



king fook holdings limited
景福集團有限公司

Stock Code: 280



for the six months ended 30th September, 2012
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 interim condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2012. 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, 2012, and the consolidated balance sheet as at 30th September, 2012 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 9 to 32 of this report.

Interim dividend

The Board of Directors has resolved the payment of an interim dividend of HK0.05 cent per ordinary share for the year ending 31st March, 2013 (for the year ended 31st March, 2012: HK0.15 cent), payable to shareholders whose names appear on the Register of Members of the Company on 31st December, 2012. The interim dividend will be paid on or about 8th January, 2013.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 24th December, 2012 to Monday, 31st December, 2012, 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 Friday, 21st December, 2012 in order to qualify for the interim dividend above mentioned.

Management Commentary (Continued)

Business review and prospects

During the period under review, the Group expanded its *king fook* shop at Park Lane Hotel, Causeway Bay and re-opened its prime shop at the Miramar Shopping Centre, Tsim Sha Tsui. However, consumer sentiment and spending, especially for luxury items, were adversely affected by the slowdown of Mainland China's economic growth in the first half of 2012 as its export sector was hit by the global slowdown and the credit tightening policies of the Chinese Government. As a result, during the period, the Group's overall turnover decreased by 18% from the same period last year. Due to the drop in sales and higher operating expenses mainly resulting from shop expansion, opening of new shop and more marketing campaigns and promotions, the Group's unaudited consolidated profit attributable to the shareholders of the Company for the period was approximately HK\$4,324,000, representing a decline of 61.8% as compared with the same period last year.

During the period under review, the Group had launched numerous new products to cater for the diverse needs of its customers. The Group also strived to improve its overall turnover and enhance its brand image by participating in a variety of marketing activities, promotional events and publicity campaigns.

Looking ahead, the management expects that the global economic environment will continue to be challenging and severe in the latter half of the year. The management will continue to take stringent cost control measures and closely monitor changes in the operating environment. The management will also maintain the policy to streamline operations and optimise internal resources in order to achieve a higher degree of cost-efficiency for better results.

Investments

At 30th September, 2012, the Group held certain equity securities listed outside Hong Kong amounting to HK\$2,876,000 under available-for-sale investments.

Finance

At 30th September, 2012, the Group's current assets and current liabilities were about HK\$1,263,743,000 and HK\$384,074,000 respectively. There were cash and cash equivalents of about HK\$47,530,000, bank loans of about HK\$340,500,000 and unsecured gold loans of about HK\$33,818,000.

Management Commentary (Continued)

Finance (Continued)

Based on the total borrowings of the Group of about HK\$374,318,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$829,396,000 as at 30th September, 2012, the overall borrowings to equity ratio was 45%, which was at a healthy level.

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant.

Employees

At 30th September, 2012, the Group had about 404 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

At 30th September, 2012, 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			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	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%

[#] These shares are held by Daily Moon Investments Limited ("Daily Moon") in which Mr. Tang has a 100% interest. 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. 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, 2012, 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 shareholders

At 30th September, 2012, the following persons (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	200,193,055	<i>Note</i>	46.01%
Yeung Wing Yan	26,868,000		6.17%

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, 2012, 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, 2012.

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 or consultants of the Group, to subscribe for shares of the Company.

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

Management Commentary (Continued)

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.

Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period from 1st April, 2012 to 30th September, 2012, with deviations as explained below.

Code provision A.4.1

In respect of code provision A.4.1 of the Code, the non-executive directors of the Company 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.

Code provisions A.5.1 to A.5.4

In respect of code provisions A.5.1 to A.5.4 of the Code, the Company has not established a nomination committee. In view of the current structure of the Board of Directors and business operations of the Group, the Board of Directors believes that it is not necessary to establish a nomination committee as it considers that all directors should be involved in performing the duties set out in such code provisions.

Code provision D.1.4

For code provision D.1.4 of the Code, except for Mr. Yeung Ping Leung, Howard, the Company does not have formal letters of appointment for other directors setting out the key terms and conditions of their appointment. The Board of Directors decides on the key terms and conditions of the appointment of the directors from time to time and are recorded in the relevant board minutes.

Review by auditor and audit committee

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30th September, 2012 set out on pages 9 to 32 have 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 these unaudited interim condensed consolidated financial statements for the six months ended 30th September, 2012.

Independent Auditor's Review Report



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TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the unaudited interim condensed consolidated financial statements set out on pages 9 to 32 which comprise the consolidated balance sheet of King Fook Holdings Limited as of 30th September, 2012 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 other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the unaudited interim condensed consolidated financial statements 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 unaudited interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on these unaudited interim condensed consolidated financial statements 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 unaudited interim condensed consolidated financial statements 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.

BDO Limited
香港立信德豪會計師事務所有限公司

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Independent Auditor's Review Report (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited interim condensed consolidated financial statements are 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, 23rd November, 2012

Consolidated Income Statement

For the six months ended 30th September, 2012

	Note	Unaudited Six months ended 30th September,	
		2012 HK\$'000	2011 HK\$'000
Revenue	4	554,209	696,791
Cost of sales		(401,469)	(489,691)
Gross profit		152,740	207,100
Other operating income		76,018	8,244
Distribution and selling costs		(168,570)	(153,464)
Administrative expenses		(39,738)	(39,972)
Other operating expenses		(12,546)	(4,671)
Operating profit		7,904	17,237
Finance costs	5	(4,598)	(1,594)
Share of loss of a jointly controlled entity		—	(23)
Profit before taxation	6	3,306	15,620
Taxation	8	(10)	(4,302)
Profit for the period		3,296	11,318
Profit/(loss) for the period attributable to:			
Shareholders of the Company		4,324	11,313
Minority interests		(1,028)	5
		3,296	11,318
Earnings per share for profit attributable to the shareholders of the Company for the period	10		
- Basic (HK cents)		1.0 cent	2.6 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2012

	Unaudited	
	Six months ended	
	30th September,	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	3,296	11,318
Other comprehensive income		
Change in fair value of available-for-sale investments	(17,339)	(75,378)
Reclassification adjustment upon disposal of available-for-sale investments	(72,702)	—
Reclassification adjustment upon impairment loss of available-for-sale investments	4,312	—
Exchange translation differences	(1,389)	1,155
Other comprehensive income for the period	(87,118)	(74,223)
Total comprehensive income for the period	(83,822)	(62,905)
Total comprehensive income for the period attributable to:		
Shareholders of the Company	(82,794)	(62,910)
Minority interests	(1,028)	5
	(83,822)	(62,905)

Consolidated Balance Sheet

As at 30th September, 2012

		Unaudited	Audited
		As at	As at
		30th September,	31st March,
		2012	2012
<i>Note</i>		HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	43,059	38,908
Investment properties		741	757
Available-for-sale investments	12	3,828	98,534
Other assets		2,196	2,196
		49,824	140,395
Current assets			
Inventories		1,063,287	971,559
Debtors, deposits and prepayments	13	131,203	144,549
Investments at fair value through profit or loss		10,816	12,678
Tax recoverable		4,862	2,986
Trust bank balances held on behalf of clients		1,569	1,258
Cash and cash equivalents		47,530	46,852
		1,259,267	1,179,882
Non-current assets held for sale	14	4,476	—
		1,263,743	1,179,882
Current liabilities			
Creditors, deposits received, accruals and deferred income	15	111,752	93,688
Tax payable		4	6
Gold loans, unsecured		33,818	31,541
Bank loans	16	238,500	215,666
		384,074	340,901
Net current assets			
		879,669	838,981
Total assets less current liabilities			
		929,493	979,376

Consolidated Balance Sheet (Continued)

As at 30th September, 2012

		Unaudited As at 30th September, 2012	Audited As at 31st March, 2012
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Bank loans	16	102,000	65,000
Provision for long service payments		312	327
Deferred tax liabilities		243	243
		<u>102,555</u>	<u>65,570</u>
Net assets		<u>826,938</u>	<u>913,806</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	17	108,768	108,768
Other reserves		52,839	139,957
Retained profits			
Proposed dividend		218	3,046
Others		667,571	663,465
		<u>829,396</u>	<u>915,236</u>
Minority interests		<u>(2,458)</u>	<u>(1,430)</u>
		<u>826,938</u>	<u>913,806</u>

Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2012

	Capital and reserves attributable to the shareholders of the Company							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, 2012									
At 1st April, 2012 (audited)	108,768	17,575	24,753	11,900	85,729	666,511	915,236	(1,430)	913,806
2012 final dividend paid (note 9(b))	—	—	—	—	—	(3,046)	(3,046)	—	(3,046)
Transactions with shareholders	—	—	—	—	—	(3,046)	(3,046)	—	(3,046)
Profit/(loss) for the period	—	—	—	—	—	4,324	4,324	(1,028)	3,296
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	(17,339)	—	(17,339)	—	(17,339)
Reclassification adjustment upon disposal of available-for-sale investments	—	—	—	—	(72,702)	—	(72,702)	—	(72,702)
Reclassification adjustment upon impairment loss of available-for-sale investments	—	—	—	—	4,312	—	4,312	—	4,312
Exchange translation differences	—	—	—	(1,389)	—	—	(1,389)	—	(1,389)
Total comprehensive income for the period	—	—	—	(1,389)	(85,729)	4,324	(82,794)	(1,028)	(83,822)
At 30th September, 2012 (unaudited)	108,768	17,575	24,753	10,511	—	667,789	829,396	(2,458)	826,938
<i>Representing:</i>									
Proposed interim dividend (note 9(a))						218			
Others						667,571			
Retained profits as at 30th September, 2012						667,789			
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
<i>Representing:</i>									
Proposed interim dividend (note 9(a))						653			
Others						641,570			
Retained profits as at 30th September, 2011						642,223			

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2012

	Unaudited	
	Six months ended	
	30th September,	
	2012	2011
	HK\$'000	HK\$'000
Net cash used in operating activities	(109,464)	(56,094)
Net cash generated from/(used in) investing activities	59,033	(300)
Net cash generated from financing activities	52,485	49,413
Net increase/(decrease) in cash and cash equivalents	2,054	(6,981)
Cash and cash equivalents at the beginning of the period	46,852	69,799
Effect of foreign exchange rate changes, net	(1,376)	886
Cash and cash equivalents at the end of the period	47,530	63,704

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, diamond wholesaling, securities broking and provision of construction services.

These unaudited interim condensed consolidated financial statements for the six months ended 30th September, 2012 have 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 requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st March, 2012, except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual HKFRSs, HKASs and Interpretations) as disclosed in note 2 below. These unaudited interim condensed consolidated financial statements do 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, 2012.

These unaudited interim condensed consolidated financial statements have 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.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

2. ADOPTION OF REVISED HKFRSs

In the current period, the Group has applied for the first time the following amendments to 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, 2012:

Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets
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The adoption of the above amendments has no material impact on the Group's financial statements.

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

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. 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". 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 recoverable and 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, and 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 Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

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, 2012						
Revenue						
From external customers	539,458	1,048	8,746	4,957	—	554,209
Inter-segment sales	—	—	205	1	(206)	—
Reportable segment revenue	<u>539,458</u>	<u>1,048</u>	<u>8,951</u>	<u>4,958</u>	<u>(206)</u>	<u>554,209</u>
Interest income	61	34	2	—	—	97
Finance costs	(8,918)	—	(516)	—	—	(9,434)
Depreciation	(10,114)	(119)	(320)	(20)	—	(10,573)
Provision for and write down of inventories to net realisable value	(3,677)	—	—	—	—	(3,677)
Provision for impairment losses of other receivables	(6,508)	—	(240)	—	—	(6,748)
Reportable segment results	<u>(55,386)</u>	<u>(3,542)</u>	<u>(9,931)</u>	<u>965</u>	<u>—</u>	<u>(67,894)</u>
Corporate income						33,418
Corporate expenses						(30,367)
Dividend income						1,621
Gain on disposal of available-for-sale investments						72,702
Fair value change of investments at fair value through profit or loss						(1,862)
Provision for impairment loss of available-for-sale investments						(4,312)
Profit before taxation						<u>3,306</u>
Unaudited						
At 30th September, 2012						
Reportable segment assets	1,225,206	35,078	19,555	7,418	—	1,287,257
Corporate assets						6,804
Available-for-sale investments						3,828
Investments at fair value through profit or loss						10,816
Tax recoverable						4,862
Total assets per consolidated balance sheet						<u>1,313,567</u>
Reportable segment liabilities	112,700	9,183	10,708	8,629	—	141,220
Corporate liabilities						345,162
Tax payable						4
Deferred tax liabilities						243
Total liabilities per consolidated balance sheet						<u>486,629</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

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)
Provision for and write down of inventories to net realisable value	(2,043)	—	—	—	—	(2,043)
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						(3,810)
Profit before taxation						<u>15,620</u>
Audited						
At 31st March, 2012						
Reportable segment assets	1,130,138	22,258	29,293	8,621	—	1,190,310
Corporate assets						15,769
Available-for-sale investments						98,534
Investments at fair value through profit or loss						12,678
Tax recoverable						2,986
Total assets per consolidated balance sheet						<u>1,320,277</u>
Reportable segment liabilities	84,368	7,314	14,128	9,621	—	115,431
Corporate liabilities						290,791
Tax payable						6
Deferred tax liabilities						243
Total liabilities per consolidated balance sheet						<u>406,471</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

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,	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	528,535	636,200
Bullion trading	8,127	15,428
Commission from securities broking	1,048	2,372
Diamond wholesaling	2,796	4,859
	540,506	658,859
Other revenue		
Revenue on construction contracts	8,746	32,693
Income from provision of travel related products and services	4,957	5,239
	13,703	37,932
Total revenue	554,209	696,791

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

5. FINANCE COSTS

	Unaudited Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	4,169	1,312
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	429	282
	4,598	1,594

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Unaudited Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Charging:		
Cost of inventories sold, including	405,726	489,132
- provision for and write down of inventories to net realisable value	3,677	2,043
- reversal of write down of inventories	(4,510)	(4,968)
Depreciation of property, plant and equipment	11,042	6,813
Depreciation of investment properties	16	16
Fair value change of investments at fair value through profit or loss	1,862	3,810
Foreign exchange loss, net	—	678
Loss on write off/disposal of property, plant and equipment	52	22
Operating lease charges in respect of properties	108,101	103,812
Operating lease charges in respect of furniture and fixtures	325	309
Outgoings in respect of investment properties	30	31
Provision for impairment loss of available-for-sale investments	4,312	—
Provision for impairment losses of trade debtors		
- provided against allowance account	148	160
- reversal of provision	(576)	—
Provision for impairment losses of other receivables		
- provided against allowance account	6,748	—
Provision for long service payments		
- provided against the account	65	—
- reversal of provision	(57)	(965)

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

6. PROFIT BEFORE TAXATION (Continued)

	Unaudited	
	Six months ended	
	30th September,	
	2012	2011
	HK\$'000	HK\$'000
Crediting:		
Dividend income	1,621	5,990
Foreign exchange gain, net	899	—
Gain on disposal of available-for-sale investments	72,702	—
Interest income from financial assets at amortised cost	209	303
Rental income		
- owned properties	287	330
- operating sub-leases	37	15
Reversal of provision for impairment loss of interest in a jointly controlled entity	—	1,224
	<u> </u>	<u> </u>

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

7. EMPLOYEE BENEFIT EXPENSE

	Unaudited	
	Six months ended	
	30th September,	
	2012	2011
	HK\$'000	HK\$'000
Wages, salaries and other benefits	49,979	44,269
Pension costs - defined contribution retirement schemes	2,453	2,198
Provision for long service payments	65	—
Reversal of provision for long service payments	(57)	(965)
	<u> </u>	<u> </u>
	<u>52,440</u>	<u>45,502</u>

Employee benefit expense as shown above includes directors' and chief executive's emoluments.

8. TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit for the period. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30th September, 2011. 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,	
	2012	2011
	HK\$'000	HK\$'000
Current tax		
- Hong Kong		
Current period	—	4,286
- Overseas		
Current period	<u>10</u>	<u>16</u>
Taxation charge	<u><u>10</u></u>	<u><u>4,302</u></u>

9. DIVIDEND**(a) Dividend attributable to the period**

	Unaudited Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.05 cent (note (ii)) (2011: HK0.15 cent (note (i))) per ordinary share	<u><u>218</u></u>	<u><u>653</u></u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

9. DIVIDEND (Continued)

(a) Dividend attributable to the period (Continued)

Note:

- (i) 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 ended 31st March, 2012. This interim dividend was paid on 5th January, 2012 and was reflected as an appropriation of retained profits for the year ended 31st March, 2012.
- (ii) At a meeting held on 23rd November, 2012, the Board of Directors declared an interim dividend of HK0.05 cent per ordinary share for the year ending 31st March, 2013. This interim dividend is not reflected as dividend payable in these unaudited interim condensed consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2013.

(b) Dividend attributable to the previous financial year

	Unaudited	
	Six months ended	
	30th September,	
	2012	2011
	HK\$'000	HK\$'000
2012 final dividend of HK0.7 cent per ordinary share (2011: 2011 final dividend of HK0.8 cent per ordinary share)	<u>3,046</u>	<u>3,481</u>

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\$4,324,000 (six months ended 30th September, 2011: HK\$11,313,000) and on 435,071,650 (2011: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2012 was not presented as there were no dilutive potential ordinary shares during the period (six months ended 30th September, 2011: Nil).

11. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$19,748,000 (six months ended 30th September, 2011: HK\$3,409,000) which mainly related to the acquisitions of leasehold improvements, motor vehicle and furniture and equipment.

12. AVAILABLE-FOR-SALE INVESTMENTS

At 30th September, 2012, included in available-for-sale investments were investment in equity securities of a company (the "Investee Company"), carried at market value of HK\$2,876,000 (at 31st March, 2012: HK\$5,284,000), listed outside Hong Kong.

At 30th September, 2012, 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, 2012: 38.7%) and 5.1% (at 31st March, 2012: 5.1%) equity interests respectively in the Investee Company.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Trade debtors	34,107	38,586
Other receivables	35,999	35,746
Deposits and prepayments	61,097	64,217
Insurance claim receivable	—	6,000
	131,203	144,549

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

13. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Within 30 days	20,293	26,014
31-90 days	6,008	7,515
More than 90 days	7,806	5,057
	<u>34,107</u>	<u>38,586</u>

Trade debtors as at 30th September, 2012 consisted of receivables from customers of the securities broking business amounting to HK\$7,186,000 (at 31st March, 2012: HK\$6,626,000), 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.

14. NON-CURRENT ASSETS HELD FOR SALE

On 3rd May, 2012, the Group entered into a provisional agreement for sale and purchase (the "Agreement") for the disposal of a real estate property at Tsuen Wan (the "Property") to an independent third party at the consideration of HK\$100,000,000 with a gain of about HK\$94,600,000 over the net carrying amount of the Property. The Agreement was completed on 2nd November, 2012. Accordingly, as at 30th September, 2012, the net carrying amount of the Property has been reclassified as non-current assets held for sale.

For the six months ended 30th September, 2012

15. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Trade payables	46,689	34,763
Other payables and accruals	41,400	46,842
Deposits received and deferred income	22,988	11,408
Other provision	675	675
	111,752	93,688

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

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Within 30 days	37,862	19,858
31-90 days	2,621	8,027
More than 90 days	6,206	6,878
	46,689	34,763

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

16. BANK LOANS

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Bank loans		
- unsecured	300,500	235,666
- secured	40,000	45,000
	<u>340,500</u>	<u>280,666</u>

At 30th September, 2012, total current and non-current bank loans are scheduled to be repaid as follows:

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Bank loans are repayable as follows:		
Within one year	238,500	215,666
In the second year	36,000	26,000
In the third to fifth years, inclusive	66,000	39,000
	<u>340,500</u>	<u>280,666</u>
Portion classified as current liabilities	<u>(238,500)</u>	<u>(215,666)</u>
Non-current portion	<u>102,000</u>	<u>65,000</u>

At 30th September, 2012, the bank loan of HK\$40,000,000 (at 31st March, 2012: HK\$45,000,000) was secured by an insurance policy with coverage of HK\$19,359,000 (at 31st March, 2012: HK\$19,404,000).

For the six months ended 30th September, 2012

17. SHARE CAPITAL

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Authorised:		
620,000,000 (at 31st March, 2012: 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, 2012: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

18. 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 As at 30th September, 2012			Audited As at 31st March, 2012		
	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	190,271	267	190,538	207,748	306	208,054
In the second to fifth years, inclusive	<u>124,891</u>	—	<u>124,891</u>	<u>157,238</u>	<u>114</u>	<u>157,352</u>
	<u>315,162</u>	<u>267</u>	<u>315,429</u>	<u>364,986</u>	<u>420</u>	<u>365,406</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

18. OPERATING LEASE COMMITMENTS (Continued)

(a) Future operating lease payables (Continued)

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, 2012: one to ten years) and two years (at 31st March, 2012: two years) respectively.

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 calculate 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 receivable by the Group as follows:

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Within one year	147	397

The Group leases out its investment properties under operating lease arrangements which run for an initial period of one to two years (at 31st March, 2012: one to two years).

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

		Unaudited	
		Six months ended	
		30th September,	
		2012	2011
<i>Note</i>		HK\$'000	HK\$'000
		<u> </u>	<u> </u>
Operating lease rental on land and buildings paid to:			
Stanwick Properties Limited	(a)	4,883	3,923
Contender Limited	(b)	15,319	15,161
Fabrico (Mfg) Limited	(c)	150	150
Shahdan Limited	(d)	320	320
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
Management fees, rates and air-conditioning charges paid to:			
Stanwick Properties Limited	(a)	564	329
Contender Limited	(b)	1,386	1,280
Shahdan Limited	(d)	94	84
		<u> </u>	<u> </u>

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") 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 Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2012

19. 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) For the six months ended 30th September, 2011, the Company had entered into a consultancy service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provided 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. For the six months ended 30th September, 2012, a service agreement was entered in substitution for any previous service agreement whereby Verbal agrees to procure specifically the service of Mr. Yeung Ping Leung, Howard as an Executive Director and Chairman of the Company responsible for overall planning of the business strategy of the Company. Accordingly, the remuneration paid in accordance with the service agreement was regarded as director's emoluments included in employee benefit expenses.
- (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,	
	2012	2011
	HK\$'000	HK\$'000
Wages, salaries and other benefits	4,827	2,305
Pension costs - defined contribution retirement schemes	197	165
	<u>5,024</u>	<u>2,470</u>

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 23rd November, 2012.

By order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 23rd November, 2012

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 and Mr. Yeung Ka Shing; and the independent non-executive directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Chan Chak Cheung, William, Mr. Ho Hau Hay, Hamilton and Mr. Sin Nga Yan, Benedict.