

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 Institute of Certified Public Accountants (“HKICPA”). 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.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether the use of these new HKFRSs would have a significant impact on its results of operations and financial position.

(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 the results for the year, and of 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.

(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.

Notes to the Accounts (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 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 and jointly controlled entities occurring on or after 1st April, 2001 is included as intangible assets and is amortised over its estimated useful life on a straight-line basis in accordance with the provisions of Statement of Standard Accounting Practice ("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 of SSAP 30 and such goodwill/negative goodwill has not been retrospectively 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.

(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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) **Income recognition** (Continued)(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.

(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.

Notes to the Accounts (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 investment 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 investment 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.

(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 in Hong Kong dollars 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(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 their profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(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.

Notes to the Accounts (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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 segments as the secondary reporting format.

Unallocated results mainly represent dividend income from listed investments and 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, including additions resulting from acquisitions through purchases of subsidiaries.

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 comprised the following:

	2005 HK\$'000	2004 HK\$'000
Gold ornament, jewellery, watch and gift retailing	616,275	561,338
Bullion trading	36,928	24,947
Commission from securities broking	8,001	9,581
Diamond wholesaling	<u>18,116</u>	<u>16,199</u>
	<u>679,320</u>	<u>612,065</u>

Primary reporting format — business segments

The Group is organised into two main business segments:

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

Notes to the Accounts (Continued)

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

	Retailing, bullion trading and diamond wholesaling 2005 HK\$'000	Securities broking 2005 HK\$'000	Group 2005 HK\$'000
Turnover	671,319	8,001	679,320
Segment results	52,100	2,643	54,743
Unallocated results			(30,556)
Operating profit before finance costs			24,187
Finance costs			(3,313)
Operating profit			20,874
Share of profit of a jointly controlled entity	110		110
Profit before taxation			20,984
Taxation			(449)
Profit after taxation			20,535
Minority interests			27
Profit attributable to shareholders			20,562
Segment assets	612,624	40,740	653,364
Investment in a jointly controlled entity	4,884		4,884
Unallocated assets			101,739
Total assets			759,987
Segment liabilities	35,051	17,457	52,508
Unallocated liabilities			189,676
Minority interests			322
Total liabilities			242,506
Capital expenditure			
Additions of fixed assets			
— segment	6,195	585	6,780
— unallocated			1,851
Amortisation of goodwill			414
Impairment losses of goodwill			1,247
Depreciation			
— segment	5,992	756	6,748
— unallocated			1,119

Notes to the Accounts (Continued)

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Primary reporting format — business segments (Continued)

	Retailing, bullion trading and diamond wholesaling 2004 HK\$'000	Securities broking 2004 HK\$'000	Group 2004 HK\$'000
Turnover	602,484	9,581	612,065
Segment results	42,240	8,832	51,072
Unallocated results			(22,321)
Operating profit before finance costs			28,751
Finance costs			(4,253)
Operating profit			24,498
Share of profit of a jointly controlled entity	134		134
Profit before taxation			24,632
Taxation			(126)
Profit after taxation			24,506
Minority interests			30
Profit attributable to shareholders			24,536
Segment assets	555,849	67,277	623,126
Investment in a jointly controlled entity	4,853		4,853
Unallocated assets			95,835
Total assets			723,814
Segment liabilities	35,108	40,248	75,356
Unallocated liabilities			156,478
Minority interests			349
Total liabilities			232,183
Capital expenditure			
Additions of fixed assets			
— segment	10,285	162	10,447
— unallocated			1,907
Additions of fixed assets through acquisition of a subsidiary			4
Amortisation of goodwill			363
Depreciation			
— segment	5,685	793	6,478
— unallocated			938

Notes to the Accounts (Continued)

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Secondary reporting format — geographical segments

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

3. OPERATING PROFIT BEFORE FINANCE COSTS

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

	2005 HK\$'000	2004 HK\$'000
<i>Crediting</i>		
Dividend income from listed investments	1,544	7,986
Interest income	342	548
Gain on disposal of fixed assets	—	13,922
Net realised and unrealised gains on trading listed investments	4,388	4,850
Gain on disposal of non-trading listed investments	2,702	523
Rental income less outgoings		
— owned land and buildings	563	537
— operating subleases	1,128	1,508
	<u>1,128</u>	<u>1,508</u>
<i>Charging</i>		
Amortisation of goodwill	414	363
Auditors' remuneration	1,124	996
Cost of stocks sold	515,037	474,248
Depreciation of fixed assets	7,867	7,416
Loss on disposal of fixed assets	590	—
Impairment losses of goodwill	1,247	—
Operating leases — land and buildings	41,002	36,723
Provision for bad debts	1,522	2,411
Provision for and write down of stocks	268	2,811
	<u>268</u>	<u>2,811</u>

4. STAFF COSTS

	2005 HK\$'000	2004 HK\$'000
Wages, salaries and allowances	46,441	42,389
Pension costs — defined contribution retirement schemes*	2,554	2,416
Write back of provision for long service payments (note 24)	—	(600)
	<u>48,995</u>	<u>44,205</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, 2005 and 2004 have been credited to the employers' balance in respect of the remaining members' accounts.

Notes to the Accounts (Continued)

5. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on		
— bank loans and overdrafts	2,972	3,667
— gold loans	169	215
— loan from a director	172	371
	<u>3,313</u>	<u>4,253</u>

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated profit and loss account represents:

	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax	420	86
Under provision in prior years	1	40
Overseas taxation	28	—
	<u>449</u>	<u>126</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>20,984</u>	<u>24,632</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	3,672	4,311
Effect of different taxation rates in other countries	(283)	(151)
Income not subject to taxation	(586)	(3,850)
Expenses not deductible for taxation purposes	715	945
Temporary differences not recognised	33	125
Tax losses not recognised	2,062	1,720
Recognition of previously unrecognised temporary differences	—	31
Utilisation of previously unrecognised tax losses	(5,165)	(3,045)
Under provision in prior years	1	40
	<u>449</u>	<u>126</u>
Taxation charge	<u>449</u>	<u>126</u>

Notes to the Accounts (Continued)

7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of HK\$2,253,000 (2004: HK\$4,349,000) which is dealt with in the accounts of the Company.

8. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim, paid, of HK0.4 cent (2004: Nil) per ordinary share	1,740	—
Final, proposed, of HK0.8 cent (2004: HK0.5 cent) per ordinary share	<u>3,481</u>	<u>2,175</u>
	<u>5,221</u>	<u>2,175</u>

At a meeting held on 8th July, 2005, the directors proposed a final dividend of HK0.8 cent per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2006.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$20,562,000 (2004: HK\$24,536,000) and the total number of 435,071,650 (2004: 435,071,650) ordinary shares in issue during the year.

10. 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:

	2005 HK\$'000	2004 HK\$'000
Fees	157	150
Salaries, allowances, benefits in kind and other emoluments	1,007	638
Pension costs — defined contribution retirement schemes	<u>38</u>	<u>30</u>
	<u>1,202</u>	<u>818</u>

The emoluments were paid to the directors as follows:

Emolument bands	Number of directors	
	2005	2004
HK\$Nil–HK\$1,000,000	<u>13</u>	<u>11</u>

Notes to the Accounts (Continued)

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

(a) Directors' remuneration (Continued)

None of the directors has waived or agreed to waive any emoluments in respect of the year ended 31st March, 2005 (2004: Nil).

Directors' fees/emoluments disclosed above include directors' fees of HK\$39,500 (2004: HK\$32,000) and directors' emoluments of HK\$130,556 (2004: Nil) paid and payable to independent non-executive directors during the year.

(b) Five highest paid individuals

The aggregate emoluments of the five highest paid individuals include emoluments of one of the directors disclosed above (2004: Nil). Details of emoluments of the remaining four highest paid individuals (2004: five individuals) are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries, allowances and benefits in kind	3,146	2,645
Pension costs — defined contribution retirement schemes	<u>152</u>	<u>161</u>
	<u>3,298</u>	<u>2,806</u>
	Number of individuals	
Emolument bands	2005	2004
HK\$Nil–HK\$1,000,000	<u>4</u>	<u>5</u>

11. GOODWILL

	Group	
	2005 HK\$'000	2004 HK\$'000
Net book value at the beginning of the year	1,661	454
Acquisition of a subsidiary (note 25(b))	—	1,570
Amortisation charge (note 3)	(414)	(363)
Impairment losses (note 3)	<u>(1,247)</u>	<u>—</u>
Net book value at the end of the year	<u>—</u>	<u>1,661</u>
At the end of the year		
Cost	2,074	2,074
Accumulated amortisation and impairment losses	<u>(2,074)</u>	<u>(413)</u>
Net book value	<u>—</u>	<u>1,661</u>

Notes to the Accounts (Continued)

12. 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, 2004	14,495	46,996	4,098	65,589
Additions	—	8,399	232	8,631
Disposals/write off	—	(7,278)	—	(7,278)
	<u>14,495</u>	<u>48,117</u>	<u>4,330</u>	<u>66,942</u>
At 31st March, 2005	14,495	48,117	4,330	66,942
Accumulated depreciation and impairment losses				
At 1st April, 2004	4,812	29,943	3,495	38,250
Charge for the year	321	7,246	300	7,867
Disposals/write off	—	(6,667)	—	(6,667)
	<u>5,133</u>	<u>30,522</u>	<u>3,795</u>	<u>39,450</u>
At 31st March, 2005	5,133	30,522	3,795	39,450
Net book value				
At 31st March, 2005	<u>9,362</u>	<u>17,595</u>	<u>535</u>	<u>27,492</u>
At 31st March, 2004	<u>9,683</u>	<u>17,053</u>	<u>603</u>	<u>27,339</u>

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

	2005 HK\$'000	2004 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	1,163	1,203
Leases of between 10 to 50 years	<u>8,199</u>	<u>8,480</u>
	<u>9,362</u>	<u>9,683</u>

Notes to the Accounts (Continued)

12. FIXED ASSETS (Continued)

Company

	Leasehold land and buildings HK\$'000	Leasehold improvements, furniture and equipment HK\$'000	Total HK\$'000
Cost			
At 1st April, 2004	1,603	14,314	15,917
Additions	—	1,851	1,851
	<u>1,603</u>	<u>16,165</u>	<u>17,768</u>
At 31st March, 2005	<u>1,603</u>	<u>16,165</u>	<u>17,768</u>
Accumulated depreciation			
At 1st April, 2004	400	10,632	11,032
Charge for the year	40	958	998
	<u>440</u>	<u>11,590</u>	<u>12,030</u>
At 31st March, 2005	<u>440</u>	<u>11,590</u>	<u>12,030</u>
Net book value			
At 31st March, 2005	<u>1,163</u>	<u>4,575</u>	<u>5,738</u>
At 31st March, 2004	<u>1,203</u>	<u>3,682</u>	<u>4,885</u>

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

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	127,926	127,926
Less: provision for impairment losses	<u>(5,142)</u>	<u>(5,141)</u>
	122,784	122,785
Amounts due from subsidiaries less provision	<u>546,733</u>	<u>487,701</u>
	669,517	610,486
Amounts due to subsidiaries	<u>(185,638)</u>	<u>(173,666)</u>
	<u>483,879</u>	<u>436,820</u>

13. INVESTMENTS IN SUBSIDIARIES (Continued)

The amounts due from/to subsidiaries are unsecured, interest free except for receivables of HK\$190,184,000 (2004: HK\$131,687,000) and payables of HK\$21,029,000 (2004: HK\$8,846,000) which bear interest at rates ranging from 1.025% to 4.385% (2004: 1.0875% to 3.25%) per annum, and have no fixed terms of repayment.

Details of the subsidiaries as at 31st March, 2005 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	—	Investment and watch trading
Jet Bright Trading Limited	2 ordinary shares of HK\$1 each	100	—	Jewellery and watch retailing
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
King Fook Securities Company Limited	10,000,000 ordinary shares of HK\$1 each	100	—	Securities broking

Notes to the Accounts (Continued)

13. 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 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	—	Under liquidation
Mario Villa Limited	2,000,000 ordinary shares of HK\$1 each	100	100	Dormant
Perfectrade Limited	20,000 ordinary shares of HK\$1 each	80	—	Provision of interior design services
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
Superior Travellers Services Limited	2 ordinary shares of HK\$1 each	100	100	Sale of travel related products and provision of marketing services for sale of travel related products
Sure Glory Limited	2 ordinary shares of HK\$1 each	100	—	Jewellery and watch retailing
Trade Vantage Holdings Limited	2 ordinary shares of HK\$1 each	100	—	Jewellery and watch retailing
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

13. 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 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
King Fook (Shanghai) International Trading Limited [#]	US\$200,000	100	—	Gold ornament, jewellery, watch wholesaling
King Fook Jewellery (China) Company Limited*	RMB10,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
Incorporated in British Virgin Islands and operating in Hong Kong:				
Metal Innovation Limited	1 ordinary share of US\$1	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

Notes to the Accounts (Continued)

13. 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 Isle of Man:				
Mempro Limited	100 ordinary shares of £1 each	60	—	Investment holding
Incorporated and operating in Switzerland:				
Mempro S.A.	100 ordinary shares of CHF1,000 each	54	—	Import and distribution of memory extensions and computer peripheral products

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

* A company established during the year ended 31st March, 2005.

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	<u>4,884</u>	<u>4,853</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, 2005 are as follows:

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

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

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

Notes to the Accounts (Continued)

15. NON-TRADING INVESTMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Equity securities, at market value		
Listed in Hong Kong	51,463	42,652
Listed outside Hong Kong*	<u>14,367</u>	<u>11,892</u>
	<u>65,830</u>	<u>54,544</u>

* As at 31st March, 2005, 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 34.28% and 6.6% equity interests in that company respectively.

16. OTHER ASSETS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Statutory deposits	<u>2,105</u>	<u>2,105</u>

17. STOCKS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Jewellery	195,456	188,211
Gold ornament and bullion	24,931	28,080
Watches and gift	<u>328,832</u>	<u>280,451</u>
	<u>549,219</u>	<u>496,742</u>

At 31st March, 2005, the carrying amount of stocks that are carried at net realisable value amounted to HK\$44,347,000 (2004: HK\$48,669,000).

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	38,921	58,410	—	—
Deposits and prepayments	11,690	9,466	845	674
Other receivables	<u>9,530</u>	<u>22,086</u>	<u>6,088</u>	<u>9,225</u>
	<u>60,141</u>	<u>89,962</u>	<u>6,933</u>	<u>9,899</u>

Notes to the Accounts (Continued)

18. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within 30 days	34,402	54,395
31 – 90 days	2,401	2,432
More than 90 days	<u>2,118</u>	<u>1,583</u>
	<u><u>38,921</u></u>	<u><u>58,410</u></u>

The trade debtors as at the year end mainly consist of receivables of the securities broking business amounting to HK\$22,096,000 (2004: HK\$46,363,000), the credit terms of which are in accordance with the securities broking industry practice. The remaining balance of trade debtors are primarily receivables from retailing and bullion trading and diamond wholesaling businesses which are normally due within three months.

19. TRADING INVESTMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Equity securities, at market value		
Listed in Hong Kong	<u>15,453</u>	<u>11,658</u>

20. CREDITORS AND ACCRUALS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	24,832	48,801	—	—
Other payables and accruals	17,399	19,529	4,167	5,293
Deposits received	<u>5,925</u>	<u>5,085</u>	<u>497</u>	<u>16</u>
	<u><u>48,156</u></u>	<u><u>73,415</u></u>	<u><u>4,664</u></u>	<u><u>5,309</u></u>

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within 30 days	<u>24,832</u>	<u>48,801</u>

Notes to the Accounts (Continued)

21. SHARE CAPITAL

	2005 HK\$'000	2004 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>

22. RESERVES

Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2004	17,575	177,760	195,335
Profit for the year	—	2,253	2,253
Dividends	—	(3,915)	(3,915)
	<u>17,575</u>	<u>176,098</u>	<u>193,673</u>
<i>Representing:</i>			
Proposed final dividend		3,481	
Others		<u>172,617</u>	
Retained profits as at 31st March, 2005		<u>176,098</u>	
At 1st April, 2003	17,575	173,411	190,986
Profit for the year	—	4,349	4,349
	<u>17,575</u>	<u>177,760</u>	<u>195,335</u>
<i>Representing:</i>			
Proposed final dividend		2,175	
Others		<u>175,585</u>	
Retained profits as at 31st March, 2004		<u>177,760</u>	

Notes to the Accounts (Continued)

23. LONG TERM BANK LOANS

	Group and Company	
	2005	2004
	HK\$'000	HK\$'000
Long term bank loans, unsecured	120,000	60,000
Less: Current portion of long term bank loans included in current liabilities	—	(40,000)
	<u>120,000</u>	<u>20,000</u>

The bank loans are repayable as follows:

	Group and Company	
	2005	2004
	HK\$'000	HK\$'000
Within one year	—	40,000
In the second year	22,000	—
In the third to fifth year	98,000	20,000
	<u>120,000</u>	<u>60,000</u>

24. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	706	1,387	250	1,216
Payments	(99)	(81)	(52)	(81)
Write back (note 4)	—	(600)	—	(600)
Transfer to a subsidiary	—	—	—	(285)
	<u>607</u>	<u>706</u>	<u>198</u>	<u>250</u>

The balances as at 31st March, 2005 and 2004 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)

25. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash outflow from operations

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	20,984	24,632
Amortisation of goodwill	414	363
Depreciation	7,867	7,416
Dividend income from listed investments	(1,544)	(7,986)
Exchange differences	9	32
Loss/(gain) on disposal of fixed assets	590	(13,922)
Impairment losses of goodwill	1,247	—
Interest expense	3,313	4,253
Interest income	(342)	(548)
Gain on disposal of non-trading listed investments	(2,702)	(523)
Net realised and unrealised gains on trading listed investments	(4,388)	(4,850)
Provision for bad debts	1,522	2,411
Provision for and write down of stocks	268	2,811
Share of profit of a jointly controlled entity	(110)	(134)
	<u>27,128</u>	<u>13,955</u>
Operating profit before working capital changes	27,128	13,955
Decrease in amount due from a jointly controlled entity	—	26
(Increase)/decrease in stocks	(52,745)	7,547
Decrease/(increase) in debtors, deposits and prepayments	28,299	(50,595)
(Decrease)/increase in creditors and accruals	(25,259)	28,892
Increase/(decrease) in gold loans	176	(1,959)
Decrease in provision for long service payments	(99)	(681)
	<u>(22,500)</u>	<u>(2,815)</u>

(b) Acquisition of a subsidiary

	2005 HK\$'000	2004 HK\$'000
Net assets acquired:		
Fixed assets	—	4
Debtors, deposits and prepayments	—	523
Bank balances and cash	—	702
Creditors and accruals	—	(2,799)
	<u>—</u>	<u>(1,570)</u>
Goodwill arising on acquisition (note 11)	—	1,570
	<u>—</u>	<u>—</u>
Consideration and acquisition costs	—	—

Notes to the Accounts (Continued)

25. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of a subsidiary (Continued)

The acquisition in the previous year was satisfied by cash consideration of HK\$1.

An analysis of the net inflow of cash in respect of the acquisition of a subsidiary is as follows:

	2005 HK\$'000	2004 HK\$'000
Cash consideration	—	—
Cash and cash equivalents acquired	—	702
	<u>—</u>	<u>702</u>
Net cash inflow in respect of the acquisition of a subsidiary	<u>—</u>	<u>702</u>

26. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement on the deferred taxation account is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
At the beginning and the end of the year	<u>—</u>	<u>—</u>

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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At the beginning of the year	1,201	635	(1,201)	(635)	—	—
Charged/(credited) to profit and loss account	(266)	566	266	(566)	—	—
At the end of the year	<u>935</u>	<u>1,201</u>	<u>(935)</u>	<u>(1,201)</u>	<u>—</u>	<u>—</u>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group and the Company have unrecognised tax losses of HK\$77,697,000 (2004: HK\$86,139,000) and HK\$2,011,000 (2004: HK\$2,381,000) respectively to carry forward against future taxable income and these tax losses have no expiry date.

Notes to the Accounts (Continued)

27. COMMITMENTS

(a) Capital commitments for purchase of fixed assets

	Group and Company	
	2005	2004
	HK\$'000	HK\$'000
Contracted but not provided for	34	424

(b) Commitments under operating leases

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

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	38,809	33,605	256	684
Later than one year and not later than five years	<u>23,108</u>	<u>25,661</u>	<u>—</u>	<u>256</u>
	<u>61,917</u>	<u>59,266</u>	<u>256</u>	<u>940</u>

At 31st March, 2005, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK\$1,560,000 (2004: HK\$412,500).

(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	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	367	826	—	72
Later than one year and not later than five years	<u>40</u>	<u>147</u>	<u>—</u>	<u>—</u>
	<u>407</u>	<u>973</u>	<u>—</u>	<u>72</u>

Notes to the Accounts (Continued)

28. 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	
	2005	2004
	HK\$'000	HK\$'000
Operating lease rentals on land and buildings paid to related companies:		
Stanwick Properties Limited (note a)	5,612	5,465
Contender Limited (note b)	10,662	11,180
Consultancy fees paid to a related company (2004: 2 related companies) (note c)	2,200	2,154
Interest expense paid to a director (note d)	<u>172</u>	<u>371</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, 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 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. 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 the services of Mr. Yeung Ping Leung, Howard to the Group for the year ended 31st March, 2005 at fees totalling HK\$2,200,000 (2004: HK\$1,530,000). 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 borrowed an unsecured short term loan of HK\$15,000,000 (2004: HK\$15,000,000) from a director of the Company. The loan was repayable on demand and was totally repaid during the year. Interest was charged on the loan at 1.5% (2004: 1.5%) per annum.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 8th July, 2005.