



king fook holdings limited  
景福集團有限公司

Stock Code: 280

for the six months ended 30th September, 2008  
Interim Report

# Contents

2	Management Commentary
7	Independent Review Report
8	Condensed Consolidated Income Statement
9	Condensed Consolidated Balance Sheet
10	Condensed Consolidated Statement of Changes in Equity
12	Condensed Consolidated Cash Flow Statement
13	Notes to the Condensed Consolidated Interim Financial Statements

# Management Commentary

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The Board of Directors of King Fook Holdings Limited (the “Company”) is pleased to present the interim report and condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2008. The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the six months ended 30th September, 2008, and the consolidated balance sheet as at 30th September, 2008 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 8 to 28 of this report.

## **Interim dividend**

The Board of Directors has resolved the payment of an interim dividend of HK0.4 cent per ordinary share in respect of the year ending 31st March, 2009 (2008: HK1.2 cents), payable to all shareholders whose names appear on the Register of Members of the Company on 5th January, 2009. The interim dividend will be paid on or about 14th January, 2009.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from 31st December, 2008 to 5th January, 2009, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 30th December, 2008 in order to qualify for the interim dividend above mentioned.

## **Business review and prospects**

The Group’s unaudited consolidated profit attributable to the shareholders of the Company for the six months ended 30th September, 2008 was approximately HK\$41.7 million. During the period, the Group’s overall turnover increased by 11% compared with the same period of last year, driven by growth in sales from gold ornament and gold bullion trading by HK\$36 million. The Group’s sales of jewellery, watch, fashion and gift and the construction business also recorded varying degrees of increases in turnover compared with the same period of last year. Due to a downturn in the Hong Kong stock market for the period under review, commission income from the securities broking division of the Group decreased by 66%.

# Management Commentary (*continued*)

## **Business review and prospects** (*continued*)

During the period, the Group's gold ornament retailing and gold bullion trading businesses benefited from uncertainties in the global environment as gold is perceived as a safe investment during times of economic uncertainty. However, most rental leases were renewed at a time when the retail market was not yet affected by the current development of the financial tsunami and therefore the Group may not be able to take advantage of lower retail rentals that the market currently commands. In spite of improvements in overall turnover, the Group recorded a significant decrease in net profits for the period under review, which was mainly caused by the fair value losses on revaluation of investments at fair value through profit or loss and no disposal of the investment in Hong Kong Exchanges and Clearing Limited during the period under review. Notwithstanding that the Group's financial performance for the period under review was affected only to a limited extent by the slowdown in the world economy and the tightening of the credit market, the Group expects that the deterioration of the world's financial markets during the third quarter of this year will have repercussions on the Group in the months ahead as consumption on luxury items will inevitably be affected.

Looking forward, the Group continues to expand its retailing business in the People's Republic of China. A retail shop is scheduled to open in Beijing in April next year. In spite of the current difficult operating environment, the management is constantly on the look-out for suitable investment opportunities and will continue to implement stringent cost reduction programs to reduce operating expenses, secure uninterrupted supplies from major vendors by developing closer relationships and plan to implement an Enterprise Resource Planning System to strive for total quality management and operational efficiencies.

The management will follow its usual management policy based on prudence, remain vigilant of the effect of the global economic uncertainty over the local retailing business and continue to introduce more international branded jewellery and watches to satisfy customers' needs.

## **Investments**

As at 30th September, 2008 and the date of this report, the Group held 1,314,000 shares in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares") as available-for-sale investments. The market value of the HKEC Shares amounted to HK\$122.3 million as at 30th September, 2008. The Group also held available-for-sale investments listed outside Hong Kong, one of which amounting to HK\$4.3 million as at 30th September, 2008 is a related party of the Group.

# Management Commentary (*continued*)

## Finance

As at 30th September, 2008, the Group's current assets and current liabilities were HK\$1,055 million and HK\$370 million respectively. There were bank balances and cash of HK\$107 million and unsecured bank loans of HK\$263 million on such date.

Based on the total borrowings of HK\$290 million and the capital and reserves attributable to the shareholders of the Company of HK\$809 million as at 30th September, 2008, the overall borrowings to equity ratio was 36%, which was at a healthy level.

## Employees

As at 30th September, 2008, the Group had approximately 350 employees. The employees (including directors) are remunerated according to the nature of their jobs and are entitled to an incentive bonus based on their performance.

## Directors' interests

As at 30th September, 2008, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register maintained by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

	Number of ordinary shares held			Total	Percentage of shareholding
	Personal	Family	Corporate		
Mr. Tang Yat Sun, Richard	3,585,000	Nil	*9,986,000	13,571,000	3.12%
Mr. Cheng Ka On, Dominic	4,020,000	15,000	Nil	4,035,000	0.93%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*3,170,000	3,170,000	0.73%

# These shares are held by Daily Moon Investments Limited ("Daily Moon") in which Mr. Tang has a 100% interest. Accordingly, Mr. Tang is deemed to be interested in all these shares held by Daily Moon.

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

# Management Commentary (*continued*)

## **Directors' interests** (*continued*)

Save as disclosed above, as at 30th September, 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares in, or debentures of, the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## **Substantial shareholder**

As at 30th September, 2008, the following person (other than a director or chief executive of the Company) had interest in the share capital of the Company as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

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

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

Save as disclosed above, as at 30th September, 2008, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

## **Purchase, sale or redemption of listed securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2008.

# Management Commentary (*continued*)

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## **Share option scheme**

On 27th August, 2004, the Company adopted a share option scheme under which the directors may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares of the Company.

The Company has not granted any option under the share option scheme or otherwise since its adoption.

## **Model Code**

The Company has adopted a code of conduct regarding directors' securities transactions on the terms of the Model Code. Having made specific enquiry of all the directors of the Company, all of them had complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the period.

## **Code on 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 set out in Appendix 14 to the Listing Rules at any time during the six months ended 30th September, 2008 except that the non-executive directors were not appointed for a specific term but each of them is subject to retirement by rotation at annual general meetings of the Company at least once every three years in accordance with the Articles of Association of the Company.

## **Review by auditors and audit committee**

The unaudited condensed consolidated interim financial statements (the "Interim Financial Report") of the Company for the six months ended 30th September, 2008 have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants by Grant Thornton, the auditors of the Company.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its internal control and financial reporting matters and the Interim Financial Report for the six months ended 30th September, 2008.

# Independent Review Report

## **TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **Introduction**

We have reviewed the interim financial report set out on pages 8 to 28 which comprise the condensed consolidated balance sheet of King Fook Holdings Limited as of 30th September, 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

### **Grant Thornton**

*Certified Public Accountants*  
13th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

12th December, 2008



# Condensed Consolidated Income Statement

For the six months ended 30th September, 2008

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>Revenue</b>	3	<b>557,713</b>	497,236
Cost of sales		<b>(396,252)</b>	(367,887)
<b>Gross profit</b>		<b>161,461</b>	129,349
Other operating income		<b>22,510</b>	87,664
Distribution and selling costs		<b>(83,870)</b>	(76,955)
Administrative expenses		<b>(33,735)</b>	(35,372)
Other operating expenses		<b>(11,779)</b>	(108)
<b>Operating profit</b>		<b>54,587</b>	104,578
Finance costs		<b>(2,517)</b>	(5,135)
Share of loss of a jointly controlled entity		<b>(220)</b>	(161)
<b>Profit before taxation</b>	4	<b>51,850</b>	99,282
Taxation	6	<b>(10,105)</b>	(6,196)
<b>Profit for the period</b>		<b>41,745</b>	93,086
<b>Attributable to:</b>			
Shareholders of the Company		<b>41,736</b>	93,085
Minority interests		<b>9</b>	1
<b>Profit for the period</b>		<b>41,745</b>	93,086
<b>Dividends</b>	7	<b>1,740</b>	5,221
<b>Earnings per share for profit attributable to the shareholders of the Company during the period</b>	8		
— Basic (HK cents)		<b>9.6 cents</b>	21.4 cents

# Condensed Consolidated Balance Sheet

As at 30th September, 2008

	Notes	Unaudited 30th September, 2008 HK\$'000	Audited 31st March, 2008 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	19,191	20,129
Leasehold interests in land		4,978	5,719
Investment properties		429	868
Interest in a jointly controlled entity		5,031	5,099
Available-for-sale investments	10	131,519	182,035
Other assets		2,196	2,196
		<u>163,344</u>	<u>216,046</u>
<b>Current assets</b>			
Inventories		837,012	673,286
Debtors, deposits and prepayments	11	92,839	93,311
Investments at fair value through profit or loss		17,823	13,153
Tax recoverable		451	451
Cash and cash equivalents		106,601	86,474
		<u>1,054,726</u>	<u>866,675</u>
<b>Current liabilities</b>			
Creditors, deposits received, accruals and deferred income	12	97,012	97,861
Taxation payable		20,649	12,185
Gold loans, unsecured		27,666	33,347
Bank loans, unsecured	13	225,167	64,167
		<u>370,494</u>	<u>207,560</u>
<b>Net current assets</b>		<u>684,232</u>	<u>659,115</u>
<b>Total assets less current liabilities</b>		<u>847,576</u>	<u>875,161</u>
<b>Non-current liabilities</b>			
Bank loans, unsecured	13	37,499	45,833
Provision for long service payments		1,029	1,029
		<u>38,528</u>	<u>46,862</u>
<b>Net assets</b>		<u>809,048</u>	<u>828,299</u>
<b>CAPITAL AND RESERVES</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	14	108,768	108,768
Other reserves		168,837	222,873
Retained profits			
Proposed dividends		1,740	6,961
Others		529,455	489,459
		<u>808,800</u>	<u>828,061</u>
<b>Minority interests</b>		<u>248</u>	<u>238</u>
		<u>809,048</u>	<u>828,299</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2008

	Capital and reserves attributable to the shareholders of the Company							Minority	Total
	Share	Share	Capital	Exchange	Investment	Retained	Total	HK\$'000	
	capital	premium	reserve on	reserve	revaluation	profits			
HK\$'000	HK\$'000	consolidation	HK\$'000	reserve	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>For the six months ended</b>									
<b>30th September, 2008</b>									
At 1st April, 2008 (Audited)	108,768	17,575	24,753	6,293	174,252	496,420	828,061	238	828,299
Change in fair value of available-for-sale investments	—	—	—	—	(55,229)	—	(55,229)	—	(55,229)
Exchange translation differences	—	—	—	1,193	—	—	1,193	1	1,194
Net income/(expense) recognised directly in equity	—	—	—	1,193	(55,229)	—	(54,036)	1	(54,035)
Profit for the period	—	—	—	—	—	41,736	41,736	9	41,745
Total recognised income and expense for the period	—	—	—	1,193	(55,229)	41,736	(12,300)	10	(12,290)
2008 final dividends paid (note 7(b))	—	—	—	—	—	(6,961)	(6,961)	—	(6,961)
<b>At 30th September, 2008 (Unaudited)</b>	<b>108,768</b>	<b>17,575</b>	<b>24,753</b>	<b>7,486</b>	<b>119,023</b>	<b>531,195</b>	<b>808,800</b>	<b>248</b>	<b>809,048</b>
<i>Representing:</i>									
Proposed interim dividend						1,740			
Others						529,455			
<b>Retained profits as at 30th September, 2008</b>						<b>531,195</b>			

# Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30th September, 2008

	Capital and reserves attributable to the shareholders of the Company							Minority	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
For the six months ended 30th September, 2007									
At 1st April, 2007 (Audited)	108,768	17,575	24,753	1,892	142,471	359,922	655,381	738	656,119
Change in fair value of available-for-sale investments	—	—	—	—	210,836	—	210,836	—	210,836
Realisation of fair value change of available-for-sale investments on disposal	—	—	—	—	(42,644)	—	(42,644)	—	(42,644)
Exchange translation differences	—	—	—	1,096	—	—	1,096	(96)	1,000
Net income/(expense) recognised directly in equity	—	—	—	1,096	168,192	—	169,288	(96)	169,192
Profit for the period	—	—	—	—	—	93,085	93,085	1	93,086
Total recognised income and expense for the period	—	—	—	1,096	168,192	93,085	262,373	(95)	262,278
2007 final dividends paid	—	—	—	—	—	(5,221)	(5,221)	—	(5,221)
At 30th September, 2007 (Unaudited)	108,768	17,575	24,753	2,988	310,663	447,786	912,533	643	913,176
<i>Representing:</i>									
Proposed interim dividends						5,221			
Others						442,565			
Retained profits as at 30th September, 2007						447,786			

# Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2008

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Net cash (used in)/generated from operating activities	<b>(132,673)</b>	6,984
Net cash generated from investing activities	<b>12,661</b>	58,983
Net cash generated from/(used in) financing activities	<b>139,251</b>	(44,319)
Net increase in cash and cash equivalents	<b>19,239</b>	21,648
Effect of foreign exchange rates changes, net	<b>888</b>	861
Cash and cash equivalents at the beginning of the period	<b>86,474</b>	56,697
Cash and cash equivalents at the end of the period	<b>106,601</b>	79,206

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the "Interim Financial Report") of King Fook Holdings Limited (the "Company") for the six months ended 30th September, 2008 (the "period") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Interim Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31st March, 2008 (the "2008 Annual Financial Statements").

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Interim Financial Report has been prepared under the historical convention, except for the revaluation of certain financial instruments classified as available-for-sale and at fair value through profit or loss. The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the 2008 Annual Financial Statements.

From 1st April, 2008, the Company and its subsidiaries (the "Group") has adopted all the new and amended HKFRSs issued by the HKICPA which were first effective during the period and relevant to the Group's operation. The adoption of these new and amended HKFRSs did not result in significant changes to the Group's accounting policies.

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 (Amendment)	Financial Instruments: Presentation <sup>1</sup>

For the six months ended 30th September, 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (*continued*)

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective: (*continued*)

HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible Hedged Items <sup>3</sup>
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>1</sup>
HKFRS 2 (Amendment)	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>3</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK (IFRIC) — Interpretation 13	Customer Loyalty Programmes <sup>2</sup>
HK (IFRIC) — Interpretation 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK (IFRIC) — Interpretation 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

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

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

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

4 Effective for annual periods beginning on or after 1st October, 2008

Save as disclosed above, the HKICPA has made minor amendments to a number of HKFRSs in October 2008 as a result of the annual improvements project of the HKICPA. Unless otherwise specified, these minor amendments to HKFRSs in an annual improvements project are effective for annual periods beginning on or after 1st January, 2009.

### **Amendment to HKAS 1 — Presentation of Financial Statements**

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

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

**3. REVENUE AND SEGMENT INFORMATION**

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 period comprised the following:

	<b>Unaudited Six months ended 30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
<b>Turnover</b>		
Gold ornament, jewellery, watch, fashion and gift retailing	<b>500,788</b>	446,929
Bullion trading	<b>21,606</b>	15,532
Commission from securities broking	<b>2,640</b>	7,688
Diamond wholesaling	<b>7,741</b>	8,529
	<u>          </u>	<u>          </u>
	<b>532,775</b>	478,678
	-----	-----
<b>Other revenue</b>		
Revenue on construction contracts	<b>21,237</b>	11,221
Sale of computer related products	—	4,068
Income from provision of travel related products and services	<b>3,701</b>	3,269
	<u>          </u>	<u>          </u>
	<b>24,938</b>	18,558
	-----	-----
Total revenue	<b>557,713</b>	497,236
	<u>          </u>	<u>          </u>



# Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

For the six months ended 30th September, 2008

## 3. REVENUE AND SEGMENT INFORMATION (*continued*)

### (a) Business segments

The Group is organised into three main business segments:

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

There was no intersegment sale and transfer during the period (2007: Nil). An analysis of the Group's revenue and results for the period by business segments is as follows:

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	Unallocated*	Group HK\$'000
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Unaudited</b>					
<b>Six months ended</b>					
<b>30th September, 2008</b>					
Segment revenue	<u>530,135</u>	<u>2,640</u>	<u>21,237</u>	<u>3,701</u>	<u>557,713</u>
Segment results	<u>65,703</u>	<u>(1,860)</u>	<u>94</u>	<u>241</u>	<u>64,178</u>
Unallocated operating income and expenses					<u>(9,591)</u>
Operating profit					<u>54,587</u>
Finance costs					<u>(2,517)</u>
Share of loss of a jointly controlled entity	(220)	—	—	—	<u>(220)</u>
Profit before taxation					<u>51,850</u>
Taxation					<u>(10,105)</u>
Profit for the period					<u>41,745</u>

**3. REVENUE AND SEGMENT INFORMATION** (*continued*)**(a) Business segments** (*continued*)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	Unallocated*	Group HK\$'000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Unaudited Six months ended 30th September, 2007					
Segment revenue	<u>470,990</u>	<u>7,688</u>	<u>11,221</u>	<u>7,337</u>	<u>497,236</u>
Segment results	<u>35,078</u>	<u>3,410</u>	<u>73</u>	<u>(109)</u>	38,452
Unallocated operating income and expenses					<u>66,126</u>
Operating profit					104,578
Finance costs					(5,135)
Share of loss of a jointly controlled entity	(161)	—	—	—	<u>(161)</u>
Profit before taxation					99,282
Taxation					<u>(6,196)</u>
Profit for the period					<u>93,086</u>

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

**(b) Geographical segments**

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

# Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

For the six months ended 30th September, 2008

## 4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Charging:		
Amortisation of leasehold interests in land	65	65
Cost of inventories sold	389,883	361,915
Depreciation of property, plant and equipment	4,288	4,240
Depreciation of investment properties	18	24
Loss on disposal of property, plant and equipment	15	105
Provision for and write down of inventories	2,234	5,387
Provision for impairment losses of debtors	107	—
Operating lease charges in respect of properties	36,546	30,245
Outgoings in respect of investment properties	35	30
Fair value change of investments at fair value through profit or loss held for trading	<u>10,730</u>	<u>—</u>
Crediting:		
Dividend income	7,885	4,904
Interest income from financial assets at amortised cost	697	492
Fair value change of investments at fair value through profit or loss held for trading	—	20,569
Gain on disposal of available-for-sale investments (including Nil (2007: HK\$42,644,000) previously recognised in investment revaluation reserve)	—	59,062
Gain on disposal of investment property and corresponding interests in land	11,903	—
Rental income		
— owned properties	674	594
— operating subleases	<u>710</u>	<u>570</u>

**5. EMPLOYEE BENEFIT EXPENSE**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Wages, salaries and allowances	<b>40,373</b>	37,977
Pension costs — defined contribution retirement schemes	<b>1,734</b>	1,694
	<b>42,107</b>	39,671

Employee benefit expense as shown above include directors' emoluments.

**6. TAXATION**

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Current tax		
— Hong Kong		
Tax for the period	<b>9,212</b>	5,052
Under provision in prior years	<b>942</b>	48
	<b>10,154</b>	5,100
— Overseas		
Tax for the period	<b>19</b>	1,096
Over provision in prior years	<b>(68)</b>	—
	<b>(49)</b>	1,096
Total taxation charge	<b>10,105</b>	6,196

# Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

For the six months ended 30th September, 2008

## 7. DIVIDENDS

	<b>Unaudited Six months ended 30th September,</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared after the interim period end of HK0.4 cent (note (c)) (2007: HK0.5 cent (note (a))) per ordinary share	<b>1,740</b>	2,175
Special interim dividend declared after the interim period end of Nil (note (c)) (2007: HK0.7 cent (note (a))) per ordinary share	—	3,046
	<b><u>1,740</u></b>	<u>5,221</u>

### Notes:

- (a) At a meeting held on 7th December, 2007, the directors declared an interim dividend of HK0.5 cent per ordinary share and a special interim dividend of HK0.7 cent per ordinary share, making a total interim dividend of HK1.2 cents per ordinary share for the year ended 31st March, 2008. These interim dividends were paid on 11th January, 2008 and were reflected as an appropriation of retained profits for the year ended 31st March, 2008.
- (b) At a meeting held on 11th July, 2008, the directors proposed a final dividend of HK1.3 cents per ordinary share and a special final dividend of HK0.3 cent per ordinary share, making a total final dividend of HK1.6 cents per ordinary share for the year, subject to the approval of shareholders at the annual general meeting held on 1st September, 2008. These final dividends were paid on 10th September, 2008 and have been reflected as an appropriation of retained profits for the six months ended 30th September, 2008.
- (c) At a meeting held on 12th December, 2008, the directors declared an interim dividend of HK0.4 cent per ordinary share for the year ending 31st March, 2009. This interim dividend is not reflected as dividend payable in the Interim Financial Report, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2009.

## **8. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$41,736,000 (2007: HK\$93,085,000) and on 435,071,650 (2007: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2008 has not been presented as there were no dilutive potential ordinary shares during the period (2007: Nil).

## **9. CAPITAL EXPENDITURES**

During the period, the Group incurred capital expenditures of approximately HK\$3,367,000 (2007: HK\$4,573,000) which mainly related to the acquisitions of leasehold improvements, furniture and equipment.

## **10. AVAILABLE-FOR-SALE INVESTMENTS**

As at 30th September, 2008, included in available-for-sale investments were equity securities of a company (the "Investee Company") stated at market value of HK\$4,344,000 (At 31st March, 2008: HK\$5,889,000) which were listed outside Hong Kong.

As at 30th September, 2008, Mr. Yeung Ping Leung, Howard (a director of the Company) and Horsham Enterprises Limited (a company beneficially owned by Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company) held 40.6% (At 31st March, 2008: 40.6%) and 5.1% (At 31st March, 2008: 5.1%) equity interests in the Investee Company respectively.

# Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

For the six months ended 30th September, 2008

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>Unaudited</b> <b>30th September,</b> <b>2008</b> <b>HK\$'000</b>	Audited 31st March, 2008 HK\$'000
Trade debtors	<b>31,476</b>	38,406
Other receivables	<b>27,049</b>	22,835
Deposits and prepayments	<b>22,314</b>	20,070
Insurance claim receivable	<b>12,000</b>	12,000
	<b>92,839</b>	93,311

Ageing analysis of the trade debtors is as follows:

	<b>Within</b> <b>30 days</b> <b>HK\$'000</b>	<b>31-90 days</b> <b>HK\$'000</b>	<b>More than</b> <b>90 days</b> <b>HK\$'000</b>	<b>Total</b> <b>HK\$'000</b>
<b>Balance at</b> <b>30th September,</b> <b>2008 (Unaudited)</b>	<b>25,164</b>	<b>1,856</b>	<b>4,456</b>	<b>31,476</b>
Balance at 31st March, 2008 (Audited)	33,925	798	3,683	38,406

The trade debtors as at 30th September, 2008 consisted of receivables of the securities broking business amounting to HK\$10,576,000 (At 31st March, 2008: HK\$13,511,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was primarily receivables from retailing, bullion trading and diamond wholesaling businesses which were normally due within three months.

**11. DEBTORS, DEPOSITS AND PREPAYMENTS** (*continued*)

As at 30th September, 2008, included in other receivables was an advance made by the Group to an independent third party of HK\$2,000,000. This advance was secured by certain diamonds with carrying amount of HK\$4,652,000, interest bearing at fixed amount of HK\$53,000 and repayable within one year.

**12. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME**

	<b>Unaudited 30th September, 2008 HK\$'000</b>	Audited 31st March, 2008 HK\$'000
Trade payables	51,741	39,171
Other payables and accruals	32,870	41,827
Deposits received and deferred income	11,726	16,188
Other provision	675	675
	<u>97,012</u>	<u>97,861</u>

As at 30th September, 2008, included in other payables and accruals were amounts due to directors of subsidiaries of approximately HK\$3,058,000 (At 31st March, 2008: HK\$2,948,000) which were unsecured, interest free and repayable on demand.

Ageing analysis of the trade payables, based on the invoice date, is as follows:

	<b>Within 30 days HK\$'000</b>	<b>31–90 days HK\$'000</b>	<b>More than 90 days HK\$'000</b>	<b>Total HK\$'000</b>
<b>Balance at 30th September, 2008 (Unaudited)</b>	<u>43,813</u>	<u>5,908</u>	<u>2,020</u>	<u>51,741</u>
Balance at 31st March, 2008 (Audited)	<u>33,079</u>	<u>4,304</u>	<u>1,788</u>	<u>39,171</u>



# Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

For the six months ended 30th September, 2008

## 13. BANK LOANS, UNSECURED

	<b>Unaudited</b> <b>30th September,</b> <b>2008</b> <b>HK\$'000</b>	Audited 31st March, 2008 HK\$'000
	<u>                    </u>	<u>                    </u>
Bank loans are repayable as follows:		
Within one year	<b>225,167</b>	64,167
In the second year	<b>16,668</b>	16,668
In the third to fifth years, inclusive	<b>20,831</b>	29,165
	<u>                    </u>	<u>                    </u>
	<b>262,666</b>	110,000
Portion classified as current liabilities	<b>(225,167)</b>	(64,167)
	<u>                    </u>	<u>                    </u>
Non-current portion	<u><b>37,499</b></u>	<u>45,833</u>

## 14. SHARE CAPITAL

	<b>Unaudited</b> <b>30th September,</b> <b>2008</b> <b>HK\$'000</b>	Audited 31st March, 2008 HK\$'000
	<u>                    </u>	<u>                    </u>
Authorised:		
620,000,000 (At 31st March, 2008: 620,000,000) ordinary shares of HK\$0.25 each	<u><b>155,000</b></u>	<u>155,000</u>
Issued and fully paid:		
435,071,650 (At 31st March, 2008: 435,071,650) ordinary shares of HK\$0.25 each	<u><b>108,768</b></u>	<u>108,768</u>

**15. COMMITMENTS****(a) Commitments under operating leases**

The Group's total future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30th September, 2008			Audited 31st March, 2008		
	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Within one year	77,582	684	78,266	66,753	786	67,539
In the second to fifth years, inclusive	66,378	—	66,378	47,601	291	47,892
After five years	384	—	384	—	—	—
	<u>144,344</u>	<u>684</u>	<u>145,028</u>	<u>114,354</u>	<u>1,077</u>	<u>115,431</u>

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

As at 30th September, 2008, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$143,000 (At 31st March, 2008: HK\$713,000).

# Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

For the six months ended 30th September, 2008

## 15. COMMITMENTS (*continued*)

### (b) Future operating lease receivables

The total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	<b>Unaudited</b> <b>30th September,</b> <b>2008</b> <b>HK\$'000</b>	Audited 31st March, 2008 HK\$'000
Within one year	<b>652</b>	992
In the second to fifth years, inclusive	<b>731</b>	1,127
	<b><u>1,383</u></b>	<u>2,119</u>

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

**16. RELATED PARTY TRANSACTIONS**

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>_____</b>	<b>_____</b>
Operating lease rental on land and buildings paid to related companies:		
Stanwick Properties Limited ( <i>Note (a)</i> )	<b>3,512</b>	3,218
Contender Limited ( <i>Note (b)</i> )	<b>9,523</b>	9,523
Fabrigo (Mfg) Limited ( <i>Note (c)</i> )	<b>90</b>	90
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited ( <i>Note (a)</i> )	<b>153</b>	—
Consultancy fees paid to related companies:		
Verbal Company Limited ( <i>Note (d)</i> )	<b>2,999</b>	3,772
Excellent Base Trading Limited ( <i>Note (e)</i> )	<b>325</b>	—
	<b>_____</b>	<b>_____</b>

The above related party transactions were carried out based on terms mutually agreed between the parties to the transactions.

*Notes:*

- (a) The operating lease rentals were paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group in King Fook Building, Des Voeux Road Central, Hong Kong and for the furniture and fixtures located in King Fook Building. Stanwick is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company, together with other members of their family control the management of Yeung Chi Shing Estates Limited.
- (b) The operating lease rental was paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar"), a shareholder of the Company, for the shop premises occupied by the Group on the ground and first floors and the basement one floor of Miramar Shopping Centre — Hotel Tower, 118–130 Nathan Road, Kowloon, Hong Kong ("Miramar Shopping Centre — Hotel Tower"), advertising signboards C1 and C2 at the external wall of Miramar Shopping Centre — Hotel Tower and the signboard and showcases at the ground floor entrance facing Nathan Road of Miramar Shopping Centre — Hotel Tower. Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.
- (c) The operating lease rental was paid to Fabrigo (Mfg) Limited ("Fabrigo") for the warehouse occupied by the Group in Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon. Fabrigo is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).

# Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

For the six months ended 30th September, 2008

## 16. RELATED PARTY TRANSACTIONS (*continued*)

Notes: (*continued*)

- (d) The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.
- (e) The Group has entered into a marketing consultancy agreement with Excellent Base Trading Limited ("Excellent Base"), whereby Excellent Base provides marketing consultation service to a subsidiary of the Company. The spouse of Mr. Yeung Ping Leung, Howard (a director of the Company) is a director and the sole shareholder of Excellent Base.
- (f) Compensation of key management personnel

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

	Unaudited Six months ended 30th September,	
	2008	2007
	HK\$'000	HK\$'000
Wages, salaries and allowances	1,519	3,587
Pension costs — defined contribution retirement schemes	107	108
	<u>1,626</u>	<u>3,695</u>

## 17. APPROVAL OF THE INTERIM FINANCIAL REPORT

The Interim Financial Report was approved and authorised for issue by the board of directors on 12th December, 2008.

By order of the Board  
**Yeung Ping Leung, Howard**  
*Chairman*

Hong Kong, 12th December, 2008

As at the date of this report, the executive directors of the Company are Mr. Yeung Ping Leung, Howard, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth and Ms. Fung Chung Yee, Caroline; the non-executive directors are Mr. Wong Wei Ping, Martin, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Yeung Ka Shing and the independent non-executive directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter and Mr. Chan Chak Cheung, William.