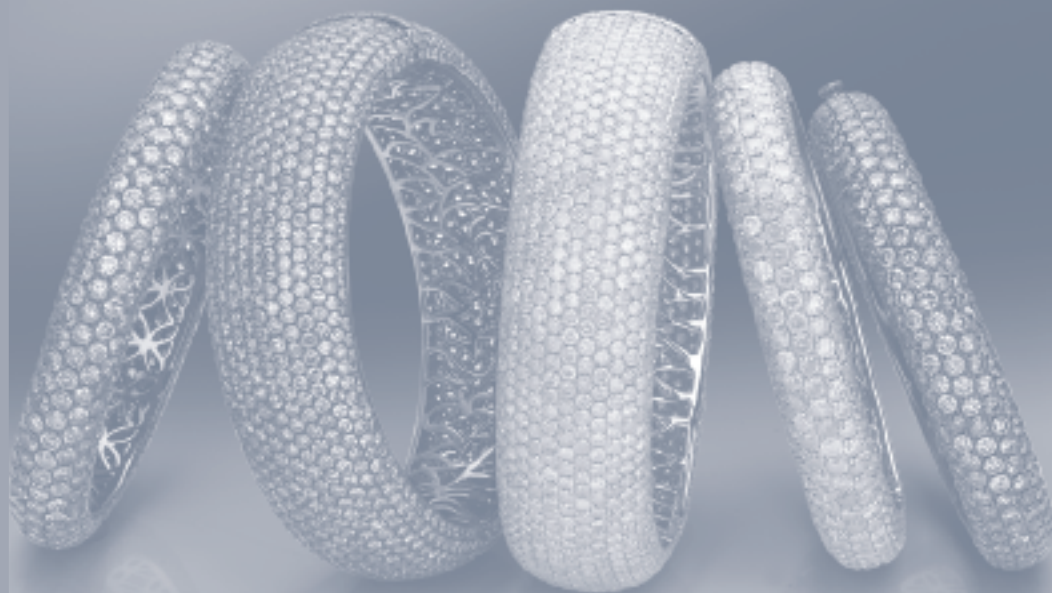




king fook holdings limited
景福集團有限公司

Stock Code: 280



for the six months ended 30th September, 2009
Interim Report

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Management Commentary

The Directors of King Fook Holdings Limited (the “Company”) are pleased to present their report together with the financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2009. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30th September, 2009, and the consolidated balance sheet as at 30th September, 2009 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 8 to 30 of this report.

Interim dividend

The Directors have resolved the payment of an interim dividend of HK0.3 cent (2009: HK0.4 cent) per ordinary share for the year ending 31st March, 2010, payable to all shareholders whose names appear on the Register of Members of the Company on 8th January, 2010. The interim dividend will be paid on or about 15th January, 2010.

Closure of Register of Members

The Register of Members of the Company will be closed from 5th January, 2010 to 8th January, 2010, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on Monday, 4th January, 2010 in order to qualify for the interim dividend above mentioned.

Business review and prospects

The Group’s unaudited consolidated profit attributable to the shareholders of the Company for the six months ended 30th September, 2009 was approximately HK\$25,698,000. During the period, the Group’s overall turnover slightly decreased by 1% as compared with the same period of last year, mainly resulted from the reduction of sales of gold bullion trading by about HK\$9,476,000.

Management Commentary (*continued*)

Business review and prospects (*continued*)

During the period under review, the Group's gold ornament retailing and gold bullion trading businesses did not benefit from the uncertainties in the global economic environment as expected owing to the continuous record breaking high price of gold. Besides, most rental leases were renewed at a time when the retail market was not yet affected by the financial tsunami. Even when the economy experienced a downturn during last year due to the financial crisis and swine flu, landlords of prime retail locations did not cut rent, making the operating environment more severe. The Group strived hard to maintain the overall turnover by lining up with various parties for marketing campaign and launching intensive promotions. Despite all those efforts, the Group recorded a decrease in net profits for the period under review, mainly as a result of the decrease in gross profit margin from sale promotions and lack of income from disposal of investment property and corresponding interests in land during the period under review.

Looking forward, rentals of retail properties in Hong Kong are expected to increase, which would adversely affect the Group as various of our rental leases will expire next year. The global economy, although improving, remains difficult and consumer sentiment is still weak. It is expected that the road to recovery will unlikely be smooth and the consumption on luxury items will inevitably be affected. However, the Group continues to expand its retailing business in the People's Republic of China. Two new retail shops are scheduled to open in Suzhou and Shanghai next year. We have been awarded as the winner of 2009 Service Retailer of watch and jewellery category under the Mystery Shopper Program conducted by the Hong Kong Retail Management Association. In spite of the current difficult operating environment, the management will continue to explore potential business opportunities, launch more attractive sale campaigns, maintain our quality service and implement stringent cost-control measures. The implementation of an Enterprise Resource Planning System is in progress in order to bring total quality management and operational efficiencies to the Group.

Investments

As at 30th September, 2009, the Group held 1,314,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$184,617,000 and certain listed equity securities listed outside Hong Kong amounting to HK\$12,270,000 under available-for-sale investments.

Management Commentary (continued)

Finance

As at 30th September, 2009, the Group's current assets and current liabilities were about HK\$992,473,000 and HK\$287,227,000 respectively. There were bank balances and cash of about HK\$54,209,000, unsecured bank loans of about HK\$188,165,000 and unsecured gold loans of about HK\$28,464,000 on such date.

Based on the total borrowings of the Group of about HK\$216,629,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$911,399,000 as at 30th September, 2009, the overall borrowings to equity ratio was 24%, which was at a healthy level.

Employees

As at 30th September, 2009, the Group had 347 employees. The employees (including directors) are remunerated according to the nature of their jobs, experience and contribution to the Group and are entitled to an incentive bonus based on their performance. It also provides training programs to employees to improve the standard of customer services and further advancement.

Directors' interests

As at 30th September, 2009, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register maintained by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

	Number of ordinary shares held			Total	Percentage of shareholding
	Personal	Family	Corporate		
Mr. Tang Yat Sun, Richard	3,585,000	Nil	#15,034,000	18,619,000	4.28%
Mr. Cheng Ka On, Dominic	4,020,000	15,000	Nil	4,035,000	0.93%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*3,170,000	3,170,000	0.73%

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

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

Management Commentary (*continued*)

Directors' interests (*continued*)

Save as disclosed above, as at 30th September, 2009, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholder

As at 30th September, 2009, the following person (other than a director or chief executive of the Company) had interest in the share capital of the Company as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

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

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

Save as disclosed above, as at 30th September, 2009, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

Purchase, sale or redemption of shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30th September, 2009.

Management Commentary (*continued*)

Share option scheme

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

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

Model Code

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

Code on Corporate Governance Practices

The Company is committed to maintaining high standard corporate governance practices. It met all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules at any time during the six months ended 30th September, 2009 except that the non-executive directors were not appointed for a specific term but each of them is subject to retirement by rotation at annual general meetings of the Company at least once every three years in accordance with the Articles of Association of the Company.

Review by auditors and audit committee

The unaudited interim financial report of the Company for the six months ended 30th September, 2009 has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants by Grant Thornton, the auditors of the Company.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its internal control and financial reporting matters and the unaudited interim financial report for the six months ended 30th September, 2009.

Independent Review Report



Member of Grant Thornton International Ltd

TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 8 to 30 which comprise the consolidated balance sheet of King Fook Holdings Limited as of 30th September, 2009 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of Review

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

Conclusion

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

Grant Thornton

Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

11th December, 2009

Consolidated Income Statement

For the six months ended 30th September, 2009

	Note	Unaudited Six months ended 30th September,	
		2009 HK\$'000	2008 HK\$'000
Revenue	4	547,355	557,713
Cost of sales		(406,297)	(396,252)
Gross profit		141,058	161,461
Other operating income		15,431	22,510
Distribution and selling costs		(90,001)	(83,870)
Administrative expenses		(32,520)	(33,735)
Other operating expenses		(66)	(11,779)
Operating profit		33,902	54,587
Finance costs	5	(2,387)	(2,517)
Share of loss of a jointly controlled entity		(204)	(220)
Profit before taxation	6	31,311	51,850
Taxation	8	(5,585)	(10,105)
Profit for the period		25,726	41,745
Profit for the period attributable to:			
Shareholders of the Company		25,698	41,736
Minority interests		28	9
		25,726	41,745
Earnings per share for profit attributable to the shareholders of the Company during the period	10		
– Basic (HK cents)		5.9 cents	9.6 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2009

	Unaudited	
	Six months ended	
	30th September,	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	25,726	41,745
Other comprehensive income/(loss)		
Change in fair value of available-for-sale investments	93,879	(55,229)
Exchange translation differences	126	1,194
Other comprehensive income/(loss) for the period	94,005	(54,035)
Total comprehensive income/(loss) for the period	119,731	(12,290)
Total comprehensive income/(loss) for the period		
attributable to:		
Shareholders of the Company	119,703	(12,300)
Minority interests	28	10
	119,731	(12,290)

Consolidated Balance Sheet

As at 30th September, 2009

	Unaudited 30th September, 2009 HK\$'000	Audited 31st March, 2009 HK\$'000
<i>Note</i>		
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	11 19,935	19,990
Leasehold interests in land	4,849	4,914
Investment properties	407	418
Interest in a jointly controlled entity	4,579	4,778
Available-for-sale investments	12 197,559	103,651
Other assets	2,196	2,196
	<u>229,525</u>	<u>135,947</u>
Current assets		
Inventories	823,132	838,657
Debtors, deposits and prepayments	13 86,690	118,491
Investments at fair value through profit or loss	26,097	19,385
Tax recoverable	26	26
Trust bank balances held on behalf of clients	2,319	14,011
Cash and cash equivalents	54,209	58,025
	<u>992,473</u>	<u>1,048,595</u>
Current liabilities		
Creditors, deposits received, accruals and deferred income	14 83,230	114,145
Taxation payable	8,201	5,089
Gold loans, unsecured	28,464	28,251
Bank loans, unsecured	15 167,332	209,332
	<u>287,227</u>	<u>356,817</u>
Net current assets	<u>705,246</u>	<u>691,778</u>
Total assets less current liabilities	<u>934,771</u>	<u>827,725</u>
Non-current liabilities		
Bank loans, unsecured	15 20,833	29,167
Provision for long service payments	2,282	2,282
	<u>23,115</u>	<u>31,449</u>
Net assets	<u>911,656</u>	<u>796,276</u>
CAPITAL AND RESERVES		
Capital and reserves attributable to the shareholders of the Company		
Share capital	16 108,768	108,768
Other reserves	234,382	140,377
Retained profits		
Proposed dividend	1,305	4,351
Others	566,944	542,551
	<u>911,399</u>	<u>796,047</u>
Minority interests	257	229
	<u>911,656</u>	<u>796,276</u>

Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2009

	Capital and reserves attributable to the shareholders of the Company						Minority interests	Total	
	Share capital	Share premium	Capital reserve on consolidation	Exchange reserve	Investment revaluation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
For the six months ended 30th September, 2009									
At 1st April, 2009 (Audited)	108,768	17,575	24,753	6,894	91,155	546,902	796,047	229	796,276
2009 final dividend	—	—	—	—	—	(4,351)	(4,351)	—	(4,351)
Transactions with shareholders	—	—	—	—	—	(4,351)	(4,351)	—	(4,351)
Profit for the period	—	—	—	—	—	25,698	25,698	28	25,726
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	93,879	—	93,879	—	93,879
Exchange translation differences	—	—	—	126	—	—	126	—	126
Total comprehensive income for the period	—	—	—	126	93,879	25,698	119,703	28	119,731
At 30th September, 2009 (Unaudited)	108,768	17,575	24,753	7,020	185,034	568,249	911,399	257	911,656
<i>Representing:</i>									
Proposed interim dividend (note 9 (b))						1,305			
Others						566,944			
Retained profits as at 30th September, 2009						568,249			

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30th September, 2009

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2009

	Unaudited	
	Six months ended	
	30th September,	
	2009	2008
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	50,545	(132,673)
Net cash generated from investing activities	261	12,661
Net cash (used in)/generated from financing activities	(54,739)	139,251
Net (decrease)/increase in cash and cash equivalents	(3,933)	19,239
Effect of foreign exchange rate changes, net	117	888
Cash and cash equivalents at the beginning of the period	58,025	86,474
Cash and cash equivalents at the end of the period	54,209	106,601

Notes to the Interim Financial Report

For the six months ended 30th September, 2009

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st March, 2009, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as disclosed in note 2 to this interim financial report.

This interim financial report is unaudited, but has been reviewed by Grant Thornton in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

This interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31st March, 2009.

Notes to the Interim Financial Report (*continued*)

For the six months ended 30th September, 2009

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1st April, 2009:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK (IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded Derivatives
Various	Annual Improvements to HKFRSs 2008

Other than as noted below, the adoption of these new or amended HKFRSs did not change the Group's accounting policies as followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2009.

HKAS 1 (Revised 2007): *Presentation of financial statements*

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with the revised standard.

Notes to the Interim Financial Report (*continued*)

For the six months ended 30th September, 2009

2. **ADOPTION OF NEW OR AMENDED HKFRSs** (*continued*)

HKFRS 8: *Operating segments*

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

HK (IFRIC) - Interpretation 13: *Customer loyalty programmes*

The adoption of HK (IFRIC) – Interpretation 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group maintains loyalty points programmes within its retail division which allows customers to accumulate points when they purchase products in the retail stores. These points can then be redeemed for free products, subject to certain terms and conditions. The Group has historically recorded a liability at the time of sale based on the costs expected to be incurred to provide awards in the future. With effect from 1st April, 2009, in order to comply with HK (IFRIC) – Interpretation 13, this change in accounting policy has been applied retrospectively. The prior period financial information has not been restated as the effect of the existing accounting treatment is not materially different from the accounting treatment in accordance with HK (IFRIC) – Interpretation 13.

3. **SEGMENT INFORMATION**

On adoption of HKFRS 8, *Operating segments*, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's top management including executive directors and general manager for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the top management are determined following the Group's major product and service lines. The Group has identified the following operating segments:

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong

3. SEGMENT INFORMATION (*continued*)

- (ii) Retailing in the People's Republic of China
- (iii) Securities broking
- (iv) Construction services
- (v) Provision of travel related products and services

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. The adoption of HKFRS 8 has changed the identified operating segments of the Group compared to the annual financial statements for the year ended 31st March, 2009. Since (ii) and (v) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated with (i) because they have similar economic characteristics, and (v) is reported under "All others". Reportable segments are as follows:

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

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

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

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

Notes to the Interim Financial Report (continued)

For the six months ended 30th September, 2009

3. SEGMENT INFORMATION (continued)

Information regarding the Group's reportable segments as provided to the Group's top management is set out below:

	Unaudited Six months ended 30th September, 2009					Total HK\$'000
	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	
Revenue						
From external customers	521,967	4,354	17,759	3,275	—	547,355
Inter-segment sales	—	—	24	—	(24)	—
Reportable segment revenue	<u>521,967</u>	<u>4,354</u>	<u>17,783</u>	<u>3,275</u>	<u>(24)</u>	<u>547,355</u>
Interest income	152	63	—	—	—	215
Finance costs	(5,634)	—	(83)	—	—	(5,717)
Depreciation	(3,346)	(158)	(225)	(34)	—	(3,763)
Amortisation	(65)	—	—	—	—	(65)
Share of loss of a jointly controlled entity	(204)	—	—	—	—	(204)
Reportable segment results	<u>25,479</u>	<u>(793)</u>	<u>(373)</u>	<u>312</u>	<u>—</u>	<u>24,625</u>
Corporate income						21,676
Corporate expenses						(26,565)
Dividend income						5,014
Fair value change of investments at fair value through profit or loss held for trading						6,561
Profit before taxation						<u>31,311</u>

	Unaudited 30th September, 2009					Total HK\$'000
	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	
Reportable segment assets	909,749	31,373	26,123	3,975	—	971,220
Corporate assets						27,096
Available-for-sale investments						197,559
Investments at fair value through profit or loss						26,097
Tax recoverable						26
Total assets per consolidated balance sheet						<u>1,221,998</u>
Reportable segment liabilities	78,072	9,013	10,067	4,058	—	101,210
Corporate liabilities						198,544
Taxation payable						8,201
Unallocated liabilities						2,387
Total liabilities per consolidated balance sheet						<u>310,342</u>

Notes to the Interim Financial Report (continued)

For the six months ended 30th September, 2009

4. REVENUE

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

	Unaudited Six months ended 30th September,	
	2009	2008
	HK\$'000	HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	499,860	500,788
Bullion trading	12,130	21,606
Commission from securities broking	4,354	2,640
Diamond wholesaling	9,977	7,741
	<u>526,321</u>	<u>532,775</u>
Other revenue		
Revenue on construction contracts	17,759	21,237
Income from provision of travel related products and services	3,275	3,701
	<u>21,034</u>	<u>24,938</u>
Total revenue	<u>547,355</u>	<u>557,713</u>

5. FINANCE COSTS

	Unaudited Six months ended 30th September,	
	2009	2008
	HK\$'000	HK\$'000
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	2,067	2,302
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	320	215
	<u>2,387</u>	<u>2,517</u>

Notes to the Interim Financial Report (*continued*)

For the six months ended 30th September, 2009

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Unaudited	
	Six months ended	
	30th September,	
	2009	2008
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Charging:		
Amortisation of leasehold interests in land	65	65
Cost of inventories sold, including	400,869	392,117
– provision for and write down of inventories to net realisable value	1,615	2,929
– reversal of write down of inventories to net realisable value	(2,609)	(695)
Depreciation of property, plant and equipment	4,513	4,288
Depreciation of investment properties	11	18
Fair value change of investments at fair value through profit or loss held for trading	—	10,730
Foreign exchange loss	—	916
Loss on disposal of property, plant and equipment	—	15
Loss on write-off of property, plant and equipment	35	—
Provision for impairment losses of debtors		
– provided against allowance account	27	107
– written off directly to the account	7	—
Operating lease charges in respect of properties	44,577	36,393
Operating lease charges in respect of furniture and fixtures	153	153
Outgoings in respect of investment properties	32	35
	<u> </u>	<u> </u>
Crediting:		
Dividend income	5,014	7,885
Fair value change of investments at fair value through profit or loss held for trading	6,561	—
Foreign exchange gain	2,151	—
Gain on disposal of investment property and corresponding interests in land	—	11,903
Interest income from financial assets at amortised cost	337	697
Rental income		
– owned properties	464	674
– operating sub-leases	—	710
	<u> </u>	<u> </u>

Notes to the Interim Financial Report (continued)

For the six months ended 30th September, 2009

7. EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 30th September,	
	2009	2008
	HK\$'000	HK\$'000
Wages, salaries and allowances	40,157	40,373
Pension costs – defined contribution retirement schemes	1,837	1,734
	<u>41,994</u>	<u>42,107</u>

Employee benefit expense as shown above include directors' emoluments.

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

	Unaudited Six months ended 30th September,	
	2009	2008
	HK\$'000	HK\$'000
Current tax		
– Hong Kong		
Tax for the period	4,355	9,212
Under provision in prior years	332	942
	<u>4,687</u>	<u>10,154</u>
– Overseas		
Tax for the period	898	19
Over provision in prior years	—	(68)
	<u>898</u>	<u>(49)</u>
Total taxation charge	<u>5,585</u>	<u>10,105</u>

Notes to the Interim Financial Report (*continued*)

For the six months ended 30th September, 2009

9. DIVIDEND

	Unaudited	
	Six months ended	
	30th September,	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.3 cent (note (b)) (2008: HK0.4 cent (note (a))) per ordinary share	<u>1,305</u>	<u>1,740</u>

Notes:

- (a) At a meeting held on 12th December, 2008, the directors declared an interim dividend of HK0.4 cent per ordinary share for the year ended 31st March, 2009. This interim dividend was paid on 14th January, 2009 and was reflected as an appropriation of retained profits for the year ended 31st March, 2009.
- (b) At a meeting held on 11th December, 2009, the directors declared an interim dividend of HK0.3 cent per ordinary share for the year ending 31st March, 2010. This proposed interim dividend is not reflected as dividend payable in the interim financial report, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2010.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$25,698,000 (2008: HK\$41,736,000) and on 435,071,650 (2008: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2009 was not presented as there were no dilutive potential ordinary shares during the period (2008: Nil).

11. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$4,493,000 (Six months ended 30th September, 2008: HK\$3,367,000) which mainly related to the acquisitions of leasehold improvements and furniture and equipment.

Notes to the Interim Financial Report (continued)

For the six months ended 30th September, 2009

12. AVAILABLE-FOR-SALE INVESTMENTS

As at 30th September, 2009, included in available-for-sale investments were equity securities of a company (the "Investee Company") stated at market value of HK\$7,609,000 (At 31st March, 2009: HK\$3,042,000) which were listed outside Hong Kong.

As at 30th September, 2009, Mr. Yeung Ping Leung, Howard (a director of the Company) and Horsham Enterprises Limited (a company beneficially owned by Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company) held 40.6% (At 31st March, 2009: 40.6%) and 5.1% (At 31st March, 2009: 5.1%) equity interests in the Investee Company respectively.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited 30th September, 2009 HK\$'000	Audited 31st March, 2009 HK\$'000
Trade debtors	38,243	68,739
Other receivables	16,559	17,631
Deposits and prepayments	19,888	20,121
Insurance claim receivable	12,000	12,000
	86,690	118,491

Ageing analysis of the trade debtors, based on the invoice dates, was as follows:

	Within 30 days HK\$'000	31-90 days HK\$'000	More than 90 days HK\$'000	Total HK\$'000
Balance at 30th September, 2009 (Unaudited)	22,060	4,015	12,168	38,243
Balance at 31st March, 2009 (Audited)	50,878	4,988	12,873	68,739

Notes to the Interim Financial Report (*continued*)

For the six months ended 30th September, 2009

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

The trade debtors as at 30th September, 2009 consist of receivables from customers of the securities broking business amounting to HK\$7,977,000 (At 31st March, 2009: HK\$34,515,000), the credit terms of which are in accordance with the securities broking industry practice. The remaining balance of trade debtors is primarily receivables from retailing, bullion trading and diamond wholesaling businesses which is normally due within three months.

As at 30th September, 2009, included in other receivables was an advance made by the Group to an independent third party of HK\$2,006,000 (At 31st March, 2009: HK\$2,006,000). This advance was secured by certain diamonds with carrying amount of HK\$4,652,000 (At 31st March, 2009: HK\$4,652,000) as assessed by the management of the Group, bearing interest at HK\$53,000 for the six months ended 30th September, 2009 (Six months ended 30th September, 2008: HK\$6,000) and repayable within one year.

14. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited 30th September, 2009 HK\$'000	Audited 31st March, 2009 HK\$'000
Trade payables	35,135	66,075
Other payables and accruals	35,583	36,522
Dividend payable	4,351	—
Deposits received and deferred income	7,486	10,873
Other provision	675	675
	83,230	114,145

As at 30th September, 2009, included in other payables and accruals were amounts due to directors of subsidiaries of approximately HK\$2,387,000 (At 31st March, 2009: HK\$2,684,000) which were unsecured, interest free and repayable on demand.

Notes to the Interim Financial Report (continued)

For the six months ended 30th September, 2009

14. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME (continued)

Ageing analysis of the trade payables, based on the invoice dates, was as follows:

	Within 30 days HK\$'000	31-90 days HK\$'000	More than 90 days HK\$'000	Total HK\$'000
Balance at 30th September, 2009 (Unaudited)	<u>29,532</u>	<u>2,651</u>	<u>2,952</u>	<u>35,135</u>
Balance at 31st March, 2009 (Audited)	<u>57,297</u>	<u>1,677</u>	<u>7,101</u>	<u>66,075</u>

15. BANK LOANS, UNSECURED

	Unaudited 30th September, 2009 HK\$'000	Audited 31st March, 2009 HK\$'000
Bank loans are repayable as follows:		
Within one year	167,332	209,332
In the second year	16,667	16,667
In the third to fifth years, inclusive	4,166	12,500
	<u>188,165</u>	<u>238,499</u>
Portion classified as current liabilities	<u>(167,332)</u>	<u>(209,332)</u>
Non-current portion	<u>20,833</u>	<u>29,167</u>

Notes to the Interim Financial Report (continued)

For the six months ended 30th September, 2009

16. SHARE CAPITAL

	Unaudited 30th September, 2009 HK\$'000	Audited 31st March, 2009 HK\$'000
Authorised:		
620,000,000 (At 31st March, 2009: 620,000,000) ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
Issued and fully paid:		
435,071,650 (At 31st March, 2009: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

17. COMMITMENTS

(a) Commitments under operating leases

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

	Unaudited 30th September, 2009			Audited 31st March, 2009		
	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Within one year	77,266	306	77,572	68,639	291	68,930
In the second to fifth years, inclusive	32,310	267	32,577	50,578	—	50,578
After five years	—	—	—	27	—	27
	<u>109,576</u>	<u>573</u>	<u>110,149</u>	<u>119,244</u>	<u>291</u>	<u>119,535</u>

The Group leases a number of properties under operating leases. The leases run for an initial period of one to six years, without option to renew the lease term at the expiry date. There are contingent rents calculated with reference to certain percentage of the net receipt of turnover of the Group.

Notes to the Interim Financial Report *(continued)*

For the six months ended 30th September, 2009

17. COMMITMENTS *(continued)*

(b) Future operating lease receivables

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

	Unaudited 30th September, 2009 HK\$'000	Audited 31st March, 2009 HK\$'000
Within one year	638	628
In the second to fifth years, inclusive	117	405
	755	1,033

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to two years, with option to renew the lease term at the expiry date. None of the lease includes contingent rents.

Notes to the Interim Financial Report (*continued*)

For the six months ended 30th September, 2009

18. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in this interim financial report, the Group had the following material transactions with related parties during the period:

		Unaudited	
		Six months ended	
		30th September,	
		2009	2008
	<i>Note</i>	HK\$'000	HK\$'000
Operating lease rental on land and buildings paid to related companies:			
Stanwick Properties Limited	<i>(a)</i>	3,512	3,512
Contender Limited	<i>(b)</i>	8,589	9,523
Fabrico (Mfg) Limited	<i>(c)</i>	90	90
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	<i>(a)</i>	153	153
Consultancy fees paid to related companies:			
Verbal Company Limited	<i>(d)</i>	2,749	2,999
Excellent Base Trading Limited	<i>(e)</i>	325	325
Revenue on construction contract from Verbal Company Limited	<i>(f)</i>	—	121
Management fees and air-conditioning charges paid to related companies:			
Stanwick Properties Limited	<i>(a)</i>	295	295
Contender Limited	<i>(b)</i>	381	720

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

Notes:

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

Notes to the Interim Financial Report (continued)

For the six months ended 30th September, 2009

18. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (c) The operating lease rental was paid to Fabrico (Mfg) Limited ("Fabrico") for the warehouse occupied by the Group in Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).
- (d) The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal") whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.
- (e) The Group has entered into a marketing consultancy agreement with Excellent Base Trading Limited ("Excellent Base") whereby Excellent Base provides marketing consultation service to a subsidiary of the Company. The spouse of Mr. Yeung Ping Leung, Howard (a director of the Company) is a director and the sole shareholder of Excellent Base.
- (f) Revenue on construction contracts was recognised by the Group for the interior design services provided to Verbal (note (d)).
- (g) Compensation of key management personnel

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

	Unaudited Six months ended 30th September, 2009	2008
	HK\$'000	HK\$'000
Wages, salaries and allowances	2,116	1,519
Pension costs - defined contribution retirement schemes	153	107
	2,269	1,626

19. APPROVAL OF THE INTERIM FINANCIAL REPORT

This unaudited interim financial report was approved and authorised for issue by the Directors on 11th December, 2009.

By order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 11th December, 2009

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