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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)

### GROUP RESULTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2011

The Board of Directors of King Fook Holdings Limited (the “Company”) announces that the audited consolidated profit of the Company and its subsidiaries (the “Group”) attributable to the shareholders of the Company for the financial year ended 31st March, 2011 amounted to HK\$34,605,000.

#### CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31st March,	
		2011 HK\$'000	2010 HK\$'000
<b>Revenue</b>	5	<b>1,263,852</b>	1,221,596
Cost of sales		<u>(910,174)</u>	<u>(892,476)</u>
<b>Gross profit</b>		<b>353,678</b>	329,120
Other operating income		17,518	20,205
Distribution and selling costs		(243,285)	(185,280)
Administrative expenses		(78,853)	(74,686)
Other operating expenses		<u>(2,673)</u>	<u>(5,632)</u>
<b>Operating profit</b>		<b>46,385</b>	83,727
Finance costs		(2,741)	(3,909)
Share of losses of jointly controlled entities		<u>(83)</u>	<u>(577)</u>
<b>Profit before taxation</b>	6	<b>43,561</b>	79,241
Taxation	7	<u>(8,992)</u>	<u>(14,457)</u>
<b>Profit for the year</b>		<b><u>34,569</u></b>	<u>64,784</u>
<b>Profit/(loss) for the year attributable to:</b>			
Shareholders of the Company		34,605	64,781
Minority interests		<u>(36)</u>	<u>3</u>
		<b><u>34,569</u></b>	<u>64,784</u>
<b>Earnings per share for profit attributable to the shareholders of the Company during the year</b>	9		
- Basic (HK cents)		<b><u>8.0 cents</u></b>	<u>14.9 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31st March,	
	2011	2010
	HK\$'000	HK\$'000
<b>Profit for the year</b>	<b>34,569</b>	<b>64,784</b>
<b>Other comprehensive income</b>		
Change in fair value of available-for-sale investments	53,936	79,394
Exchange translation differences	2,324	1,322
<b>Other comprehensive income for the year</b>	<b>56,260</b>	<b>80,716</b>
<b>Total comprehensive income for the year</b>	<b>90,829</b>	<b>145,500</b>
<b>Total comprehensive income for the year attributable to:</b>		
Shareholders of the Company	90,865	145,497
Minority interests	(36)	3
	<b>90,829</b>	<b>145,500</b>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>As at 31st March, 2011 HK\$'000</b>	As at 31st March, 2010 HK\$'000 (Restated)	As at 1st April, 2009 HK\$'000 (Restated)
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment		40,836	22,528	24,466
Investment properties		790	823	856
Interests in jointly controlled entities		22	298	4,778
Available-for-sale investments		237,386	183,354	104,007
Other assets		2,196	2,196	2,196
		<u>281,230</u>	<u>209,199</u>	<u>136,303</u>
<b>Current assets</b>				
Inventories		800,689	782,552	839,881
Debtors, deposits and prepayments	10	142,370	108,311	116,911
Investments at fair value through profit or loss		20,009	6,628	19,385
Tax recoverable		-	-	26
Trust bank balances held on behalf of clients		1,914	1,557	14,011
Cash and cash equivalents		69,799	64,693	58,025
		<u>1,034,781</u>	<u>963,741</u>	<u>1,048,239</u>
<b>Current liabilities</b>				
Creditors, deposits received, accruals and deferred income	11	116,209	87,907	114,145
Amount due to a jointly controlled entity		22	24	-
Taxation payable		4,485	7,644	5,089
Gold loans, unsecured		27,042	31,757	28,251
Bank loans, unsecured		81,166	65,332	209,332
		<u>228,924</u>	<u>192,664</u>	<u>356,817</u>
<b>Net current assets</b>		<u>805,857</u>	<u>771,077</u>	<u>691,422</u>
<b>Total assets less current liabilities</b>		<u>1,087,087</u>	<u>980,276</u>	<u>827,725</u>
<b>Non-current liabilities</b>				
Bank loans, unsecured		65,000	42,500	29,167
Provision for long service payments		1,431	1,656	2,282
		<u>66,431</u>	<u>44,156</u>	<u>31,449</u>
<b>Net assets</b>		<u>1,020,656</u>	<u>936,120</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	108,768
Other reserves		277,353	221,093	140,377
Retained profits				
Proposed final dividend		3,481	5,221	4,351
Others		630,910	600,806	542,551
		<u>1,020,512</u>	<u>935,888</u>	<u>796,047</u>
<b>Minority interests</b>		<u>144</u>	<u>232</u>	<u>229</u>
		<u>1,020,656</u>	<u>936,120</u>	<u>796,276</u>

Note:

## 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

## 2. ADOPTION OF NEW/REVISED HKFRSs - EFFECTIVE 1ST APRIL, 2010

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1st April, 2010:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK (IFRIC) - Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except for as explained below, the adoption of these new HKFRSs has no significant impact on the Group’s financial statements.

### **HKFRS 3 (Revised): *Business Combinations* and HKAS 27 (Revised): *Consolidated and Separate Financial Statements***

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1st July, 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes have impact on the amount of goodwill and the results in the period that an acquisition occurs and the future results. The adoption of revised HKFRS 3 has no material impact on the Group’s financial statements.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and accordingly, such transactions are recognised within equity. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of the revised HKAS 27 has no material impact on the Group’s financial statements.

### **HK Interpretation 5: *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause***

The Interpretation is a clarification of an existing standard, HKAS 1: Presentation of Financial Statements. It sets out the conclusion reached by HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause. The adoption of the interpretation has no material impact on the Group’s financial statements.

## 2. ADOPTION OF NEW/REVISED HKFRSs - EFFECTIVE 1ST APRIL, 2010 (Continued)

### HKAS 17 (Amendments): Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease and to present leasehold land as operating lease prepayments in the balance sheet. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The Group has reassessed the classification of the unexpired leasehold land as at 1st April, 2010 on the basis of information existing at the inception of that lease according to transitional provision in the amendment, and has reclassified the land element of its leasehold properties in Hong Kong from leasehold interests in land to property, plant and equipment and investment properties. The corresponding amortisation has also been reclassified to depreciation.

The above amendments had no impact on the Group's equity for any period presented. The effect of the above changes on reported profit or loss and the consolidated balance sheet are summarised as follows:

	Year ended 31st March,		
	2011 HK\$'000	2010 HK\$'000	
<b>Consolidated Income Statement</b>			
Decrease in amortisation of leasehold interests in land	(130)	(130)	
Increase in depreciation	130	130	
	31st March, 2011 HK\$'000	31st March, 2010 HK\$'000	1st April, 2009 HK\$'000
<b>Consolidated Balance Sheet</b>			
Decrease in leasehold interests in land	(4,654)	(4,784)	(4,914)
Increase in property, plant and equipment	4,240	4,358	4,476
Increase in investment properties	414	426	438
	414	426	438

As a result of the above retrospective reclassification and restatement, an additional consolidated balance sheet as at 1st April, 2009 is presented in accordance with HKAS 1: Presentation of Financial Statements.

## 3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1&amp;2</sup>
HK (IFRIC) - Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>2</sup>
Amendments to HKFRS 7	Disclosure - Transfers of Financial Assets <sup>3</sup>
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets <sup>4</sup>
HKFRS 9	Financial Instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2010

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2011

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2011

<sup>4</sup> Effective for annual periods beginning on or after 1st January, 2012

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2013

### **3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE (Continued)**

HKAS 24 (Revised) 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 amendments to HKFRS 7 improve the de-recognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

Other than the main changes described above, the Group is in the process of making an assessment of the potential impact of these new HKFRSs and the management so far concluded that the application of these new HKFRSs will have no material impact on the Group's financial statements.

### **4. SEGMENT INFORMATION**

The top management has identified the Group's four reporting segments as follows:

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

#### 4. 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
<b>Year ended</b>						
<b>31st March, 2011</b>						
Revenue						
From external customers	1,229,908	6,108	19,847	7,989	-	1,263,852
Inter-segment sales	-	-	-	29	(29)	-
Reportable segment revenue	<u>1,229,908</u>	<u>6,108</u>	<u>19,847</u>	<u>8,018</u>	<u>(29)</u>	<u>1,263,852</u>
Interest income	260	81	1	-	-	342
Finance costs	(8,435)	-	(184)	-	-	(8,619)
Depreciation	(9,140)	(268)	(505)	(60)	-	(9,973)
Share of loss of a jointly controlled entity	-	-	(83)	-	-	(83)
Reportable segment results	<u>46,971</u>	<u>(4,188)</u>	<u>(8,006)</u>	<u>220</u>	<u>-</u>	<u>34,997</u>
Corporate income						54,709
Corporate expenses						(57,112)
Dividend income						6,892
Fair value change of investments at fair value through profit or loss held for trading						<u>4,075</u>
Profit before taxation						<u>43,561</u>
<b>At 31st March, 2011</b>						
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						<u>20,009</u>
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						<u>4,485</u>
Total liabilities per consolidated balance sheet						<u>295,355</u>

#### 4. 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
Year ended 31st March, 2010 (Restated)						
Revenue						
From external customers	1,177,368	7,629	30,658	5,941	-	1,221,596
Inter-segment sales	-	-	24	-	(24)	-
Reportable segment revenue	<u>1,177,368</u>	<u>7,629</u>	<u>30,682</u>	<u>5,941</u>	<u>(24)</u>	<u>1,221,596</u>
Interest income	321	104	-	-	-	425
Finance costs	(10,331)	-	(155)	-	-	(10,486)
Depreciation	(6,860)	(308)	(460)	(73)	-	(7,701)
Share of losses of jointly controlled entities	<u>(336)</u>	<u>-</u>	<u>(241)</u>	<u>-</u>	<u>-</u>	<u>(577)</u>
Reportable segment results	77,117	(4,164)	(3,057)	(126)	-	69,770
Corporate income						51,524
Corporate expenses						(57,074)
Dividend income						5,046
Fair value change of investments at fair value through profit or loss held for trading						<u>9,975</u>
Profit before taxation						<u>79,241</u>
At 31st March, 2010						
Reportable segment assets	899,944	36,606	26,817	8,184	-	971,551
Corporate assets						11,407
Available-for-sale investments						183,354
Investments at fair value through profit or loss						<u>6,628</u>
Total assets per consolidated balance sheet						<u>1,172,940</u>
Reportable segment liabilities	72,527	14,945	12,058	8,623	-	108,153
Corporate liabilities						121,023
Taxation payable						<u>7,644</u>
Total liabilities per consolidated balance sheet						<u>236,820</u>

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

For the years ended 31st March, 2010 and 2011, the Group did not have a concentration of reliance on any single customer under each of the segments.



## 5. 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 year comprised the following:

	Year ended 31st March,	
	2011 HK\$'000	2010 HK\$'000
<b>Turnover</b>		
Gold ornament, jewellery, watch, fashion and gift retailing	1,196,948	1,132,670
Bullion trading	25,934	28,959
Commission from securities broking	6,108	7,629
Diamond wholesaling	7,026	15,739
	<u>1,236,016</u>	<u>1,184,997</u>
	-----	-----
<b>Other revenue</b>		
Revenue on construction contracts	19,847	30,658
Income from provision of travel related products and services	7,989	5,941
	<u>27,836</u>	<u>36,599</u>
	-----	-----
Total revenue	<u>1,263,852</u>	<u>1,221,596</u>

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	<b>Year ended 31st March,</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
Charging:		
Auditors' remuneration		
- provision for the current year	<b>841</b>	845
Cost of inventories, including	<b>916,968</b>	895,867
- provision for and write down of inventories to net realisable value	<b>6,413</b>	9,643
- reversal of write down of inventories	<b>(7,072)</b>	(7,202)
Depreciation of property, plant and equipment	<b>11,201</b>	9,140
Depreciation of investment properties	<b>33</b>	33
Loss on write off/disposal of property, plant and equipment	<b>218</b>	139
Operating lease charges in respect of properties	<b>140,783</b>	91,630
Operating lease charges in respect of furniture and fixtures	<b>538</b>	363
Outgoings in respect of investment properties	<b>74</b>	62
Provision for impairment losses of debtors		
- provided against allowance account	<b>1,837</b>	1,036
- written off directly to the account	<b>-</b>	15
- reversal of provision	<b>(39)</b>	-
Provision for impairment loss of interest in a jointly controlled entity	<b>193</b>	4,442
Provision for impairment losses of other receivables	<b>559</b>	-
	<b><u>559</u></b>	<b><u>-</u></b>
Crediting:		
Dividend income	<b>6,892</b>	5,046
Fair value change of investments at fair value through profit or loss		
held for trading	<b>4,075</b>	9,975
Foreign exchange gain, net	<b>4,208</b>	2,182
Interest income from financial assets at amortised cost	<b>686</b>	659
Rental income		
- owned properties	<b>721</b>	941
- operating sub-leases	<b>20</b>	-
Reversal of provision for impairment loss of available-for-sale investments	<b>96</b>	-
Write back of provision for long service payments	<b>180</b>	613
	<b><u>180</u></b>	<b><u>613</u></b>

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

## 7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	Year ended 31st March,	
	2011 HK\$'000	2010 HK\$'000
Current tax		
- Hong Kong		
Current year	9,346	14,083
(Over)/under provision of prior years	<u>(377)</u>	<u>332</u>
	<u>8,969</u>	<u>14,415</u>
- Overseas		
Current year	23	12
Under provision of prior years	<u>-</u>	<u>30</u>
	<u>23</u>	<u>42</u>
Total taxation charge	<u>8,992</u>	<u>14,457</u>

## 8. DIVIDENDS

### (a) Dividends attributable to the year

	Year ended 31st March,	
	2011 HK\$'000	2010 HK\$'000
Interim dividend of HK0.2 cent (2010: HK0.3 cent) per ordinary share	870	1,305
Proposed final dividend of HK0.8 cent (2010: HK1.2 cents) per ordinary share	<u>3,481</u>	<u>5,221</u>
	<u>4,351</u>	<u>6,526</u>

At a meeting held on 11th December, 2009, the directors declared an interim dividend of HK0.3 cent per ordinary share for the year ended 31st March, 2010. This interim dividend was paid on 15th January, 2010 and was reflected as an appropriation of retained profits for the year ended 31st March, 2010.

At a meeting held on 9th July, 2010, the directors proposed a final dividend of HK1.2 cents per ordinary share for the year ended 31st March, 2010, which was approved by the shareholders at the annual general meeting held on 28th September, 2010. This final dividend was paid on 6th October, 2010 and has been reflected as an appropriation of retained profits for the year.

At a meeting held on 18th November, 2010, the directors declared an interim dividend of HK0.2 cent per ordinary share for the year. This interim dividend was paid on 20th December, 2010 and was reflected as an appropriation of retained profits for the year.

At a meeting held on 24th June, 2011, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year, subject to the approval of the shareholders at the annual general meeting to be held on 27th September, 2011. This proposed final dividend is not reflected as dividend payable as at 31st March, 2011, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2012.

## 8. DIVIDENDS (Continued)

### (b) Dividends attributable to the previous financial year, approved and paid during the year

	Year ended 31st March,	
	2011	2010
	HK\$'000	HK\$'000
2010 final dividend of HK1.2 cents per ordinary share (2010: 2009 final dividend of HK1.0 cent per ordinary share)	<u>5,221</u>	<u>4,351</u>

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$34,605,000 (2010: HK\$64,781,000) and on 435,071,650 (2010: 435,071,650) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31st March, 2011 was not presented as there were no dilutive potential ordinary shares during the year (2010: Nil).

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31st March,	
	2011	2010
	HK\$'000	HK\$'000
Trade debtors	48,980	51,646
Other receivables	28,435	22,631
Deposits and prepayments	52,955	22,034
Insurance claim receivable	<u>12,000</u>	<u>12,000</u>
	<u>142,370</u>	<u>108,311</u>

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

	As at 31st March,	
	2011	2010
	HK\$'000	HK\$'000
Within 30 days	38,458	36,303
31 - 90 days	2,214	3,215
More than 90 days	<u>8,308</u>	<u>12,128</u>
	<u>48,980</u>	<u>51,646</u>

The trade debtors as at 31st March, 2011 consisted of receivables from customers of the securities broking business amounting to HK\$17,804,000 (2010: HK\$13,885,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

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

		As at 31st March,	
		2011	2010
	Note	HK\$'000	HK\$'000
Trade payables	(a)	38,620	27,379
Other payables and accruals	(b)	64,025	48,984
Deposits received and deferred income		12,889	10,869
Other provision		675	675
		<u>116,209</u>	<u>87,907</u>

Note:

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

	As at 31st March,	
	2011	2010
	HK\$'000	HK\$'000
Within 30 days	35,972	20,737
31 - 90 days	996	2,432
More than 90 days	1,652	4,210
	<u>38,620</u>	<u>27,379</u>

(b) At 31st March, 2010, the balance included amounts due to directors of subsidiaries of HK\$2,399,000. The amounts due were unsecured, interest free and repayable on demand.

Included in other payables, there was also an amount of approximately HK\$1,914,000 (2010: HK\$1,557,000) in respect of the clients' undrawn monies which arose from securities broking transactions. The amount is repayable on demand.

### DIVIDEND

The Board of Directors has resolved to recommend the payment of a final dividend of HK0.8 cent (2010: HK1.2 cents) per ordinary share to shareholders whose names appear on the Register of Members on 6th October, 2011 subject to the approval of shareholders at the forthcoming annual general meeting to be held on 27th September, 2011. The dividend warrants for the proposed final dividend will be despatched to shareholders on or about 14th October, 2011.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3rd October, 2011 to 6th October, 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, 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 30th September, 2011.

## **BUSINESS REVIEW**

The Group's audited results for the financial year ended 31st March 2011 recorded a total comprehensive income attributable to the shareholders of the Company of HK\$90,865,000 as compared with HK\$145,497,000 for the previous year. Earnings per share were HK8.0 cents. The substantial decrease in comprehensive income for the year was mainly caused by the significant increase in lease rental of our retail shops.

The Group is always dedicated to introducing the trendiest and most exquisite jewellery and watches from all over the world to our customers. During the year, the Group had launched numerous new products with stylish designs and craftsmanship, including the unique 18K gold diamond *Masterpiece* bangle and the "Screwing Magic" ring with unlimited variations and combinations.

During the year, four new shops in Hong Kong - our flagship shop at Tsimshatsui located at The One, the second Audemars Piguet pavillion shop at Pacific Place, a boutique shop for watch brands solely distributed by the Group at Central Building and the second king fook shop at Causeway Bay located at Windsor House and three new Masterpiece by king fook shops in Mainland China (in Suzhou, Shanghai and Beijing respectively) were opened. Our prime shops at Tsimshatsui had closed since August 2010 due to the renovation of the Miramar Shopping Centre and the Group had closed a few shops with less than satisfactory performance during the year.

The Group had launched a series of marketing campaigns to enhance its brand recognition. The highlights included the sponsorship of the famous Broadway Musical from New York - The Premiere of "Chicago" and "A Wonderful Night on the Sea" Concert of Tsai Chin in 2010. One of the watch brands under our sole distributorship, Jacob & Co, has appointed the world renowned martial arts action star and director, Donnie Yen, as its ambassador. During the year, we had been awarded the Outstanding Caring Brand by Yan Oi Tong and Ming Pao's Elite Award 2010 to recognize our quality service.

During the year, the Group has obtained the sole agency of two new Swiss brand watches, namely, "Robert & Fils 1630" created by Gilles Robert from an illustrious family of watch makers in the canton of Neuchâtel with origins going back more than 400 years, and "Laurent Ferrier Genève" created by Laurent Ferrier who had worked for a reputable Swiss watch-making manufacturer for more than 30 years, and its watch is accredited the chronometer certification by Besançon Observatory of Paris.

The Group's revenue from gold ornament, jewellery, watch, fashion and gift retailing business for the year ended 31st March, 2011 increased by 6% to HK\$1,196,948,000 over the previous year mainly as a result of the increasing number of Mainland customers and their strong spending power. However, the profit for the year was seriously eroded by the significant increase in lease rental of our retail shops.

Commission income from securities broking however was reduced by 20% to HK\$6,108,000 as a result of keen competition within the industry. Turnover of bullion trading recorded a decrease of 10% to HK\$25,934,000 as compared with the previous year as gold price continued to rise and hit new heights during the year.

## **PROSPECTS**

Looking ahead, the Group believes that Hong Kong will continue to be one of the top shopping destinations for Mainland customers due to its proximity and the wide range of products and competitive prices on offer. The retail industry is expected to continue to benefit from Mainland customers' growing demand for luxurious items. However, despite growth in the retail industry, profit margins remain tight and competitive as the escalation in retail rental, raw material, salary and other operating costs are expected to persist in the coming year. To counteract these unfavourable factors, the Group will extend its product range, in particular luxurious exclusive brands and expand further into the enormous consumer market in Mainland China prudently. Our new retail shops at the Miramar Shopping Centre are scheduled to open before the end of 2011.

To expand our business, the Group will look for suitable locations to extend our distribution network, continue to strengthen our brand name through a range of marketing activities and publicity campaigns and seek suitable business opportunities. The management will also continue to take stringent cost control measures to improve cost efficiency, as well as to design more training programs for our staff to cater for the future growth of 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 year.

## **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 in the year ended 31st March, 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 meeting of the Company at least once every three years in accordance with the Articles of Association of the Company.

## **REVIEW BY AUDIT COMMITTEE**

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 including review of the results for the year ended 31st March, 2011.

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

Hong Kong, 24th June, 2011

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.