



king fook holdings limited
景福集團有限公司

FOR THE YEAR ENDED 31ST MARCH, 2011
ANNUAL REPORT

Stock Code: 280



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Corporate Information

Board of Directors	<ul style="list-style-type: none"> * Mr. Yeung Ping Leung, Howard (<i>Chairman</i>) * Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. (<i>Vice Chairman</i>) * Mr. Cheng Ka On, Dominic * Mr. Yeung Bing Kwong, Kenneth * Ms. Fung Chung Yee, Caroline + Mr. Lau To Yee + Mr. Cheng Kar Shing, Peter Mr. Wong Wei Ping, Martin + Mr. Chan Chak Cheung, William Mr. Ho Hau Hay, Hamilton Mr. Sin Nga Yan, Benedict Mr. Yeung Ka Shing <p style="margin-left: 20px;">* <i>Executive Directors</i></p> <p style="margin-left: 20px;">+ <i>Independent Non-executive Directors</i></p>
Company Secretary	Ms. Cheung Kit Man, Melina
Auditor	BDO Limited <i>Certified Public Accountants</i>
Principal Bankers	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 Bank of Tokyo-Mitsubishi UFJ, Limited The Hongkong and Shanghai Banking Corporation Limited
Solicitors	Jennifer Cheung & Co.
Registered Office	9th Floor, King Fook Building 30-32 Des Voeux Road Central Hong Kong
Share Registrar	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 54. 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 58. 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 61. 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 66. Has over 30 years of experience in the jewellery business. Appointed director of the Company in 1987.

Ms. Fung Chung Yee, Caroline

Aged 58. Joined the Group in 1983. Appointed director of the Company in 1987.

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

Aged 73. Appointed independent non-executive director of the Company in 1994.

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

Aged 58. 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 69. 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 63. A retired partner of PricewaterhouseCoopers after a career spanning 33 years in Canada, Hong Kong and China. A member of the Canadian Institute of Chartered Accountants. An independent non-executive director of National Electronics Holdings Limited and The Link Management Limited (the Manager of The Link Real Estate Investment Trust). 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 60. An independent non-executive director of New World Development Company 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 47. A director and general manager of Myer Jewelry Manufacturer Limited. A member 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 Fair Organising Committee of The Hong Kong Trade Development Council. A permanent honorary director of The Federation of Hong Kong Watch Trades & Industries Limited. A vice chairman 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 29. 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 53. 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 63. 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 45 years.

Mr. Yip King Hung

Aged 58. 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 38 years.

Ms. Mok Sau Fun

Aged 43. She joined the Group in 2009 and is the financial controller of the Group. She has 20 years of experience in the field of finance, auditing and accounting. She holds a MBA degree 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.

On behalf of the Board of Directors, I am pleased to present the annual report of the Group for the year ended 31st March, 2011.

REVIEW OF OPERATIONS

The Group's audited results for the financial year ended 31st March, 2011 recorded a total comprehensive income attributable to the shareholders of the Company of HK\$90,865,000 as compared with HK\$145,497,000 for the previous year. Earnings per share were HK8.0 cents. The substantial decrease in comprehensive income for the year was mainly caused by the significant increase in lease rental of our retail shops.

The Group is always dedicated to introducing the trendiest and most exquisite jewellery and watches from all over the world to our customers. During the year, the Group had launched numerous new products with stylish designs and craftsmanship, including the unique 18K gold diamond *Masterpiece* bangle and the "Screwing Magic" ring with unlimited variations and combinations.

During the year, four new shops in Hong Kong - our flagship shop at Tsimshatsui located at The One, the second Audemars Piguet pavillion shop at Pacific Place, a boutique shop for watch brands solely distributed by the Group at Central Building and the second king fook shop at Causeway Bay located at Windsor House and three new Masterpiece by king fook shops in Mainland China (in Suzhou, Shanghai and Beijing respectively) were opened. Our prime shops at Tsimshatsui had closed since August 2010 due to the renovation of the Miramar Shopping Centre and the Group had closed a few shops with less than satisfactory performance during the year.

The Group had launched a series of marketing campaigns to enhance its brand recognition. The highlights included the sponsorship of the famous Broadway Musical from New York - The Premiere of "Chicago" and "A Wonderful Night on the Sea" concert of Tsai Chin in 2010. One of the watch brands under our sole distributorship, Jacob & Co, has appointed the world renowned martial arts action star and director, Donnie Yen, as its ambassador. During the year, we had been awarded the Outstanding Caring Brand by Yan Oi Tong and Ming Pao's Elite Award 2010 to recognise our quality service.

During the year, the Group has obtained the sole agency of two new Swiss brand watches, namely, "Robert & Fils 1630" created by Gilles Robert from an illustrious family of watch makers in the canton of Neuchâtel with origins going back more than 400 years, and "Laurent Ferrier Genève" created by Laurent Ferrier who had worked for a reputable Swiss watch-making manufacturer for more than 30 years, and its watch is accredited the chronometer certification by Besançon Observatory of France.

The Group's revenue from gold ornament, jewellery, watch, fashion and gift retailing business for the year ended 31st March, 2011 increased by 6% to HK\$1,196,948,000 over the previous year mainly as a result of the increasing number of Mainland customers and their strong spending power. However, the profit for the year was seriously eroded by the significant increase in lease rental of our retail shops.

Commission income from securities broking however was reduced by 20% to HK\$6,108,000 as a result of keen competition within the industry. Turnover of bullion trading recorded a decrease of 10% to HK\$25,934,000 as compared with the previous year as gold price continued to rise and hit new heights during the year.

Chairman's Statement (Continued)

DIVIDEND

The Board of Directors has resolved to recommend the payment of a final dividend of HK0.8 cent (2010: HK1.2 cents) per ordinary share to shareholders whose names appear on the Register of Members on 6th October, 2011 subject to the approval of shareholders at the forthcoming annual general meeting to be held on 27th September, 2011. The dividend warrants for the proposed final dividend will be despatched to shareholders on or about 14th October, 2011.

PROSPECTS

Looking ahead, the Group believes that Hong Kong will continue to be one of the top shopping destinations for Mainland customers due to its proximity and the wide range of products and competitive prices on offer. The retail industry is expected to continue to benefit from Mainland customers' growing demand for luxurious items. However, despite growth in the retail industry, profit margins remain tight and competitive as the escalation in retail rental, raw material, salary and other operating costs are expected to persist in the coming year. To counteract these unfavourable factors, the Group will extend its product range, in particular luxurious exclusive brands and expand further into the enormous consumer market in Mainland China prudently. Our new retail shops at the Miramar Shopping Centre are scheduled to open before the end of 2011.

To expand our business, the Group will look for suitable locations to extend our distribution network, continue to strengthen our brand name through a range of marketing activities and publicity campaigns and seek suitable business opportunities. The management will also continue to take stringent cost control measures to improve cost efficiency, as well as to design more training programs for our staff to cater for the future growth of the Group.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management and all the employees of the Group for their effort and dedication and to, our shareholders, business partners, customers and suppliers for their continuous support.

Yeung Ping Leung, Howard
Chairman

Hong Kong, 24th June, 2011

OVERALL GROUP RESULTS

The results of the Group for the year ended 31st March, 2011 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 81.

The Group's revenue for the year under review increased by 3% as compared with that for the previous year. The Group's consolidated net profit attributable to the shareholders of the Company for the year was HK\$34,605,000 (2010: HK\$64,781,000). The earnings per share were HK8.0 cents (2010: HK14.9 cents).

JEWELLERY RETAILING

Turnover of the Group's gold ornament, jewellery, watch, fashion and gift retail business for the year increased by 6% from HK\$1,132,670,000 to HK\$1,196,948,000. However, the profit for the year was seriously eroded by the significant increase in lease rental of our retail shops.

SECURITIES BROKING

During the year under review, commission income from the securities broking business of the Group decreased by 20% as compared with that for the previous year as a result of keen competition within the industry.

BULLION TRADING

Turnover of bullion trading recorded a decrease of 10% to HK\$25,934,000 as compared with the previous year as gold price continued to rise and hit new heights during the year.

INVESTMENTS

As at 31st March, 2011, the Group held 1,314,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$221,671,000 and certain listed debt and equity securities listed outside Hong Kong amounting to HK\$14,667,000 under available-for-sale investments.

The Group has obtained the authorisation of the Company's shareholders to dispose of up to 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, 2011, the Group's current assets and current liabilities were about HK\$1,034,781,000 and HK\$228,924,000 respectively. There were cash and cash equivalents of about HK\$69,799,000, unsecured bank loans of about HK\$146,166,000 and unsecured gold loans of about HK\$27,042,000.

Based on the total borrowings of the Group of about HK\$173,208,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$1,020,512,000 as at 31st March, 2011, the overall borrowings to equity ratio was 17%, which was at a healthy level.

The Group reviews its foreign currency exposure 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 Group discovered that a former director of a subsidiary of the Company had misappropriated securities belonging to the clients of that subsidiary. Such securities had a total market value of about HK\$28,800,000. During the year ended 31st March, 2007, the Group had made compensation to the relevant clients. Based on 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 provision for compensation made in the prior years was 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) and the Group recognised the net amount of HK\$12,000,000 as “insurance claim receivable” accordingly.

INTERNAL CONTROL

BDO Limited 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, 2011 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, 2011, the Group had about 381 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, 2011.

The directors would like to present their report together with the audited financial statements for the year ended 31st March, 2011.

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 17 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 4 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 HK0.2 cent (2010: HK0.3 cent) per ordinary share, totalling HK\$870,000. The interim dividend was paid on 20th December, 2010.

The directors recommend the payment of a final dividend of HK0.8 cent (2010: HK1.2 cents) per ordinary share.

RESERVES

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

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March, 2011, calculated in accordance with section 79B of the Hong Kong Companies Ordinance, amounted to HK\$168,177,000.

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 83.

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	36%
- five largest suppliers combined	77%

Sales

- the largest customer	1%
- five largest customers combined	5%

None of the directors, their associates or any shareholders (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

* *Executive Directors*

+ *Independent Non-executive Directors*

Brief biographical details of the directors are set out on pages 3 and 4.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that the independent non-executive directors are independent.

The Company entered into a consultancy service agreement with Verbal Company Limited ("Verbal") whereby Verbal provided the services of Mr. Yeung Ping Leung, Howard to the Group for the year ended 31st March, 2011 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 (Continued)

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

Mr. Tang Yat Sun, Richard, aged 58, is the vice chairman and an executive director of the Company, and an executive director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is an executive director of Miramar Hotel and Investment Company, Limited and a director of Hang Seng Bank Limited, both are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Tang has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest and a corporate interest in 3,585,000 shares and 15,034,000 shares of the Company respectively within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). He was appointed director and vice chairman of the Company in 1987 and 1998 respectively.

Mr. Cheng Ka On, Dominic, aged 61, is an executive director of the Company, and an executive director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is a director of Miramar Hotel and Investment Company, Limited, a company listed on the Main Board of the Stock Exchange. Mr. Cheng is a distant cousin of Mr. Yeung Bing Kwong, Kenneth (an executive director of the Company) and Mr. Yeung Ping Leung, Howard (the chairman and an executive director of the Company) and a distant uncle of Mr. Yeung Ka Shing (a non-executive director of the Company). He has a personal interest in 1,748,000 shares of the Company within the meaning of Part XV of SFO. He was appointed director of the Company in 1987.

Mr. Yeung Bing Kwong, Kenneth, aged 66, is an executive director of the Company, and an executive director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is a director of King Fook Holding Management Limited, a wholly owned subsidiary of the Company. He is also a director of King Fook Commodities Company Limited, a wholly owned subsidiary of the Group and a director of Young's Diamond Corporation (International) Limited, a subsidiary of the Group. Mr. Yeung is the elder brother of Mr. Yeung Ping Leung, Howard (the chairman and an executive director of the Company), the brother-in-law of Mr. Wong Wei Ping, Martin (a non-executive director of the Company) and the father of Mr. Yeung Ka Shing (a non-executive director of the Company). He, together with other members of his family, control the management of Yeung Chi Shing Estates Limited (a substantial shareholder of the Company). He has no interest in the shares of the Company within the meaning of Part XV of SFO. He was appointed director of the Company in 1987.

Mr. Lau To Yee, aged 73, is an independent non-executive director and a committee member of the Audit Committee of the Company. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Lau has no interest in the shares of the Company within the meaning of Part XV of SFO. He was appointed independent non-executive director of the Company in 1994.

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

The director's fee and other emolument of Mr. Yeung Bing Kwong, Kenneth received from the Group for the year totalled HK\$302,480, which were determined on the recommendations of the Remuneration Committee with reference to prevailing market rates and have been approved by the directors of the Company.

Report of the Directors (Continued)

DIRECTORS (Continued)

For the year ended 31st March, 2011, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic and Mr. Lau To Yee received directors' fees of HK\$40,750, HK\$40,750 and HK\$70,000 respectively, which are nominal.

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.

DIRECTORS' INTERESTS

At 31st March, 2011, 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	1,748,000	Nil	Nil	1,748,000	0.40%
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, 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares 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 and there is no contract of significance between the Group and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries, including for the provision of services to the Group:

1. The Group (as tenant) entered into various 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 20th July, 2009 and 18th November, 2009 respectively in respect of premises in King Fook Building, Hong Kong. The leased properties are used as the key retail shop and the 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

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from 16/8/09 to 15/8/11	HK\$450,425	HK\$18,270

3rd Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from 16/8/09 to 15/8/11	HK\$29,120	HK\$8,190

5th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from 16/8/09 to 15/8/11	HK\$26,460	HK\$5,670

6th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	21.5 months from 1/11/09 to 15/8/11	HK\$26,460	HK\$5,670

8th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from 16/8/09 to 15/8/11	HK\$26,460	HK\$5,670

9th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from 16/8/09 to 15/8/11	HK\$26,460	HK\$5,670

10th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from 16/8/09 to 15/8/11	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 26th March, 2009 and 11th April, 2011 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, 2009 and 1st April, 2011 respectively at the monthly rent of HK\$15,000 and HK\$25,000 respectively 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 fixtures 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, 2009 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, 2011 are set out in note 36 to the financial statements.

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

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

The auditor of the Company has reviewed the continuing connected transactions for the year ended 31st March, 2011 pursuant to Rule 14A.38 of the Listing Rules and advised the directors of the Company in writing with a copy provided to the Stock Exchange that:

- (1) nothing has come to its attention that causes it to believe that the continuing connected transactions have not been approved by the directors of the Company;
- (2) nothing has come to its attention that causes it to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (3) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to its attention that causes it to believe that the continuing connected transactions have exceeded the caps disclosed in the previous announcement dated 20th July, 2009 made by the Company, the letter to the Stock Exchange issued by the lawyer on behalf of the Company dated 30th October, 2009 and the reply letter from the Stock Exchange dated 5th November, 2009 in respect of each of the continuing connected transactions.

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

DIRECTORS' INTERESTS (Continued)

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 manufacturing and 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 in the consolidated balance sheet and in notes 27 and 28 to the financial statements.

SUBSTANTIAL SHAREHOLDER

At 31st March, 2011, 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	196,095,055	<i>Note</i>	45.07%

Note: 189,935,035 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, 2011, 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.

Report of the Directors (Continued)

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SHARE OPTION SCHEME

On 27th August, 2004, the Company adopted a share option scheme (the "Scheme") for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted without any initial payment to persons including directors, employees or consultants of the Group. Presently the maximum number of shares issuable under the Scheme is 43,507,165 shares (being 10% of the issued share capital of the Company at 27th August, 2004). The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders' approval. The option period shall 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, 2011 are set out in notes 13, 14 and 36(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 is held by the public.

AUDITOR

The financial statements in respect of the previous two financial years were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO, GTHK resigned and BDO was appointed as auditor of the Company effective from 19th November, 2010. The financial statements for the year ended 31st March, 2011 were audited by BDO. A resolution will be proposed at the forthcoming annual general meeting of the Company to reappoint BDO as auditor of the Company.

On behalf of the Board

Yeung Ping Leung, Howard
Chairman

Hong Kong, 24th June, 2011

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, 2011 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 meeting of the Company at least once every three years in accordance with the Articles of Association of the Company. Also, the Company continued to retain a qualified accountant to oversee the accounting and financial reporting function of the Company.

DIRECTORS’ SECURITIES TRANSACTIONS

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

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code regarding directors’ securities transactions during the year ended 31st March, 2011.

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, 2011. 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
Mr. Tang Yat Sun, Richard (<i>Vice Chairman</i>)	4
Mr. Cheng Ka On, Dominic	3
Mr. Yeung Bing Kwong, Kenneth	3
Ms. Fung Chung Yee, Caroline	4
<i>Non executive directors</i>	
Mr. Wong Wei Ping, Martin	4
Mr. Ho Hau Hay, Hamilton	4
Mr. Sin Nga Yan, Benedict	4
Mr. Yeung Ka Shing	3
<i>Independent non executive directors</i>	
Mr. Lau To Yee	4
Mr. Cheng Kar Shing, Peter	3
Mr. Chan Chak Cheung, William	3

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

NOMINATION OF DIRECTORS

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

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

During the year, no new director had been appointed.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company. As at 31st March, 2011, 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 auditor about his financial reporting are set out in the Independent Auditor's Report attached to the Company's financial statements for the year ended 31st March, 2011.

During the year, the Group's internal audit department reviewed the internal control matters relating to the key business of the Group and reported to the Audit Committee. With the assistance of the internal audit department, the Audit Committee reviewed internal control matters relating to the key business of the Group with the aim to identify areas for improvement. Based on the review reports of the internal audit department, the Audit Committee assessed the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting function, and their training programmes and budget and was satisfied with the results.

Corporate Governance Report (Continued)

AUDITOR'S REMUNERATION

Grant Thornton resigned as auditors of the Group with effect from 19th November, 2010 and BDO Limited was appointed as auditor of the Group on 19th November, 2010 to fill the casual vacancy occasioned by the resignation of Grant Thornton.

During the year, the total fee in respect of the statutory audit was approximately HK\$770,000 (2010: HK\$770,000). In addition, the total fee in respect of the interim results review, tax compliance and other services was approximately HK\$311,000 (2010: HK\$308,000).

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 auditor, and reviews and monitors the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the Company's auditor 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, 2011 have been reviewed by the Audit Committee, which is of the opinion that such statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

The Audit Committee met 4 times in the year and the attendance of individual members at the committee meetings were as follows:

Name of committee members	Number of meetings attended
Mr. Chan Chak Cheung, William	4
Mr. Lau To Yee	4
Mr. Wong Wei Ping, Martin	2

COMMUNICATIONS WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with the shareholders and, in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The shareholders of the Company are entitled to attend all general meetings in person or by proxy.



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TO THE SHAREHOLDERS 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 (together referred to as the "Group") set out on pages 22 to 81, which comprise the consolidated and company balance sheets as at 31st March, 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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, 2011 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.

BDO Limited

Certified Public Accountants

Li Wing Yin

Practising Certificate Number P05035

Hong Kong, 24th June, 2011

BDO Limited

香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Consolidated Income Statement

For the year ended 31st March, 2011

	Note	2011 HK\$'000	2010 HK\$'000
Revenue	5	1,263,852	1,221,596
Cost of sales		<u>(910,174)</u>	<u>(892,476)</u>
Gross profit		353,678	329,120
Other operating income		17,518	20,205
Distribution and selling costs		(243,285)	(185,280)
Administrative expenses		(78,853)	(74,686)
Other operating expenses		<u>(2,673)</u>	<u>(5,632)</u>
Operating profit		46,385	83,727
Finance costs	6	(2,741)	(3,909)
Share of losses of jointly controlled entities	18	<u>(83)</u>	<u>(577)</u>
Profit before taxation	7	43,561	79,241
Taxation	8	<u>(8,992)</u>	<u>(14,457)</u>
Profit for the year		<u><u>34,569</u></u>	<u><u>64,784</u></u>
Profit/(loss) for the year attributable to:			
Shareholders of the Company	9	34,605	64,781
Minority interests		<u>(36)</u>	<u>3</u>
		<u><u>34,569</u></u>	<u><u>64,784</u></u>
Earnings per share for profit attributable to the shareholders of the Company during the year	11		
- Basic (HK cents)		<u><u>8.0 cents</u></u>	<u><u>14.9 cents</u></u>

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2011

	2011 HK\$'000	2010 HK\$'000
Profit for the year	34,569	64,784
Other comprehensive income		
Change in fair value of available-for-sale investments	53,936	79,394
Exchange translation differences	2,324	1,322
Other comprehensive income for the year	56,260	80,716
Total comprehensive income for the year	90,829	145,500
Total comprehensive income for the year attributable to:		
Shareholders of the Company	90,865	145,497
Minority interests	(36)	3
	90,829	145,500

Consolidated Balance Sheet

As at 31st March, 2011

	Note	As at 31st March, 2011 HK\$'000	As at 31st March, 2010 HK\$'000 (Restated)	As at 1st April, 2009 HK\$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	40,836	22,528	24,466
Investment properties	16	790	823	856
Interests in jointly controlled entities	18	22	298	4,778
Available-for-sale investments	19	237,386	183,354	104,007
Other assets	20	2,196	2,196	2,196
		<u>281,230</u>	<u>209,199</u>	<u>136,303</u>
Current assets				
Inventories	21	800,689	782,552	839,881
Debtors, deposits and prepayments	22	142,370	108,311	116,911
Investments at fair value through profit or loss	23	20,009	6,628	19,385
Tax recoverable		—	—	26
Trust bank balances held on behalf of clients	24	1,914	1,557	14,011
Cash and cash equivalents	25	69,799	64,693	58,025
		<u>1,034,781</u>	<u>963,741</u>	<u>1,048,239</u>
Current liabilities				
Creditors, deposits received, accruals and deferred income	26	116,209	87,907	114,145
Amount due to a jointly controlled entity	18	22	24	—
Taxation payable		4,485	7,644	5,089
Gold loans, unsecured	27	27,042	31,757	28,251
Bank loans, unsecured	28	81,166	65,332	209,332
		<u>228,924</u>	<u>192,664</u>	<u>356,817</u>
Net current assets		<u>805,857</u>	<u>771,077</u>	<u>691,422</u>
Total assets less current liabilities		<u>1,087,087</u>	<u>980,276</u>	<u>827,725</u>
Non-current liabilities				
Bank loans, unsecured	28	65,000	42,500	29,167
Provision for long service payments	29	1,431	1,656	2,282
		<u>66,431</u>	<u>44,156</u>	<u>31,449</u>
Net assets		<u>1,020,656</u>	<u>936,120</u>	<u>796,276</u>
CAPITAL AND RESERVES				
Capital and reserves attributable to the shareholders of the Company				
Share capital	30	108,768	108,768	108,768
Other reserves	31(a)	277,353	221,093	140,377
Retained profits	31(a)			
Proposed final dividend		3,481	5,221	4,351
Others		630,910	600,806	542,551
		<u>1,020,512</u>	<u>935,888</u>	<u>796,047</u>
Minority interests		<u>144</u>	<u>232</u>	<u>229</u>
		<u>1,020,656</u>	<u>936,120</u>	<u>796,276</u>

Yeung Ping Leung, Howard
Chairman

Tang Yat Sun, Richard
Vice Chairman

Balance Sheet

As at 31st March, 2011

	Note	2011 HK\$'000	2010 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	3,419	4,369
Investments in subsidiaries	17	123,157	123,005
		<u>126,576</u>	<u>127,374</u>
Current assets			
Debtors, deposits and prepayments	22	865	885
Amounts due from subsidiaries	17	574,671	575,820
Cash and cash equivalents	25	36,878	5,160
		<u>612,414</u>	<u>581,865</u>
Current liabilities			
Creditors, deposits received and accruals	26	7,534	9,775
Amounts due to subsidiaries	17	263,612	263,253
Gold loans, unsecured	27	27,042	31,757
Bank loans, unsecured	28	81,166	65,332
		<u>379,354</u>	<u>370,117</u>
Net current assets		<u>233,060</u>	<u>211,748</u>
Total assets less current liabilities		<u>359,636</u>	<u>339,122</u>
Non-current liabilities			
Bank loans, unsecured	28	65,000	42,500
Provision for long service payments	29	116	116
		<u>65,116</u>	<u>42,616</u>
Net assets		<u>294,520</u>	<u>296,506</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	30	108,768	108,768
Other reserves	31(b)	17,575	17,575
Retained profits	31(b)		
Proposed final dividend		3,481	5,221
Others		164,696	164,942
		<u>294,520</u>	<u>296,506</u>

Yeung Ping Leung, Howard
Chairman

Tang Yat Sun, Richard
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2011

	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, 2009	108,768	17,575	24,753	6,894	91,155	546,902	796,047	229	796,276
2009 final dividend paid	—	—	—	—	—	(4,351)	(4,351)	—	(4,351)
2010 interim dividend paid	—	—	—	—	—	(1,305)	(1,305)	—	(1,305)
Transactions with shareholders	—	—	—	—	—	(5,656)	(5,656)	—	(5,656)
Profit for the year	—	—	—	—	—	64,781	64,781	3	64,784
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	79,394	—	79,394	—	79,394
Exchange translation differences	—	—	—	1,322	—	—	1,322	—	1,322
Total comprehensive income for the year	—	—	—	1,322	79,394	64,781	145,497	3	145,500
At 31st March, 2010	108,768	17,575	24,753	8,216	170,549	606,027	935,888	232	936,120
<i>Representing:</i>									
Proposed final dividend						5,221			
Others						600,806			
Retained profits as at 31st March, 2010						606,027			

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st March, 2011

	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, 2010	108,768	17,575	24,753	8,216	170,549	606,027	935,888	232	936,120
2010 final dividend paid	—	—	—	—	—	(5,221)	(5,221)	—	(5,221)
2011 interim dividend paid	—	—	—	—	—	(870)	(870)	—	(870)
Additional interest in subsidiaries acquired by the Group	—	—	—	—	—	(150)	(150)	(52)	(202)
Transactions with shareholders	—	—	—	—	—	(6,241)	(6,241)	(52)	(6,293)
Profit/(loss) for the year	—	—	—	—	—	34,605	34,605	(36)	34,569
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	53,936	—	53,936	—	53,936
Exchange translation differences	—	—	—	2,324	—	—	2,324	—	2,324
Total comprehensive income for the year	—	—	—	2,324	53,936	34,605	90,865	(36)	90,829
At 31st March, 2011	108,768	17,575	24,753	10,540	224,485	634,391	1,020,512	144	1,020,656
Representing:									
Proposed final dividend						3,481			
Others						630,910			
Retained profits as at 31st March, 2011						634,391			

Consolidated Statement of Cash Flows

For the year ended 31st March, 2011

	Note	2011 HK\$'000	2010 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	32	47,799	84,680
(Increase)/decrease in inventories		(10,230)	60,909
(Increase)/decrease in debtors, deposits and prepayments		(36,416)	7,596
Increase/(decrease) in creditors, deposits received, accruals and deferred income		28,045	(26,407)
(Decrease)/increase in amount due to a jointly controlled entity		(2)	24
(Increase)/decrease in trust bank balances held on behalf of clients		(357)	12,454
Dividends received from investments at fair value through profit or loss		1,654	263
Change in investments at fair value through profit or loss		(8,930)	22,745
Interest received		686	659
Hong Kong profits tax paid		(12,131)	(11,836)
Overseas tax paid		(20)	(40)
Long service payments paid		(45)	(13)
		<u>10,053</u>	<u>151,034</u>
<i>Net cash generated from operating activities</i>		----- 10,053	----- 151,034
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from available-for-sale investments		5,238	4,783
Additional interests in subsidiaries acquired by the Group		(202)	—
Purchase of property, plant and equipment		(29,496)	(7,261)
Acquisition of a jointly controlled entity		—	(539)
		<u>(24,460)</u>	<u>(3,017)</u>
<i>Net cash used in investing activities</i>		----- (24,460)	----- (3,017)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(2,484)	(3,740)
New bank and gold loans		315,626	270,910
Repayment of bank and gold loans		(289,255)	(404,092)
Dividends paid		(6,091)	(5,656)
		<u>17,796</u>	<u>(142,578)</u>
<i>Net cash generated from/(used in) financing activities</i>		----- 17,796	----- (142,578)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		3,389	5,439
Cash and cash equivalents at the beginning of the year		64,693	58,025
Effect of foreign exchange rates changes, net		1,717	1,229
		<u>69,799</u>	<u>64,693</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u><u>69,799</u></u>	<u><u>64,693</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2011

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 the principal activities of its subsidiaries are set out in note 17 to the financial statements.

The financial statements for the year ended 31st March, 2011 were approved for issue by the board of directors on 24th June, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 22 to 81 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 (the “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 (the “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 adoption of new or revised HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 2.2.

These financial statements have been prepared on the historical cost basis except for gold bullion stocks held for trading, 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 the preparation of these financial statements. Although these estimates are based on 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 these financial statements, are disclosed in note 3.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new/revised HKFRSs - effective 1st April, 2010

In the current year, 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, 2010:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except for as explained below, the adoption of these new HKFRSs has no significant impact on the Group’s financial statements.

HKFRS 3 (Revised): *Business Combinations* and HKAS 27 (Revised): *Consolidated and Separate Financial Statements*

The revised accounting policies are described in note 2.4 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1st July, 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes have impact on the amount of goodwill and the results in the period that an acquisition occurs and the future results. The adoption of revised HKFRS 3 has no material impact on the Group’s financial statements.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and accordingly, such transactions are recognised within equity. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of the revised HKAS 27 has no material impact on the Group’s financial statements.

HK Interpretation 5: *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The Interpretation is a clarification of an existing standard, HKAS 1: Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of the interpretation has no material impact on the Group’s financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new/revised HKFRSs - effective 1st April, 2010 (Continued)

HKAS 17 (Amendments): Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease and to present leasehold land as operating lease prepayments in the balance sheet. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The Group has reassessed the classification of the unexpired leasehold land as at 1st April, 2010 on the basis of information existing at the inception of that lease according to transitional provision in the amendment, and has reclassified the land element of its leasehold properties in Hong Kong from leasehold interests in land to property, plant and equipment and investment properties. The corresponding amortisation has also been reclassified to depreciation.

The above amendments had no impact on the Group's equity for any period presented. The effect of the above changes on reported profit or loss and the consolidated balance sheet are summarised as follows:

	2011 HK\$'000	2010 HK\$'000
Consolidated income statement for the year ended 31st March,		
Decrease in amortisation of leasehold interests in land	(130)	(130)
Increase in depreciation	<u>130</u>	<u>130</u>
	31st March, 2011 HK\$'000	31st March, 2010 HK\$'000
		1st April, 2009 HK\$'000
Consolidated balance sheet		
Decrease in leasehold interests in land	(4,654)	(4,784)
Increase in property, plant and equipment	4,240	4,358
Increase in investment properties	<u>414</u>	<u>438</u>

As a result of the above retrospective reclassification and restatement, an additional consolidated balance sheet as at 1st April, 2009 is presented in accordance with HKAS 1: Presentation of Financial Statements.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New/revised HKFRSs that have been issued but are not yet effective

The following new HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ^{1&2}
HK(IFRIC) - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments ¹
HKAS 24 (Revised)	Related Party Disclosures ²
Amendments to HKFRS 7	Disclosure - Transfers of Financial Assets ³
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets ⁴
HKFRS 9	Financial Instruments ⁵

¹ Effective for annual periods beginning on or after 1st July, 2010

² Effective for annual periods beginning on or after 1st January, 2011

³ Effective for annual periods beginning on or after 1st July, 2011

⁴ Effective for annual periods beginning on or after 1st January, 2012

⁵ Effective for annual periods beginning on or after 1st January, 2013

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The amendments to HKFRS 7 improve the de-recognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trading equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

Other than the main changes described above, the Group is in the process of making an assessment of the potential impact of these new HKFRSs and the management so far concluded that the application of these new HKFRSs will have no material impact on the Group's financial statements.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.5 below) (together referred to as the "Group") made up to 31st March for each year.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation (Continued)

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries on or after 1st April, 2010

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries prior to 1st April, 2010

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2.5 Subsidiaries

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

In the Company's balance sheet, investments in subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre-acquisition or post-acquisition profits are recognised in the Company's profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Jointly controlled entities

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

In the consolidated financial statements, an investment in a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the jointly controlled entity's profit or loss in the year in which the investment is acquired.

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 profit or loss for the year includes the Group's share of the post-acquisition and post-tax results of the jointly controlled entity for the year, including any impairment loss on the investment in the jointly controlled entity recognised for the year.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Where unrealised losses on asset sales between the Group and its jointly controlled entity is reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the jointly controlled entity's accounting policies to those of the Group when the jointly controlled entity's financial statements are used by the Group in applying the equity method.

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.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its jointly controlled entity. At each reporting date, the Group determines whether there is any objective evidence that the investment in a jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the jointly controlled entity and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the jointly controlled entity, including cash flows arising from the operations of the jointly controlled entity and the proceeds on ultimate disposal of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date re-translation of monetary assets and liabilities are recognised in profit or loss.

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 reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in capital and reserves.

When a foreign operation is sold, such exchange differences are reclassified from capital and reserves to profit or loss as part of the gain or loss on sale.

2.8 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group’s assets which yield interest 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 and bullion trading is recognised upon delivery of goods to customers, which is also the time when the significant risks and rewards of ownership are 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 profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Revenue recognition (Continued)

(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 apportion basis using the effective interest method.

2.9 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. They are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are expensed when incurred.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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 profit or loss during the financial period in which they are incurred.

Buildings held under leasing agreements are depreciated over their expected useful lives of 40 to 50 years or over the term of lease, if shorter.

Depreciation on other assets is provided to write off the cost less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over lease term
Leasehold improvements	15% or over the remaining period of the lease, whichever is shorter
Plant and machinery, furniture and equipment	15%
Motor vehicles	15%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Property, plant and equipment (Continued)

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.11 Investment properties

Investment properties are land and buildings held under a leasehold interest 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 buildings held as investment properties using the straight line method over their expected useful lives ranging from 40 to 50 years or over the lease term, if shorter. Leasehold land held as investment property is depreciated over the lease term.

2.12 Impairment of non-financial assets

Property, plant and equipment, investment properties, investments in subsidiaries and jointly controlled entities 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. 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.

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, if no impairment loss had been recognised.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

2.14 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and jointly controlled entities 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial assets (Continued)

Management determines the classification of the 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.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the 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 reporting 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 include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or they are 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.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. 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 income and interest income are recognised in accordance with the Group's policies in notes 2.8(v) and 2.8(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, 2011

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 in other comprehensive income and accumulated separately in the investment revaluation reserve in capital and reserves, 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 is re-classified from capital and reserves to profit or loss. Dividend income from those investments is recognised in profit or loss in accordance with the policy set out in note 2.8(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 other comprehensive income.

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 reporting date subsequent to initial recognition.

Impairment of financial assets

At each reporting 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 year in which the impairment occurs.

If, in a subsequent year, 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 year 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 in other comprehensive income and accumulated 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 and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. 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 years.

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.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Financial assets (Continued)

Impairment of financial assets (Continued)

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. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2.15 Inventories

Inventories, other than gold bullion stocks held for trading, 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 bullion stocks held for trading are stated at fair value less cost to sell. Changes in fair value are recognised in the profit or loss in the year 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 reporting date. They are calculated according to the tax rates and tax laws applicable to the tax years 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 profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting 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 jointly controlled entities, 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 year the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in capital and reserves if they relate to items that are charged or credited to other comprehensive income or directly to capital and reserves.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Accounting for income taxes (Continued)

Current tax assets and current tax liabilities are presented on a net basis if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities on a net basis if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at banks, other financial institutions 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 statement of cash flows 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.

2.19 Employee benefits

(i) *Defined contribution plans*

The Group operates a number of defined contribution retirement schemes in Hong Kong. Contributions are made based on certain percentages of the employee's basic salaries.

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.

Contributions are recognised as expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

(ii) *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 reporting date.

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

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 in accordance with the Group's accounting policy for borrowing costs (see note 2.9).

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 profit or loss.

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 profit or loss over the year of the bank loans using the effective interest method.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability 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. 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 profit or loss. 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 reporting 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reporting 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.

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's top management including executive directors and general manager for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major product and service lines. The Group has identified the following operating segments:

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the PRC
- (iii) Securities broking
- (iv) Construction services
- (v) Provision of travel related products and services

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. Since (ii) and (v) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated to (i) because they have similar economic characteristics and (v) is reported under "All others". Although (iii) also does not meet the quantitative thresholds, it is separately presented as it is the major business line of the Group. Reportable segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the top management. The top management assesses segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements except as noted below.

Reportable segment assets and liabilities are all assets and liabilities excluding investments in securities, tax recoverable and payable and corporate assets and liabilities as they are not included in the internal management reporting information reviewed by the top management. Segment result excludes corporate income and expenses, income and expenses arising from investments in securities and income tax.

Corporate income and expenses mainly include management fee income and expense, interest income and expense, employee benefit expense and operating lease charge of the Company and investment holding companies. Corporate assets and liabilities mainly include property, plant and equipment, cash and cash equivalents, bank loans and accrued expenses of the Company and investment holding companies and loans from directors of subsidiaries of the Company.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

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. 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 indicates that 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 reporting date.

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 reporting 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 profit or loss 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. SEGMENT INFORMATION

The top management has identified the Group's four reporting segments as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

4. SEGMENT INFORMATION (Continued)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Year ended 31st March, 2011						
Revenue						
From external customers	1,229,908	6,108	19,847	7,989	—	1,263,852
Inter-segment sales	—	—	—	29	(29)	—
Reportable segment revenue	<u>1,229,908</u>	<u>6,108</u>	<u>19,847</u>	<u>8,018</u>	<u>(29)</u>	<u>1,263,852</u>
Interest income	260	81	1	—	—	342
Finance costs	(8,435)	—	(184)	—	—	(8,619)
Depreciation	(9,140)	(268)	(505)	(60)	—	(9,973)
Share of loss of a jointly controlled entity	—	—	(83)	—	—	(83)
Reportable segment results	46,971	(4,188)	(8,006)	220	—	34,997
Corporate income						54,709
Corporate expenses						(57,112)
Dividend income						6,892
Fair value change of investments at fair value through profit or loss held for trading						4,075
Profit before taxation						<u>43,561</u>
At 31st March, 2011						
Reportable segment assets	947,012	40,591	20,085	8,768	—	1,016,456
Corporate assets						42,160
Available-for-sale investments						237,386
Investments at fair value through profit or loss						20,009
Total assets per consolidated balance sheet						<u>1,316,011</u>
Reportable segment liabilities	101,102	18,378	6,832	10,483	—	136,795
Corporate liabilities						154,075
Taxation payable						4,485
Total liabilities per consolidated balance sheet						<u>295,355</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

4. SEGMENT INFORMATION (Continued)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Year ended 31st March, 2010 (Restated)						
Revenue						
From external customers	1,177,368	7,629	30,658	5,941	—	1,221,596
Inter-segment sales	—	—	24	—	(24)	—
Reportable segment revenue	<u>1,177,368</u>	<u>7,629</u>	<u>30,682</u>	<u>5,941</u>	<u>(24)</u>	<u>1,221,596</u>
Interest income	321	104	—	—	—	425
Finance costs	(10,331)	—	(155)	—	—	(10,486)
Depreciation	(6,860)	(308)	(460)	(73)	—	(7,701)
Share of losses of jointly controlled entities	<u>(336)</u>	<u>—</u>	<u>(241)</u>	<u>—</u>	<u>—</u>	<u>(577)</u>
Reportable segment results	77,117	(4,164)	(3,057)	(126)	—	69,770
Corporate income						51,524
Corporate expenses						(57,074)
Dividend income						5,046
Fair value change of investments at fair value through profit or loss held for trading						<u>9,975</u>
Profit before taxation						<u>79,241</u>
At 31st March, 2010						
Reportable segment assets	899,944	36,606	26,817	8,184	—	971,551
Corporate assets						11,407
Available-for-sale investments						183,354
Investments at fair value through profit or loss						<u>6,628</u>
Total assets per consolidated balance sheet						<u>1,172,940</u>
Reportable segment liabilities	72,527	14,945	12,058	8,623	—	108,153
Corporate liabilities						121,023
Taxation payable						<u>7,644</u>
Total liabilities per consolidated balance sheet						<u>236,820</u>

No geographical information is presented as more than 90% of the Group's revenue and assets are derived from activities in Hong Kong.

For the years ended 31st March, 2010 and 2011, the Group did not have a concentration of reliance on any single customer under each of the segments.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

5. 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:

	2011 HK\$'000	2010 HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	1,196,948	1,132,670
Bullion trading	25,934	28,959
Commission from securities broking	6,108	7,629
Diamond wholesaling	7,026	15,739
	<u>1,236,016</u>	<u>1,184,997</u>
Other revenue		
Revenue on construction contracts	19,847	30,658
Income from provision of travel related products and services	7,989	5,941
	<u>27,836</u>	<u>36,599</u>
Total revenue	<u><u>1,263,852</u></u>	<u><u>1,221,596</u></u>

6. FINANCE COSTS

	2011 HK\$'000	2010 HK\$'000
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	2,171	3,193
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	570	716
	<u>2,741</u>	<u>3,909</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	2011 HK\$'000	2010 HK\$'000 (Restated)
Charging:		
Auditors' remuneration		
- provision for the current year	841	845
Cost of inventories, including	916,968	895,867
- provision for and write down of inventories to net realisable value	6,413	9,643
- reversal of write down of inventories	(7,072)	(7,202)
Depreciation of property, plant and equipment	11,201	9,140
Depreciation of investment properties	33	33
Loss on write off/disposal of property, plant and equipment	218	139
Operating lease charges in respect of properties	140,783	91,630
Operating lease charges in respect of furniture and fixtures	538	363
Outgoings in respect of investment properties	74	62
Provision for impairment losses of debtors		
- provided against allowance account	1,837	1,036
- reversal of provision	(39)	—
- written off directly to the account	—	15
Provision for impairment loss of interest in a jointly controlled entity	193	4,442
Provision for impairment losses of other receivables	559	—
	<u>559</u>	<u>—</u>
Crediting:		
Dividend income	6,892	5,046
Fair value change of investments at fair value through profit or loss held for trading	4,075	9,975
Foreign exchange gain, net	4,208	2,182
Interest income from financial assets at amortised cost	686	659
Rental income		
- owned properties	721	941
- operating sub-leases	20	—
Reversal of provision for impairment loss of available-for-sale investments	96	—
Write back of provision for long service payments (notes 12 and 29)	180	613
	<u>180</u>	<u>613</u>

The reversal of write down of inventories arose from inventories that were sold subsequently.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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.

	2011 HK\$'000	2010 HK\$'000
Current tax		
- Hong Kong		
Current year	9,346	14,083
(Over)/under provision of prior years	(377)	332
	<u>8,969</u>	<u>14,415</u>
- Overseas		
Current year	23	12
Under provision of prior years	—	30
	<u>23</u>	<u>42</u>
Taxation charge	<u><u>8,992</u></u>	<u><u>14,457</u></u>

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

	2011 HK\$'000	2010 HK\$'000
Profit before taxation	<u>43,561</u>	<u>79,241</u>
Tax on profit before taxation, calculated at the rates applicable to profits in the relevant tax jurisdictions	6,797	13,098
Tax effect of non-taxable income	(2,252)	(1,237)
Tax effect of non-deductible expenses	417	1,361
Temporary differences not recognised	(722)	(373)
Tax losses not recognised	4,033	2,547
Utilisation of previously unrecognised tax losses	(103)	(795)
(Over)/under provision of prior years	(377)	362
Others	<u>1,199</u>	<u>(506)</u>
Taxation charge	<u><u>8,992</u></u>	<u><u>14,457</u></u>

9. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Of the consolidated profit attributable to the shareholders of the Company of HK\$34,605,000 (2010: HK\$64,781,000), a profit of HK\$4,105,000 (2010: HK\$2,483,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

10. DIVIDENDS

(a) Dividends attributable to the year

	2011 HK\$'000	2010 HK\$'000
Interim dividend of HK0.2 cent (2010: HK0.3 cent) per ordinary share	870	1,305
Proposed final dividend of HK0.8 cent (2010: HK1.2 cents) per ordinary share	<u>3,481</u>	<u>5,221</u>
	<u><u>4,351</u></u>	<u><u>6,526</u></u>

At a meeting held on 11th December, 2009, the directors declared an interim dividend of HK0.3 cent per ordinary share for the year ended 31st March, 2010. This interim dividend was paid on 15th January, 2010 and was reflected as an appropriation of retained profits for the year ended 31st March, 2010.

At a meeting held on 9th July, 2010, the directors proposed a final dividend of HK1.2 cents per ordinary share for the year ended 31st March, 2010, which was approved by the shareholders at the annual general meeting held on 28th September, 2010. This final dividend was paid on 6th October, 2010 and has been reflected as an appropriation of retained profits for the year.

At a meeting held on 18th November, 2010, the directors declared an interim dividend of HK0.2 cent per ordinary share for the year. This interim dividend was paid on 20th December, 2010 and was reflected as an appropriation of retained profits for the year.

At a meeting held on 24th June, 2011, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year, subject to the approval of the shareholders at the annual general meeting to be held on 27th September, 2011. This proposed final dividend is not reflected as dividend payable as at 31st March, 2011, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2012.

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

	2011 HK\$'000	2010 HK\$'000
2010 final dividend of HK1.2 cents per ordinary share (2010: 2009 final dividend of HK1.0 cent per ordinary share)	<u><u>5,221</u></u>	<u><u>4,351</u></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\$34,605,000 (2010: HK\$64,781,000) and on 435,071,650 (2010: 435,071,650) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31st March, 2011 was not presented as there were no dilutive potential ordinary shares during the year (2010: Nil).

12. EMPLOYEE BENEFIT EXPENSE

	2011 HK\$'000	2010 HK\$'000
Wages, salaries and allowances	86,295	87,303
Pension costs - defined contribution retirement schemes	3,891	3,720
Write back of provision for long service payments (note 29)	<u>(180)</u>	<u>(613)</u>
	<u><u>90,006</u></u>	<u><u>90,410</u></u>

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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

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
2011					
Executive directors					
Mr. Yeung Ping Leung, Howard	39	—	—	2	41
Mr. Tang Yat Sun, Richard	39	—	—	2	41
Mr. Cheng Ka On, Dominic	39	—	—	2	41
Mr. Yeung Bing Kwong, Kenneth	41	249	—	12	302
Ms. Fung Chung Yee, Caroline	37	1,178	822	88	2,125
Non-executive directors					
Mr. Wong Wei Ping, Martin	35	—	—	—	35
Mr. Ho Hau Hay, Hamilton	20	—	—	—	20
Mr. Sin Nga Yan, Benedict	20	—	—	—	20
Mr. Yeung Ka Shing	20	—	—	—	20
Independent non-executive directors					
Mr. Lau To Yee	70	—	—	—	70
Mr. Cheng Kar Shing, Peter	72	—	—	—	72
Mr. Chan Chak Cheung, William	300	—	—	—	300
	<u>732</u>	<u>1,427</u>	<u>822</u>	<u>106</u>	<u>3,087</u>
2010					
Executive directors					
Mr. Yeung Ping Leung, Howard	39	—	—	2	41
Mr. Tang Yat Sun, Richard	39	—	—	2	41
Mr. Cheng Ka On, Dominic	39	—	—	2	41
Mr. Yeung Bing Kwong, Kenneth	41	238	—	12	291
Ms. Fung Chung Yee, Caroline	37	1,122	878	84	2,121
Non-executive directors					
Mr. Wong Wei Ping, Martin	35	—	—	—	35
Mr. Ho Hau Hay, Hamilton	20	—	—	—	20
Mr. Sin Nga Yan, Benedict	20	—	—	—	20
Mr. Yeung Ka Shing	20	—	—	—	20
Independent non-executive directors					
Mr. Lau To Yee	70	—	—	—	70
Mr. Cheng Kar Shing, Peter	72	—	—	—	72
Mr. Chan Chak Cheung, William	300	—	—	—	300
	<u>732</u>	<u>1,360</u>	<u>878</u>	<u>102</u>	<u>3,072</u>

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2010: Nil).

None of the directors has waived or agreed to waive any emoluments in respect of the year (2010: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included one (2010: one) director whose emoluments are reflected in the analysis presented in note 13. The emoluments payable to the remaining four (2010: four) highest paid, non-director individuals during the year are as follows:

	2011 HK\$'000	2010 HK\$'000
Salaries, allowances and benefits in kind	3,809	3,626
Bonuses	2,324	3,306
Pension costs - defined contribution retirement schemes	231	221
	<u>6,364</u>	<u>7,153</u>

The emoluments of the four highest paid, non-director individuals, fell within the following bands:

Emolument bands	Number of individuals	
	2011	2010
HK\$1,000,001 - HK\$1,500,000	2	2
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	1	—
HK\$2,500,001 - HK\$3,000,000	—	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 (2010: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Leasehold land and buildings HK\$'000 (Restated)	Leasehold improvements HK\$'000	Plant and machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000 (Restated)
At 1st April, 2009					
Cost	11,053	44,882	34,663	1,497	92,095
Accumulated depreciation	(5,021)	(34,795)	(26,479)	(1,334)	(67,629)
Net book amount	6,032	10,087	8,184	163	24,466
Net book amount					
At 1st April, 2009	6,032	10,087	8,184	163	24,466
Additions	—	4,293	2,968	—	7,261
Write off/disposals	—	—	(139)	—	(139)
Depreciation	(208)	(6,265)	(2,608)	(59)	(9,140)
Exchange difference	—	33	22	25	80
Reclassification	—	(1,010)	1,010	—	—
At 31st March, 2010	5,824	7,138	9,437	129	22,528
At 31st March, 2010					
Cost	11,053	38,580	41,868	1,497	92,998
Accumulated depreciation	(5,229)	(31,442)	(32,431)	(1,368)	(70,470)
Net book amount	5,824	7,138	9,437	129	22,528
Net book amount					
At 1st April, 2010	5,824	7,138	9,437	129	22,528
Additions	—	25,180	3,766	550	29,496
Write off/disposals	—	(190)	(28)	—	(218)
Depreciation	(208)	(8,183)	(2,706)	(104)	(11,201)
Exchange difference	—	215	15	1	231
At 31st March, 2011	5,616	24,160	10,484	576	40,836
At 31st March, 2011					
Cost	11,053	49,495	45,547	2,094	108,189
Accumulated depreciation	(5,437)	(25,335)	(35,063)	(1,518)	(67,353)
Net book amount	5,616	24,160	10,484	576	40,836

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

Depreciation expense of HK\$342,000 (2010: HK\$323,000) was included in cost of sales, HK\$9,217,000 (2010: HK\$6,934,000) was included in distribution and selling costs and HK\$1,642,000 (2010: HK\$1,883,000) was included in administrative expenses.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

	Leasehold improvements HK\$'000	Plant and machinery, furniture and equipment HK\$'000	Total HK\$'000
At 1st April, 2009			
Cost	1,742	19,361	21,103
Accumulated depreciation	(1,325)	(15,048)	(16,373)
Net book amount	<u>417</u>	<u>4,313</u>	<u>4,730</u>
Net book amount			
At 1st April, 2009	417	4,313	4,730
Additions	447	677	1,124
Write off	—	(13)	(13)
Depreciation	(238)	(1,234)	(1,472)
At 31st March, 2010	<u>626</u>	<u>3,743</u>	<u>4,369</u>
At 31st March, 2010			
Cost	2,190	19,652	21,842
Accumulated depreciation	(1,564)	(15,909)	(17,473)
Net book amount	<u>626</u>	<u>3,743</u>	<u>4,369</u>
Net book amount			
At 1st April, 2010	626	3,743	4,369
Additions	—	326	326
Write off	—	(15)	(15)
Depreciation	(150)	(1,111)	(1,261)
At 31st March, 2011	<u>476</u>	<u>2,943</u>	<u>3,419</u>
At 31st March, 2011			
Cost	2,190	19,879	22,069
Accumulated depreciation	(1,714)	(16,936)	(18,650)
Net book amount	<u>476</u>	<u>2,943</u>	<u>3,419</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

16. INVESTMENT PROPERTIES

	Group	
	2011 HK\$'000	2010 HK\$'000 (Restated)
At 1st April		
Gross carrying amount	1,840	1,840
Accumulated depreciation	<u>(1,017)</u>	<u>(984)</u>
Net carrying amount at 1st April	<u>823</u>	<u>856</u>
Opening net carrying amount	823	856
Depreciation	<u>(33)</u>	<u>(33)</u>
Closing net carrying amount	<u>790</u>	<u>823</u>
At 31st March		
Gross carrying amount	1,840	1,840
Accumulated depreciation	<u>(1,050)</u>	<u>(1,017)</u>
Net carrying amount at 31st March	<u>790</u>	<u>823</u>

The Group's investment properties, which are land and buildings held under a leasehold interest, are situated in Hong Kong and are held under medium term leases.

The fair value of the Group's investment properties at 31st March, 2011 was approximately HK\$14,320,000 (2010: HK\$9,720,000) which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuation was estimated based on the properties' open market value which was based on market evidence of prices for comparable properties on 31st March, 2011.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2011 HK\$'000	2010 HK\$'000
Investments in subsidiaries		
Unlisted shares, at cost	128,807	128,655
Less: Provision for impairment loss	<u>(5,650)</u>	<u>(5,650)</u>
	<u>123,157</u>	<u>123,005</u>
Amounts due from subsidiaries	<u>574,671</u>	<u>575,820</u>
Amounts due to subsidiaries	<u>(263,612)</u>	<u>(263,253)</u>

The amounts due from/to subsidiaries were unsecured, interest free, except for receivables of HK\$186,329,000 (2010: HK\$145,912,000) and payables of nil (2010: HK\$3,349,000) which bore interest at rates ranging from 1.87% to 5.00% (2010: 1.85% to 5.00%) per annum, being the effective interest rates as at 31st March, 2011, and repayable on demand.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

17. INTERESTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31st March, 2011 are as follows:

Name	Place/ country of incorporation	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	—	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
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, watch, fashion and gift retailing and bullion trading
King Fook Securities Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	—	Securities broking

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
King Shing Bullion Traders & Finance Company Limited	Hong Kong	60,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook (Beijing) Consultancy Services Limited [#]	PRC	US\$100,000	100	—	Business consultancy
King Fook Jewellery (Beijing) Company Limited	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 Jewellery (Suzhou) Company Limited	PRC	US\$300,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook (Shanghai) International Trading Limited [#]	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	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
Perfectrade Macau Limited	Macau	MOP25,000	80	—	Dormant
Polyview International Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding and watch trading
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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
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	—	Dormant
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	99.05	99.05	Diamond wholesaling
Young's Diamond Factory Limited	Hong Kong	2,000 ordinary shares of US\$10 each	99.05	—	Dormant
Young's Diamond Corporation (Shanghai) Limited [#]	PRC	US\$200,000	100	100	Diamond wholesaling

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

[^] Additional capital injection of RMB14,000,000 was subsequently paid up on 12th April, 2011.

^{*} This company was engaged in import and distribution of memory extensions and computer peripheral products. It applied for liquidation during the year ended 31st March, 2008. As at 31st March, 2011, the liquidation process has not yet been completed. Provision for liquidation loss had been made during the year ended 31st March, 2008 (note 26(c)) and the management of the Group considered the amount is adequate and no further provision is necessary.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 HK\$'000	2010 HK\$'000
Share of net assets	4,657	4,740
Less: Provision for impairment loss (<i>Note</i>)	(4,635)	(4,442)
	<u>22</u>	<u>298</u>
Amount due to a jointly controlled entity	<u>22</u>	<u>24</u>

The amount due to a jointly controlled entity was unsecured, interest free and repayable on demand.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the Group's interests in jointly controlled entities, which are unlisted corporate entities, as at 31st March, 2011 are as follows:

Name	Form of business structure	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of interest held	Principal activities
Shandong Tarzan King Fook Precious Metal Refinery Co. Ltd. ("Shandong") [#]	Limited liability	PRC	RMB10,000,000	49%	Gold refining and assaying
China Union Building Materials (HK) Co. Ltd. ("CUBM")	Limited liability	Hong Kong	1,100,000 ordinary shares of HK\$1 each	49%	Trading of building materials

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

The Group's share of the jointly controlled entities' assets, liabilities, income and expenses are as follows:

	2011 HK\$'000	2010 HK\$'000
At 31st March		
Non-current assets	893	897
Current assets	<u>4,554</u>	<u>4,540</u>
	5,447	5,437
Current liabilities	<u>(790)</u>	<u>(697)</u>
Net assets	<u><u>4,657</u></u>	<u><u>4,740</u></u>
Year ended 31st March		
Income	1,819	438
Expenses	<u>(1,902)</u>	<u>(1,015)</u>
Loss for the year	<u><u>(83)</u></u>	<u><u>(577)</u></u>

Note:

Provision for impairment on interest in Shandong represents the Group's share of its net assets. Since Shandong has been making losses for some years and its business has been suspended during the year ended 31st March, 2010, in view of uncertain future prospect of Shandong and the concern on the collectability of the receivable due from its shareholder, the management of the Group has made full impairment of its interest in Shandong during the year ended 31st March, 2010. Pursuant to the termination of the joint venture agreement, the share transfer agreement and the board resolution signed on 11th May, 2011, the Group agreed to sell and the Group's joint venture partner of Shandong agreed to buy the Group's 49% interest in Shandong at a consideration of RMB1,000,000.

Since CUBM has been making losses since its incorporation in 2010, in view of the poor performance of CUBM, the shareholders of CUBM have a plan to liquidate the company. The management of the Group has then made full impairment of its interest in CUBM up to the amount due to it during the year.

The Group has not incurred any contingent liabilities or other commitments relating to its jointly controlled entities.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

19. AVAILABLE-FOR-SALE INVESTMENTS

	2011 HK\$'000	2010 HK\$'000
Listed debt and equity securities, at market value and fair value		
Listed in Hong Kong	221,671	170,294
Listed outside Hong Kong*	<u>14,667</u>	<u>12,108</u>
	<u>236,338</u>	<u>182,402</u>
Unlisted equity securities, at cost	3,923	3,923
Less: Provision for impairment loss [#]	<u>(3,231)</u>	<u>(3,327)</u>
	<u>692</u>	<u>596</u>
Membership licence, at cost	<u>356</u>	<u>356</u>
	<u><u>237,386</u></u>	<u><u>183,354</u></u>

* As at 31st March, 2011, 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 38.9% (2010: 38.9%) and 5.1% (2010: 5.1%) equity interests respectively in an investee with carrying amount of HK\$9,678,000 (2010: HK\$7,280,000).

[#] 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:

	2011 HK\$'000	2010 HK\$'000
At the beginning of the year	3,327	3,327
Reversal of provision for impairment loss	<u>(96)</u>	<u>—</u>
At the end of the year	<u><u>3,231</u></u>	<u><u>3,327</u></u>

Fair value of the listed debt and equity securities have been determined directly by reference to published price quotations in active markets.

Unlisted equity securities and membership licence are measured at cost as the fair value cannot be measured reliably. There was no open market on the unlisted investments and the management has no intention to dispose of such investments at 31st March, 2011.

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

20. OTHER ASSETS

	2011 HK\$'000	2010 HK\$'000
Statutory deposits	2,126	2,126
Guarantee deposit	<u>70</u>	<u>70</u>
	<u><u>2,196</u></u>	<u><u>2,196</u></u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

21. INVENTORIES

	2011 HK\$'000	2010 HK\$'000
Jewellery	373,812	342,246
Gold ornament and bullion	35,468	40,027
Watch, gift and fashion	387,472	398,549
Construction materials	3,937	1,730
	<u>800,689</u>	<u>782,552</u>

22. DEBTORS, DEPOSITS AND PREPAYMENTS

		Group		Company	
	Note	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade debtors	(a)	48,980	51,646	—	—
Other receivables	(b)	28,435	22,631	185	189
Deposits and prepayments		52,955	22,034	680	696
Insurance claim receivable	(c)	12,000	12,000	—	—
		<u>142,370</u>	<u>108,311</u>	<u>865</u>	<u>885</u>

Note:

(a) Trade debtors

	Group	
	2011 HK\$'000	2010 HK\$'000
Gross carrying amount of trade debtors	54,917	56,110
Less: Provision for impairment loss	<u>(5,937)</u>	<u>(4,464)</u>
Trade debtors - net	<u>48,980</u>	<u>51,646</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 the impairment loss is as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
At the beginning of the year	4,464	3,428
Impairment loss for the year	1,837	1,036
Direct written off during the year	(325)	—
Reversal during the year	<u>(39)</u>	<u>—</u>
At the end of the year	<u>5,937</u>	<u>4,464</u>

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and a collective basis. As at 31st March, 2011, the Group has determined trade debtors of HK\$5,937,000 (2010: HK\$4,464,000) as individually impaired. Based on this assessment, an additional provision for impairment loss of HK\$1,837,000 (2010: HK\$1,036,000) has been recognised. The impaired trade debtors are due from customers experiencing financial difficulties and were in default or delinquency of payments.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

22. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Note: (Continued)

(a) Trade debtors (Continued)

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

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

	2011 HK\$'000	Group 2010 HK\$'000
Within 30 days	38,458	36,303
31 - 90 days	2,214	3,215
More than 90 days	<u>8,308</u>	<u>12,128</u>
	<u><u>48,980</u></u>	<u><u>51,646</u></u>

The trade debtors as at 31st March, 2011 consisted of receivables from customers of the securities broking business amounting to HK\$17,804,000 (2010: HK\$13,885,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

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

	2011 HK\$'000	Group 2010 HK\$'000
Neither past due nor impaired	34,248	26,883
Past due 90 days or less	6,859	12,679
Past due more than 90 days but less than 1 year	4,149	5,862
Past due more than 1 year	<u>3,724</u>	<u>6,222</u>
At 31st March	<u><u>48,980</u></u>	<u><u>51,646</u></u>

As at 31st March, 2011, 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.

- (b) As at 31st March, 2011, included in other receivables was an advance made by the Group to an independent third party of HK\$2,085,000 (2010: HK\$2,006,000). This advance was secured by certain diamonds with a carrying amount of HK\$4,652,000 (2010: HK\$4,652,000) as assessed by the management of the Group, bearing interest at fixed amount of HK\$105,000 (2010: HK\$105,000) per annum and repayable within one year. This receivable was subsequently settled on 8th June, 2011.

As at 31st March, 2011, the Group has determined other receivables of HK\$559,000 (2010: Nil) as individually impaired. The impaired other receivables are due from customers experiencing financial difficulties and were in default or delinquency of payments.

- (c) During the year ended 31st March, 2006, the Group discovered that a former director of a subsidiary of the Company (the "Subsidiary") had misappropriated securities belonging to the clients of the Subsidiary. Such securities had a total market value of about HK\$28,800,000. During the year ended 31st March, 2007, the Group had made compensation to the relevant clients. Based on 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 provision for compensation made in the prior years was 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) and the Group recognised the net amount of HK\$12,000,000 as "insurance claim receivable" accordingly.

In February 2011, the Subsidiary commenced a legal proceeding against the underwriters of the insurance policy. The Subsidiary claimed for the sums of HK\$16,000,000 for the losses suffered as a result of events insured pursuant to the terms of the contract of insurance of HK\$15,000,000 and costs and expenses of HK\$1,000,000 as a consequence of conducting investigation. Having taken into consideration of the advice from the Group's legal counsels, the management of the Group is of the opinion that it is not necessary to make provision for impairment against the insurance claim receivable as at the reporting date.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

23. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK\$'000	2010 HK\$'000
Equity securities, at market value and fair value		
Listed in Hong Kong	2,733	4,440
Listed outside Hong Kong	17,276	2,188
	<u>20,009</u>	<u>6,628</u>

The above investments are classified as held for trading.

Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting 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 statement of cash flows.

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.

24. 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 at bank in one or more segregated bank accounts and placed on short term time deposits. As at 31st March, 2011, no clients' monies were placed on short term time deposit. As at 31st March, 2010, the Group's clients' monies placed on 20 days short term time deposits amounted to HK\$81,000 with fixed interest rate at 0.001% per annum. Other trust bank balances were maintained in bank current accounts which do not carry any interest. 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.

25. CASH AND CASH EQUIVALENTS

(a) Group

Cash and cash equivalents include the following components:

	2011 HK\$'000	2010 HK\$'000
Cash at banks and in hand	38,230	39,018
Cash at other financial institutions	5,734	17,360
Short term bank deposits	25,835	8,315
	<u>69,799</u>	<u>64,693</u>

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

The effective interest rates of short term bank deposits ranged from 0.001% to 0.04% (2010: 0.001% to 0.01%) per annum, which were the effective interest rates at 31st March, 2011. These deposits had a maturity of 1 to 32 days (2010: 1 to 33 days) and were eligible for immediate cancellation without receiving any interest for the last deposit period.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

25. CASH AND CASH EQUIVALENTS (Continued)

(a) Group (Continued)

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\$4,998,000 (2010: HK\$7,594,000) 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

	2011 HK\$'000	2010 HK\$'000
Cash at banks and in hand	<u>36,878</u>	<u>5,160</u>

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

26. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Note	Group		Company	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade payables	(a)	38,620	27,379	—	—
Other payables and accruals	(b)	64,025	48,984	7,534	9,775
Deposits received and deferred income		12,889	10,869	—	—
Other provision	(c)	675	675	—	—
		<u>116,209</u>	<u>87,907</u>	<u>7,534</u>	<u>9,775</u>

Note:

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

	Group	
	2011 HK\$'000	2010 HK\$'000
Within 30 days	35,972	20,737
31 - 90 days	996	2,432
More than 90 days	1,652	4,210
	<u>38,620</u>	<u>27,379</u>

(b) At 31st March, 2010, the balance included amounts due to directors of subsidiaries of HK\$2,399,000. The amounts due were unsecured, interest free and repayable on demand.

Included in other payables, there was also an amount of approximately HK\$1,914,000 (2010: HK\$1,557,000) in respect of the clients' undrawn monies which arose from securities broking transactions. The amount is repayable on demand.

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

All amounts are short term in nature and hence the carrying values of creditors, deposits received, accruals and deferred income are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

27. GOLD LOANS, UNSECURED

	Group and Company	
	2011	2010
	HK\$'000	HK\$'000
Gold loans at market value		
Repayable within one year	<u>27,042</u>	<u>31,757</u>

Gold loans bore interest at fixed rates ranging from 1.75% to 2.20% (2010: 1.75% to 2.30%) per annum, which were the effective interest rates at 31st March, 2011.

Fair values of the gold loans have been determined by reference to their quoted bid prices at reporting date.

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

28. BANK LOANS, UNSECURED

	Group and Company	
	2011	2010
	HK\$'000	HK\$'000
Bank loans are repayable as follows:		
Within one year	81,166	65,332
In the second year	30,000	22,500
In the third to fifth years, inclusive	<u>35,000</u>	<u>20,000</u>
	146,166	107,832
Portion classified as current liabilities	<u>(81,166)</u>	<u>(65,332)</u>
Non-current portion	<u>65,000</u>	<u>42,500</u>

All bank loans were denominated in HK\$ and United States dollars ("US\$") and bore interest at variable rates ranging from 0.91% to 2.09% (2010: 0.83% to 2.00%) per annum, which were the effective interest rates at 31st March, 2011.

The carrying values of bank loans are considered to be a reasonable approximation of fair values.

29. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	1,656	2,282	116	273
Payments	(45)	(13)	—	—
Write back	<u>(180)</u>	<u>(613)</u>	<u>—</u>	<u>(157)</u>
At the end of the year	<u>1,431</u>	<u>1,656</u>	<u>116</u>	<u>116</u>

The balances as at 31st March, 2010 and 2011 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.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

30. SHARE CAPITAL

	Group and Company	
	2011 HK\$'000	2010 HK\$'000
Authorised:		
620,000,000 (2010: 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 (2010: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

31. RESERVES

(a) Group

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

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

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

(b) Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2009	17,575	173,336	190,911
Profit for the year	—	2,483	2,483
Dividends	—	(5,656)	(5,656)
	<u>17,575</u>	<u>170,163</u>	<u>187,738</u>
At 31st March, 2010			
Representing:			
Proposed final dividend (note 10)		5,221	
Others		164,942	
		<u>170,163</u>	
At 1st April, 2010	17,575	170,163	187,738
Profit for the year	—	4,105	4,105
Dividends	—	(6,091)	(6,091)
	<u>17,575</u>	<u>168,177</u>	<u>185,752</u>
At 31st March, 2011			
Representing:			
Proposed final dividend (note 10)		3,481	
Others		164,696	
		<u>168,177</u>	

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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011 HK\$'000	2010 HK\$'000 (Restated)
Profit before taxation	43,561	79,241
Depreciation of property, plant and equipment	11,201	9,140
Depreciation of investment properties	33	33
Dividend income from investments at fair value through profit or loss/ available-for-sale investments	(6,892)	(5,046)
Fair value change of investments at fair value through profit or loss held for trading	(4,075)	(9,975)
Interest expense	2,741	3,909
Interest income	(686)	(659)
Loss on write off/disposal of property, plant and equipment	218	139
Provision for and write down of inventories to net realisable value	6,413	9,643
Provision for impairment losses of debtors	1,837	1,051
Provision for impairment loss of interest in a jointly controlled entity	193	4,442
Provision for impairment losses of other receivables	559	—
Reversal of provision for impairment losses of debtors	(39)	—
Reversal of provision for impairment loss of available-for-sale investments	(96)	—
Reversal of write down of inventories to net realisable value	(7,072)	(7,202)
Share of losses of jointly controlled entities	83	577
Write back of provision for long service payments	(180)	(613)
	<u>47,799</u>	<u>84,680</u>

33. DEFERRED TAX

(a) Group

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a taxation rate of 16.5% (2010: 16.5%).

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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At the beginning of the year	629	805	(629)	(805)	—	—
(Credited)/charged to consolidated income statement	(144)	(176)	144	176	—	—
At the end of the year	<u>485</u>	<u>629</u>	<u>(485)</u>	<u>(629)</u>	<u>—</u>	<u>—</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

33. 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. Those are not recognised in the financial statements as it is not probable that taxable profits will be available against which the tax losses can be utilised due to unpredictability of future profit streams. At 31st March, 2011, the Group has unrecognised deferred tax assets arising from estimated tax losses of the Company and subsidiaries operating in Hong Kong and the subsidiaries operating in the PRC of approximately HK\$108,656,000 and HK\$7,317,000 (2010: HK\$93,712,000 and HK\$3,580,000) 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 operating in Hong Kong will not expire under the current tax legislation.

At 31st March, 2011, there were no material unrecognised deferred tax liabilities (2010: 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, 2011, the Company has no material deferred tax liabilities (2010: Nil). The Company has unrecognised estimated tax losses of HK\$14,718,000 (2010: HK\$9,393,000) to carry forward against future taxable income and these tax losses have no expiry date. They are not recognised in the financial statements as it is not probable that taxable profits will be available against which the tax losses can be utilised due to unpredictability of future profit streams.

34. 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

	2011			2010		
	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	177,073	114	177,187	66,967	306	67,273
In the second to fifth years, inclusive	297,322	—	297,322	51,754	114	51,868
	<u>474,395</u>	<u>114</u>	<u>474,509</u>	<u>118,721</u>	<u>420</u>	<u>119,141</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

34. OPERATING LEASE COMMITMENTS (Continued)

(b) Company

	Land and buildings HK\$'000	2011 Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	2010 Other assets HK\$'000	Total HK\$'000
Within one year	487	114	601	1,302	306	1,608
In the second to fifth years, inclusive	—	—	—	487	114	601
	<u>487</u>	<u>114</u>	<u>601</u>	<u>1,789</u>	<u>420</u>	<u>2,209</u>

The Group and the Company lease a number of land and buildings and other assets under operating leases. The leases run for an initial period of one to ten years (2010: one to ten years) and two years (2010: two years) respectively.

Certain leasing arrangements have been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to arrive at the above commitments.

35. FUTURE OPERATING LEASE RECEIVABLES

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

	2011 HK\$'000	Group 2010 HK\$'000
Within one year	632	397
In the second to fifth years, inclusive	<u>389</u>	<u>—</u>
	<u>1,021</u>	<u>397</u>

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to two years (2010: one to three years), with option to renew the lease term at the expiry date.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

36. 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	2011 HK\$'000	2010 HK\$'000
Operating lease rental on land and buildings paid to related companies:			
Stanwick Properties Limited	(a)	7,327	7,151
Contender Limited	(b)	5,360	17,289
Fabrico (Mfg) Limited	(c)	180	180
Shahdan Limited	(d)	534	—
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	(a)	306	306
Consultancy fees paid to related companies:			
Verbal Company Limited	(e)	5,500	5,500
Excellent Base Trading Limited	(f)	—	650
Revenue on construction contracts from Verbal Company Limited	(g)	—	2
Management fees and air-conditioning charges paid to related companies:			
Stanwick Properties Limited	(a)	658	612
Contender Limited	(b)	248	556
Shahdan Limited	(d)	110	—

The above related party transactions were entered into on normal commercial terms.

Note:

- (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. 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, management fees and air-conditioning charges were paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited (“Miramar”), a shareholder of the Company until 17th September, 2010, for the shop premises occupied, advertising signboards and showcases used by the Group. 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.
- (c) The operating lease rental was paid to Fabrico (Mfg) Limited (“Fabrico”) for the warehouse occupied by the Group. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).
- (d) The operating lease rental, management fees and air-conditioning charges were paid to Shahdan Limited (“Shahdan”) for the office premises occupied by the Group. Shahdan is a wholly owned subsidiary of Miramar (note (b)).
- (e) The Company had entered into a consultancy 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.
- (f) The Group had entered into a marketing consultancy agreement with Excellent Base Trading Limited (“Excellent Base”) whereby Excellent Base provides marketing consultancy 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.
- (g) Revenue on construction contracts was recognised by the Group for the interior design services provided to Verbal.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

36. RELATED PARTY TRANSACTIONS (Continued)

Note: (Continued)

(h) Compensation of key management personnel

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

	2011 HK\$'000	2010 HK\$'000
Wages, salaries and allowances	7,712	8,545
Pension costs - defined contribution retirement schemes	<u>320</u>	<u>303</u>
	<u><u>8,032</u></u>	<u><u>8,848</u></u>

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and 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, 2011

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.1 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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Non-current assets				
Available-for-sale investments				
Financial assets at fair value	236,338	182,402	—	—
Financial assets at cost less impairment loss	1,048	952	—	—
	<u>237,386</u>	<u>183,354</u>	<u>—</u>	<u>—</u>
Current assets				
Investments at fair value through profit or loss	20,009	6,628	—	—
Loans and receivables				
Financial assets at amortised cost				
- Trade debtors	48,980	51,646	—	—
- Amounts due from subsidiaries	—	—	574,671	575,820
- Other receivables	28,435	22,631	185	189
- Insurance claim receivable	12,000	12,000	—	—
- Trust bank balances held on behalf of clients	1,914	1,557	—	—
Cash and cash equivalents	<u>69,799</u>	<u>64,693</u>	<u>36,878</u>	<u>5,160</u>
	<u>181,137</u>	<u>159,155</u>	<u>611,734</u>	<u>581,169</u>
	<u>418,523</u>	<u>342,509</u>	<u>611,734</u>	<u>581,169</u>
Non-current liabilities				
Financial liabilities at amortised cost				
- Bank loans, unsecured	<u>65,000</u>	<u>42,500</u>	<u>65,000</u>	<u>42,500</u>
Current liabilities				
Financial liabilities at fair value through profit or loss				
- Gold loans, unsecured	27,042	31,757	27,042	31,757
Financial liabilities at amortised cost				
- Trade payables	38,620	27,379	—	—
- Amount due to a jointly controlled entity	22	24	—	—
- Amounts due to subsidiaries	—	—	263,612	263,253
- Other payables and accruals	64,025	48,984	7,534	9,775
- Bank loans, unsecured	<u>81,166</u>	<u>65,332</u>	<u>81,166</u>	<u>65,332</u>
	<u>210,875</u>	<u>173,476</u>	<u>379,354</u>	<u>370,117</u>
	<u>275,875</u>	<u>215,976</u>	<u>444,354</u>	<u>412,617</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.2 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 reporting date as shown in note 37.1.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt periodically and at each reporting date to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the management of the Group considers 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 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 institutions located in Hong Kong and the PRC.

Saved as disclosed in note 22(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.

37.3 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\$, cash and cash equivalents, which are denominated in Euro ("EUR"), Swiss Franc ("CHF") and US\$ and bank loans which are denominated in US\$.

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

	2011			2010		
	EUR HK\$'000	CHF HK\$'000	US\$ HK\$'000	EUR HK\$'000	CHF HK\$'000	US\$ HK\$'000
Financial assets						
Available-for-sale investments	—	—	14,667	—	—	12,108
Cash and cash equivalents	5,763	15,794	726	82	4,002	7,061
Financial liabilities						
Bank loans, unsecured	—	—	(4,666)	—	—	(4,666)
Net exposure	<u>5,763</u>	<u>15,794</u>	<u>10,727</u>	<u>82</u>	<u>4,002</u>	<u>14,503</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, 2011

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.3 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 changes in the foreign currency rate of CHF and EUR, to which the Group has significant exposure at the reporting date.

	2011		2010	
	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%	2,369	15%	600
CHF	(15%)	(2,369)	(15%)	(600)
EUR	15%	864	15%	12
EUR	(15%)	(864)	(15%)	(12)

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

37.4 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 institutions and bank loans at floating interest rates, which are subject to variable interest rates. The interest rates and terms are disclosed in notes 25 and 28.

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

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 an 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 capital and reserves. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

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

The policies to manage equity 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, 2011

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.5 Price risk (Continued)

Equity price risk (Continued)

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 reporting date.

	Increase/ (decrease) in security market price	2011 Effect on profit after tax and retained earnings HK\$'000	Effect on investment revaluation reserve HK\$'000	Increase/ (decrease) in security market price	2010 Effect on profit after tax and retained earnings HK\$'000	Effect on investment revaluation reserve HK\$'000
Hong Kong market	30%	820	66,502	30%	1,332	51,088
Hong Kong market	(30%)	(820)	(66,502)	(30%)	(1,332)	(51,088)
USA market	30%	—	4,400	30%	—	3,633
USA market	(30%)	—	(4,400)	(30%)	—	(3,633)
PRC market	30%	4,110	—	30%	656	—
PRC market	(30%)	(5,183)	—	(30%)	(656)	—

The sensitivity analysis above has been determined assuming that the change in equity price had occurred at the reporting 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 reporting date. The analysis was performed on the same basis for the year ended 31st March, 2010.

The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exposure to fair value change.

The Company has no significant investments subject to equity price risk.

Commodity price risk

The Group's and the Company's commodity price risk arises from gold loans (note 27). Since the level of gold stocks is close to that of gold loans and they have offsetting effect on price fluctuation, the management of the Group does not expect that there will be any significant commodity price risk exposure.

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

37.6 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.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.6 Liquidity risk (Continued)

As at 31st March, 2011, 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
At 31st March, 2011					
Trade payables	2,873	35,747	—	—	38,620
Other payables and accruals	39,416	16,825	7,784	—	64,025
Amount due to a jointly controlled entity	22	—	—	—	22
Gold loans, unsecured	—	27,136	—	—	27,136
Bank loans, unsecured	—	72,663	9,660	66,547	148,870
	<u>42,311</u>	<u>152,371</u>	<u>17,444</u>	<u>66,547</u>	<u>278,673</u>
At 31st March, 2010					
Trade payables	—	27,379	—	—	27,379
Other payables and accruals	31,004	17,298	682	—	48,984
Amount due to a jointly controlled entity	24	—	—	—	24
Gold loans, unsecured	—	31,814	—	—	31,814
Bank loans, unsecured	—	57,482	8,619	42,995	109,096
	<u>31,028</u>	<u>133,973</u>	<u>9,301</u>	<u>42,995</u>	<u>217,297</u>

(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
At 31st March, 2011					
Other payables and accruals	2,039	5,420	75	—	7,534
Gold loans, unsecured	—	27,136	—	—	27,136
Bank loans, unsecured	—	72,663	9,660	66,547	148,870
Amounts due to subsidiaries	263,612	—	—	—	263,612
	<u>265,651</u>	<u>105,219</u>	<u>9,735</u>	<u>66,547</u>	<u>447,152</u>
At 31st March, 2010					
Other payables and accruals	1,843	7,844	88	—	9,775
Gold loans, unsecured	—	31,814	—	—	31,814
Bank loans, unsecured	—	57,482	8,619	42,995	109,096
Amounts due to subsidiaries	263,253	—	—	—	263,253
	<u>265,096</u>	<u>97,140</u>	<u>8,707</u>	<u>42,995</u>	<u>413,938</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.7 Fair values measurements recognised in the balance sheet - Group

The following table presents financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

	2011 - Group			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Available-for-sale investments				
- Listed	236,338	—	—	236,338
Investments at fair value through profit or loss	20,009	—	—	20,009
Total fair values	<u>256,347</u>	<u>—</u>	<u>—</u>	<u>256,347</u>
Liabilities				
Gold loans, unsecured	27,042	—	—	27,042
Total fair values	<u>27,042</u>	<u>—</u>	<u>—</u>	<u>27,042</u>
Net fair values	<u>229,305</u>	<u>—</u>	<u>—</u>	<u>229,305</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2011

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.7 Fair values measurements recognised in the balance sheet - Group (Continued)

	Level 1 HK\$'000	2010 - Group Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale investments				
- Listed	182,402	—	—	182,402
Investments at fair value through profit or loss	<u>6,628</u>	<u>—</u>	<u>—</u>	<u>6,628</u>
Total fair values	<u>189,030</u>	<u>—</u>	<u>—</u>	<u>189,030</u>
Liabilities				
Gold loans, unsecured	<u>31,757</u>	<u>—</u>	<u>—</u>	<u>31,757</u>
Total fair values	<u>31,757</u>	<u>—</u>	<u>—</u>	<u>31,757</u>
Net fair values	<u>157,273</u>	<u>—</u>	<u>—</u>	<u>157,273</u>

There have been no significant transfers between levels 1 and 2 in the reporting period.

38. 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 shareholders 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 equity capital-to-overall financing ratio at reporting date was as follows:

	2011 HK\$'000	2010 HK\$'000
Equity capital		
Total capital and reserves	<u>1,020,656</u>	<u>936,120</u>
Overall financing		
Bank loans, unsecured	<u>146,166</u>	<u>107,832</u>
Gold loans, unsecured	<u>27,042</u>	<u>31,757</u>
	<u>173,208</u>	<u>139,589</u>
Equity capital-to-overall financing ratio	<u>5.89 : 1</u>	<u>6.71 : 1</u>

39. COMPARATIVE FIGURES

Certain comparative figures have been restated 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, Hungohm, Kowloon, Hong Kong	The remaining portion of section H of Kowloon Marine Lot No. 40	4,436	99.05%	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, Hungohm, Kowloon, Hong Kong	The remaining portion of section H of Kowloon Marine Lot No. 40	N/A	99.05%	CP	Medium

C: Commercial
CP: Carpark
N/A: Not applicable

Five Year Financial Summary

	2011	2010	2009	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Total assets	1,316,011	1,172,940	1,184,542	1,082,721	969,824
Total liabilities	295,355	236,820	388,266	254,422	313,705
Current assets/current liabilities (times)	4.52	5.00	2.94	4.18	3.46
Capital and reserves					
Capital and reserves	1,020,656	936,120	796,276	828,299	656,119
Capital and reserves per share (HK\$)	2.35	2.15	1.83	1.90	1.51
Total assets/capital and reserves (times)	1.29	1.25	1.49	1.31	1.48
Earnings					
Profit before taxation	43,561	79,241	72,629	164,991	52,456
Profit attributable to shareholders	34,605	64,781	59,183	146,940	45,193
Earnings per share (cents)	8.00	14.90	13.60	33.77	10.39
Return on average total assets	2.8%	5.5%	5.2%	14.3%	4.9%
Return on average capital and reserves	3.5%	7.5%	7.3%	19.8%	7.3%
Dividend					
Dividend paid	6,091	5,656	8,701	10,442	5,439
Dividend per share (cents)	1.40	1.30	2.00	2.40	1.25
Dividend paid cover (times)	5.68	11.45	6.80	14.07	8.31