Notes to the Financial Statements

For the year ended 31st March, 2007

1. GENERAL INFORMATION

King Fook Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is located at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Details of principal activities of its subsidiaries are set out in note 18 to the financial statements.

The financial statements for the year ended 31st March, 2007 were approved by the board of directors on 6th July, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 25 to 75 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments classified as available-for-sale and at fair value through profit or loss. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on the management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.2 Adoption of new or amended HKFRSs

From 1st April, 2006, the Company and its subsidiaries (collectively referred to as the "Group") has adopted all the new and amended HKFRSs issued by the HKICPA which were first effective on 1st April, 2006 and relevant to the Group's operations. The adoption of these new and amended HKFRSs did not result in significant changes in the Group's accounting policies.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK (IFRIC) — Interpretation 8	Scope of HKFRS 2[3]
HK (IFRIC) — Interpretation 9	Reassessment of Embedded Derivatives[4]
HK (IFRIC) — Interpretation 10	Interim Financial Reporting and Impairment[5]
HK (IFRIC) — Interpretation 11	HKFRS 2 — Group and Treasury Share Transactions[6]
HK (IFRIC) — Interpretation 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1st January, 2007
2 Effective for annual periods beginning on or after 1st January, 2009
3 Effective for annual periods beginning on or after 1st May, 2006
4 Effective for annual periods beginning on or after 1st June, 2006
5 Effective for annual periods beginning on or after 1st November, 2006
6 Effective for annual periods beginning on or after 1st March, 2007
7 Effective for annual periods beginning on or after 1st January, 2008

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within capital and reserves, separately from the capital and reserves attributable to the shareholders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Subsidiaries

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

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's balance sheet, subsidiaries are carried at cost less any provision for impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

2.6 Jointly controlled entities

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

In the consolidated financial statements, investment in a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in jointly controlled entity recognised for the year.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

In the Company's balance sheet, investment in a jointly controlled entity is stated at cost less any provision for impairment losses. The results of the jointly controlled entity are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's functional currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in capital and reserves.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.8 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets which yield interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) ***Sale of goods***

Income from gold ornament, jewellery, watches, fashion and gifts retailing, diamond wholesaling, bullion trading and sale of computer related products is recognised upon delivery of goods to customers, which is also the time when the significant risks and rewards of ownership is transferred to the customer.

(ii) ***Commission income***

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Revenue recognition (Continued)

(iii) *Revenue on construction contracts*

When the outcome of the contract can be estimated reliably, revenue on fixed price construction contracts is determined using the percentage of completion method. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If the contract is considered profitable, it is stated at cost plus attributable profits by reference to the percentage of completion. Any expected loss on individual construction contracts is recognised immediately as an expense in the income statement.

(iv) *Income from provision of travel related products and services*

Income from provision of travel related products and services is recognised when the services are rendered. Deposits received from customers prior to the delivery of services are included in current liabilities as "deferred income" and not recognise as revenue.

(v) *Dividend income*

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

(vi) *Rental income*

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

(vii) *Interest income*

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

2.9 Borrowing costs

All borrowing costs are expensed as incurred.

2.10 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives at the following rates per annum:

Buildings on leasehold land	2%–2.5% or over the remaining period of the lease, whichever is shorter
Leasehold improvement	15% or over the remaining period of the lease, whichever is shorter
Plant and machinery, furniture and equipment	15%
Motor vehicles	15%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.11 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of the investment property using the straight-line method over the expected useful lives to the Group, which range from forty to fifty years or over the remaining period of the lease, whichever is shorter.

2.12 Leasehold interests in land

Leasehold interests in land are up-front payments to acquire long term interests for the usage of land. They are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

2.13 Impairment of assets

Property, plant and equipment, leasehold interests in land, investment properties, investments in subsidiaries and jointly controlled entities stated at cost are subject to impairment testing. These assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.14 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms.

Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial assets

The Group classified its financial assets into debtors, investments at fair value through profit or loss, available-for-sale investments and cash and cash equivalents. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Investments at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as an investment at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial assets (Continued)

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement.

Available-for-sale investments include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) ***Financial assets carried at amortised cost***

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) *Available-for-sale investments*

When a decline in the fair value of an available-for-sale investments has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) *Financial assets carried at cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.16 Inventories

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

Gold stocks are stated at fair value less cost to sell. Changes in fair value are recognised in the income statement in the period of the change.

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting periods, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, short-term bank deposits.

2.19 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

2.20 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

(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.

2.21 Financial liabilities

The Group's financial liabilities include bank loans, gold loans and creditors, accruals and provisions. They are included in balance sheet line items as "bank loans", "gold loans" and "creditors and accruals" under current liabilities and "bank loans" under non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the bank loans using the effective interest method.

On initial recognition, gold loans are designated as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, gold loans are measured at fair value with changes in fair value recognised in the income statement. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be reclassified.

Borrowings, which include bank loans and gold loans, are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2.23 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 revenue and results represented revenue and results from sale of computer related products and provision of travel related products and services. Segment assets consist primarily of property, plant and equipment, inventories, receivables, operating cash and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation, minority interests and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

2.24 Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the Group:

— controls, is controlled by, or is under common control with, the entity;

— has an interest in the entity that gives it significant influence over the entity;

— has joint control over the entity;

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Related parties (Continued)

(ii) the party is a jointly-controlled entity;

(iii) the party is a member of the key management personnel of the Group or its parent;

(iv) the party is a close member of the family of any individual referred to in (i) or (iii);

(v) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iii) or (iv); or

(vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates property, plant and equipment on a straight-line basis over the estimated useful lives of 7 to 50 years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(ii) Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the issuer/investee.

(iii) Impairment of receivables

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iv) **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the balance sheet date to ensure inventory is shown at the lower of cost and net realisable value.

(v) **Percentage of completion and estimation of foreseeable losses in respect of construction contracts**

Revenue from construction contracts is recognised according to the percentage of completion of individual contracts. When foreseeable loss in respect of a particular contract is identified, such loss is recognised as an expense in the income statement immediately. The percentage of completion and foreseeable loss of individual contracts are determined based on the actual costs incurred and the total estimated contract cost prepared by the management of the Group. In order to ensure the total estimated contract cost is accurate and up-to-date, management reviews the costs incurred to date and costs to completion frequently, in particular any cost over-runs and variation orders from customers, and revises the total estimated contract cost where necessary.

4. REVENUE

The Group is principally engaged in gold ornament, jewellery, watches, fashion and gifts retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which included the Group's turnover and other revenue, recognised during the year comprised the following:

	2007 HK$'000	2006 HK$'000
Turnover		
Gold ornament, jewellery, watches, fashion and gifts retailing	839,254	697,620
Bullion trading	73,237	82,288
Commission from securities broking	8,423	6,805
Diamond wholesaling	13,047	12,199
	933,961	798,912
Other revenue		
Revenue on construction contracts	21,895	6,496
Sale of computer related products	8,283	3,972
Income from provision of travel related products and services	4,905	3,976
	35,083	14,444
Total revenue	969,044	813,356

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

5. SEGMENT INFORMATION

The Group is organised into three main business segments:

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

There was no intersegment sale and transfer during the year (2006: Nil).

(a) Business segments

	Retailing, bullion trading and diamond wholesaling 2007 HK$'000	Securities broking 2007 HK$'000	Construction services 2007 HK$'000	Unallocated* 2007 HK$'000	Group 2007 HK$'000
Segment revenue	925,538	8,423	21,895	13,188	969,044
Segment results	74,150	(2,492)	(234)	(1,549)	69,875
Unallocated operating income and expenses					(4,507)
Operating profit					65,368
Finance costs					(12,707)
Share of loss of a jointly controlled entity	(205)				(205)
Profit before taxation					52,456
Taxation					(7,117)
Profit for the year					45,339
Segment assets	679,936	58,939	14,192	209,884	962,951
Interests in a jointly controlled entity	4,953				4,953
Total assets					967,904
Segment liabilities	73,786	36,138	7,881	193,980	311,785
Capital expenditure					
Additions of property, plant and equipment	9,572	706	31	681	10,990
Depreciation	7,066	680	115	1,320	9,181

5. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Retailing, bullion trading and diamond wholesaling 2006 HK$'000	Securities broking 2006 HK$'000	Construction services 2006 HK$'000	Unallocated* 2006 HK$'000	Group 2006 HK$'000
Segment revenue	792,107	6,805	6,496	7,948	813,356
Segment results	62,728	(17,173)	(1,496)	(666)	43,393
Unallocated operating income and expenses					(11,719)
Operating profit					31,674
Finance costs					(9,685)
Share of profit of jointly controlled entities	14				14
Profit before taxation					22,003
Taxation					(3,928)
Profit for the year					18,075
Segment assets	638,929	52,718	5,068	161,334	858,049
Interests in jointly controlled entities	4,940				4,940
Total assets					862,989
Segment liabilities	46,552	43,504	1,900	194,017	285,973
Capital expenditure					
Additions of property, plant and equipment	4,699	813	466	1,308	7,286
Depreciation	8,071	585	97	1,212	9,965

* 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.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

6. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest charges on:		
Bank loans and overdrafts repayable within five years	12,364	9,447
Gold loans repayable within five years	343	238
	12,707	9,685

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	2007 HK$'000	2006 HK$'000
Charging:		
Amortisation of leasehold interests in land	131	134
Auditors' remuneration		
— Provision for the current year	786	843
Cost of inventories sold	732,451	632,258
Depreciation of property, plant and equipment	9,181	9,965
Depreciation of investment properties	47	35
Loss on disposal of property, plant and equipment	157	98
Operating leases charges in respect of properties	54,045	44,059
Outgoings in respect of investment properties	75	80
Provision for impairment losses of debtors	1,230	23
Provision for impairment losses of available-for-sale investments (note 20)	586	—
Provision for and write down of inventories	1,869	1,086
Provision for long service payments	727	—
Provision for loss resulting from misappropriation of clients' securities, net (note 26(b))	126	16,800
Crediting:		
Dividend income	3,440	3,083
Interest income	829	468
Fair value change of investments at fair value through profit or loss	9,971	5,345
Gain on disposal of available-for-sale investments	18,270	13,082
Foreign exchange gain	218	442
Rental income		
— owned properties	1,129	1,187
— operating subleases	1,137	939

8. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2007 HK$'000	2006 HK$'000
Current tax		
— Hong Kong		
Tax for the year	7,020	3,921
Over provision in prior years	(110)	(3)
	6,910	3,918
— Overseas taxation	207	10
Total taxation charge	7,117	3,928

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

	2007 HK$'000	2006 HK$'000
Profit before taxation	52,456	22,003
Tax on profit before taxation, calculated at the rates applicable to profits in the relevant tax jurisdictions	8,958	3,881
Tax effect of non-taxable income	(4,065)	(3,327)
Tax effect of non-deductible expenses	1,203	3,546
Temporary differences not recognised	393	142
Tax losses not recognised	2,258	1,823
Utilisation of previously unrecognised tax losses	(1,166)	(2,428)
Others	(464)	291
Taxation charge	7,117	3,928

9. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Of the consolidated profit attributable to shareholders of the Company of HK$45,193,000 (2006: HK$17,947,000), a profit of HK$3,207,000 (2006: HK$18,251,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

10. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim dividend of HK0.45 cent per ordinary share (2006: HK0.45 cent)	**1,958**	1,958
Proposed final dividend of HK1.2 cents per ordinary share (2006: HK0.8 cent)	**5,221**	3,481
	7,179	5,439

At a meeting held on 9th December, 2005, the directors declared an interim dividend of HK0.45 cent per ordinary share for the year ended 31st March, 2006. The interim dividend was paid on 13th January, 2006 and was reflected as an appropriation of retained profits for the year ended 31st March, 2006.

At a meeting held on 4th July, 2006, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year ended 31st March, 2006, which was approved by the shareholders at the annual general meeting held on 31st August, 2006. This final dividend was paid on 6th September, 2006 and has been reflected as an appropriation of retained profits for the year.

At a meeting held on 8th December, 2006, the directors declared an interim dividend of HK0.45 cent per ordinary share for the year. The interim dividend was paid on 12th January, 2007 and was reflected as an appropriation of retained profits for the year.

At a meeting held on 6th July, 2007, the directors proposed a final dividend of HK1.2 cents per ordinary share for the year. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2008.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK$45,193,000 (2006: HK$17,947,000) and on 435,071,650 (2006: 435,071,650) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31st March, 2007 has not been presented as there were no dilutive potential ordinary shares during the year (2006: Nil).

12. EMPLOYEE BENEFIT EXPENSE

	2007 HK$'000	2006 HK$'000
Wages, salaries and allowances	**66,810**	54,504
Pension costs — defined contribution retirement schemes*	**3,729**	2,647
	70,539	57,151

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

* As permitted under the rules of the provident fund schemes, all forfeited contributions for the two years ended 31st March, 2006 and 2007 have been credited to the employers' balance in respect of the remaining members' accounts.

13. DIRECTORS' EMOLUMENTS

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2007					
Executive directors					
Mr. Yeung Ping Leung, Howard	23	—	—	1	24
Mr. Tang Yat Sun, Richard	22	—	—	1	23
Mr. Cheng Ka On, Dominic	22	—	—	1	23
Mr. Yeung Bing Kwong, Kenneth	24	216	—	10	250
Ms. Fung Chung Yee, Caroline	20	960	250	72	1,302
Non-executive directors					
Mr. Wong Wei Ping, Martin	15	—	—	—	15
Mr. Ho Hau Hay, Hamilton	15	—	—	—	15
Mr. Sin Nga Yan, Benedict	15	—	—	—	15
Dr. Sin Wai Kin	—	—	—	—	—
Independent non-executive directors					
Mr. Lau To Yee	50	—	—	—	50
Mr. Cheng Kar Shing, Peter	52	—	—	—	52
Mr. Chan Chak Cheung, William	50	200	—	—	250
Mr. Cheng Kwai Yin	—	—	—	—	—
	308	1,376	250	85	2,019
2006					
Executive directors					
Mr. Yeung Ping Leung, Howard	17	—	—	1	18
Mr. Tang Yat Sun, Richard	16	—	—	1	17
Mr. Cheng Ka On, Dominic	16	—	—	1	17
Mr. Yeung Bing Kwong, Kenneth	18	216	—	10	244
Ms. Fung Chung Yee, Caroline	14	556	200	31	801
Non-executive directors					
Dr. Sin Wai Kin	14	—	—	—	14
Mr. Wong Wei Ping, Martin	10	—	—	—	10
Mr. Ho Hau Hay, Hamilton	10	—	—	—	10
Independent non-executive directors					
Mr. Cheng Kwai Yin	10	—	—	—	10
Mr. Lau To Yee	10	—	—	—	10
Mr. Cheng Kar Shing, Peter	12	—	—	—	12
Mr. Chan Chak Cheung, William	10	240	—	—	250
	157	1,012	200	44	1,413

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: Nil).

None of the directors has waived or agreed to waive any emoluments in respect of the year (2006: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included one (2006: one) director whose emoluments are reflected in the analysis presented in note 13 above. The emoluments payable to the remaining four (2006: four) highest paid, non-director individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Salaries, allowances and benefits in kind	**2,729**	3,059
Bonuses	**1,787**	330
Pension costs — defined contribution retirement schemes	**177**	161
	4,693	3,550

The emoluments fell within the following bands:

	Number of individuals 2007	2006
Emolument bands		
Nil — HK$1,000,000	**2**	3
HK$1,000,001 — HK$1,500,000	**2**	1

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2006: Nil).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st April, 2005					
Cost	5,650	26,609	25,063	775	58,097
Accumulated depreciation	(2,402)	(14,315)	(19,466)	(536)	(36,719)
Net book amount	3,248	12,294	5,597	239	21,378
Net book amount					
At 1st April, 2005	3,248	12,294	5,597	239	21,378
Additions	—	3,809	2,892	585	7,286
Acquisition of a subsidiary	—	57	279	—	336
Transfer to investment properties	(1,169)	—	—	—	(1,169)
Disposals	—	(98)	—	—	(98)
Depreciation	(439)	(7,389)	(1,936)	(201)	(9,965)
At 31st March, 2006	1,640	8,673	6,832	623	17,768
At 31st March, 2006					
Cost	4,481	24,469	27,956	1,360	58,266
Accumulated depreciation	(2,841)	(15,796)	(21,124)	(737)	(40,498)
Net book amount	1,640	8,673	6,832	623	17,768
Net book amount					
At 1st April, 2006	1,640	8,673	6,832	623	17,768
Exchange difference	—	(1)	(1)	(3)	(5)
Additions	—	9,480	1,510	—	10,990
Disposals	—	(140)	(17)	—	(157)
Depreciation	(82)	(6,586)	(2,310)	(203)	(9,181)
At 31st March, 2007	**1,558**	**11,426**	**6,014**	**417**	**19,415**
At 31st March, 2007					
Cost	4,481	33,609	28,258	1,360	67,708
Accumulated depreciation	(2,923)	(22,183)	(22,244)	(943)	(48,293)
Net book amount	**1,558**	**11,426**	**6,014**	**417**	**19,415**

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Group (Continued)

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

Depreciation expense of HK$7,548,000 (2006: HK$8,462,000) was included in distribution and selling costs and HK$1,633,000 (2006: HK$1,503,000) was included in administrative expenses.

(b) Company

	Buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery, furniture and equipment HK$'000	Total HK$'000
At 1st April, 2005				
Cost	913	1,475	14,690	17,078
Accumulated depreciation	(429)	(391)	(11,199)	(12,019)
Net book amount	484	1,084	3,491	5,059
Net book amount				
At 1st April, 2005	484	1,084	3,491	5,059
Additions	—	—	753	753
Transfer to investment property	(484)	—	—	(484)
Depreciation	—	(221)	(844)	(1,065)
At 31st March, 2006	—	863	3,400	4,263
At 31st March, 2006				
Cost	—	1,475	15,443	16,918
Accumulated depreciation	—	(612)	(12,043)	(12,655)
Net book amount	—	863	3,400	4,263
Net book amount				
At 1st April, 2006	—	863	3,400	4,263
Additions	—	21	573	594
Depreciation	—	(223)	(862)	(1,085)
At 31st March, 2007	**—**	**661**	**3,111**	**3,772**
At 31st March, 2007				
Cost	—	1,496	16,016	17,512
Accumulated depreciation	—	(835)	(12,905)	(13,740)
Net book amount	**—**	**661**	**3,111**	**3,772**

16. LEASEHOLD INTERESTS IN LAND

(a) Group

	2007 HK$'000	2006 HK$'000
Opening net carrying amount	5,980	6,114
Amortisation charge for the year	(131)	(134)
Closing net carrying amount	5,849	5,980

The prepaid lease payments for leasehold interests in land are held under long and medium term leases in Hong Kong of HK$677,000 (2006: HK$678,000) and HK$5,172,000 (2006: HK$5,302,000) respectively.

(b) Company

	2007 HK$'000	2006 HK$'000
Opening net carrying amount	678	679
Amortisation charge for the year	(1)	(1)
Closing net carrying amount	677	678

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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

17. INVESTMENT PROPERTIES

(a) Group

	2007 HK$'000	2006 HK$'000
At 1st April		
Gross carrying amount	1,169	—
Accumulated depreciation	(35)	—
Net carrying amount at 1st April	1,134	—
Opening net carrying amount	1,134	—
Transfer from property, plant and equipment	—	1,169
Depreciation	(47)	(35)
Closing net carrying amount	1,087	1,134
At 31st March		
Gross carrying amount	1,169	1,169
Accumulated depreciation	(82)	(35)
Net carrying amount at 31st March	1,087	1,134

All of the Group's investment properties are situated in Hong Kong and are held under long and medium term leases of HK$448,000 (2006: HK$467,000) and HK$639,000 (2006: HK$667,000) respectively.

The fair value of the Group's investment properties at 31st March, 2007 was approximately HK$3,510,000 (2006: HK$3,070,000) which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuations were based on the properties' open market value on 31st March, 2007.

17. INVESTMENT PROPERTIES (Continued)

(b) Company

	2007 HK$'000	2006 HK$'000
At 1st April		
Gross carrying amount	484	—
Accumulated depreciation	(17)	—
Net carrying amount at 1st April	467	—
Opening net carrying amount	467	—
Transfer from property, plant and equipment	—	484
Depreciation	(19)	(17)
Closing net carrying amount	448	467
At 31st March		
Gross carrying amount	484	484
Accumulated depreciation	(36)	(17)
Net carrying amount at 31st March	448	467

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

The fair value of the Company's investment property at 31st March, 2007 was approximately HK$910,000 (2006: HK$870,000) which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuation was based on the property's open market value on 31st March, 2007.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

18. INTERESTS IN SUBSIDIARIES — COMPANY

	2007 HK$'000	2006 HK$'000
Investments in subsidiaries		
Unlisted shares, at cost	**127,926**	127,926
Less: Provision for impairment loss	**(5,142)**	(5,142)
	122,784	122,784
Amounts due from subsidiaries	**566,881**	566,195
Amounts due to subsidiaries	**(185,324)**	(194,050)

The amounts due from/to subsidiaries are unsecured, interest free, except for receivables of HK$195,000,000 (2006: HK$206,000,000) and payables of HK$6,588,000 (2006: HK$17,506,000) which bear interest rates ranging from 3.5% to 8% per annum (2006: 1.5% to 8.5% per annum), being the effective interest rates as at 31st March, 2007, and repayable on demand.

Details of the subsidiaries as at 31st March, 2007 are as follows:

Name	Place of incorporation/ operation	Particulars of issued capital	Percentage of issued capital held by Group	Percentage of issued capital held by Company	Principal activities
Evermind Limited	Hong Kong	10,000 ordinary shares of HK$1 each	80	80	Investment holding
Jacqueline Emporium Limited	Hong Kong	1,000 ordinary shares of HK$100 each	100	—	Investment and watches trading
Jet Bright Trading Limited	Hong Kong	2 ordinary shares of HK$1 each	100	—	Jewellery and watches retailing
King Fook China Resources Limited	Hong Kong	2 ordinary shares of HK$10 each	100	100	Investment holding
King Fook Commodities Company Limited	Hong Kong	50,000 ordinary shares of HK$100 each	100	—	Commodities broking
King Fook Gold & Jewellery Company Limited	Hong Kong	546,750 ordinary shares of HK$100 each	100	100	Investment holding and trading
King Fook Jewellery Group Limited	Hong Kong	600,000 ordinary shares of HK$100 each	100	100	Gold ornament, jewellery and watches retailing and bullion trading
King Fook Investment Company Limited	Hong Kong	2,500,000 ordinary shares of HK$1 each	100	100	Investment holding
King Fook International Money Exchange (Kowloon) Limited	Hong Kong	65,000 ordinary shares of HK$100 each	100	—	Dormant
King Fook Holding Management Limited	Hong Kong	50 ordinary shares of HK$100 each	100	100	Dormant

18. INTERESTS IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation/ operation	Particulars of issued capital	Percentage of issued capital held by Group	Percentage of issued capital held by Company	Principal activities
King Fook Securities Company Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	—	Securities broking
King Shing Bullion Traders & Finance Company Limited	Hong Kong	60,000 ordinary shares of HK$100 each	100	—	Dormant
King Fook Jewellery Designing & Trading Company Limited	Hong Kong	5,000 ordinary shares of HK$100 each	100	—	Dormant
Mario Villa Limited	Hong Kong	2,000,000 ordinary shares of HK$1 each	100	100	Investment trading
Perfectrade Limited	Hong Kong	20,000 ordinary shares of HK$1 each	80	—	Provision of interior design services
Polyview International Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Watches trading
Rich Point Trading Limited	Hong Kong	2 ordinary shares of HK$1 each	100	—	Dormant
Superior Travellers Services Limited	Hong Kong	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	Hong Kong	2 ordinary shares of HK$1 each	100	—	Jewellery and watches retailing
Trade Vantage Holdings Limited	Hong Kong	2 ordinary shares of HK$1 each	100	—	Jewellery and watches retailing
Yatheng Investments Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	—	Property subletting
Young's Diamond Corporation (International) Limited	Hong Kong	100,000 ordinary shares of HK$100 each	97.8	97.8	Diamond wholesaling
Young's Diamond Factory Limited	Hong Kong	2,000 ordinary shares of US$10 each	97.8	—	Diamond wholesaling
Elias Holdings Limited	The Republic of Liberia	1 ordinary share with no par value	100	100	Dormant
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	The People's Republic of China, limited liability company	US$1,000,000	100	100	Dormant
King Fook (Beijing) Consultancy Services Limited#	The People's Republic of China, limited liability company	US$100,000	100	—	Business consultancy
Young's Diamond Corporation (Shanghai) Limited#	The People's Republic of China, limited liability company	US$200,000	100	100	Diamond wholesaling
King Fook (Shanghai) International Trading Limited#	The People's Republic of China, limited liability company	US$200,000	100	—	Gold ornament, jewellery, watches wholesaling

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

18. INTERESTS IN SUBSIDIARIES — COMPANY (Continued)

Name	Place of incorporation/ operation	Particulars of issued capital	Percentage of issued capital held by Group	Percentage of issued capital held by Company	Principal activities
King Fook Jewellery (China) Company Limited	The People's Republic of China, limited liability company	RMB30,000,000	100	—	Gold ornament, jewellery, watches and diamond retailing and wholesaling
Metal Innovation Limited	British Virgin Islands and operating in Hong Kong	1 ordinary share of US$1	80	—	Design and metalising
Most Worth Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	100	100	Investment holding
Mempro Limited	Isle of Man	100 ordinary shares of £1 each	60	—	Investment holding
Mempro S.A.	Switzerland	100 ordinary shares of CHF1,000 each	59	—	Import and distribution of memory extensions and computer peripheral products
PTE Engineering Limited	Hong Kong	10,000 ordinary shares of HK$1 each	80	—	Provision of construction services
Jewellery Hospital Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	—	Manufacturing of jewellery products
Perfectrade Macau	Macau	MOP 25,000	80	—	Provision of interior design services
Top Angel Limited	Hong Kong	1 ordinary share of HK$1	100	—	Trading of fashion

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

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES — GROUP

	2007 HK$'000	2006 HK$'000
Share of net assets	4,953	4,940

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, 2007, 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.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES — GROUP (Continued)

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.

During the year, the Group reduced its shareholding in Jet Quay Pte. Ltd., established and operating in Singapore, from 30% as at 31st March, 2006 to 8.8% as at 31st March, 2007. The Group has discontinued the use of the equity method to account for the investment in Jet Quay Pte. Ltd. and it was transferred to available-for-sale investments.

The aggregate amounts relating to the jointly controlled entities attributable to the Group that have been included in the Group's consolidated financial statements are as follows:

	2007 HK$'000	2006 HK$'000
Non-current assets	1,521	1,703
Current assets	3,741	3,445
	5,262	5,148
Current liabilities	(309)	(208)
Net assets	4,953	4,940
Income	363	1,041
Expenses	(568)	(1,027)
(Loss)/profit for the year	(205)	14

20. AVAILABLE-FOR-SALE INVESTMENTS — GROUP

	2007 HK$'000	2006 HK$'000
Listed equity securities, at market value and fair value		
Listed in Hong Kong	142,705	104,083
Listed outside Hong Kong*	6,953	8,120
	149,658	112,203
Unlisted equity securities, at cost	3,493	—
Less: Provision for impairment loss#	(586)	—
	152,565	112,203

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

20. AVAILABLE-FOR-SALE INVESTMENTS — GROUP (Continued)

* As at 31st March, 2007, 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 41.2% (2006: 41.2%) and 5.2% (2006: 5.2%) equity interests in that company respectively.

Impairment loss was made for the year in the consolidated income statement by taking into account Jet Quay Pte. Ltd.'s current year's result. As at 31st March, 2007, the carrying amount of the investment in Jet Quay Pte. Ltd. did not exceed 0.1% of the total assets of the Group.

The amounts presented for the listed equity securities have been determined directly by reference to published price quotations in active markets.

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

As at 31st March, 2007, the carrying amount of interest in the following company exceeded 10% of the total assets of the Group:

Name	Place of incorporation	Principal activities	Particulars of issued shares held	Interest held
Hong Kong Exchanges and Clearing Limited	Hong Kong	Owns and operates the only stock exchange and futures exchange in Hong Kong	1,874,000 shares of HK$1 each	0.176%

21. OTHER ASSETS — GROUP

	2007 HK$'000	2006 HK$'000
Statutory deposits	2,125	2,125
Guarantee deposit	58	78
	2,183	2,203

22. INVENTORIES — GROUP

	2007 HK$'000	2006 HK$'000
Jewellery	213,314	198,828
Gold ornament and bullion	32,892	34,154
Watches and gifts	341,946	342,631
Fashion	2,100	—
	590,252	575,613

23. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**54,998**	43,717	**—**	—
Other receivables	**20,316**	15,258	**503**	6,479
Deposits and prepayments	**15,007**	12,547	**1,817**	371
Insurance claim receivable (note 26(b))	**12,000**	12,000	**—**	—
	102,321	83,522	**2,320**	6,850

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within 30 days	**52,327**	40,923
31–90 days	**1,471**	903
More than 90 day	**1,200**	1,891
	54,998	43,717

The trade debtors as at 31st March, 2007 mainly consist of receivables of the securities broking business amounting to HK$36,710,000 (2006: HK$22,695,000), 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.

24. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS — GROUP

	2007	2006
	HK$'000	HK$'000
Equity securities, at market value and fair value		
Listed in Hong Kong	**19,626**	9,271
Listed outside Hong Kong	**12,956**	—
	32,582	9,271

The above investments are classified as held for trading.

Investments at fair value through profit or loss are presented within the section on operating activities as part of changes in working in the consolidated cash flow statement.

Changes in fair value of investments at fair value through profit or loss are recorded in other operating income in the consolidated income statement.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

25. CASH AND CASH EQUIVALENTS

(a) Group

Cash and cash equivalents include the following components:

	2007 HK$'000	2006 HK$'000
Cash at banks and in hand	**45,970**	27,622
Short-term bank deposits	**10,727**	22,733
	56,697	50,355

The effective interest rates of short-term bank deposits ranged from 0.01% to 3.95% per annum (2006: 0.25% to 3.05%), which were the effective interest rates at 31st March, 2007. These deposits have a maturity of 1 to 31 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in cash at banks and in hand of the Group are bank balances of HK$15,846,000 (2006: HK$4,119,000) denominated in Renminbi ("RMB") and placed with banks in the PRC. RMB is not a freely convertible currency.

(b) Company

	2007 HK$'000	2006 HK$'000
Cash at banks and in hand	**5,914**	19,509

26. CREDITORS, ACCRUALS AND PROVISIONS

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Trade payables (note (a))	**59,622**	25,075	**—**	—
Other payables and accruals	**35,796**	21,415	**8,540**	5,224
Deposits received and deferred income	**11,406**	5,798	**60**	60
Other provisions (note (b))	**—**	26,395	**—**	—
	106,824	78,683	**8,600**	5,284

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

26. CREDITORS, ACCRUALS AND PROVISIONS (Continued)

Notes:

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within 30 days	**58,438**	24,787
31–90 days	**1,020**	270
More than 90 days	**164**	18
	59,622	25,075

(b) During the year ended 31st March, 2006, the Company had discovered that a former director of a subsidiary of the Group might have misappropriated securities belonging to certain customers of the Group. At the best estimates of the directors of the Company, such securities had a total market value of about HK$28,800,000. During the year, the Group made compensation to the relevant customers and a further provision of HK$126,000 was made. Based on current information, including the findings in the investigation and internal control review reports prepared by a firm of independent professional accountants, the directors of the Company considered that the provisions made were adequate.

In this regard, the Group also has an insurance policy with a cover of HK$15 million (subject to an excess of HK$3 million). The net exposure from this event of HK$16,800,000 and HK$126,000, representing the market value of the securities alleged to be misappropriated less insurance cover were charged to the consolidated income statement for the two years ended 31st March, 2006 and 2007 respectively.

27. GOLD LOANS, UNSECURED

Gold loans bear interest at fixed rates ranging from 1.125% to 1.60% per annum (2006: 0.98% to 1.50% per annum), which were the effective interest rates at 31st March, 2007.

Gold loans are borrowed to offset the impact arising from the fluctuation of gold price on gold stocks. However, hedge accounting was not qualified as the criteria for hedge accounting are not fully met. Gold loans were then designated as financial liabilities at fair value through profit or loss to avoid accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

28. BANK LOANS, UNSECURED

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans are repayable as follows:				
Within one year	**92,215**	83,000	**86,000**	83,000
In the second year	**40,167**	28,000	**40,167**	28,000
In third to fifth years, inclusive	**45,833**	70,000	**45,833**	70,000
	178,215	181,000	**172,000**	181,000
Portion classified as current liabilities	**(92,215)**	(83,000)	**(86,000)**	(83,000)
Non-current portion	**86,000**	98,000	**86,000**	98,000

All bank loans were denominated in Hong Kong dollars and bear interest at variable rates ranging from 3.5% to 9% per annum (2006: 2.66% to 8.60% per annum), which were the effective interest rates at 31st March, 2007.

29. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**432**	607	**153**	198
Payments	**(7)**	(45)	**(7)**	(45)
Write back	**—**	(130)	**—**	—
Provision for the year	**727**	—	**—**	—
At the end of the year	**1,152**	432	**146**	153

The balances as at 31st March, 2006 and 2007 represent the provision for entitlements of the Group's employees to long service payments on termination of their employment, which are not covered by the Group's provident fund schemes under the required circumstances specified in the Employment Ordinance.

30. SHARE CAPITAL

	2007	2006
	HK$'000	HK$'000
Authorised:		
620,000,000 (2006: 620,000,000) ordinary shares of HK$0.25 each	**155,000**	155,000
Issued and fully paid:		
435,071,650 (2006: 435,071,650) ordinary shares of HK$0.25 each	**108,768**	108,768

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

31. RESERVES

(a) Group

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

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

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

(b) Company

	Share premium HK$'000	**Retained profits HK$'000**	**Total HK$'000**
At 1st April, 2005	17,575	176,098	193,673
Profit for the year	—	18,251	18,251
Dividends	—	(5,439)	(5,439)
At 31st March, 2006	17,575	188,910	206,485
Representing:			
Proposed final dividend (note 10)		3,481	
Others		185,429	
		188,910	
At 1st April, 2006	17,575	188,910	206,485
Profit for the year	—	3,207	3,207
Dividends	—	(5,439)	(5,439)
At 31st March, 2007	**17,575**	**186,678**	**204,253**
Representing:			
Proposed final dividend (note 10)		5,221	
Others		181,457	
		186,678	

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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT — GROUP

(a) Reconciliation of profit before taxation to operating profit before working capital changes

	Notes	2007 HK$'000	2006 HK$'000
Profit before taxation		**52,456**	22,003
Amortisation of leasehold interests in land		**131**	134
Depreciation of property, plant and equipment		**9,181**	9,965
Depreciation of investment properties		**47**	35
Dividend income from investments at fair value through profit or loss/available-for-sale investments		**(3,440)**	(3,083)
Exchange differences		**(218)**	87
Loss on disposal of property, plant and equipment		**157**	98
Interest expense		**12,707**	9,685
Interest income		**(829)**	(468)
Gain on disposal of available-for-sale investments		**(18,270)**	(13,082)
Fair value change of investments at fair value through profit or loss		**(9,971)**	(5,345)
Provision for impairment losses of available-for-sale investments		**586**	—
Provision for impairment losses of debtors		**1,230**	23
Provision for and write down of inventories		**1,869**	1,086
Provision for long service payments		**727**	—
Provision for loss resulting from misappropriation of clients' securities, net	*26(b)*	**126**	16,800
Write back of provision for long service payments		**—**	(130)
Share of loss/(profit) of jointly controlled entities		**205**	(14)
Operating profit before working capital changes		**46,694**	37,794

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT — GROUP (Continued)

(b) Acquisition of subsidiaries

During the year ended 31st March, 2006, the Group acquired certain subsidiaries. The acquired businesses contributed revenue and net loss of HK$44,000 and HK$67,500 respectively to the Group since the respective dates of acquisition. If the acquisitions had occurred on 1st April, 2005, the Group's revenue would have been approximately HK$801,029,000 and profit for the year ended 31st March, 2006 would have been approximately HK$18,743,000.

The assets and liabilities arising from the acquisition are as follows:

	Fair value 2006 HK$'000
Net assets acquired:	
Property, plant and equipment	336
Inventories	368
Debtors, deposits and prepayments	44
Cash and cash equivalents	—
Creditors and accruals	(667)
	81

An analysis of the net outflow of cash in respect of the acquisitions of subsidiaries is as follows:

	2006 HK$'000
Cash consideration	81

There was no acquisition of subsidiary during the year.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

33. DEFERRED TAX

(a) Group

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a taxation rate of 17.5% (2006: 17.5%).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities/(assets)

	Accelerated taxation depreciation		Tax losses		Net amount shown in balance sheet	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**390**	935	**(390)**	(935)	**—**	—
Charged/(credited) to consolidated income statement	**225**	(545)	**(225)**	545	**—**	—
At the end of the year	**615**	390	**(615)**	(390)	**—**	—

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$80,118,000 (2006: HK$74,515,000) to carry forward against future taxable income and these tax losses have no expiry date.

(b) Company

The Company has no material deferred tax as at 31st March, 2007 (2006: Nil). The Company has no material unrecognised tax loss to carry forward against future taxable income as at 31st March, 2007 (2006: Nil).

34. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**54,232**	31,397	**292**	779
In the second to fifth years inclusive	**60,399**	9,746	**—**	292
	114,631	41,143	**292**	1,071

34. OPERATING LEASE COMMITMENTS (Continued)

At 31st March, 2007, the Group had total future minimum sublease payments expected to be received under non-cancellable subleases amounting to HK$1,853,000 (2006: HK$600,000).

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

35. FUTURE OPERATING LEASE RECEIVABLES

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**504**	620	**77**	230
In the second to fifth years inclusive	**52**	252	**—**	77
	556	872	**77**	307

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

36. RELATED PARTY TRANSACTIONS — GROUP

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2007	2006
	HK$'000	HK$'000
Operating lease rental on land and buildings paid to related companies:		
Stanwick Properties Limited (Note a)	**6,236**	6,019
Contender Limited (Note b)	**17,080**	10,529
Consultancy fees paid to a related company (Note c)	**3,882**	2,500

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

36. RELATED PARTY TRANSACTIONS — GROUP (Continued)

Notes:

(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. The tenancy agreements were subsequently renewed after the year ended 31st March, 2007 (note 38).

(b) The operating lease rental was paid to Contender Limited ("Contender"), a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar"), a substantial shareholder of the Company, for the shop premises occupied by two wholly owned subsidiaries of the Company on the ground and first floors and the 1st Basement Level of the Shopping Arcade at Hotel Miramar respectively. Pursuant to two license agreements relating to advertising signboards C1 and C2 at the external wall of Hotel Miramar and the signboard and showcases at the ground floor entrance facing Nathan Road of Hotel Miramar Shopping Arcade respectively, a wholly owned subsidiary of the Company paid to Contender the respective licence fees of HK$40,000 per month and HK$1 for the entire licence term of 3 years from 9th June, 2006. Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic and Dr. Sin Wai Kin (who retired by rotation on 31st August, 2006 and is the father of Mr. Sin Nga Yan, Benedict) 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. 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) Compensation of key management personnel

	2007	2006
	HK$'000	HK$'000
Wages, salaries and allowances	**6,039**	4,497
Pension costs — defined contribution retirement schemes	**295**	221
	6,334	4,718

37. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which results from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risks, including changes in interest rates and currency exchange rates. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2007

37. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk

All the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC.

The Group's maximum exposure to credit risk in the event of the counter parties' failure to perform their obligations as at 31st March, 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group review the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

(b) Foreign currency risk

The Group does not have significant foreign currency risk as the sales and purchases are predominantly in Hong Kong dollars.

(c) Interest rate risk

The Group has no significant interest bearing assets except cash and cash equivalents. The Group's interest rate risk arises from borrowings. The interest rates and terms of repayment are disclosed in notes 27 and 28.

(d) Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amount because of the immediate or short term maturity. The fair values of non-current liabilities were not disclosed because their carrying value is not materially different from their fair value.

38. SUBSEQUENT EVENTS

On 4th May, 2007, the Group entered into 6 tenancy agreements with Stanwick relating to the Basement, Ground Floor, Mezzanine Floor, and 3rd, 5th, 8th, 9th and 10th Floors of King Fook Building, 30–32 Des Voeux Road Central, Hong Kong for a term of 2 years from 16th August, 2007 to 15th August, 2009 at the total monthly rent of HK$585,385, exclusive of management fees and air-conditioning charges totalling HK$49,140 per month, and rates.

On 15th June, 2007, the Company obtained an authorisation from the shareholders of the Company to dispose of up to 1,874,000 shares of Hong Kong Exchanges and Clearing Limited held by the Group to independent third parties at prevailing market prices on-market through The Stock Exchange of Hong Kong Limited within one year from 16th June, 2007. Subsequent to 31st March, 2007 and up to the date of this report, the Group disposed of 560,000 shares of Hong Kong Exchanges and Clearing Limited at a profit of approximately HK$59 million.

39. COMPARATIVE FIGURES

Comparative figures on revenue, cost of sales and other operating income have been reclassified to conform with the current year's presentation.