provision for impairment loss#	<u>(3,327)</u>	<u>(3,327)</u>
	<u>643</u>	<u>596</u>
	<u><u>103,651</u></u>	<u><u>182,035</u></u>

\* As at 31st March, 2009, 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% (2008: 40.6%) and 5.1% (2008: 5.1%) equity interests in that company respectively.

# 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:

	2009 HK\$'000	2008 HK\$'000
At the beginning of the year	3,327	586
Impairment loss for the year	—	3,327
Unrecoverable amounts written off	—	<u>(586)</u>
At the end of the year	<u><u>3,327</u></u>	<u><u>3,327</u></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, 2009.

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

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 21. OTHER ASSETS

	2009 HK\$'000	2008 HK\$'000
Statutory deposits	2,126	2,126
Guarantee deposit	70	70
	<u>2,196</u>	<u>2,196</u>

## 22. INVENTORIES

	2009 HK\$'000	2008 HK\$'000
Jewellery	350,931	297,149
Gold ornament and bullion	39,545	56,426
Watch and gift	448,181	318,562
Fashion	—	1,149
	<u>838,657</u>	<u>673,286</u>

## 23. DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Trade debtors	(a)	68,739	50,013	—	—
Other receivables	(b)	17,631	11,228	208	365
Deposits and prepayments		20,121	20,070	612	843
Insurance claim receivable	(c)	12,000	12,000	—	—
		<u>118,491</u>	<u>93,311</u>	<u>820</u>	<u>1,208</u>

Notes:

(a) Trade debtors

	Group	
	2009 HK\$'000	2008 HK\$'000
Gross carrying amount of trade debtors	72,167	53,299
Less: Provision for impairment loss	<u>(3,428)</u>	<u>(3,286)</u>
Trade debtors	<u>68,739</u>	<u>50,013</u>

The management of the Group considered that the fair values of trade debtors are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

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:

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 23. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

## (a) Trade debtors (Continued)

	Group	
	2009	2008
	HK\$'000	HK\$'000
At the beginning of the year	3,286	1,635
Impairment loss for the year	<u>142</u>	<u>1,651</u>
At the end of the year	<u><u>3,428</u></u>	<u><u>3,286</u></u>

At each balance sheet date, the Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31st March, 2009, the Group has determined trade debtors of HK\$3,428,000 as individually impaired (2008: HK\$3,286,000). Based on this assessment, an impairment loss of HK\$142,000 has been recognised (2008: HK\$1,651,000). The impaired trade debtors are due from customers experiencing financial difficulties and were in default or delinquency of payments.

The Group did not hold any material collateral as security or other credit enhancements over the impaired trade debtors, whether determined on individual or collective basis.

At 31st March, the ageing analysis of the trade debtors, based on the invoice date, was as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Within 30 days	50,878	40,600
31 - 90 days	4,988	2,891
More than 90 days	<u>12,873</u>	<u>6,522</u>
	<u><u>68,739</u></u>	<u><u>50,013</u></u>

The trade debtors as at 31st March, 2009 consist of receivables from customers of the securities broking business amounting to HK\$34,515,000 (2008: HK\$13,511,000), 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:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Neither past due nor impaired	45,062	30,498
Past due 90 days or less	10,804	12,993
Past due more than 90 days but less than 1 year	7,690	6,385
Past due more than 1 year	8,611	3,423
Determined to be impaired	<u>(3,428)</u>	<u>(3,286)</u>
At 31st March	<u><u>68,739</u></u>	<u><u>50,013</u></u>

As at 31st March, 2009, 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 diversified customers that had a good track record of credit with the Group. Based on past credit history, 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 to be fully recoverable. The Group did not hold any material collateral in respect of trade debtors past due but not impaired.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 23. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

- (b) As at 31st March, 2009, included in other receivables was an advance made by the Group to an independent third party of HK\$2,006,000. This advance was secured by certain diamonds with carrying amount of HK\$4,652,000 as assessed by the management of the Group, interest bearing at fixed amount of HK\$53,000 and repayable within one year.
- (c) 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 of the Company 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\$15,000,000 (subject to an excess of HK\$3,000,000). Taking into consideration the latest development of the insurance claim, the Group recognised the net amount of HK\$12,000,000 as "insurance claim receivable".

## 24. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK\$'000	2008 HK\$'000
Equity securities, at market value and fair value		
Listed in Hong Kong	2,564	4,551
Listed outside Hong Kong	16,821	8,602
	<u>19,385</u>	<u>13,153</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 bid prices at the balance sheet date.

Movements in 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 and expenses in the consolidated income statement.

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

## 25. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of securities dealing, it receives and holds money from clients in the course of conducting its regulated activities. These clients' monies are maintained in one or more segregated bank accounts and bank time deposits. The Group manages clients' monies and places such clients' monies on short term time deposits. As at 31st March, 2009, the Group's clients' monies placed on 19 to 20 days short term time deposits amounted to HK\$1,784,000 with fixed interest rate at 0.01% per annum. As at 31st March, 2008, there was no clients' monies placed on short term time deposits. Trust bank balances carry interest at floating rates based on daily bank deposits rates. The Group has classified the clients' monies as trust bank balances held on behalf of clients under the current assets section of the consolidated balance sheet and recognised the corresponding accounts payable to the respective clients under the current liabilities section of the consolidated balance sheet on the grounds that the Group is liable for any loss or misappropriation of clients' monies.



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 26. CASH AND CASH EQUIVALENTS

## (a) Group

Cash and cash equivalents include the following components:

	2009 HK\$'000	2008 HK\$'000
Cash at banks and in hand	30,988	49,438
Cash at other financial institution	5,813	21,602
Short-term bank deposits	21,224	14,381
	<u>58,025</u>	<u>85,421</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 0.001% to 0.15% (2008: 1.20% to 3.57%) per annum, which were the effective interest rates at 31st March, 2009. The weighted average effective interest rates of short-term bank deposits throughout the year ranged from 0.001% to 4.50% (2008: 0.05% to 4.10%) per annum. These deposits had a maturity of 1 to 33 days (2008: 1 to 31 days) and were eligible for immediate cancellation without receiving any interest for the last deposit period.

The management of the Group considered that the fair value of the short-term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in cash and cash equivalents of the Group were balances of HK\$7,783,000 (2008: HK\$27,651,000) denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

## (b) Company

	2009 HK\$'000	2008 HK\$'000
Cash at banks and in hand	<u>19,438</u>	<u>13,022</u>

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

## 27. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Note	Group		Company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Trade payables	(a)	66,075	39,171	—	—
Other payables and accruals	(b)	36,522	41,827	12,682	16,197
Deposits received and deferred income		10,873	16,188	—	90
Other provision	(c)	675	675	—	—
		<u>114,145</u>	<u>97,861</u>	<u>12,682</u>	<u>16,287</u>

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 27. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME (Continued)

Notes:

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

	Group	
	2009	2008
	HK\$'000	HK\$'000
Within 30 days	57,297	33,079
31 - 90 days	1,677	4,304
More than 90 days	<u>7,101</u>	<u>1,788</u>
	<u><u>66,075</u></u>	<u><u>39,171</u></u>

(b) At 31st March, 2009, the balance included amounts due to directors of subsidiaries of approximately HK\$2,684,000 (2008: HK\$2,948,000). The amounts due were 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.

Included in trade and other payables, there was also an amount of approximately HK\$14,011,000 (2008: HK\$1,053,000) in respect of the clients' undrawn monies which arose from securities broking transactions. The amount is repayable on demand. All amounts are short term and hence the carrying values of creditors, deposits received, accruals and deferred income are considered to be a reasonable approximation of fair value.

## 28. GOLD LOANS, UNSECURED

	Group and Company	
	2009	2008
	HK\$'000	HK\$'000
Gold loans at market value		
Repayable within one year	<u>28,251</u>	<u>33,347</u>

Gold loans bore interests at fixed rates ranging from 2.50% to 3.50% (2008: 1.38% to 1.60%) per annum, which were the effective interest rates at 31st March, 2009. The weighted average effective interest rates of gold loans throughout the year ranged from 1.38% to 4.25% (2008: 1.38% to 1.60%) per annum.

Gold loans were borrowed to reduce the impact of fluctuations in gold prices on gold inventory. However, the criteria for hedge accounting were not fully met. Gold loans were 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.

## 29. BANK LOANS, UNSECURED

	Group and Company	
	2009	2008
	HK\$'000	HK\$'000
Bank loans are repayable as follows:		
Within one year	209,332	64,167
In the second year	16,667	16,668
In third to fifth years, inclusive	<u>12,500</u>	<u>29,165</u>
	<u>238,499</u>	110,000
Portion classified as current liabilities	<u>(209,332)</u>	<u>(64,167)</u>
Non-current portion	<u><u>29,167</u></u>	<u><u>45,833</u></u>

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

**29. BANK LOANS, UNSECURED (Continued)**

All bank loans were denominated in HK\$ and United States dollars ("US\$") and bore interests at variable rates ranging from 1.02% to 5.60% (2008: 2.70% to 6.20%) per annum, which were the effective interest rates at 31st March, 2009. The weighted average effective interest rates of bank loans throughout the year ranged from 0.95% to 13.25% (2008: 2.55% to 8.60%) per annum.

The carrying values of current bank loans are considered to be a reasonable approximation of fair values due to their short term maturities.

**30. PROVISION FOR LONG SERVICE PAYMENTS**

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
At the beginning of the year	1,029	1,152	23	146
Payments	(5)	(8)	—	(8)
Write back	—	(115)	—	(115)
Provision for the year	<u>1,258</u>	<u>—</u>	<u>250</u>	<u>—</u>
At the end of the year	<u><u>2,282</u></u>	<u><u>1,029</u></u>	<u><u>273</u></u>	<u><u>23</u></u>

The balances as at 31st March, 2008 and 2009 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.

**31. SHARE CAPITAL**

	Group and Company	
	2009 HK\$'000	2008 HK\$'000
Authorised:		
620,000,000 (2008: 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 (2008: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

**32. 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.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 32. RESERVES (Continued)

### (b) Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
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		171,925	
		<u>178,886</u>	
At 1st April, 2008	17,575	178,886	196,461
Profit for the year	—	3,151	3,151
Dividends	—	(8,701)	(8,701)
	<u>17,575</u>	<u>173,336</u>	<u>190,911</u>
At 31st March, 2009	<u>17,575</u>	<u>173,336</u>	<u>190,911</u>
Representing:			
Proposed final dividend (note 10)		4,351	
Others		168,985	
		<u>173,336</u>	

Details of the share premium account of the Company are set out in note 32(a) above.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2009 HK\$'000	2008 HK\$'000
Profit before taxation	72,629	164,991
Amortisation of leasehold interests in land	130	130
Depreciation of property, plant and equipment	8,969	12,866
Depreciation of investment properties	28	25
Dividend income from investments at fair value through profit or loss/ available-for-sale investments	(8,043)	(4,976)
Exchange differences	(88)	(510)
Loss on disposal of property, plant and equipment	159	242
Loss on liquidation of a subsidiary	—	675
Interest expense	8,126	8,892
Interest income	(1,261)	(1,076)
Gain on disposal of available-for-sale investments	—	(59,062)
Gain on disposal of investment property and corresponding interests in land	(11,903)	—
Fair value change of investments at fair value through profit or loss held for trading	8,904	(20,016)
Provision for impairment losses of available-for-sale investments, net	—	2,741
Provision for impairment losses of debtors	142	2,511
Provision for and write down of inventories to net realisable value	2,845	15,135
Reversal of write down of inventories to net realisable value	(1,531)	—
Provision for long service payments	1,258	—
Write back of provision for long service payments	—	(115)
Share of loss of a jointly controlled entity	409	364
	<u>80,773</u>	<u>122,817</u>

## 34. DEFERRED TAX

## (a) Group

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a taxation rate of 16.5% (2008: 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
At the beginning of the year	870	615	(870)	(615)	—	—
(Credited)/charged to consolidated income statement	(15)	255	15	(255)	—	—
Attributable to change in tax rate	(50)	—	50	—	—	—
	<u>805</u>	<u>870</u>	<u>(805)</u>	<u>(870)</u>	<u>—</u>	<u>—</u>

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 34. DEFERRED TAX (Continued)

### (a) Group (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31st March, 2009, the Group has unrecognised deferred tax asset arising from estimated tax losses of the Company and subsidiaries operating in Hong Kong and the subsidiaries operating in the PRC of approximately HK\$82,666,000 and HK\$3,893,000 (2008: HK\$74,368,000 and HK\$311,000) respectively.

The tax losses of the subsidiaries operating in the PRC can be carried forward for five years and the tax losses of the companies within the Group operating in Hong Kong will not expire under the current tax legislation.

At 31st March, 2009, there were no material unrecognised deferred tax liabilities (2008: Nil). No deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of certain subsidiaries because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

### (b) Company

At 31st March, 2009, the Company has no material unrecognised deferred tax liabilities (2008: Nil). The Company has unrecognised estimated tax losses of HK\$2,640,000 (2008: HK\$4,526,000) to carry forward against future taxable income and these tax losses have no expiry dates.

## 35. OPERATING LEASE COMMITMENTS

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

### (a) Group

	2009			2008		
	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	68,639	291	68,930	66,753	786	67,539
In the second to fifth years inclusive	50,578	—	50,578	47,601	291	47,892
After five years	27	—	27	—	—	—
	<u>119,244</u>	<u>291</u>	<u>119,535</u>	<u>114,354</u>	<u>1,077</u>	<u>115,431</u>

At 31st March, 2009, the Group had total future minimum sub-lease payments expected to be received under non-cancellable sub-leases amounting to HK\$Nil (2008: HK\$713,000).

### (b) Company

	2009			2008		
	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	368	114	482	984	306	1,290
In the second to fifth years inclusive	—	—	—	368	114	482
	<u>368</u>	<u>114</u>	<u>482</u>	<u>1,352</u>	<u>420</u>	<u>1,772</u>

The Group and the Company lease a number of properties under operating leases. The leases run for an initial period of one to six 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, 2009

## 36. 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Within one year	628	992	—	360
In the second to fifth years inclusive	405	1,127	—	120
	<u>1,033</u>	<u>2,119</u>	<u>—</u>	<u>480</u>

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

## 37. RELATED PARTY TRANSACTIONS

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:

	Note	2009 HK\$'000	2008 HK\$'000
Operating lease rentals on land and buildings paid to related companies:			
Stanwick Properties Limited	(a)	7,025	6,730
Contender Limited	(b)	19,046	19,046
Fabrico (Mfg) Limited	(c)	180	180
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	(a)	306	191
Consultancy fees paid to related companies:			
Verbal Company Limited	(d)	5,500	7,251
Excellent Base Trading Limited	(e)	650	650
Revenue on construction contracts from a related companies:			
Nudgee Hawaii Limited	(f)	—	1,426
Verbal Company Limited	(g)	136	—
Management fees and air-conditioning charges paid to Stanwick Properties Limited	(a)	590	589

## Notes:

- (a) The operating lease rental, management fees and air-conditioning charges 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, 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 basement one floor of Miramar Shopping Centre - Hotel Tower, 118-130 Nathan Road, Kowloon, Hong Kong ("Miramar Shopping Centre - Hotel Tower"), advertising signboards C1 and C2 at the external wall of Miramar Shopping Centre - Hotel Tower and the signboard and showcases at the ground floor entrance facing Nathan Road of Miramar Shopping Centre - Hotel Tower. Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 37. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (c) The operating lease rental was paid to Fabrico (Mfg) Limited ("Fabrico") for the warehouse occupied by the Group in Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon. 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) Revenue on construction contracts was recognised by the Group for the interior design services provided to Verbal (note (d)).
- (h) Compensation of key management personnel

Included in employee benefit expense is key management personnel's compensation which comprises the following categories:

	2009 HK\$'000	2008 HK\$'000
Wages, salaries and allowances	8,602	9,353
Pension costs - defined contribution retirement schemes	<u>281</u>	<u>266</u>
	<u><u>8,883</u></u>	<u><u>9,619</u></u>

## 38. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk. 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 financial risks. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to a 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.



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 38. FINANCIAL RISK MANAGEMENT (Continued)

## 38.1 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Financial assets at fair value</b>				
Non-current assets				
- Available-for-sale investments	103,008	181,439	—	—
Current assets				
- Investments at fair value through profit or loss	19,385	13,153	—	—
	<u>122,393</u>	<u>194,592</u>	<u>—</u>	<u>—</u>
<b>Financial assets at cost less impairment loss</b>				
Non-current assets				
- Available-for-sale investments	643	596	—	—
<b>Financial assets at amortised cost</b>				
Current assets				
- Trade debtors	68,739	50,013	—	—
- Amounts due from subsidiaries	—	—	695,859	578,269
- Other receivables	17,631	11,228	208	365
- Insurance claim receivable	12,000	12,000	—	—
- Trust bank balances held on behalf of clients	14,011	1,053	—	—
- Cash and cash equivalents	58,025	85,421	19,438	13,022
	<u>170,406</u>	<u>159,715</u>	<u>715,505</u>	<u>591,656</u>
	<u>293,442</u>	<u>354,903</u>	<u>715,505</u>	<u>591,656</u>
<b>Financial liabilities at fair value</b>				
Current liabilities				
- Gold loans, unsecured	28,251	33,347	28,251	33,347
<b>Financial liabilities at amortised cost</b>				
Non-current liabilities				
- Bank loans, unsecured	29,167	45,833	29,167	45,833
Current liabilities				
- Trade payables	66,075	39,171	—	—
- Amounts due to subsidiaries	—	—	264,468	257,676
- Other payables and accruals	36,522	41,827	12,682	16,197
- Bank loans, unsecured	209,332	64,167	209,332	64,167
	<u>341,096</u>	<u>190,998</u>	<u>515,649</u>	<u>383,873</u>
	<u>369,347</u>	<u>224,345</u>	<u>543,900</u>	<u>417,220</u>

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 38. FINANCIAL RISK MANAGEMENT (Continued)

### 38.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of operations and its investing activities. The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at balance sheet date as shown in note 38.1.

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 management of the Group 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.

Saved as disclosed in note 23(b), the Group does not hold other material collateral over the financial assets. None of the financial assets of the Company are secured by collateral or other credit enhancements.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

### 38.3 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Group's transactions are carried out in HK\$. Exposures to currency exchange rates arise from the Group's investments, which are denominated in US\$ and cash and cash equivalents, which are denominated in Euro, Swiss Franc ("CHF") and US\$.

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

	2009			2008		
	EURO HK\$'000	CHF HK\$'000	US\$ HK\$'000	EURO HK\$'000	CHF HK\$'000	US\$ HK\$'000
Financial assets						
Available-for-sale investments	—	—	6,823	—	—	5,889
Cash and cash equivalents	342	16,207	7,861	7,251	2,991	1,320
	<u>342</u>	<u>16,207</u>	<u>14,684</u>	<u>7,251</u>	<u>2,991</u>	<u>7,209</u>
Exposure	<u>342</u>	<u>16,207</u>	<u>14,684</u>	<u>7,251</u>	<u>2,991</u>	<u>7,209</u>

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.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 38. FINANCIAL RISK MANAGEMENT (Continued)

## 38.3 Foreign currency risk (Continued)

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) in response to the reasonably possible change in the foreign currency rate of CHF, to which the Group has significant exposure at the balance sheet date.

	2009		2008	
	Increase/ (decrease) in foreign currency rate	Effect on profit after tax and retained earnings HK\$'000	Increase/ (decrease) in foreign currency rate	Effect on profit after tax and retained earnings HK\$'000
CHF	15%	2,431	15%	449
CHF	(15%)	(2,431)	(15%)	(449)

A reasonable change in foreign currency rates, Euro and US\$, 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.

## 38.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 26 and 29.

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.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

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.

## 38.5 Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

*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.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 38. FINANCIAL RISK MANAGEMENT (Continued)

### 38.5 Price risk (Continued)

#### *Equity price risk* (Continued)

The policies to manage equity price risk have been followed by the Group since prior years and are considered to be effective.

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and investment revaluation reserve in response to the reasonably possible changes in the stock market prices of Hong Kong, USA and the PRC, to which the Group has significant exposure at the balance sheet date.

	Increase/ (decrease) in security market price	2009 Effect on profit after tax and retained earnings HK\$'000	Effect on investment revaluation reserve HK\$'000	Increase/ (decrease) in security market price	2008 Effect on profit after tax and retained earnings HK\$'000	Effect on investment revaluation reserve HK\$'000
Hong Kong market	30%	769	28,855	30%	1,365	52,665
Hong Kong market	(30%)	(769)	(28,855)	(30%)	(1,365)	(52,665)
USA market	30%	—	2,047	30%	—	1,767
USA market	(30%)	—	(2,047)	(30%)	—	(1,767)
PRC market	30%	5,046	—	30%	2,580	—
PRC market	(30%)	(5,046)	—	(30%)	(2,580)	—

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, 2008.

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 28). The gold loans are designated to reduce the impact of fluctuations in gold price on gold inventory. Given this, management does not expect that there will be any significant commodity price risk associated with the gold loans.

The policies to manage commodity price risk have been followed by the Group since prior years and are considered to be effective.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 38. FINANCIAL RISK MANAGEMENT (Continued)

## 38.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

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 management of the Group 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, 2009, the Group's financial liabilities have contractual maturities, which are based on contractual undiscounted cash flows, as set out below:

## (a) 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
<b>At 31st March, 2009</b>					
Trade payable	—	66,075	—	—	66,075
Other payables and accruals	13,288	22,578	656	—	36,522
Gold loans, unsecured	—	28,480	—	—	28,480
Bank loans, unsecured	—	202,898	8,527	31,072	242,497
	<u>13,288</u>	<u>320,031</u>	<u>9,183</u>	<u>31,072</u>	<u>373,574</u>
<b>At 31st March, 2008</b>					
Trade payable	—	39,171	—	—	39,171
Other payables and accruals	11,989	29,802	36	—	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>35,373</u>	<u>49,356</u>	<u>229,262</u>

# Notes to the Financial Statements (Continued)

For the year ended 31st March, 2009

## 38. FINANCIAL RISK MANAGEMENT (Continued)

### 38.6 Liquidity risk (Continued)

#### (b) 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
<b>At 31st March, 2009</b>					
Other payables and accruals	857	11,750	75	—	12,682
Gold loans, unsecured	—	28,480	—	—	28,480
Bank loans, unsecured	—	202,898	8,527	31,072	242,497
Amounts due to subsidiaries	264,468	—	—	—	264,468
	<u>265,325</u>	<u>243,128</u>	<u>8,602</u>	<u>31,072</u>	<u>548,127</u>
<b>At 31st March, 2008</b>					
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	257,676	—	—	—	257,676
	<u>258,469</u>	<u>78,975</u>	<u>35,337</u>	<u>49,356</u>	<u>422,137</u>

### 38.7 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, 2009

**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:

	2009 HK\$'000	2008 HK\$'000
<b>Equity capital</b>		
Total capital and reserves	<u>796,276</u>	<u>828,299</u>
<b>Overall financing</b>		
Bank loans, unsecured	238,499	110,000
Gold loans, unsecured	<u>28,251</u>	<u>33,347</u>
	<u>266,750</u>	<u>143,347</u>
<b>Equity capital-to-overall financing ratio</b>	<u>2.99 : 1</u>	<u>5.78 : 1</u>

**40. COMPARATIVE FIGURES**

Comparative figures on cash flow statement, debtors, deposits and prepayments and cash and cash equivalents 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
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

	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000 (Restated)
<b>Assets and liabilities</b>					
Total assets	1,184,542	1,082,721	969,824	862,989	759,987
Total liabilities	388,266	254,422	313,705	285,973	242,184
Current assets/current liabilities (times)	2.94	4.18	3.46	3.83	5.43
<b>Capital and reserves</b>					
Capital and reserves	796,276	828,299	656,119	577,016	517,803
Capital and reserves per share (HK\$)	1.83	1.90	1.51	1.33	1.19
Total assets/capital and reserves (times)	1.49	1.31	1.48	1.50	1.47
<b>Earnings</b>					
Profit before taxation	72,629	164,991	52,456	22,003	20,984
Profit attributable to shareholders	59,183	146,940	45,193	17,947	20,562
Earnings per share (cents)	13.60	33.77	10.39	4.13	4.73
Return on average total assets	5.2%	14.3%	4.9%	2.2%	2.8%
Return on average capital and reserves	7.3%	19.8%	7.3%	3.3%	4.1%
<b>Dividend</b>					
Dividend paid	8,701	10,442	5,439	5,439	3,915
Dividend per share (cents)	2.00	2.40	1.25	1.25	0.90
Dividend paid cover (times)	6.80	14.07	8.31	3.30	5.25

