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# king fook holdings limited

## 景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

### Interim results For the six months ended 30th September, 2009

The Board of Directors of King Fook Holdings Limited (“the Company”) announces that the unaudited consolidated profit of the Company and its subsidiaries (collectively known as “the Group”) attributable to the shareholders of the Company for the six months ended 30th September, 2009 amounted to HK\$25,698,000.

#### CONSOLIDATED INCOME STATEMENT

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited 30th September, 2009 HK\$'000	Audited 31st March, 2009 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		19,935	19,990
Leasehold interests in land		4,849	4,914
Investment properties		407	418
Interest in a jointly controlled entity		4,579	4,778
Available-for-sale investments		197,559	103,651
Other assets		2,196	2,196
		<u>229,525</u>	<u>135,947</u>
<b>Current assets</b>			
Inventories		823,132	838,657
Debtors, deposits and prepayments	9	86,690	118,491
Investments at fair value through profit or loss		26,097	19,385
Tax recoverable		26	26
Trust bank balances held on behalf of clients		2,319	14,011
Cash and cash equivalents		54,209	58,025
		<u>992,473</u>	<u>1,048,595</u>
<b>Current liabilities</b>			
Creditors, deposits received, accruals and deferred income	10	83,230	114,145
Taxation payable		8,201	5,089
Gold loans, unsecured		28,464	28,251
Bank loans, unsecured		167,332	209,332
		<u>287,227</u>	<u>356,817</u>
<b>Net current assets</b>		<u>705,246</u>	<u>691,778</u>
<b>Total assets less current liabilities</b>		<u>934,771</u>	<u>827,725</u>
<b>Non-current liabilities</b>			
Bank loans, unsecured		20,833	29,167
Provision for long service payments		2,282	2,282
		<u>23,115</u>	<u>31,449</u>
<b>Net assets</b>		<u>911,656</u>	<u>796,276</u>
<b>CAPITAL AND RESERVES</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital		108,768	108,768
Other reserves		234,382	140,377
Retained profits			
Proposed dividend		1,305	4,351
Others		566,944	542,551
		<u>911,399</u>	<u>796,047</u>
<b>Minority interests</b>		<u>257</u>	<u>229</u>
		<u>911,656</u>	<u>796,276</u>

Notes:

## 1. BASIS OF PREPARATION

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

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

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

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

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

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

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

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

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

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

### HKFRS 8: *Operating segments*

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

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

### HK (IFRIC) - Interpretation 13: Customer Loyalty Programmes

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

## 3. SEGMENT INFORMATION

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

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the People's Republic of China
- (iii) Securities broking
- (iv) Construction services
- (v) Provision of travel related products and services

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

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

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

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

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

### 3. SEGMENT INFORMATION (Continued)

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

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

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

### 3. SEGMENT INFORMATION (Continued)

Unaudited						
Six months ended 30th September, 2008						
	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
Revenue						
From external customers	530,135	2,640	21,237	3,701	-	557,713
Reportable segment revenue	<u>530,135</u>	<u>2,640</u>	<u>21,237</u>	<u>3,701</u>	<u>-</u>	<u>557,713</u>
Interest income	186	116	1	-	-	303
Finance costs	(5,475)	-	(60)	-	-	(5,535)
Depreciation	(3,139)	(296)	(89)	(30)	-	(3,554)
Amortisation	(65)	-	-	-	-	(65)
Share of loss of a jointly controlled entity	(220)	-	-	-	-	(220)
Reportable segment results	51,205	(2,337)	33	241	-	49,142
Corporate income						28,267
Corporate expenses						(34,617)
Dividend income						7,885
Gain on disposal of investment property and corresponding interests in land						11,903
Fair value change of investments at fair value through profit or loss held for trading						(10,730)
Profit before taxation						<u>51,850</u>

Audited						
31st March, 2009						
	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
Reportable segment assets	932,950	70,126	27,898	3,994	-	1,034,968
Corporate assets						26,512
Available-for-sale investments						103,651
Investments at fair value through profit or loss						19,385
Tax recoverable						26
Total assets per consolidated balance sheet						<u>1,184,542</u>
Reportable segment liabilities	64,064	47,695	9,565	5,856	-	127,180
Corporate liabilities						253,313
Taxation payable						5,089
Unallocated liabilities						2,684
Total liabilities per consolidated balance sheet						<u>388,266</u>

#### 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:

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



## 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

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

## 6. TAXATION

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

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

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

## 7. DIVIDEND

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

Notes:

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

## 8. EARNINGS PER SHARE

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

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

## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

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

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

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

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

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

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

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

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

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

### Interim dividend

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

### Closure of Register of Members

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

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

### Business review and prospects

The Group's unaudited consolidated profit attributable to the shareholders of the Company for the six months ended 30th September, 2009 was approximately HK\$25.7 million. During the period, the Group's overall turnover slightly decreased by 1% as compared with the same period of last year, mainly resulted from the reduction of sales of gold bullion trading by about HK\$9 million.

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

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

### **Purchase, sale or redemption of shares**

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

### **Code on Corporate Governance Practices**

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

### **Review by auditors and audit committee**

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

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

By Order of the Board  
**Yeung Ping Leung, Howard**  
Chairman

Hong Kong, 11th December, 2009

As at the date of this announcement, 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.