

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

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

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised) :	Presentation of financial statements
SSAP 11 (revised) :	Foreign currency translation
SSAP 15 (revised) :	Cash flow statements
SSAP 34 (revised) :	Employee benefits

Other than changes in presentation, the adoption of these revised SSAPs had no material effect on the Group's accounts for the current and previous years.

(b) Basis of consolidation

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

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

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

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

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

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

Notes to the Accounts *(Continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

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

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

(d) Jointly controlled entities

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

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

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

(e) Goodwill/negative goodwill

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

(f) Income recognition

The Group recognises income on the following bases:

(i) *Sale of goods*

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(f) Income recognition** (Continued)(ii) *Commission income*

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

(iii) *Dividend income*

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

(iv) *Rental income*

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

(v) *Interest income*

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

(g) Fixed assets

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

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

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

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

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

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

Notes to the Accounts *(Continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Operating leases

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

(i) Stocks

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

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

(j) Accounts receivable

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

(k) Investments in securities

(i) *Non-trading investments*

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

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

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(k) Investments in securities** (Continued)**(ii) Trading investments**

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

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

(l) Gold loans

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

(m) Translation of foreign currencies

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

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

In prior years, the profit and loss accounts of foreign enterprises were translated at closing rates. This is a change in accounting policy, however, the translation of the profit and loss accounts of foreign enterprises in prior years has not been restated as the effect of this change is not material to the accounts.

(n) Deferred taxation

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

Notes to the Accounts *(Continued)*

1. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Pension obligations*

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

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

(p) Cash and cash equivalents

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

In accordance with the revised SSAP 15, the Group no longer includes bank loans with original maturity within three months as cash and cash equivalents. This change in accounting policy has been applied retrospectively so that the comparatives presented in the consolidated cash flow statement have been restated to conform to the changed policy. This change has resulted in an increase in cash and cash equivalents by HK\$169,582,000 as at 1st April, 2001 and by HK\$55,000,000 as at 31st March, 2002.

(q) Segment reporting

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

Unallocated results represent the gain or loss from investments in securities less corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables, operating cash and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation, minority interests and corporate borrowings. Capital expenditure comprises additions to fixed assets (note 10), including additions resulting from acquisitions through purchase of a subsidiary (notes 10 and 24(c)).

2. TURNOVER AND SEGMENT INFORMATION

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

	2003 HK\$'000	2002 HK\$'000
Gold ornament, jewellery, watch and gift retailing	515,660	500,934
Bullion trading	30,085	241,555
Commission from securities broking	4,804	8,084
Diamond wholesaling	<u>16,236</u>	<u>14,794</u>
	<u>566,785</u>	<u>765,367</u>

Primary reporting format — business segments

The Group is organised into three main business segments:

- (i) Retailing and bullion trading
- (ii) Securities broking
- (iii) Diamond wholesaling

Notes to the Accounts (Continued)

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

	Retailing and bullion trading 2003 HK\$'000	Securities broking 2003 HK\$'000	Diamond wholesaling 2003 HK\$'000	Group 2003 HK\$'000
Turnover	<u>545,745</u>	<u>4,804</u>	<u>16,236</u>	<u>566,785</u>
Segment results	<u>21,796</u>	<u>(2,368)</u>	<u>1,514</u>	20,942
Unallocated results				<u>(42,256)</u>
Operating loss before finance costs				(21,314)
Finance costs				<u>(5,502)</u>
Operating loss				(26,816)
Share of profit of a jointly controlled entity				<u>96</u>
Loss before taxation				(26,720)
Taxation				<u>(161)</u>
Loss after taxation				(26,881)
Minority interests				<u>1</u>
Loss attributable to shareholders				<u>(26,880)</u>
Segment assets	559,327	22,555	12,699	594,581
Investment in a jointly controlled entity	4,716			4,716
Unallocated assets				<u>56,524</u>
Total assets				<u>655,821</u>
Segment liabilities	35,147	11,245	3,092	49,484
Unallocated liabilities				167,171
Minority interests				<u>379</u>
Total liabilities				<u>217,034</u>
Capital expenditure				
Additions of fixed assets				
— segment	4,239	1,287	318	5,844
— unallocated				1,894
Additions of fixed assets through acquisition of a subsidiary				135
Amortisation of goodwill				50
Depreciation				
— segment	3,347	670	97	4,114
— unallocated				804
Impairment of non-trading investments				20,227

2. TURNOVER AND SEGMENT INFORMATION (Continued)**Primary reporting format — business segments** (Continued)

	Retailing and bullion trading 2002 HK\$'000	Securities broking 2002 HK\$'000	Diamond wholesaling 2002 HK\$'000	Group 2002 HK\$'000
Turnover	<u>742,489</u>	<u>8,084</u>	<u>14,794</u>	<u>765,367</u>
Segment results	<u>8,695</u>	<u>(3,476)</u>	<u>641</u>	5,860
Unallocated results				<u>(14,294)</u>
Operating loss before finance costs				(8,434)
Finance costs				<u>(7,924)</u>
Operating loss				(16,358)
Share of loss of an associated company				<u>(297)</u>
Loss before taxation				(16,655)
Taxation				<u>578</u>
Loss after taxation				(16,077)
Minority interests				<u>13</u>
Loss attributable to shareholders				<u>(16,064)</u>
Segment assets	559,551	27,515	13,357	600,423
Investment in a jointly controlled entity	4,624			4,624
Unallocated assets				<u>71,640</u>
Total assets				<u>676,687</u>
Segment liabilities	50,885	10,101	2,913	63,899
Unallocated liabilities				149,338
Minority interests				<u>378</u>
Total liabilities				<u>213,615</u>
Capital expenditure				
— segment	3,513	221	2	3,736
— unallocated				771
Depreciation				
— segment	4,106	954	93	5,153
— unallocated				727
Impairment of fixed assets	738			738

Secondary reporting format — geographical segments

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

Notes to the Accounts (Continued)

3. OPERATING LOSS BEFORE FINANCE COSTS

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

	2003 HK\$'000	2002 HK\$'000
<i>Crediting</i>		
Dividend income from listed investments	1,344	1,371
Interest income	756	1,836
Gain on disposal of a subsidiary	—	646
Gain on disposal of held-to-maturity securities	—	164
Net realised and unrealised gains on trading listed investments	—	108
Rental income less outgoings		
— owned land and buildings	519	454
— operating subleases	<u>1,689</u>	<u>1,150</u>
<i>Charging</i>		
Amortisation of goodwill	50	—
Auditors' remuneration		
— provision for current year	900	1,027
— (over)/under provision in prior years	(195)	67
Cost of stocks sold	446,676	648,046
Depreciation of fixed assets	4,918	5,880
Impairment of fixed assets	—	738
Loss on disposal of fixed assets	583	104
Net realised and unrealised losses on trading listed investments	44	—
Operating leases — land and buildings	36,079	34,979
Provision for bad debts	292	—
Provision for and write down of stocks	<u>1,967</u>	<u>7,800</u>

4. STAFF COSTS

	2003 HK\$'000	2002 HK\$'000
Wages, salaries and allowances	39,684	45,380
Pension costs — defined contribution plans*	2,429	2,933
Write back of provision for long service payments (note 23)	<u>(320)</u>	<u>(1,949)</u>
	<u>41,793</u>	<u>46,364</u>

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

* As permitted under the rules of the provident fund schemes, all forfeited contributions for the two years ended 31st March, 2003 and 2002 have been credited to the employers' balance in respect of the remaining members' accounts.

5. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on		
— bank loans and overdrafts	4,754	7,545
— gold loans	269	122
— loan from a director	479	257
	<u>5,502</u>	<u>7,924</u>

6. TAXATION

Hong Kong profits tax has been provided in the current year at the rate of 16% on the estimated assessable profit for the year. In the prior year, no provision for Hong Kong profits tax had been made as the Group had no assessable profit for that year.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax	161	—
Over provision in prior years	—	(578)
	<u>161</u>	<u>(578)</u>

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Deferred tax credit for the year has not been recognised in the accounts in respect of tax losses	<u>1,178</u>	<u>1,353</u>	<u>228</u>	<u>370</u>
Deferred tax asset at the year end has not been recognised in the accounts in respect of tax losses	<u>15,095</u>	<u>13,917</u>	<u>664</u>	<u>436</u>

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders includes a loss of HK\$9,046,000 (2002: HK\$4,643,000) which is dealt with in the accounts of the Company.

Notes to the Accounts *(Continued)*

8. LOSS PER SHARE

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$26,880,000 (2002: HK\$16,064,000) and the total number of 435,071,650 (2002: 435,071,650) ordinary shares in issue during the year.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remuneration

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

	2003 HK\$'000	2002 HK\$'000
Fees	150	150
Salaries, allowances, benefits in kind and other emoluments	558	652
Provident fund contributions	<u>28</u>	<u>30</u>
	<u><u>736</u></u>	<u><u>832</u></u>

The emoluments were paid to the directors as follows:

Emoluments band	Number of directors	
	2003	2002
HK\$ Nil — HK\$1,000,000	<u>11</u>	<u>11</u>

None of the directors has waived or agreed to waive any emoluments in respect of the year ended 31st March, 2003 (2002: Nil).

For the year under review, directors' fees paid and/or payable to independent non-executive directors amounted to HK\$32,000 (2002: HK\$32,000).

(b) Five highest paid individuals

None of the directors is among the Group's five highest paid individuals. Details of emoluments of the five (2002: five) highest paid individuals are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	2,327	2,583
Provident fund contributions	<u>107</u>	<u>162</u>
	<u><u>2,434</u></u>	<u><u>2,745</u></u>

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

(b) Five highest paid individuals (Continued)

Emoluments band	Number of individuals	
	2003	2002
HK\$ Nil — HK\$1,000,000	<u>5</u>	<u>5</u>

10. FIXED ASSETS

Group

	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture and equipment HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost				
At 1st April, 2002	36,967	51,945	7,873	96,785
Additions	—	7,595	143	7,738
Acquisition of a subsidiary (note 24(c))	—	6	129	135
Disposals	<u>—</u>	<u>(9,616)</u>	<u>(4,047)</u>	<u>(13,663)</u>
At 31st March, 2003	<u>36,967</u>	<u>49,930</u>	<u>4,098</u>	<u>90,995</u>
Accumulated depreciation and impairment losses				
At 1st April, 2002	9,727	44,574	6,391	60,692
Charge for the year	832	3,635	451	4,918
Disposals	<u>—</u>	<u>(9,318)</u>	<u>(3,762)</u>	<u>(13,080)</u>
At 31st March, 2003	<u>10,559</u>	<u>38,891</u>	<u>3,080</u>	<u>52,530</u>
Net book value				
At 31st March, 2003	<u>26,408</u>	<u>11,039</u>	<u>1,018</u>	<u>38,465</u>
At 31st March, 2002	<u>27,240</u>	<u>7,371</u>	<u>1,482</u>	<u>36,093</u>

Notes to the Accounts (Continued)

10. FIXED ASSETS (Continued)

Group (Continued)

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

	2003 HK\$'000	2002 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	17,647	18,189
Leases of between 10 to 50 years	<u>8,761</u>	<u>9,051</u>
	<u><u>26,408</u></u>	<u><u>27,240</u></u>

Company

	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture and equipment HK\$'000	Total HK\$'000
Cost			
At 1st April, 2002	1,603	12,073	13,676
Additions	—	1,631	1,631
Disposals	—	(979)	(979)
At 31st March, 2003	<u>1,603</u>	<u>12,725</u>	<u>14,328</u>
Accumulated depreciation			
At 1st April, 2002	324	10,191	10,515
Charge for the year	36	625	661
Disposals	—	(979)	(979)
At 31st March, 2003	<u>360</u>	<u>9,837</u>	<u>10,197</u>
Net book value			
At 31st March, 2003	<u>1,243</u>	<u>2,888</u>	<u>4,131</u>
At 31st March, 2002	<u>1,279</u>	<u>1,882</u>	<u>3,161</u>

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

Notes to the Accounts (Continued)

11. GOODWILL

	Group	
	2003 HK\$'000	2002 HK\$'000
Acquisition of a subsidiary (note 24(c))	504	—
Amortisation charge (note 3)	<u>(50)</u>	<u>—</u>
Net book value as at 31st March	<u><u>454</u></u>	<u><u>—</u></u>

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	126,600	126,358
Less: provision for impairment losses	<u>(5,242)</u>	<u>(5,242)</u>
	121,358	121,116
Amounts due from subsidiaries less provision	<u>508,586</u>	<u>522,812</u>
	629,944	643,928
Amounts due to subsidiaries	<u>(179,773)</u>	<u>(182,580)</u>
	<u><u>450,171</u></u>	<u><u>461,348</u></u>

The amounts due from/to subsidiaries are unsecured, interest free except for receivables of HK\$140,000,000 (2002: HK\$122,803,000) and payables of HK\$90,368,000 (2002: HK\$82,559,000) which bear interest at rates ranging from 1.5% to 3.7188% (2002: 1.5% to 6.4375%) per annum, and have no fixed terms of repayment.

Notes to the Accounts *(Continued)*

12. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Details of subsidiaries as at 31st March, 2003 are as follows:

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

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by		Principal activities
		Group	Company	
Incorporated and operating in Hong Kong: (Continued)				
King Fook Securities Company Limited	10,000,000 ordinary shares of HK\$1 each	100	—	Securities broking
King Shing Bullion Traders & Finance Company Limited	60,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook Jewellery Designing & Trading Company Limited	5,000 ordinary shares of HK\$100 each	100	—	Dormant
Kingswood Trading Limited*	2 ordinary shares of HK\$1 each	100	—	Jewellery and watch retailing
Mario Villa Limited	2,000,000 ordinary shares of HK\$1 each	100	100	Dormant
Polyview International Limited	2 ordinary shares of HK\$1 each	100	100	Watch trading
Rich Point Trading Limited*	2 ordinary shares of HK\$1 each	100	—	Dormant
Trade Vantage Holdings Limited*	2 ordinary shares of HK\$1 each	100	—	Jewellery and watch retailing

Notes to the Accounts (Continued)

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by		Principal activities
		Group	Company	
Incorporated and operating in Hong Kong: (Continued)				
Yatheng Investments Limited	10,000 ordinary shares of HK\$1 each	100	—	Property subletting
Young's Diamond Corporation (International) Limited	100,000 ordinary shares of HK\$100 each	97.8	97.8	Diamond wholesaling
Young's Diamond Factory Limited	2,000 ordinary shares of US\$10 each	97.8	—	Diamond wholesaling
Incorporated and operating in Republic of Liberia:				
Elias Holdings Limited	1 ordinary share with no par value	100	100	Dormant
Established and operating in the People's Republic of China:				
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	US\$1,000,000	100	100	Dormant
King Fook (Beijing) Consultancy Services Limited*#	US\$100,000	100	—	Dormant
Young's Diamond Corporation (Shanghai) Limited*#	US\$200,000	100	100	Dormant

12. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Particulars of issued share/ registered capital	Percentage of equity interest held by		Principal activities
		Group	Company	
Incorporated in British Virgin Islands and operating in Hong Kong:				
Metal Innovation Limited*	1 ordinary share of US\$1 each	80	—	Design and metalising
Incorporated and operating in British Virgin Islands:				
Most Worth Investments Limited	100 ordinary shares of US\$1 each	100	100	Investment holding

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

* Companies incorporated/established/acquired during the year ended 31st March, 2003.

13. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	4,690	4,624
Amount due from a jointly controlled entity	<u>26</u>	<u>—</u>
	<u>4,716</u>	<u>4,624</u>

Details of the jointly controlled entity, established and operating in the People's Republic of China ("PRC") and held indirectly by the Company, as at 31st March, 2003 are as follows:

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

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

Notes to the Accounts (Continued)

13. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (Continued)

The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

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

14. NON-TRADING INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Equity securities, at market value		
Listed in Hong Kong	21,198	30,903
Listed outside Hong Kong*	<u>5,394</u>	<u>13,270</u>
	<u><u>26,592</u></u>	<u><u>44,173</u></u>

* As at 31st March, 2003, 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, the directors of the Company) hold 37.71% and 7.29% equity interests in that company respectively.

15. OTHER ASSETS

	Group	
	2003 HK\$'000	2002 HK\$'000
Statutory deposits	<u>2,200</u>	<u>2,200</u>

16. STOCKS

	Group	
	2003 HK\$'000	2002 HK\$'000
Jewellery	208,515	224,796
Gold ornament and bullion	28,040	27,262
Watches and gift	<u>270,545</u>	<u>243,126</u>
	<u><u>507,100</u></u>	<u><u>495,184</u></u>

At 31st March, 2003, the carrying amount of stocks that are carried at net realisable value amounted to HK\$58,456,000 (2002: HK\$53,629,000).

Notes to the Accounts (Continued)

17. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade debtors	21,024	23,745	—	—
Deposits and prepayments	8,234	7,258	903	814
Other receivables	<u>11,997</u>	<u>20,546</u>	<u>1,510</u>	<u>903</u>
	<u>41,255</u>	<u>51,549</u>	<u>2,413</u>	<u>1,717</u>

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	18,058	19,107
31 — 90 days	531	763
More than 90 days	<u>2,435</u>	<u>3,875</u>
	<u>21,024</u>	<u>23,745</u>

The trade debtors as at the year end mainly consist of receivables of the securities broking business amounting to HK\$12,047,000 (2002: HK\$14,178,000), the credit terms of which are in accordance with securities broking industry practice. The remaining balance of trade debtors are primarily receivables from retailing and bullion trading and diamond wholesaling businesses which are normally due within three months.

18. TRADING INVESTMENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Equity securities, at market value		
Listed in Hong Kong	<u>9,395</u>	<u>13,233</u>

Notes to the Accounts (Continued)

19. CREDITORS AND ACCRUALS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade payables	24,238	16,945	—	—
Other payables and accruals	12,900	12,555	4,206	2,874
Deposits received	4,586	4,066	24	37
	<u>41,724</u>	<u>33,566</u>	<u>4,230</u>	<u>2,911</u>

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 30 days	<u>24,238</u>	<u>16,945</u>

20. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
<i>Authorised:</i>		
620,000,000 ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
<i>Issued and fully paid:</i>		
435,071,650 ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

21. RESERVES

Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2002	17,575	182,457	200,032
Loss for the year	—	(9,046)	(9,046)
At 31st March, 2003	<u>17,575</u>	<u>173,411</u>	<u>190,986</u>
At 1st April, 2001	17,575	187,100	204,675
Loss for the year	—	(4,643)	(4,643)
At 31st March, 2002	<u>17,575</u>	<u>182,457</u>	<u>200,032</u>

Notes to the Accounts (Continued)

22. BANK LOAN

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loan, unsecured	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>

The bank loan is wholly repayable in the second year (2002: third year).

23. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At the beginning of the year	1,854	5,257	1,656	3,703
Payments	(147)	(1,454)	(40)	(301)
Write back (note 4)	<u>(320)</u>	<u>(1,949)</u>	<u>(400)</u>	<u>(1,746)</u>
At the end of the year	<u>1,387</u>	<u>1,854</u>	<u>1,216</u>	<u>1,656</u>

The balances as at 31st March, 2003 and 2002 represent the provision for entitlements of the Group's employees to long service payments on termination of their employment under the required circumstances specified in the Employment Ordinance which are not covered by the Group's provident fund schemes.

Notes to the Accounts (Continued)

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash outflow/inflow from operations

	2003 HK\$'000	As restated 2002 HK\$'000
Loss before taxation	(26,720)	(16,655)
Amortisation of goodwill	50	—
Depreciation	4,918	5,880
Dividend income	(1,344)	(1,371)
Exchange differences	(21)	60
Loss on disposal of fixed assets	583	104
Gain on disposal of a subsidiary	—	(646)
Gain on disposal of held-to-maturity securities	—	(164)
Impairment of fixed assets	—	738
Impairment of non-trading investments	20,227	—
Interest expense	5,502	7,924
Interest income	(756)	(1,836)
Net realised and unrealised losses/(gains) on trading investments	44	(108)
Provision for bad debts	292	—
Provision for and write down of stocks	1,967	7,800
Share of profit of a jointly controlled entity	(96)	—
Share of loss of an associated company	—	297
	<hr/>	<hr/>
Operating profit before working capital changes	4,646	2,023
Increase in amount due from an associated company	—	(112)
Increase in amount due from a jointly controlled entity	(26)	—
(Increase)/decrease in stocks	(13,883)	35,292
Decrease/(increase) in debtors, deposits and prepayments	10,599	(7,407)
Increase/(decrease) in creditors and accruals	7,422	(3,569)
(Decrease)/increase in gold loans	(22,034)	14,834
Decrease in provision for long service payments	(467)	(3,403)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operations	<u>(13,743)</u>	<u>37,658</u>

Notes to the Accounts (Continued)

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Minority interests HK\$'000	Loan from a director HK\$'000	Bank loans HK\$'000
Balance at 1st April, 2002, as restated	378	20,000	122,803
Net cash inflow from financing	2	—	17,197
Minority interests' share of loss	(1)	—	—
Balance at 31st March, 2003	<u>379</u>	<u>20,000</u>	<u>140,000</u>
Balance at 1st April, 2001, as restated	391	—	169,582
Net cash inflow/(outflow) from financing	—	20,000	(46,779)
Minority interests' share of loss	(13)	—	—
Balance at 31st March, 2002, as restated	<u>378</u>	<u>20,000</u>	<u>122,803</u>

(c) Acquisition of a subsidiary

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Fixed assets	135	—
Debtors, deposits and prepayments	597	—
Creditors and accruals	<u>(736)</u>	—
	(4)	—
Goodwill arising on acquisition (note 11)	<u>504</u>	—
Consideration and acquisition costs	<u>500</u>	—
	2003	2002
	HK\$'000	HK\$'000
<i>Satisfied by:</i>		
Cash	<u>500</u>	—

Notes to the Accounts (Continued)

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Sale of a subsidiary

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Fixed assets	—	38
Bank balances and cash	—	3
Creditors and accruals	—	(687)
	<u>—</u>	<u>(646)</u>
Gain on disposal of a subsidiary	—	(646)
	<u>—</u>	<u>646</u>
Consideration	<u>—</u>	<u>—</u>

The above disposal is satisfied by cash consideration of HK\$1.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2003 HK\$'000	2002 HK\$'000
Sales proceeds	—	—
Cash and cash equivalents disposed of	—	(3)
	<u>—</u>	<u>(3)</u>
Net cash outflow in respect of the disposal of a subsidiary	<u>—</u>	<u>(3)</u>

25. COMMITMENTS

(a) Capital commitments for purchase of fixed assets

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for	<u>882</u>	<u>149</u>	<u>882</u>	<u>149</u>

25. COMMITMENTS (Continued)

(b) Commitments under operating leases

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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Land and buildings				
Not later than one year	33,754	31,485	366	628
Later than one year and not later than five years	<u>9,392</u>	<u>22,609</u>	<u>228</u>	<u>—</u>
	<u>43,146</u>	<u>54,094</u>	<u>594</u>	<u>628</u>

At 31st March, 2003, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$770,000 (2002: HK\$2,655,000).

(c) Future rental receivables

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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Not later than one year	1,096	273	84	144
Later than one year and not later than five years	<u>50</u>	<u>84</u>	<u>—</u>	<u>84</u>
	<u>1,146</u>	<u>357</u>	<u>84</u>	<u>228</u>

Notes to the Accounts *(Continued)*

26. RELATED PARTY TRANSACTIONS

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Operating lease rentals on land and buildings paid to related companies:		
Stanwick Properties Limited (note a)	4,720	6,368
Contender Limited (note b)	13,414	11,197
Consultancy fee paid to a related company (note c)	1,440	1,710
Interest expense paid to a director (note d)	479	257
	<u>479</u>	<u>257</u>

- (a) The operating lease rental was paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group in King Fook Building, Des Voeux Road Central, Hong Kong. Stanwick is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth are directors of the Company and Yeung Chi Shing Estates Limited. These directors together with other members of their family have a controlling interest in 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 substantial shareholder of the Company, for the shop premises occupied by a subsidiary on the ground and first floors of Miramar Hotel. Mr. Tang Yat Sun, Richard, Dr. Ho Tim, Dr. Sin Wai Kin and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.
- (c) The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides consultation services to the Group for the year ended 31st March, 2003 at fees totaling HK\$1,440,000 (2002: HK\$1,710,000). Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.
- (d) The Group has borrowed an unsecured short term loan of HK\$20,000,000 from a director of the Company. The loan is repayable on demand. Interest was charged on the loan at 2% to 2.5% (2002: 2% to 4.5%) per annum.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 11th July, 2003.