

# king fook holdings limited 景福集團有限公司

Stock Code: 280



for the six months ended 30th September, 2010

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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, 2010. 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, 2010, and the consolidated balance sheet as at 30th September, 2010 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 HK0.2 cent (For the year ended 31st March, 2010: HK0.3 cent) per ordinary share for the year ending 31st March, 2011, payable to all shareholders whose names appear on the Register of Members of the Company on 13th December, 2010. The interim dividend will be paid on or about 20th December, 2010.

#### **Closure of Register of Members**

The Register of Members of the Company will be closed from 8th December, 2010 to 13th December, 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 registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 7th December, 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, 2010 was approximately HK\$13,701,000. During the period, the Group's overall turnover slightly decreased by 4% as compared with the same period last year, resulting from the closure of our prime shop at Tsimshatsui in August due to the renovation of the Miramar Shopping Centre - Hotel Tower. The strong leasing demand has led to a continual upsurge of the retail rental, posing an upward pressure on our operating cost. Coupled with the reduction of other operating income caused by the fair value loss on revaluation of investments at fair value through profit or loss held for trading as opposed to a HK\$6,561,000 fair value gain for the same period last year, the Group recorded a decrease in net profits for the period under review.

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

During the period under review, the Group had secured prime locations for our new and relocated shops. With the support of various renowned watch brands, our flagship shop at The One was opened in October 2010 at the hub of Tsimshatsui with exquisite design. In August and October 2010, the Group opened the second Audemars Piguet specialty shop at The Pacific Place and a new *king fook* shop at Windsor House respectively. We also opened two new *Masterpiece by king fook* shops in August 2010 in the People's Republic of China (the "PRC"), one in Shanghai and one in Beijing to increase the brand awareness.

Looking forward, the growth momentum of the economy in Hong Kong seems to slow down as the global economy is showing signs of moderation. While we expect difficulties in the operating environment especially with escalating cost pressure on lease rental, salary and material cost, the management will take a conscientious approach in opening more retail outlets both in Hong Kong and the PRC. The Group is also looking for other potential business opportunities. We will also maintain our policy to streamline operations and optimise internal resources, provide quality service and implement stringent cost-control measures.

#### Investments

As at 30th September, 2010, the Group held 1,314,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$200,779,000 and certain listed debt and equity securities listed outside Hong Kong amounting to HK\$11,702,000 under available-for-sale investments.

#### **Finance**

As at 30th September, 2010, the Group's current assets and current liabilities were about HK\$1,008,754,000 and HK\$244,872,000 respectively. There were cash and cash equivalents of about HK\$65,512,000, unsecured bank loans of about HK\$116,499,000 and unsecured gold loans of about HK\$24,719,000.

Based on the total borrowings of the Group of about HK\$141,218,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$975,614,000 as at 30th September, 2010, the overall borrowings to equity ratio was 14%, which was at a healthy level.

#### **Employees**

As at 30th September, 2010, the Group had about 342 employees. The employees (including directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward employees 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, 2010, 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:

	Num	Percentage of			
	Personal	Family	Corporate	Total	shareholding
Mr. Tang Yat Sun, Richard	3,585,000	Nil	<sup>#</sup> 15,034,000	18,619,000	4.28%
Mr. Cheng Ka On, Dominic	1,748,000	Nil	Nil	1,748,000	0.40%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*3,170,000	3,170,000	0.73%

<sup>#</sup> 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.

Save as disclosed above, as at 30th September, 2010, 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 under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

<sup>\*</sup> 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.

#### Substantial shareholder

As at 30th September, 2010, 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:

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

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

Save as disclosed above, as at 30th September, 2010, 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, 2010.

#### 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 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, 2010 except that the non-executive directors were not appointed for a specific term but each of them is subject to retirement by rotation in 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, 2010 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, 2010.

# 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, 2010 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

18th November, 2010

# Consolidated Income Statement

For the six months ended 30th September, 2010

		Unaudi Six months 30th Septe	s ended
	Note	2010 HK\$'000	2009 HK\$'000
	Note		HK\$ 000
Revenue	4	524,454	547,355
Cost of sales		(381,465)	(406,297)
Gross profit		142,989	141,058
Other operating income		10,168	15,431
Distribution and selling costs		(96,369)	(90,001)
Administrative expenses		(37,776)	(32,520)
Other operating expenses		(692)	(66)
Operating profit		18,320	33,902
Finance costs	5	(1,183)	(2,387)
Share of loss of a jointly controlled entity		(83)	(204)
Profit before taxation	6	17,054	31,311
Taxation	8	(3,320)	(5,585)
Profit for the period		13,734	25,726
Profit for the period attributable to:			
Shareholders of the Company		13,701	25,698
Minority interests		33	28
		13,734	25,726
Earnings per share for profit attributable to the			
<ul><li>shareholders of the Company during the period</li><li>Basic (HK cents)</li></ul>	10	3.1 cents	5.9 cents

# Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2010

	Unaudited Six months ended 30th September,		
	2010	2009	
	HK\$'000	HK\$'000	
Profit for the period	13,734	25,726	
Other comprehensive income			
Change in fair value of available-for-sale investments	30,079	93,879	
Exchange translation differences	1,167	126	
Other comprehensive income for the period	31,246	94,005	
Total comprehensive income for the period	44,980	119,731	
Total comprehensive income for the period attributable to:			
Shareholders of the Company	44,947	119,703	
Minority interests	33	28	
	44,980	119,731	

# Consolidated Balance Sheet

As at 30th September, 2010

	Note	Unaudited 30th September, 2010 HK\$'000	Audited 31st March, 2010 HK\$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets Property, plant and equipment Investment properties Interests in jointly controlled entities	11	26,170 806 215	22,528 823 298
Available-for-sale investments Other assets	12	213,433 2,196	183,354 2,196
		242,820	209,199
Current assets Inventories Debtors, deposits and prepayments Investments at fair value through profit or loss Trust bank balances held on behalf of clients Cash and cash equivalents	13	789,513 137,279 13,907 2,543 65,512	782,552 108,311 6,628 1,557 64,693
		1,008,754	963,741
Current liabilities Creditors, deposits received, accruals and deferred income Amount due to a jointly controlled entity Taxation payable Gold loans, unsecured Bank loans, unsecured	14 15	123,988 22 8,811 24,719 87,332	87,907 24 7,644 31,757 65,332
		244,872	192,664
Net current assets		763,882	771,077
Total assets less current liabilities		1,006,702	980,276
Non-current liabilities Bank loans, unsecured Provision for long service payments	15	29,167	42,500 1,656
		30,823	44,156
Net assets		975,879	936,120
CAPITAL AND RESERVES Capital and reserves attributable to the shareholders of the Company			
Share capital Other reserves Retained profits	16	108,768 252,339	108,768 221,093
Proposed dividend Others		870 613,637	5,221 600,806
Minority interests		975,614 265	935,888 232
		975,879	936,120

# Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2010

		Capital and r	eserves attributa	ble to the sh	areholders of	the Compan	у	Minority interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
For the six months ended 30th September, 2010									
At 1st April, 2010 (Audited)	108,768	17,575	24,753	8,216	170,549	606,027	935,888	232	936,120
2010 final dividend (note 9(b))						(5,221)	(5,221)		(5,221)
Transactions with shareholders	_	_	_	_	_	(5,221)	(5,221)	_	(5,221)
Profit for the period	_	_	_	_	_	13,701	13,701	33	13,734
Other comprehensive income: Change in fair value of available-for-sale investments Exchange translation differences	=		=	1,167	30,079 		30,079 1,167		30,079 1,167
Total comprehensive income for the period				1,167	30,079	13,701	44,947	33	44,980
At 30th September, 2010 (Unaudited)	108,768	17,575	24,753	9,383	200,628	614,507	975,614	265	975,879
Representing: Proposed interim dividend (note 9(a)) Others						870 613,637			
Retained profits as at 30th September, 2010						614,507			
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 paid (note 9(b))						(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 Exchange translation differences				 126	93,879 —		93,879 126	=	93,879 126
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
Representing: Proposed interim dividend (note 9(a)) Others						1,305 566,944			
Retained profits as at 30th September, 2009						568,249			

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2010

	Unaudited		
	Six months	ended	
	30th September,		
	2010		
	HK\$'000	HK\$'000	
Net cash generated from operating activities	7,119	50,545	
Net cash (used in)/generated from investing activities	(3,115)	261	
Net cash used in financing activities	(4,159)	(54,739)	
Net decrease in cash and cash equivalents	(155)	(3,933)	
Effect of foreign exchange rate changes, net	974	117	
Cash and cash equivalents at the beginning of the period	64,693	58,025	
Cash and cash equivalents at the end of the period	65,512	54,209	

# Notes to the Interim Financial Report

For the six months ended 30th September, 2010

#### 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. It has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st March, 2010, 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. It 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, 2010.

#### 2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current 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, 2010:

HKAS 27 (Revised) Consolidated and Separate Financial Statements

(Revised 2008)

Various Improvements to HKFRSs 2009

Other than as noted below, adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

# 2.1 Adoption of HKAS 27 (Revised): Consolidated and Separate Financial Statements (Revised 2008)

HKAS 27 (Revised) introduced changes to the accounting requirements for transactions with non-controlling (formerly called "minority") interests and the loss of control of a subsidiary. The adoption of HKAS 27 (Revised) is applied prospectively. The Group did not dispose of any equity interests in its subsidiaries. Therefore, the adoption of HKAS 27 (Revised) did not have a material impact in the current period financial statements

For the six months ended 30th September, 2010

#### 2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

#### 2.2 Adoption of Improvements to HKFRSs 2009

The Improvements to HKFRSs 2009 made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 17: Leases. The amendment requires that leases of land are classified as finance or operating leases applying the general principles of HKAS 17. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1st April. 2010 on the basis of information existing at the inception of those leases and has reclassified the leases of land of its properties in Hong Kong from operating leases to finance leases. In addition, the amortisation of leasehold interests in land has been reclassified to depreciation. The effect of the adoption of the amendment on the consolidated balance sheet at 30th September, 2010 is to increase property, plant and equipment and investment properties by HK\$4,299,000 and HK\$420,000 respectively with a corresponding reduction in leasehold interests in land by HK\$4,719,000. The depreciation charge for the six months ended 30th September, 2010 has increased by HK\$65,000 with a corresponding reduction in the amortisation of leasehold interests in land. As adoption of the amendment applies retrospectively, it has also resulted in the increase in property, plant and equipment and investment properties by HK\$4,358,000 and HK\$426,000 respectively with a corresponding reduction in leasehold interests in land by HK\$4.784.000 on the consolidated balance sheet at 1st April, 2010 and an increase in the depreciation charge for the six months ended 30th September, 2009 by HK\$65,000 with a corresponding reduction in the amortisation of leasehold interests in land for that period. The consolidated balance sheet at 31st March, 2010 has been restated to reflect the reclassifications.

#### 3. SEGMENT INFORMATION

The Group identifies operating segments and prepares 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 for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to 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

For the six months ended 30th September, 2010

#### 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. Since (ii) and (v) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated to (i) because they have similar economic characteristics and (v) is reported under "All others". Although (iv) also does not meet the quantitative thresholds, it is separately presented as it is the major business line of the Group. 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 and loans to directors of subsidiaries of the Company.

For the six months ended 30th September, 2010

#### 3. **SEGMENT INFORMATION** (Continued)

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

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	Total HK\$'000
Unaudited For the six months ended 30th September, 2010						
Revenue From external customers Inter-segment sales	504,291 —	2,760	13,271	4,132 19	(19)	524,454 —
Reportable segment revenue	504,291	2,760	13,271	4,151	(19)	524,454
Interest income Finance costs Depreciation Share of loss of a jointly controlled entity	157 (5,649) (3,508)	43 — (153) —	— (71) (244) (83)		- - -	200 (5,720) (3,936) (83)
Reportable segment results Corporate income Corporate expenses Dividend income Fair value change of investments at fair value through profit or loss held for trading	17,125	(2,246)	(1,004)	429	_	14,304 25,122 (28,760) 6,852
Profit before taxation  Unaudited At 30th September, 2010						17,054
Reportable segment assets Corporate assets Available-for-sale investments Investments at fair value through profit or loss	920,170	38,764	26,648	4,514	-	990,096 34,138 213,433 13,907
Total assets per consolidated balance sheet						1,251,574
Reportable segment liabilities Corporate liabilities Taxation payable	103,257	17,141	10,520	6,730	-	137,648 129,236 8,811
Total liabilities per consolidated balance sheet						275,695

For the six months ended 30th September, 2010

#### 3. **SEGMENT INFORMATION** (Continued)

	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	Total HK\$'000
Unaudited For the six months ended 30th September, 2009 (Restated)						
Revenue From external customers Inter-segment sales	521,967 —	4,354 —	17,759 24	3,275	(24)	547,355 —
Reportable segment revenue	521,967	4,354	17,783	3,275	(24)	547,355
Interest income Finance costs Depreciation Share of loss of a jointly controlled entity	152 (5,634) (3,411) (204)	63  (158) 	(83) (225) —	(34)	- - - -	215 (5,717) (3,828) (204)
Reportable segment results Corporate income Corporate expenses Dividend income Fair value change of investments at fair value through profit or loss held for trading	25,479	(793)	(373)	312	-	24,625 21,676 (26,565) 5,014
Profit before taxation						31,311
Audited At 31st March, 2010						
Reportable segment assets Corporate assets Available-for-sale investments Investments at fair value through profit or loss	899,944	36,606	26,817	8,184	_	971,551 11,407 183,354 6,628
Total assets per consolidated balance sheet						1,172,940
Reportable segment liabilities Corporate liabilities Taxation payable	72,527	14,945	12,058	8,623	-	108,153 121,023 7,644
Total liabilities per consolidated balance sheet						236,820

For the six months ended 30th September, 2010

#### 3. **SEGMENT INFORMATION** (Continued)

No geographical information is presented as more than 90% of the Group's revenue and assets are derived from activities in Hong Kong.

The Group did not have a concentration of reliance on any single customer under each of the segments.

#### 4. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch 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,		
	<b>2010</b> 2009		
	HK\$'000	HK\$'000	
<b>Turnover</b> Gold ornament, jewellery, watch and			
gift retailing	484,040	499,860	
Bullion trading	16,794	12,130	
Commission from securities broking	2,760	4,354	
Diamond wholesaling	3,457	9,977	
	507,051	526,321	
Other revenue Revenue on construction contracts Income from provision of travel related	13,271	17,759	
products and services	4,132	3,275	
	17,403	21,034	
Total revenue	524,454	547,355	

For the six months ended 30th September, 2010

#### 5. FINANCE COSTS

	Unaudi Six months 30th Septe	ended
	2010 HK\$'000	2009 HK\$'000
Interest charges on: Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years Financial liabilities at fair value through profit or loss, gold loans wholly repayable	881	2,067
within five years	302	320
	1,183	2,387

For the six months ended 30th September, 2010

#### 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Unaudited Six months ended 30th September, 2010 200 HK\$'000 HK\$'00		
Charging:			
Cost of inventories, including - provision for and write down of	382,709	399,666	
inventories to net realisable value reversal of write down of inventories to	1,410	1,615	
net realisable value	(4,370)	(2,609)	
Depreciation of property, plant and equipment	4,583	4,572	
Depreciation of investment properties Fair value change of investments at fair value	17	17	
through profit or loss held for trading Loss on write off/disposal of property, plant	464	_	
and equipment	207	35	
Operating lease charges in respect of properties Operating lease charges in respect of furniture	60,748	44,577	
and fixtures	153	153	
Outgoings in respect of investment properties Provision for impairment losses of debtors	42	32	
<ul><li>provided against allowance account</li><li>written off directly to the account</li></ul>	21 	27 7	
Crediting:			
Dividend income Fair value change of investments at fair value	6,852	5,014	
through profit or loss held for trading	_	6,561	
Foreign exchange gain, net	2,053	2,151	
Interest income from financial assets at amortised cost	356	337	
Rental income			
- owned properties	381	464	

For the six months ended 30th September, 2010

#### 7. EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 30th September,	
	2010 HK\$'000	2009 HK\$'000
Wages, salaries and allowances Pension costs - defined contribution retirement schemes	34,912	40,157
	1,908	1,837
	36,820	41,994

Employee benefit expense as shown above includes directors' emoluments.

#### 8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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,		
2010		
HK\$'000	HK\$'000	
3,316	4,355 332 4,687	
	4,007	
4	898	
3,320	5,585	
	Six months 30th Septe 2010 HK\$'000 3,316 ————————————————————————————————————	

For the six months ended 30th September, 2010

#### 9. DIVIDEND

#### (a) Dividend attributable to the period

	Unaudited Six months ended 30th September,	
	2010	
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.2 cent (note (ii))		
(2009: HK0.3 cent (note (i))) per ordinary share	870	1,305

#### Note:

- (i) At a meeting held on 11th December, 2009, the directors declared an interim dividend of HK0.3 cent per ordinary share for the year ended 31st March, 2010. This interim dividend was paid on 15th January, 2010 and was reflected as an appropriation of retained profits for the year ended 31st March, 2010.
- (ii) At a meeting held on 18th November, 2010, the directors declared an interim dividend of HK0.2 cent per ordinary share for the year ending 31st March, 2011. This proposed interim dividend is not reflected as dividend payable in this interim financial report, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2011.

#### (b) Dividend attributable to the previous financial year

	Unaudited Six months ended 30th September,		
	2010 HK\$'000	2009 HK\$'000	
2010 final dividend of HK1.2 cents per ordinary share (2009: 2009 final dividend of HK1.0 cent per ordinary			
share)	5,221	4,351	

For the six months ended 30th September, 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\$13,701,000 (2009: HK\$25,698,000) and on 435,071,650 (2009: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2010 was not presented as there were no dilutive potential ordinary shares during the period (2009: Nil).

#### 11. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$8,345,000 (Six months ended 30th September, 2009: HK\$4,493,000) which mainly related to the acquisitions of leasehold improvements and furniture and equipment.

#### 12. AVAILABLE-FOR-SALE INVESTMENTS

As at 30th September, 2010, included in available-for-sale investments were equity securities of a company (the "Investee Company") stated at market value of HK\$6,716,000 (At 31st March, 2010: HK\$7,280,000) which were listed outside Hong Kong.

As at 30th September, 2010, 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 38.9% (At 31st March, 2010: 38.9%) and 5.1% (At 31st March, 2010: 5.1%) equity interests respectively in the Investee Company.

For the six months ended 30th September, 2010

#### 13. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited 30th September, 2010	Audited 31st March, 2010
	HK\$'000	HK\$'000
Trade debtors Other receivables Deposits and prepayments Insurance claim receivable	50,345 29,670 45,264 12,000	51,646 22,631 22,034 12,000
	137,279	108,311

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

	Unaudited	Audited
	30th September,	31st March,
	2010	2010
	HK\$'000	HK\$'000
Within 30 days	33,037	36,303
31 - 90 days	3,752	3,215
More than 90 days	13,556	12,128
	50,345	51,646

The trade debtors as at 30th September, 2010 consisted of receivables from customers of the securities broking business amounting to HK\$15,800,000 (At 31st March, 2010: HK\$13,885,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was primarily receivables from retailing, bullion trading and diamond wholesaling businesses which was normally due within three months

For the six months ended 30th September, 2010

#### 13. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

As at 30th September, 2010, included in other receivables was an advance made by the Group to an independent third party of HK\$2,032,000 (At 31st March, 2010: HK\$2,006,000). This advance was secured by certain diamonds with carrying amount of HK\$4,652,000 (At 31st March, 2010: HK\$4,652,000) as assessed by the management of the Group, bearing interest at fixed amount of HK\$53,000 for the six months ended 30th September, 2010 (Six months ended 30th September, 2009: HK\$53,000) and repayable within one year.

#### 14. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited	Audited
	30th September,	31st March,
	2010	2010
	HK\$'000	HK\$'000
Trade payables	61,028	27,379
Other payables and accruals	48,055	48,984
Dividend payable	5,221	_
Deposits received and		
deferred income	9,009	10,869
Other provision	675	675
	123,988	87,907

As at 30th September, 2010, included in other payables and accruals were amounts due to directors of subsidiaries of approximately HK\$2,395,000 (At 31st March, 2010: HK\$2,399,000) which were unsecured, interest free and repayable on demand.

For the six months ended 30th September, 2010

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

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

	Unaudited	Audited
	30th September,	31st March,
	2010	2010
	HK\$'000	HK\$'000
Within 30 days	56,803	20,737
31 - 90 days	2,209	2,432
More than 90 days	2,016	4,210
	61,028	27,379

#### 15. BANK LOANS, UNSECURED

	Unaudited 30th September, 2010 HK\$'000	Audited 31st March, 2010 HK\$'000
Bank loans are repayable as follows: Within one year In the second year In the third to fifth years inclusive	87,332 14,167 15,000	65,332 22,500 20,000
Portion classified as current liabilities	116,499 (87,332)	107,832 (65,332)
Non-current portion	29,167	42,500

For the six months ended 30th September, 2010

#### 16. SHARE CAPITAL

	Unaudited 30th September, 2010 HK\$'000	Audited 31st March, 2010 HK\$'000
Authorised: 620,000,000 (At 31st March, 2010: 620,000,000) ordinary shares of HK\$0.25 each	155,000	155,000
Issued and fully paid: 435,071,650 (At 31st March, 2010: 435,071,650) ordinary shares of HK\$0.25 each	108,768	108,768

#### 17. COMMITMENTS

#### (a) Commitments under operating leases

The total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	30t	Unaudited h September, 20	10		Audited 31st March, 2010	
	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	127,970	267	128,237	66,967	306	67,273
fifth years inclusive	174,372		174,372	51,754	114	51,868
	302,342	267	302,609	118,721	420	119,141

For the six months ended 30th September, 2010

#### **17. COMMITMENTS** (Continued)

#### (a) Commitments under operating leases (Continued)

The Group leases a number of properties under operating leases. The leases run for an initial period of one to ten years (At 31st March, 2010: one to ten years), without option to renew the lease term at the expiry date.

Certain leasing arrangements have been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to arrive at the above commitments.

#### (b) Future operating lease receivables

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

	Unaudited	Audited
	30th September,	31st March,
	2010	2010
	HK\$'000	HK\$'000
Within one year	312	397
In the second to fifth years inclusive	113	
	425	397

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to three years (At 31st March, 2010: one to three years), with option to renew the lease term at the expiry date.

For the six months ended 30th September, 2010

Unaudited

#### 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:

		Six months ended 30th September,	
	Note	2010 HK\$'000	2009 HK\$'000
Operating lease rental on land and buildings paid to related companies: Stanwick Properties Limited Contender Limited Fabrico (Mfg) Limited Shahdan Limited Operating lease rental on furniture and	(a) (b) (c) (d)	3,664 5,360 90 214	3,512 8,589 90 —
fixtures paid to Stanwick Properties Limited Consultancy fees paid to related companies:	(a)	153	153
Verbal Company Limited Excellent Base Trading Limited Management fees and air-conditioning charges paid to related companies:	(e) (f)	2,750 —	2,749 325
Stanwick Properties Limited Contender Limited Shahdan Limited	(a) (b) (d)	329 248 43	295 381 

The above related party transactions were entered into on normal commercial terms.

#### Note:

- (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. 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 until 17th September, 2010, for the shop premises, advertising signboards and showcases occupied/used by the Group. 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.

For the six months ended 30th September, 2010

#### 18. RELATED PARTY TRANSACTIONS (Continued)

Note: (Continued)

- (c) The operating lease rental was paid to Fabrico (Mfg) Limited ("Fabrico") for the warehouse occupied by the Group. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).
- (d) The operating lease rental, management fees and air-conditioning charges were paid to Shahdan Limited ("Shahdan") for the office premises occupied by the Group. Shahdan is a wholly owned subsidiary of Miramar (note (b)).
- (e) The Company has entered into a consultancy 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.
- (f) The Group has entered into a marketing consultancy agreement with Excellent Base Trading Limited ("Excellent Base") whereby Excellent Base provides marketing consultancy 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.
- (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,	
	2010 HK\$'000	2009 HK\$'000
Wages, salaries and allowances Pension costs - defined contribution retirement schemes	2,222 160	2,116 153
	2,382	2,269

#### 19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

#### 20. APPROVAL OF THE INTERIM FINANCIAL REPORT

This unaudited interim financial report was approved and authorised for issue by the Board of Directors on 18th November, 2010.

By order of the Board Yeung Ping Leung, Howard Chairman

Hong Kong, 18th November, 2010

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.