



king fook holdings limited
景福集團有限公司

Stock Code: 280



for the six months ended 30th September, 2011
Interim Report

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Management Commentary

The Board of Directors of King Fook Holdings Limited (the “Company”) is pleased to present their report together with the unaudited financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2011. 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, 2011, and the consolidated balance sheet as at 30th September, 2011 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 Board of Directors has resolved the payment of an interim dividend of HK0.15 cent (for the year ended 31st March, 2011: HK0.2 cent) per ordinary share for the year ending 31st March, 2012, payable to all shareholders whose names appear on the Register of Members of the Company on 28th December, 2011. The interim dividend will be paid on or about 5th January, 2012.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 21st December, 2011 to Wednesday, 28th December, 2011, 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, 20th December, 2011 in order to qualify for the interim dividend above mentioned.

Business review and prospects

The operating environment of the Group during the period under review continued to be challenging. The revenue of the Group increased by 32.9% to HK\$696,791,000 over the same period last year mainly due to the growth in turnover of its gold ornament, jewellery, watch, fashion and gift retail business as a result of the continued strong demands of visitors from Mainland China.

Management Commentary (Continued)

Business review and prospects (Continued)

However, the unaudited consolidated profit attributable to the shareholders of the Company for the six months ended 30th September, 2011 decreased by 17.4% from HK\$13,701,000 to HK\$11,313,000, mainly caused by the substantial increase in lease rental of the retail shops. As a result of the unfavourable equity market conditions caused by the uncertainty of the EU sovereign debt crisis and concern of the double-dipped US economy, an unfavourable change of HK\$75,378,000 in fair value of the Group's available-for-sale investment for the period under review was recorded as opposed to a favourable change of HK\$30,079,000 for the same period last year. The total comprehensive income for the period fell substantially by HK\$107,885,000 to a negative income of HK\$62,905,000 from a positive income of HK\$44,980,000 for the previous period.

During the period under review, the Group participated in a wide spectrum of marketing activities and publicity campaigns to strengthen its brand positioning which covered the Group's exclusive jewellery brands from Italy such as Annamaria Cammilli, Palmiero and Mattia Cielo. The highlights of such activities included an exclusive jewellery exhibition of the latest collection of Mattia Cielo at Mandarin Oriental, Hong Kong, an exclusive preview of Annamaria Cammilli's jewellery including the latest 2011 Basel collection at Four Seasons Hotel Hong Kong and a private banquet held by Palmiero at Grand Hyatt Hong Kong. The Group also participated in the "Extravagant Simplicity" Fund-raising Gala for Crossroads Foundation hosted by the renowned Hong Kong fashion designer Barney Cheng in May 2011.

In view of the possible adverse effects of the uncertain economic conditions in Europe and the US on Mainland China and Hong Kong, the management expects that the operating environment for the Group will continue to be challenging and competition within the luxury goods retail sector will remain keen. In view of such circumstances, the management will closely evaluate the overall business outlook and will adjust its pace of development accordingly. The Group will also be more prudent in cost management and strive to optimise its internal resources in order to achieve a higher degree of cost-efficiency.

Investments

As at 30th September, 2011, the Group held 1,314,000 shares in Hong Kong Exchanges and Clearing Limited amounting to HK\$150,584,000 and certain listed debt and equity securities listed outside Hong Kong amounting to HK\$10,376,000 under available-for-sale investments.

Management Commentary (Continued)

Finance

As at 30th September, 2011, the Group's current assets and current liabilities were about HK\$1,110,767,000 and HK\$303,550,000 respectively. There were cash and cash equivalents of about HK\$63,704,000, unsecured bank loans of about HK\$196,832,000 and unsecured gold loans of about HK\$30,912,000.

Based on the total borrowings of the Group of about HK\$227,744,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$954,121,000 as at 30th September, 2011, the overall borrowings to equity ratio was 24%, which was at a healthy level.

Employees

As at 30th September, 2011, the Group had about 407 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 the 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, 2011, 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 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				Percentage of shareholding
	Personal	Family	Corporate	Total	
Mr. Tang Yat Sun, Richard	3,585,000	Nil	*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%

Management Commentary (Continued)

Directors' interests (Continued)

- # 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.

Save as disclosed above, as at 30th September, 2011, 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.

Substantial shareholder

As at 30th September, 2011, 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	200,193,055	<i>Note</i>	46.01%

Note: 194,033,035 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, 2011, 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, 2011.

Management Commentary (Continued)

Share option scheme

On 27th August, 2004, the Company adopted a share option scheme (the "Scheme") under which the Board of 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, 2011 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 auditor and audit committee

The unaudited interim financial report of the Company for the six months ended 30th September, 2011 has been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

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, 2011.

Independent Review Report



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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, 2011 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.

BDO Limited

Certified Public Accountants

Li Wing Yin

Practising Certificate Number P05035

Hong Kong, 25th November, 2011

BDO Limited

香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Consolidated Income Statement

For the six months ended 30th September, 2011

		Unaudited	
		Six months ended	
		30th September,	
		2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	4	696,791	524,454
Cost of sales		(489,691)	(381,465)
Gross profit		207,100	142,989
Other operating income		8,244	10,168
Distribution and selling costs		(153,464)	(96,369)
Administrative expenses		(39,972)	(37,776)
Other operating expenses		(4,671)	(692)
Operating profit		17,237	18,320
Finance costs	5	(1,594)	(1,183)
Share of loss of a jointly controlled entity		(23)	(83)
Profit before taxation	6	15,620	17,054
Taxation	8	(4,302)	(3,320)
Profit for the period		11,318	13,734
Profit for the period attributable to:			
Shareholders of the Company		11,313	13,701
Minority interests		5	33
		11,318	13,734
Earnings per share for profit attributable to the shareholders of the Company during the period	10		
- Basic (HK cents)		2.6 cents	3.1 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2011

	Unaudited	
	Six months ended	
	30th September,	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period	11,318	13,734
Other comprehensive income		
Change in fair value of available-for-sale investments	(75,378)	30,079
Exchange translation differences	1,155	1,167
Other comprehensive income for the period	(74,223)	31,246
Total comprehensive income for the period	(62,905)	44,980
Total comprehensive income for the period attributable to:		
Shareholders of the Company	(62,910)	44,947
Minority interests	5	33
	(62,905)	44,980

Consolidated Balance Sheet

As at 30th September, 2011

	Note	Unaudited As at 30th September, 2011 HK\$'000	Audited As at 31st March, 2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	37,542	40,836
Investment properties		774	790
Interests in jointly controlled entities		22	22
Available-for-sale investments	12	161,912	237,386
Other assets		2,196	2,196
		<u>202,446</u>	<u>281,230</u>
Current assets			
Inventories		857,968	800,689
Debtors, deposits and prepayments	13	171,501	142,370
Amount due from a jointly controlled entity		2,348	—
Investments at fair value through profit or loss		13,175	20,009
Trust bank balances held on behalf of clients		2,071	1,914
Cash and cash equivalents		63,704	69,799
		<u>1,110,767</u>	<u>1,034,781</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	14	123,634	116,209
Amount due to a jointly controlled entity		22	22
Taxation payable		7,150	4,485
Gold loans, unsecured		30,912	27,042
Bank loans, unsecured	15	141,832	81,166
		<u>303,550</u>	<u>228,924</u>
Net current assets		<u>807,217</u>	<u>805,857</u>
Total assets less current liabilities		<u>1,009,663</u>	<u>1,087,087</u>
Non-current liabilities			
Bank loans, unsecured	15	55,000	65,000
Provision for long service payments		393	1,431
		<u>55,393</u>	<u>66,431</u>
Net assets		<u>954,270</u>	<u>1,020,656</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	16	108,768	108,768
Other reserves		203,130	277,353
Retained profits			
Proposed dividend		653	3,481
Others		641,570	630,910
		<u>954,121</u>	<u>1,020,512</u>
Minority interests		<u>149</u>	<u>144</u>
		<u>954,270</u>	<u>1,020,656</u>

Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2011

	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	HK\$'000
For the six months ended 30th September, 2011									
At 1st April, 2011 (audited)	108,768	17,575	24,753	10,540	224,485	634,391	1,020,512	144	1,020,656
2011 final dividend (note 9(b))	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
Transactions with shareholders	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
Profit for the period	—	—	—	—	—	11,313	11,313	5	11,318
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	(75,378)	—	(75,378)	—	(75,378)
Exchange translation differences	—	—	—	1,155	—	—	1,155	—	1,155
Total comprehensive income for the period	—	—	—	1,155	(75,378)	11,313	(62,910)	5	(62,905)
At 30th September, 2011 (unaudited)	108,768	17,575	24,753	11,695	149,107	642,223	954,121	149	954,270
Representing:									
Proposed interim dividend (note 9(a))						653			
Others						641,570			
Retained profits as at 30th September, 2011						642,223			
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 paid (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	—	—	—	—	30,079	—	30,079	—	30,079
Exchange translation differences	—	—	—	1,167	—	—	1,167	—	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))						870			
Others						613,637			
Retained profits as at 30th September, 2010						614,507			

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2011

	Unaudited	
	Six months ended	
	30th September,	
	2011	2010
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(56,094)	7,119
Net cash used in investing activities	(300)	(3,115)
Net cash generated from/(used in) financing activities	49,413	(4,159)
Net decrease in cash and cash equivalents	(6,981)	(155)
Cash and cash equivalents at the beginning of the period	69,799	64,693
Effect of foreign exchange rate changes, net	886	974
Cash and cash equivalents at the end of the period	63,704	65,512

Notes to the Interim Financial Report

For the six months ended 30th September, 2011

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 (the “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 Group’s annual financial statements for the year ended 31st March, 2011, except for the adoption of the revised 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 BDO Limited 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, 2011.

2. ADOPTION OF REVISED OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following revised 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, 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

2.1 Amendment to HKAS 34: *Interim Financial Reporting*

It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change only results in additional disclosure.

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

2. ADOPTION OF REVISED OR AMENDED HKFRSs (Continued)

2.2 Amendment to HK(IFRIC) – Interpretation 13: *Customer Loyalty Programmes*

It clarifies that the “fair value” of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale, and any expected forfeitures.

2.3 Adoption of HKAS 24 (Revised): *Related Party Disclosures*

It clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The adoption of these revised or amended HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

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

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

3. SEGMENT INFORMATION (Continued)

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. (ii) individually meets the quantitative thresholds to be separately reported but is aggregated to (i) because they have similar economic characteristics. Since (v) individually does not meet the quantitative thresholds to be separately reported, it is reported under "All others". Although (iii) and (iv) also do not meet the quantitative thresholds, they are separately presented as they are the major business lines 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 except as noted below.

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

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, 2011

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, 2011						
Revenue						
From external customers	656,487	2,372	32,693	5,239	—	696,791
Inter-segment sales	—	—	—	10	(10)	—
Reportable segment revenue	<u>656,487</u>	<u>2,372</u>	<u>32,693</u>	<u>5,249</u>	<u>(10)</u>	<u>696,791</u>
Interest income	48	49	—	—	—	97
Finance costs	(4,851)	—	(234)	—	—	(5,085)
Depreciation	(5,870)	(94)	(313)	(27)	—	(6,304)
Share of loss of a jointly controlled entity	(23)	—	—	—	—	(23)
Reportable segment results	<u>18,538</u>	<u>(3,570)</u>	<u>(2,143)</u>	<u>1,002</u>	<u>—</u>	<u>13,827</u>
Corporate income						30,076
Corporate expenses						(30,463)
Dividend income						5,990
Fair value change of investments at fair value through profit or loss held for trading						(3,810)
Profit before taxation						<u>15,620</u>
Unaudited						
At 30th September, 2011						
Reportable segment assets	1,030,999	30,601	40,150	7,041	—	1,108,791
Corporate assets						29,335
Available-for-sale investments						161,912
Investments at fair value through profit or loss						13,175
Total assets per consolidated balance sheet						<u>1,313,213</u>
Reportable segment liabilities	116,552	7,653	12,794	7,723	—	144,722
Corporate liabilities						207,071
Taxation payable						7,150
Total liabilities per consolidated balance sheet						<u>358,943</u>

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

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, 2010						
Revenue						
From external customers	504,291	2,760	13,271	4,132	—	524,454
Inter-segment sales	—	—	—	19	(19)	—
Reportable segment revenue	<u>504,291</u>	<u>2,760</u>	<u>13,271</u>	<u>4,151</u>	<u>(19)</u>	<u>524,454</u>
Interest income	157	43	—	—	—	200
Finance costs	(5,649)	—	(71)	—	—	(5,720)
Depreciation	(3,508)	(153)	(244)	(31)	—	(3,936)
Share of loss of a jointly controlled entity	—	—	(83)	—	—	(83)
Reportable segment results	17,125	(2,246)	(1,004)	429	—	14,304
Corporate income						25,122
Corporate expenses						(28,760)
Dividend income						6,852
Fair value change of investments at fair value through profit or loss held for trading						(464)
Profit before taxation						<u>17,054</u>
Audited						
At 31st March, 2011						
Reportable segment assets	947,012	40,591	20,085	8,768	—	1,016,456
Corporate assets						42,160
Available-for-sale investments						237,386
Investments at fair value through profit or loss						20,009
Total assets per consolidated balance sheet						<u>1,316,011</u>
Reportable segment liabilities	101,102	18,378	6,832	10,483	—	136,795
Corporate liabilities						154,075
Taxation payable						4,485
Total liabilities per consolidated balance sheet						<u>295,355</u>

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

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, 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,	
	2011	2010
	HK\$'000	HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	636,200	484,040
Bullion trading	15,428	16,794
Commission from securities broking	2,372	2,760
Diamond wholesaling	4,859	3,457
	658,859	507,051
Other revenue		
Revenue on construction contracts	32,693	13,271
Income from provision of travel related products and services	5,239	4,132
	37,932	17,403
Total revenue	696,791	524,454

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

5. FINANCE COSTS

	Unaudited	
	Six months ended	
	30th September,	
	2011	2010
	HK\$'000	HK\$'000
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	1,312	881
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	282	302
	<u>1,594</u>	<u>1,183</u>

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Unaudited	
	Six months ended	
	30th September,	
	2011	2010
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Charging:		
Cost of inventories, including	489,132	382,709
- provision for and write down of inventories to net realisable value	2,043	1,410
- reversal of write down of inventories	(4,968)	(4,370)
Depreciation of property, plant and equipment	6,813	4,583
Depreciation of investment properties	16	17
Fair value change of investments at fair value through profit or loss held for trading	3,810	464
Foreign exchange loss, net	678	—
Loss on write off/disposal of property, plant and equipment	22	207
Operating lease charges in respect of properties	103,812	60,748
Operating lease charges in respect of furniture and fixtures	309	153
Outgoings in respect of investment properties	31	42
Provision for impairment losses of debtors		
- provided against allowance account	160	21
	<u> </u>	<u> </u>
Crediting:		
Dividend income	5,990	6,852
Foreign exchange gain, net	—	2,053
Interest income from financial assets at amortised cost	303	356
Rental income		
- owned properties	330	381
- operating sub-leases	15	—
Reversal of provision for impairment loss of interest in a jointly controlled entity	1,224	—
Write back of provision for long service payments	965	—
	<u> </u>	<u> </u>

The reversal of write down of inventories arose from inventories that were sold subsequently.

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

7. EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 30th September, 2011	2010
	HK\$'000	HK\$'000
Wages, salaries and allowances	44,269	34,912
Pension costs - defined contribution retirement schemes	2,198	1,908
Write back of provision for long service payments	(965)	—
	<u>45,502</u>	<u>36,820</u>

Employee benefit expense as shown above includes directors' emoluments.

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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, 2011	2010
	HK\$'000	HK\$'000
Current tax		
- Hong Kong Current period	4,286	3,316
- Overseas Current period	16	4
Taxation charge	<u>4,302</u>	<u>3,320</u>

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

9. DIVIDEND

(a) Dividend attributable to the period

	Unaudited Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.15 cent (note (ii)) (2010: HK0.2 cent (note (i))) per ordinary share	<u>653</u>	<u>870</u>

Note:

- (i) At a meeting held on 18th November, 2010, the Board of Directors declared an interim dividend of HK0.2 cent per ordinary share for the year ended 31st March, 2011. This interim dividend was paid on 20th December, 2010 and was reflected as an appropriation of retained profits for the year ended 31st March, 2011.
- (ii) At a meeting held on 25th November, 2011, the Board of Directors declared an interim dividend of HK0.15 cent per ordinary share for the year ending 31st March, 2012. This 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, 2012.

(b) Dividend attributable to the previous financial year

	Unaudited Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
2011 final dividend of HK0.8 cent per ordinary share (2010: 2010 final dividend of HK1.2 cents per ordinary share)	<u>3,481</u>	<u>5,221</u>

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

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\$11,313,000 (six months ended 30th September, 2010: HK\$13,701,000) and on 435,071,650 (2010: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2011 was not presented as there were no dilutive potential ordinary shares during the period (six months ended 30th September, 2010: Nil).

11. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$3,409,000 (six months ended 30th September, 2010: HK\$8,345,000) which mainly related to the acquisitions of leasehold improvements and furniture and equipment.

12. AVAILABLE-FOR-SALE INVESTMENTS

As at 30th September, 2011, included in available-for-sale investments were investment in equity securities of a company (the "Investee Company") stated at market value of HK\$5,588,000 (at 31st March, 2011: HK\$9,768,000), which were listed outside Hong Kong.

As at 30th September, 2011, 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 38.7% (at 31st March, 2011: 38.9%) and 5.1% (at 31st March, 2011: 5.1%) equity interests in the Investee Company respectively.

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

13. DEBTORS, DEPOSITS AND PREPAYMENTS

		Unaudited	Audited
		30th September,	31st March,
		2011	2011
<i>Note</i>		HK\$'000	HK\$'000
Trade debtors	(a)	55,061	48,980
Other receivables	(b)	37,377	28,435
Deposits and prepayments		67,063	52,955
Insurance claim receivable	(c)	12,000	12,000
		171,501	142,370

Note:

(a) Trade debtors

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

	Unaudited	Audited
	30th September,	31st March,
	2011	2011
	HK\$'000	HK\$'000
Within 30 days	31,199	38,458
31 - 90 days	13,354	2,214
More than 90 days	10,508	8,308
	55,061	48,980

The trade debtors as at 30th September, 2011 consisted of receivables from customers of the securities broking business amounting to HK\$5,161,000 (at 31st March, 2011: HK\$17,804,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

13. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Note: (Continued)

- (b) As at 31st March, 2011, included in other receivables was an advance made by the Group to an independent third party of HK\$2,085,000. This advance was secured by certain diamonds with a carrying amount of 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 and repayable within one year.

During the period, this receivable was settled on 8th June, 2011. An interest charged on the receivable of HK\$20,000 was recognised.

- (c) As at 30th September, 2011 and up to the date of this interim financial report, the legal proceeding against the underwriters of the insurance policy is still in progress. Having taken into consideration of the advice from the independent legal counsels, the management of the Group is of the opinion that it is not necessary to make provision for impairment against the insurance claim receivable as at the reporting date.

14. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Trade payables	58,489	38,620
Other payables and accruals	50,380	64,025
Dividend payable	3,481	—
Deposits received and deferred income	10,609	12,889
Other provision	675	675
	123,634	116,209

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

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

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

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Within 30 days	44,050	35,972
31 - 90 days	12,584	996
More than 90 days	1,855	1,652
	58,489	38,620

15. BANK LOANS, UNSECURED

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Bank loans are repayable as follows:		
Within one year	141,832	81,166
In the second year	25,000	30,000
In the third to fifth years, inclusive	30,000	35,000
	196,832	146,166
Portion classified as current liabilities	(141,832)	(81,166)
	55,000	65,000

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

16. SHARE CAPITAL

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Authorised:		
620,000,000 (at 31st March, 2011: 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, 2011: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

17. OPERATING LEASE COMMITMENTS

(a) Future operating lease payables

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

	Unaudited 30th September, 2011			Audited 31st March, 2011		
	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	207,275	306	207,581	177,073	114	177,187
In the second to fifth years, inclusive	<u>253,170</u>	<u>267</u>	<u>253,437</u>	<u>297,322</u>	<u>—</u>	<u>297,322</u>
	<u>460,445</u>	<u>573</u>	<u>461,018</u>	<u>474,395</u>	<u>114</u>	<u>474,509</u>

The Group leases a number of land and buildings and other assets under operating leases. The leases run for an initial period of one to ten years (at 31st March, 2011: one to ten years) and two years (at 31st March, 2011: two years) respectively.

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

17. OPERATING LEASE COMMITMENTS (Continued)

(a) Future operating lease payables (Continued)

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 non-cancellable operating leases in respect of investment properties are as follows:

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Within one year	604	632
In the second to fifth years, inclusive	117	389
	721	1,021

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to two years (at 31st March, 2011: one to two years), with option to renew the lease term at the expiry date.

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim financial report, the Group had the following material transactions with related parties during the period:

	Note	Unaudited Six months ended 30th September,	
		2011 HK\$'000	2010 HK\$'000
Operating lease rental on land and buildings paid to related companies:			
Stanwick Properties Limited	(a)	3,923	3,664
Contender Limited	(b)	15,161	5,360
Fabrico (Mfg) Limited	(c)	150	90
Shahdan Limited	(d)	320	214
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	(a)	153	153
Consultancy fees paid to Verbal Company Limited	(e)	2,750	2,750
Management fees, rates and air-conditioning charges paid to related companies:			
Stanwick Properties Limited	(a)	329	329
Contender Limited	(b)	1,280	496
Shahdan Limited	(d)	84	53

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, rates 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 occupied and the advertising signboards and showcases 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.

Notes to the Interim Financial Report (Continued)

For the six months ended 30th September, 2011

18. RELATED PARTY TRANSACTIONS (Continued)

Note: (Continued)

- (c) The operating lease rental was paid to Fabrico (Mfg) Limited ("Fabrico") for the premises 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, rates 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 had 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) 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,	
	2011 HK\$'000	2010 HK\$'000
Wages, salaries and allowances	2,305	2,222
Pension costs - defined contribution retirement schemes	165	160
	<u>2,470</u>	<u>2,382</u>

19. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved and authorised for issue by the Board of Directors on 25th November, 2011.

By order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 25th November, 2011

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.