IMPORTANT
THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in King Fook Holdings Limited you should at once hand this circular together with the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 280)

PROPOSAL RELATING TO DISPOSAL WHICH MAY CONSTITUTE A VERY SUBSTANTIAL DISPOSAL NOTICE OF ANNUAL GENERAL MEETING

A notice convening the annual general meeting of King Fook Holdings Limited to be held at 12:00 noon on Friday, 25th September, 2009 at 1st Floor Function Room, The Mira Hong Kong, 118-130 Nathan Road, Kowloon, Hong Kong is set out on pages 81 to 83 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the meeting. Completion and delivery of the form of proxy shall not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

27th August, 2009

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"AGM"	the annual general meeting of the Company to be held at 12:00 noon on Friday, 25th September, 2009, notice of which is set out on pages 81 to 83 of this circular
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"Company"	King Fook Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"Directors"	directors of the Company
"Disposal Shares"	1,314,000 HKEC Shares owned by KF Securities
"Group"	the Company and its subsidiaries
"HKEC"	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"HKEC Share(s)"	share(s) of HK$1 each in the share capital of HKEC
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"KF Jewellery"	King Fook Jewellery Group Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
"KF Securities"	King Fook Securities Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
"Landlord"	Stanwick Properties Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of YCS
"Latest Practicable Date"	20th August, 2009, being the latest practicable date prior to printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Minimum Price"	HK$30 per Disposal Share

"PRC"	the People's Republic of China, except Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.25 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"YCS"	Yeung Chi Shing Estates Limited, a company incorporated in Hong Kong with limited liability and a substantial shareholder of the Company
"HK$"	Hong Kong dollar(s)
"US$"	United States dollar(s)

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(Incorporated in Hong Kong with limited liability)
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Directors:
Yeung Ping Leung, Howard
Tang Yat Sun, Richard
Cheng Ka On, Dominic
Yeung Bing Kwong, Kenneth
Fung Chung Yee, Caroline
Wong Wei Ping, Martin*
Ho Hau Hay, Hamilton*
Sin Nga Yan, Benedict*
Yeung Ka Shing*
Lau To Yee**
Cheng Kar Shing, Peter**
Chan Chak Cheung, William**

* *Non-executive Directors*
** *Independent non-executive Directors*

Registered Office:
9th Floor
King Fook Building
30-32 Des Voeux Road Central
Hong Kong

27th August, 2009

To the Shareholders

Dear Sir or Madam,

PROPOSAL RELATING TO DISPOSAL WHICH MAY CONSTITUTE A VERY SUBSTANTIAL DISPOSAL NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

It was announced on 20th August, 2009 that the Company proposes to renew the authorisation of Shareholders for disposal of the Disposal Shares held by KF Securities to independent third parties which may constitute a very substantial disposal of the Company under the Listing Rules.

The purpose of this circular is to give you further details of the above proposal and notice of the annual general meeting of the Company for the year ended 31st March, 2009 whereat an ordinary resolution will be proposed to consider and, if thought fit, to approve such proposal.

THE DISPOSAL PROPOSAL

Assets to be disposed of

On 3rd October, 2008, the Company obtained an authorisation from the Shareholders to dispose of up to 1,314,000 HKEC Shares held by KF Securities, a wholly owned subsidiary of the Company, to independent purchasers at prevailing market prices on-market through the Stock Exchange within one year from 3rd October, 2008, which will expire at the end of 2nd October, 2009. Up to the Latest Practicable Date, KF Securities has not disposed of any such HKEC Shares. The Company proposes to renew Shareholders' authorisation for disposal of the Disposal Shares to independent purchasers at prevailing market prices (which shall not be less than HK$30 per Disposal Share) on-market through the Stock Exchange for a period of one year from 3rd October, 2009 (the "Disposal Proposal").

HKEC is a company incorporated in Hong Kong. It owns and operates the only stock exchange and futures exchange in Hong Kong and their related clearing houses. For the two years ended 31st December, 2008, its net profits before taxation were about HK$7,190,809,000 and HK$5,928,473,000 respectively, while its net profits after taxation were about HK$6,169,278,000 and HK$5,128,924,000 respectively. KF Securities received dividends totalling HK$6,819,660 and HK$5,637,060 respectively for these two years in respect of the Disposal Shares.

The Disposal Shares represent about 0.122% of the issued share capital of HKEC as at 31st July, 2009 (being the latest information on the issued share capital of HKEC available to the Company), which were distributed by HKEC to KF Securities (a member of the Stock Exchange) in 2000 as consideration for the cancellation of shares in the Stock Exchange then held by KF Securities pursuant to a scheme of arrangement prior to the listing of HKEC. The book value of the Disposal Shares as at 20th August, 2009 amounted to HK$190,530,000.

KF Securities will realise a gain equal to the amount of the net proceeds (after expenses) on any disposal of the Disposal Shares.

Basis for arriving at the Minimum Price

The Minimum Price of HK$30 per Disposal Share was arrived at after taking into consideration of various factors including:

(i) *Estimated earnings of HKEC*

Based on published information of HKEC, there has been a consistent correlation between the earnings of HKEC and average daily turnover value on the Stock Exchange (the "Turnover Value") during the nine financial years from 2000 to 2008. The ratios of earnings of HKEC to the Turnover Value have been maintained at a narrow range with an average of 7.43%. In addition to the fact that the Turnover Value is the prime underlying factor that affects earnings of HKEC, it is considered that such consistent pattern demonstrates a high correlation between the Turnover Value and earnings of HKEC, and that an estimate of earnings of HKEC drawn from such correlation is reasonable.

The Turnover Value for the first half of 2009 was approximately HK$58.3 billion. In the view that the market remains highly volatile as a result of the global financial turmoil since September 2008 which has casted substantial uncertainties on the direction of the market performance in 2009 and, as a result, further volatility or decrease in the Turnover Value in the remaining 2009 is not unlikely. On such basis, it is not unreasonable to forecast the expected Turnover Value for the year 2009 at a level lower than the Turnover Value for the first half of 2009, i.e. at a level of approximately HK$45 billion. The average of earnings to Turnover Value ratio was multiplied by the expected Turnover Value for the year 2009 to obtain the estimated earnings of HKEC for the financial year ending 31st December, 2009.

(ii) Estimated price-to-earnings multiples ("P/E") of comparable listed stock exchanges

Based on the consensus estimates from Bloomberg and/or other published information, among other things, the estimated 2009 P/E of the comparable listed stock exchanges (the "Comparables") have been reviewed, which were selected based on criteria including that the stock exchanges (a) being within the top 10 stock exchanges by size of domestic market capitalization in 2008; and (b) the shares of which are listed. The average estimated 2009 P/E of the Comparables (as at the Latest Practicable Date) was approximately 15.75 times. Based on the estimated earnings of HKEC obtained in paragraph (i) above and the total number of issued shares of HKEC of 1,075,939,346 as at 30th June, 2009, and by multiplying the average estimated 2009 P/E of the Comparables, the estimated share price of HKEC is obtained (the "Estimated Price").

(iii) Strategic buffer

The Disposal Proposal aims to provide KF Securities with the flexibility to dispose of the Disposal Shares in the market efficiently to realize the gain and to allow KF Securities to respond effectively to the dynamic and volatile Hong Kong stock market. For such flexibility, a strategic buffer (the "Strategic Buffer") has been built-in in formulating the Minimum Price. The Strategic Buffer is arrived at on the following assumptions which are considered to be reasonable:

(a) the Strategic Buffer should represent an adequate discount to the Estimated Price for the purpose of calculating the Minimum Price; and

(b) the HKEC share price should reflect the market valuation of HKEC with reference to the financial performance of HKEC during the prior financial years on the basis that the market is efficient.

In assessing the Strategic Buffer, the historical discounts of the lowest closing price per HKEC Share to the volume-weighted average price per HKEC Share for each of the periods commencing from the trading date immediately after the issue of the annual results announcement to the trading date of the publication of the next annual results announcement (the "Post-Results Announcement Periods") in the past nine years have been considered.

In order to allow the Company maximum flexibility to decide on the timing of the proposed disposal of the Disposal Shares during the one-year mandate period, it is considered that the Company should adopt the average deviation of around 38.20% from the average share price of HKEC during the Post-Results Announcement Periods as the Strategic Buffer. Accordingly, based on the Estimated Price of HKEC Share as set forth in paragraph (ii) above and applying the Strategic Buffer, the Minimum Price is estimated to be approximately HK$30 per Disposal Share.

The Company has appointed Somerley Limited as its financial adviser in respect of setting of the Minimum Price. Somerley Limited considers the basis for arriving at the Minimum Price is fair and reasonable.

Reasons for the Disposal Proposal

Based on the closing price of HK$145 per HKEC Share quoted on the Stock Exchange as at the Latest Practicable Date, the total consideration for the disposal of the Disposal Shares will be about HK$190,530,000. If the price of HKEC Shares increases, disposal of the Disposal Shares may constitute a very substantial disposal of the Company which requires the approval of Shareholders in accordance with the Listing Rules. In order to provide KF Securities with the flexibility to dispose of the Disposal Shares in the market efficiently to realise the gain on this holding, the Directors seek the prior authorisation of Shareholders for the disposal. The Directors consider the Disposal Proposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Directors anticipate that the Company would exercise the mandate under various circumstances, including but not limited to (i) the price is attractive for disposal to realise the gain on this holding; (ii) when any suitable investment opportunities arise and the Directors, after considering various alternative funding-raising means, consider it in the interest of the Company and the Shareholders as a whole to dispose of all or part of the Disposal Shares and to use the proceeds to meet its funding needs for capturing such suitable investment opportunities; (iii) when any adverse market and/or economic conditions and/or financial position of the Group arise and after considering various alternatives available from time to time, the Directors consider it in the interest of the Company and the Shareholders as a whole to dispose of all or part of the Disposal Shares and to use the proceeds to reduce its liabilities and/or to meet any working capital needs from time to time; and (iv) any other such circumstances that the Directors consider in the interest of the Company and the Shareholders as a whole for the Company to exercise the mandate. Since there is no possible way to ascertain the happening and the exact timing for the happenings of all of the above circumstances, it is necessary for the Company to be authorised by the Shareholders in advance so that the Company can act promptly to respond to the market in order to maximize the efficiency and effectiveness of the treasury function of the Company.

The Minimum Price is not the expected price at which the Company targets to dispose of the Disposal Shares. The setting of the Minimum Price is to allow the Shareholders to make an informed decision to vote on the Disposal Proposal and, if the Disposal Proposal is approved by the Shareholders, to allow adequate flexibility for the Company during the one-year mandate period to act promptly, effectively and efficiently with reference to the very dynamic prevailing market conditions and economic situation and the projected financial position of the Group so as to protect the interest of the Company and the Shareholders.

The Directors presently intend to hold the Disposal Shares as long term investment and therefore have no current intention to dispose of any of the Disposal Shares as at the Latest Practicable Date.

Use of proceeds

It is intended that the proceeds under the Disposal Proposal will be used as additional working capital and to reduce the liabilities of the Group.

Listing Rules requirements

Further announcement(s) on the disposal of the Disposal Shares will be made if such disposal (or disposals aggregated since the date of (a) approval of the Disposal Proposal; or (b) an announcement relating to previous disposal(s), whichever is later) will constitute a discloseable transaction under the Listing Rules.

Financial effect of the Group's position after implementation of the Disposal Proposal

Any disposal of the Disposal Shares by KF Securities pursuant to the Disposal Proposal will have the effect of increasing the asset value of the Group by the amount of the net proceeds less the book value of the Disposal Shares as at the relevant date of disposal and increasing the earnings of the Group for the relevant financial year, but will not affect the liability of the Group.

Profit and loss statement on and valuation attributable to the Disposal Shares under the Disposal Proposal

In accordance with Rule 14.68(2)(b)(i) of the Listing Rules, the profit and loss statement on and valuation attributable to the Disposal Shares for the three years ended 31st March, 2009 are set out below. In the opinion of the Directors, such information has been properly compiled and derived from the underlying books and records of the Group. The Company has engaged Grant Thornton to conduct a review of such information in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton have compared and found that such information has been properly compiled and derived from the underlying books and records of the Group by the Company.

(i) Profit and loss statement

	Year ended 31st March,		
	2007	**2008**	**2009**
	HK$'000	HK$'000	HK$'000
Dividend income *(Note)*	2,076	3,916	7,739
Profit for the year	2,076	3,916	7,739

Note: The dividend income was generated from the Disposal Shares during the relevant year.

(ii) Valuation

	As at 31st March,		
	2007	**2008**	**2009**
	HK$'000	HK$'000	HK$'000
Available-for-sale investments under the Disposal Proposal *(Note)*	100,061	175,500	96,185

Note: The valuation of the Disposal Shares was based on the closing prices quoted on the Stock Exchange at the respective balance sheet dates.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL POSITION OF THE GROUP

Liquidity and financial resources

The Group centralizes funding for all its operations through the corporate treasury based in Hong Kong. This policy achieves better control of treasury operations and lower average cost of funds.

As at 31st March, 2009, the Group had current assets of about HK$1,048,595,000. There were bank balances and cash of about HK$58,025,000. The Group's current liabilities were about HK$356,817,000 including gold loans equivalent to about HK$28,251,000 which were made in terms of ounces of gold. Included in the total borrowings of the Group were bank loans of about HK$238,499,000 which were made in HK$ and US$. All borrowings of the Group as at 31st March, 2009 were unsecured, unguaranteed and interest bearing. Except for the non-current portion of bank loans amounting to about HK$29,167,000 which were repayable in the second to fifth year, all borrowings of the Group were repayable within one year.

Based on the total borrowings of the Group of about HK$266,750,000 and the capital and reserves attributable to the Shareholders of about HK$796,047,000, the overall borrowings to equity ratio was 34% as at 31st March, 2009 and was at a healthy level.

The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign currency risk becomes significant.

Most of the Group's assets and liabilities, revenue and payments were in Hong Kong dollars.

Contingencies

As at 31st March, 2009, the Group did not anticipate that there are any material contingent liabilities.

Charges

The Group had no charges on its assets as at 31st March, 2009.

Employees

As at 31st March, 2009, the Group had 355 employees. The employees (including Directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward employees based in their performance.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, securities broking and diamond wholesaling.

Amid the uncertain global economic environment and the swine flu, the number of tourists to Hong Kong has dropped significantly. It is difficult to predict when the financial tsunami will end and the worldwide economy will recover. However, with the financial supports and a series of policies implemented by central banks and governments around the world, the turmoil of the financial crisis has gradually eased.

The Group will continue to expand its retail business in the PRC and to maintain its presence in prime locations. It had recently expanded the shop at Causeway Bay with a more spacious and stylish environment for customers. As consumers become more selective and cautious in spending on luxurious items, the Group believes that there will be a shift towards demand in quality by affluent consumers. The Group will continue to oversee the leverage on its core competencies and make an effort to meet the constantly changing demands, styles and trends. The Group has recently obtained the sole agency of "Clerc", a Swiss branded watch.

Facing the pressure on continuing increase in retail rental and the impact of the adverse factors mentioned above, the Group is exercising stringent cost controls to maintain its operation efficiency. The Group will also actively formulate timely and effective strategies to strengthen its brand name to enhance business.

Save as the aforesaid, there is no other information required to be disclosed under Rule 14.68(3) of the Listing Rules.

ANNUAL GENERAL MEETING

You will find on pages 81 to 83 of this circular a notice of the AGM to be held at 12:00 noon on Friday, 25th September, 2009 at 1st Floor Function Room, The Mira Hong Kong, 118-130 Nathan Road, Kowloon, Hong Kong. Voting at the AGM will be taken by poll.

Resolution no. 5A will be proposed as an ordinary resolution to give a general mandate to the directors to allot, issue and deal with shares of the Company with an aggregate nominal value not exceeding 20 per cent. of the share capital of the Company in issue as at the date of the resolution.

Resolution no. 5B will be proposed as an ordinary resolution to approve the Disposal Proposal.

There is enclosed a form of proxy for use at the AGM. You are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the meeting, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person should you so wish.

No Shareholder is required to abstain from voting at the AGM.

RECOMMENDATION

The Directors believe that the Disposal Proposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole and so recommend you to vote in favour of the resolution to be proposed at the AGM. The Directors intend to vote in favour of such resolution in respect of their shareholdings in the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
Yeung Ping Leung, Howard
Chairman

(1) SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below is a summary of the consolidated results, assets and liabilities of the Group for each of the three years ended 31st March, 2009.

The consolidated results, assets and liabilities of the Group for the years ended 31st March, 2008 and 2009 were extracted from the published audited financial statements of the Company for the year ended 31st March, 2009.

As of 1st April, 2008, the Group has applied for the first time the following new standards, amendments and interpretations of the new Hong Kong Financial Reporting Standards (the new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's financial statements:

Hong Kong Accounting Standards ("HKASs") 39 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position of the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

In the opinion of the Directors, the financial information for the three years ended 31st March, 2009 presented below is comparable despite the adoption of the new HKFRSs.

RESULTS

Consolidated Income Statement

	For the year ended 31st March,		
	2009	2008	2007
	HK$'000	HK$'000	HK$'000
Revenue	**1,087,169**	1,222,261	969,044
Cost of sales	**(772,782)**	(890,375)	(735,527)
Gross profit	**314,387**	331,886	233,517
Other operating income	**25,935**	92,477	36,019
Distribution and selling costs	**(170,371)**	(160,784)	(131,587)
Administrative expenses	**(76,846)**	(80,179)	(70,482)
Other operating expenses	**(11,941)**	(9,153)	(2,099)
Operating profit	**81,164**	174,247	65,368
Finance costs	**(8,126)**	(8,892)	(12,707)
Share of loss of a jointly controlled entity	**(409)**	(364)	(205)
Profit before taxation	**72,629**	164,991	52,456
Taxation	**(13,455)**	(18,466)	(7,117)
Profit for the year	**59,174**	146,525	45,339
Attributable to:			
Shareholders of the Company	**59,183**	146,940	45,193
Minority interests	**(9)**	(415)	146
Profit for the year	**59,174**	146,525	45,339
Dividends	**6,091**	12,182	7,179
Earnings per share for profit attributable to the shareholders of the Company during the year			
- Basic (HK cents)	**13.6 cents**	33.8 cents	10.4 cents

ASSETS AND LIABILITIES

Consolidated Balance Sheet

	As at 31st March,		
	2009	2008	2007
	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	**19,990**	20,129	19,415
Leasehold interests in land	**4,914**	5,719	5,849
Investment properties	**418**	868	1,087
Interest in a jointly controlled entity	**4,778**	5,099	4,953
Available-for-sale investments	**103,651**	182,035	152,565
Other assets	**2,196**	2,196	2,183
	135,947	216,046	186,052
Current assets			
Inventories	**838,657**	673,286	590,252
Debtors, deposits and prepayments	**118,491**	93,311	102,321
Investments at fair value through profit or loss	**19,385**	13,153	32,582
Tax recoverable	**26**	451	1,920
Trust bank balances held on behalf of clients	**14,011**	1,053	—
Cash and cash equivalents	**58,025**	85,421	56,697
	1,048,595	866,675	783,772
Current liabilities			
Creditors, deposits received, accruals and deferred income	**114,145**	97,861	106,824
Taxation payable	**5,089**	12,185	3,809
Gold loans, unsecured	**28,251**	33,347	23,705
Bank loans, unsecured	**209,332**	64,167	92,215
	356,817	207,560	226,553
Net current assets	**691,778**	659,115	557,219
Total assets less current liabilities	**827,725**	875,161	743,271
Non-current liabilities			
Bank loans, unsecured	**29,167**	45,833	86,000
Provision for long service payments	**2,282**	1,029	1,152
	31,449	46,862	87,152
Net assets	**796,276**	828,299	656,119
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	**108,768**	108,768	108,768
Other reserves	**140,377**	222,873	186,691
Retained profits			
Proposed final dividends	**4,351**	6,961	5,221
Others	**542,551**	489,459	354,701
	796,047	828,061	655,381
Minority interests	**229**	238	738
	796,276	828,299	656,119

(2) FINANCIAL STATEMENT OF THE GROUP

Consolidated Income Statement
For the year ended 31st March, 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	4	**1,087,169**	1,222,261
Cost of sales		**(772,782)**	(890,375)
Gross profit		**314,387**	331,886
Other operating income		**25,935**	92,477
Distribution and selling costs		**(170,371)**	(160,784)
Administrative expenses		**(76,846)**	(80,179)
Other operating expenses		**(11,941)**	(9,153)
Operating profit		**81,164**	174,247
Finance costs	6	**(8,126)**	(8,892)
Share of loss of a jointly controlled entity		**(409)**	(364)
Profit before taxation	7	**72,629**	164,991
Taxation	8	**(13,455)**	(18,466)
Profit for the year		**59,174**	146,525
Attributable to:			
Shareholders of the Company	9	**59,183**	146,940
Minority interests		**(9)**	(415)
Profit for the year		**59,174**	146,525
Dividends	10	**6,091**	12,182
Earnings per share for profit attributable to the shareholders of the Company during the year	11		
- Basic (HK cents)		**13.6 cents**	33.8 cents

Consolidated Balance Sheet
As at 31st March, 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**19,990**	20,129
Leasehold interests in land	16	**4,914**	5,719
Investment properties	17	**418**	868
Interest in a jointly controlled entity	19	**4,778**	5,099
Available-for-sale investments	20	**103,651**	182,035
Other assets	21	**2,196**	2,196
		135,947	216,046
Current assets			
Inventories	22	**838,657**	673,286
Debtors, deposits and prepayments	23	**118,491**	93,311
Investments at fair value through profit or loss	24	**19,385**	13,153
Tax recoverable		**26**	451
Trust bank balances held on behalf of clients	25	**14,011**	1,053
Cash and cash equivalents	26	**58,025**	85,421
		1,048,595	866,675
Current liabilities			
Creditors, deposits received, accruals and deferred income	27	**114,145**	97,861
Taxation payable		**5,089**	12,185
Gold loans, unsecured	28	**28,251**	33,347
Bank loans, unsecured	29	**209,332**	64,167
		356,817	207,560
Net current assets		**691,778**	659,115
Total assets less current liabilities		**827,725**	875,161
Non-current liabilities			
Bank loans, unsecured	29	**29,167**	45,833
Provision for long service payments	30	**2,282**	1,029
		31,449	46,862
Net assets		**796,276**	828,299
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	31	**108,768**	108,768
Other reserves	32(a)	**140,377**	222,873
Retained profits	32(a)		
Proposed final dividends		**4,351**	6,961
Others		**542,551**	489,459
		796,047	828,061
Minority interests		**229**	238
		796,276	828,299

Balance Sheet
As at 31st March, 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**4,730**	5,645
Leasehold interest in land	16	**—**	676
Investment property	17	**—**	429
Investments in subsidiaries	18	**123,005**	123,005
		127,735	129,755
Current assets			
Debtors, deposits and prepayments	23	**820**	1,208
Amounts due from subsidiaries	18	**695,859**	578,269
Tax recoverable		**—**	308
Cash and cash equivalents	26	**19,438**	13,022
		716,117	592,807
Current liabilities			
Creditors, deposits received and accruals	27	**12,682**	16,287
Amounts due to subsidiaries	18	**264,468**	257,676
Gold loans, unsecured	28	**28,251**	33,347
Bank loans, unsecured	29	**209,332**	64,167
		514,733	371,477
Net current assets		**201,384**	221,330
Total assets less current liabilities		**329,119**	351,085
Non-current liabilities			
Bank loans, unsecured	29	**29,167**	45,833
Provision for long service payments	30	**273**	23
		29,440	45,856
Net assets		**299,679**	305,229
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	31	**108,768**	108,768
Other reserves	32(b)	**17,575**	17,575
Retained profits	32(b)		
Proposed final dividends		**4,351**	6,961
Others		**168,985**	171,925
		299,679	305,229

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2009

	Capital and reserves attributable to the shareholders of the Company							Minority interests	Total
	Share capital	Share premium	Capital reserve on consolidation	Exchange reserve	Investment revaluation reserve	Retained profits	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April, 2007	108,768	17,575	24,753	1,892	142,471	359,922	655,381	738	656,119
Change in fair value of available-for-sale investments	—	—	—	—	74,425	—	74,425	—	74,425
Realisation of fair value change of available-for-sale investments on disposal	—	—	—	—	(42,644)	—	(42,644)	—	(42,644)
Exchange translation differences	—	—	—	4,401	—	—	4,401	30	4,431
Net income recognised directly in equity	—	—	—	4,401	31,781	—	36,182	30	36,212
Profit/(loss) for the year	—	—	—	—	—	146,940	146,940	(415)	146,525
Total recognised income/ (expense) for the year	—	—	—	4,401	31,781	146,940	183,122	(385)	182,737
Acquisition of additional interest in a subsidiary from minority shareholders	—	—	—	—	—	—	—	(115)	(115)
Dividends	—	—	—	—	—	(10,442)	(10,442)	—	(10,442)
At 31st March, 2008	108,768	17,575	24,753	6,293	174,252	496,420	828,061	238	828,299
Representing:									
Proposed final dividends						6,961			
Others						489,459			
Retained profits as at 31st March, 2008						496,420			
At 1st April, 2008	108,768	17,575	24,753	6,293	174,252	496,420	828,061	238	828,299
Change in fair value of available-for-sale investments	—	—	—	—	(83,097)	—	(83,097)	—	(83,097)
Exchange translation differences	—	—	—	601	—	—	601	—	601
Net income/(expense) recognised directly in equity	—	—	—	601	(83,097)	—	(82,496)	—	(82,496)
Profit/(loss) for the year	—	—	—	—	—	59,183	59,183	(9)	59,174
Total recognised income/ (expense) for the year	—	—	—	601	(83,097)	59,183	(23,313)	(9)	(23,322)
Dividends	—	—	—	—	—	(8,701)	(8,701)	—	(8,701)
At 31st March, 2009	**108,768**	**17,575**	**24,753**	**6,894**	**91,155**	**546,902**	**796,047**	**229**	**796,276**
Representing:									
Proposed final dividend						4,351			
Others						542,551			
Retained profits as at 31st March, 2009						**546,902**			

Consolidated Cash Flow Statement
For the year ended 31st March, 2009

	Note	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	33	**80,773**	122,817
Increase in inventories		**(167,408)**	(88,527)
(Increase)/decrease in debtors, deposits and prepayments		**(25,322)**	6,499
Increase/(decrease) in creditors, deposits received, accruals and deferred income		**13,749**	(10,419)
Increase in trust bank balances held on behalf of clients		**(12,958)**	(1,053)
Dividends received from investments at fair value through profit or loss		**296**	394
Proceeds from sale of investments at fair value through profit or loss		**1,919**	102,082
Purchases of investments at fair value through profit or loss		**(16,921)**	(61,570)
Interest received		**1,261**	1,076
Hong Kong profits tax paid		**(20,615)**	(8,772)
Hong Kong profits tax refund		**451**	1,315
Overseas tax refund/(paid)		**38**	(1,164)
Long service payments paid		**(5)**	(8)
Net cash (used in)/generated from operating activities		**(144,742)**	62,670
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale investments		**—**	59,062
Dividends received from available-for-sale investments		**7,747**	4,582
Acquisition of additional interest in a subsidiary from minority shareholders		**—**	(115)
Proceeds from sale of property, plant and equipment		**2**	33
Proceeds from sale of investment property and corresponding interests in land		**13,000**	—
Purchase of property, plant and equipment		**(8,989)**	(13,661)
Purchase of available-for-sale investments		**(4,713)**	(430)
Net cash generated from investing activities		**7,047**	49,471
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(5,591)**	(8,111)
New bank and gold loans		**400,451**	533,543
Repayment of bank and gold loans		**(276,325)**	(601,758)
Dividends paid		**(8,701)**	(10,442)
Net cash generated from/(used in) financing activities		**109,834**	(86,768)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(27,861)**	25,373
Cash and cash equivalents at the beginning of the year		**85,421**	56,697
Effect of foreign exchange rates changes, net		**465**	3,351
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**58,025**	85,421

Notes to the Financial Statements
For the year ended 31st March, 2009

1. GENERAL INFORMATION

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 activity of the Company is investment holding. Details of principal activities of its subsidiaries are set out in note 18 to the financial statements.

The financial statements for the year ended 31st March, 2009 were approved for issue by the Board of Directors on 10th July, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 11 to 68 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").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for gold stocks, gold loans and financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on the management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2.2 Adoption of new or amended HKFRSs

In the current year, the Company and its subsidiaries (collectively referred to as 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, 2008:

HKAS 39 (Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

At the date of authorisation of these financial statements, the following new or amended HKFRSs that have been issued but are not yet effective, have not been early adopted by the Group:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Embedded Derivatives[5]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK (IFRIC) - Interpretation 9 (Amendment)	Reassessment of Embedded Derivatives[5]
HK (IFRIC) - Interpretation 13	Customer Loyalty Programmes[3]
HK (IFRIC) - Interpretation 15	Agreements for the Construction of Real Estate[1]
HK (IFRIC) - Interpretation 16	Hedges of a Net Investment in a Foreign Operation[4]
HK (IFRIC) - Interpretation 17	Distributions of Non-cash Assets to Owners[2]
HK (IFRIC) - Interpretation 18	Transfers of Assets from Customers[6]
Various	Annual Improvements to HKFRS 2008[7]
Various	Annual Improvements to HKFRS 2009[8]

1 Effective for annual periods beginning on or after 1st January, 2009
2 Effective for annual periods beginning on or after 1st July, 2009
3 Effective for annual periods beginning on or after 1st July, 2008
4 Effective for annual periods beginning on or after 1st October, 2008
5 Effective for annual periods ending on or after 30th June, 2009
6 Effective for transfers received on or after 1st July, 2009
7 Generally effective for annual periods beginning on or after 1st January, 2009 unless otherwise stated in the specific HKFRS
8 Generally effective for annual periods beginning on or after 1st January, 2010 unless otherwise stated in the specific HKFRS

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 "Operating Segments" may result in new or amended disclosures. The directors of the Company are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year. Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within capital and reserves, separately from the capital and reserves attributable to the shareholders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceed the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

2.4 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

2.5 Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In the consolidated financial statements, investment in a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in jointly controlled entity recognised for the year.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

2.6 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date re-translation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in capital and reserves.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.7 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services and the use by others of the Group's assets which yield interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) ***Sale of goods***

Income from gold ornament, jewellery, watch, fashion and gift retailing, diamond wholesaling, bullion trading and sale of computer related products is recognised upon delivery of goods to customers, which is also the time when the significant risks and rewards of ownership is transferred to the customer.

(ii) ***Commission income***

Commission income from securities broking and money exchange is recognised when services are rendered.

(iii) ***Revenue on construction contracts***

When the outcome of the contract can be estimated reliably, revenue on fixed price construction contracts is determined using the percentage of completion method. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If the contract is considered profitable, it is stated at cost plus attributable profits by reference to the percentage of completion. Any expected loss on individual construction contracts is recognised immediately as an expense in the income statement.

(iv) ***Income from provision of travel related products and services***

Income from provision of travel related products and services is recognised when the services are rendered. Deposits received from customers prior to the delivery of services are included in current liabilities as "deferred income" and not recognised as revenue.

(v) ***Dividend income***

Dividend income from investments is recognised when the right to receive payment is established.

(vi) ***Rental income***

Rental income is recognised on a straight-line basis over the period of each lease.

(vii) ***Interest income***

Interest income is recognised on a time apportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2.8 Borrowing costs

All borrowing costs are expensed as incurred.

2.9 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost over their estimated useful lives at the following rates per annum:

Buildings on leasehold land	2% - 2.5% or over the remaining period of the lease, whichever is shorter
Leasehold improvement	15% or over the remaining period of the lease, whichever is shorter
Plant and machinery, furniture and equipment	15%
Motor vehicles	15%

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.10 Investment properties

Investment properties are buildings held to earn rental income and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of the investment property using the straight-line method over their expected useful lives ranging from forty to fifty years or over the lease term, if shorter.

2.11 Leasehold interests in land

Leasehold interests in land are up-front payments to acquire long term interests for the usage of land. They are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

2.12 Impairment of non-financial assets

Property, plant and equipment, leasehold interests in land, investment properties, investments in subsidiaries and a jointly controlled entity stated at cost are subject to impairment testing. These assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

2.14 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and jointly controlled entity are set out below.

Financial assets are classified into the following categories:

- investments at fair value through profit or loss;
- loans and receivables; and
- available-for-sale investments.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) ***Investments at fair value through profit or loss***

Investments at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as an investment at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.7(v) and 2.7(vii) to these financial statements.

(ii) ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) ***Available-for-sale investments***

Non-derivative financial assets that do not qualify for inclusion in any of the categories of financial assets are classified as available-for-sale investments.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is de-recognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to profit or loss. Dividend income from those investments is recognised in profit or loss in accordance with the policy set out in note 2.7(v). Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in capital and reserves.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) ***Financial assets carried at amortised cost***

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(ii) ***Available-for-sale investments***

When a decline in the fair value of an available-for-sale investment has been recognised directly in capital and reserves and there is objective evidence that the asset is impaired, an amount is removed from capital and reserves and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in capital and reserves. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(iii) ***Financial assets carried at cost***

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

For financial assets other than investments at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period.

2.15 Inventories

Inventories, other than gold stocks, are stated at the lower of cost and estimated net realisable value. Cost is determined on an actual cost basis. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Gold stocks are stated at fair value less cost to sell. Changes in fair value are recognised in the income statement in the period of the change.

2.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and a jointly controlled entity, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at banks, other financial institution and in hand, short-term bank deposits with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

2.19 Employee benefits

(i) ***Short-term employee benefits***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) ***Defined contribution plans***

The Group operates a number of defined contribution retirement schemes in Hong Kong, the assets of which are held in separate trustee-administered funds. Contributions are made based on certain percentages of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the schemes. The retirement schemes are funded by payments from employees and the Group. The assets of the schemes are held separately from those of the Group in certain independently administered funds.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

2.20 Financial liabilities

The Group's financial liabilities include bank loans, gold loans, creditors and accruals. They are included in balance sheet line items as "bank loans", "gold loans" and "creditors, deposits received, accruals and deferred income" under current liabilities and "bank loans" under non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Borrowings

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the bank loans using the effective interest method.

On initial recognition, gold loans are designated as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, gold loans are measured at fair value with changes in fair value recognised in the income statement. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be reclassified.

Borrowings, which include bank loans and gold loans, are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Creditors and accruals

Creditors and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.21 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

2.22 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated revenue and results represented revenue and results from sale of computer related products and provision of travel related products and services.

Segment assets consist primarily of property, plant and equipment, inventories, receivables, operating cash and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

2.23 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates property, plant and equipment on a straight-line basis over the estimated useful lives of 7 to 50 years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(ii) Impairment of available-for-sale investments

For unlisted investments that are carried at cost less impairment, objective evidence of impairment would include information about adverse changes in the technological, market, economic or legal environment in which the investee operates which indicate the cost of the investment may not be recovered. Management judgement is required in determining whether these indicators exist and in estimating the future cash flows from holding (such as dividends) or selling the asset.

(iii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimation is based on the credit history of its customers and current market conditions. Management re-assesses the impairment of receivables at the balance sheet date.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management re-assesses these estimations at the balance sheet date to ensure inventory is shown at the lower of cost and net realisable value.

(v) Percentage of completion and estimation of foreseeable losses in respect of construction contracts

Revenue from construction contracts is recognised according to the percentage of completion of individual contracts. When foreseeable loss in respect of a particular contract is identified, such loss is recognised as an expense in the income statement immediately. The percentage of completion and foreseeable loss of individual contracts are determined based on the actual costs incurred and the total estimated contract cost prepared by the management of the Group. In order to ensure the total estimated contract cost is accurate and up-to-date, management reviews the costs incurred to date and costs to completion frequently, in particular any cost over-runs and variation orders from customers, and revises the total estimated contract cost where necessary.

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 year comprised the following:

	2009	2008
	HK$'000	HK$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	**993,356**	1,098,523
Bullion trading	**32,185**	45,475
Commission from securities broking	**5,528**	13,986
Diamond wholesaling	**9,431**	13,475
	1,040,500	1,171,459
Other revenue		
Revenue on construction contracts	**40,670**	39,817
Sale of computer related products	**—**	5,427
Income from provision of travel related products and services	**5,999**	5,558
	46,669	50,802
Total revenue	**1,087,169**	1,222,261

5. SEGMENT INFORMATION

The Group is organised into three main business segments:

(i) Retailing, bullion trading and diamond wholesaling
(ii) Securities broking
(iii) Construction services

There was no inter-segment sale and transfer during the year (2008: Nil).

(a) Business segments

	Retailing, bullion trading and diamond wholesaling HK$'000	Securities broking HK$'000	Construction services HK$'000	Unallocated* HK$'000	Group HK$'000
Year ended 31st March, 2009					
Segment revenue	1,034,972	5,528	40,670	5,999	1,087,169
Segment results	121,540	(1,757)	(3,804)	(648)	115,331
Unallocated operating income and expenses					(34,167)
Operating profit					81,164
Finance costs					(8,126)
Share of loss of a jointly controlled entity	(409)	—	—	—	(409)
Profit before taxation					72,629
Taxation					(13,455)
Profit for the year					59,174
At 31st March, 2009					
Segment assets	928,172	70,126	27,898	153,542	1,179,738
Tax recoverable					26
Interest in a jointly controlled entity	4,778	—	—	—	4,778
Total assets					1,184,542
Segment liabilities	64,064	47,695	9,565	261,853	383,177
Taxation payable					5,089
Total liabilities					388,266
Year ended 31st March, 2009					
Capital expenditure					
Additions of property, plant and equipment	6,215	12	2,144	618	8,989
Depreciation	6,634	503	284	1,548	8,969
Provision for and write down of inventories to net realisable value	2,845	—	—	—	2,845
Reversal of write down of inventories to net realisable value	(1,531)	—	—	—	(1,531)
Provision for impairment losses of debtors					
- provided against allowance account	—	—	142	—	142

	Retailing, bullion trading and diamond wholesaling HK$'000	Securities broking HK$'000	Construction services HK$'000	Unallocated* HK$'000	Group HK$'000
Year ended 31st March, 2008					
Segment revenue	1,157,473	13,986	39,817	10,985	1,222,261
Segment results	134,161	4,551	920	(7,535)	132,097
Unallocated operating income and expenses					42,150
Operating profit					174,247
Finance costs					(8,892)
Share of loss of a jointly controlled entity	(364)	—	—	—	(364)
Profit before taxation					164,991
Taxation					(18,466)
Profit for the year					146,525
At 31st March, 2008					
Segment assets	798,857	37,787	16,223	224,304	1,077,171
Tax recoverable					451
Interest in a jointly controlled entity	5,099	—	—	—	5,099
Total assets					1,082,721
Segment liabilities	84,672	14,521	6,036	137,008	242,237
Taxation payable					12,185
Total liabilities					254,422
Year ended 31st March, 2008					
Capital expenditure					
Additions of property, plant and equipment	10,113	403	59	3,086	13,661
Depreciation	10,194	1,102	123	1,447	12,866
Provision for and write down of inventories to net realisable value	15,135	—	—	—	15,135
Provision for impairment losses of debtors					
- provided against allowance account	157	—	—	2,340	2,497
- written off directly to the account	1	—	13	—	14

* Unallocated revenue and results represented revenue and results from sale of computer related products and provision of travel related products and services.

(b) Geographical segments

Over 90% of the Group's revenue and assets are derived from activities in Hong Kong and therefore no geographic segment information is presented.

6. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest charges on:		
Financial liabilities at amortised cost, bank loans and overdrafts wholly repayable within five years	**7,502**	8,478
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	**624**	414
	8,126	8,892

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	2009 HK$'000	2008 HK$'000
Charging:		
Amortisation of leasehold interests in land	**130**	130
Auditors' remuneration		
- provision for the current year	**799**	749
Cost of inventories, including	**776,497**	876,765
- provision for and write down of inventories to net realisable value	**2,845**	15,135
- reversal of write down of inventories to net realisable value	**(1,531)**	—
Depreciation of property, plant and equipment	**8,969**	12,866
Depreciation of investment properties	**28**	25
Fair value change of investments at fair value through profit or loss held for trading	**8,904**	—
Foreign exchange loss	**2,633**	—
Loss on disposal of property, plant and equipment	**159**	242
Loss on liquidation of a subsidiary	**—**	675
Operating lease charges in respect of properties	**78,588**	63,270
Operating lease charges in respect of furniture and fixtures	**306**	191
Outgoings in respect of investment properties	**59**	62
Provision for impairment losses of debtors		
- provided against allowance account	**142**	2,497
- written off directly to the account	**—**	14
Provision for impairment losses of available-for-sale investments, net (note 20)	**—**	2,741
Provision for long service payments (note 30)	**1,258**	—

	2009 HK$'000	2008 HK$'000
Crediting:		
Dividend income	**8,043**	4,976
Fair value change of investments at fair value through profit or loss held for trading	**—**	20,016
Foreign exchange gain	**—**	2,301
Gain on disposal of available-for-sale investments (including HK$Nil (2008: HK$42,644,000) previously recognised in investment revaluation reserve)	**—**	59,062
Gain on disposal of investment property and corresponding interests in land	**11,903**	—
Interest income from financial assets at amortised cost	**1,261**	1,076
Rental income		
- owned properties	**1,154**	1,188
- operating sub-leases	**1,015**	1,280
Write back of provision for long service payments (note 30)	**—**	115

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) 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.

	2009 HK$'000	2008 HK$'000
Current tax		
- Hong Kong		
Tax for the year	**12,527**	17,254
Under provision in prior years	**966**	48
	13,493	17,302
- Overseas taxation		
Tax for the year	**30**	1,164
Over provision in prior years	**(68)**	—
	(38)	1,164
Total taxation charge	**13,455**	18,466

Reconciliation between tax expense and accounting profit at applicable tax rates is as follows:

	2009	2008
	HK$'000	HK$'000
Profit before taxation	**72,629**	164,991
Tax on profit before taxation, calculated at the rates applicable to profits in the relevant tax jurisdictions	**10,965**	28,786
Tax effect of non-taxable income	**(3,774)**	(10,766)
Tax effect of non-deductible expenses	**3,222**	1,233
Temporary differences not recognised	**176**	390
Tax losses not recognised	**2,811**	2,487
Utilisation of previously unrecognised tax losses	**(547)**	(3,094)
Under provision in prior years	**898**	48
Others	**(296)**	(618)
Taxation charge	**13,455**	18,466

The Hong Kong SAR Government enacted a reduction in the Profits Tax Rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. Accordingly, the relevant current and deferred tax assets and liabilities have been calculated using the new tax rate of 16.5%.

9. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Out of the consolidated profit attributable to the shareholders of the Company of HK$59,183,000 (2008: HK$146,940,000), a profit of HK$3,151,000 (2008: HK$2,650,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

(a) Dividends attributable to the year

	2009	2008
	HK$'000	HK$'000
Interim dividend of HK0.4 cent (2008: HK0.5 cent) per ordinary share	**1,740**	2,175
Special interim dividend of Nil (2008: HK0.7 cent) per ordinary share	**—**	3,046
Proposed final dividend of HK1.0 cent (2008: HK1.3 cents) per ordinary share	**4,351**	5,656
Proposed special final dividend of Nil (2008: HK0.3 cent) per ordinary share	**—**	1,305
	6,091	12,182

At a meeting held on 7th December, 2007, the directors declared an interim dividend of HK0.5 cent per ordinary share and a special interim dividend of HK0.7 cent per ordinary share, making a total of HK1.2 cents per ordinary share for the year ended 31st March, 2008. These interim dividends were paid on 11th January, 2008 and were reflected as an appropriation of retained profits for the year ended 31st March, 2008.

At a meeting held on 11th July, 2008, the directors proposed a final dividend of HK1.3 cents per ordinary share and a special final dividend of HK0.3 cent per ordinary share, making a total of HK1.6 cents per ordinary share for the year ended 31st March, 2008, which were approved by the shareholders at the Annual General Meeting held on 1st September, 2008. These final dividends were paid on 10th September, 2008 and have been reflected as an appropriation of retained profits for the year.

At a meeting held on 12th December, 2008, the directors declared an interim dividend of HK0.4 cent per ordinary share for the year. This interim dividend was paid on 14th January, 2009 and was reflected as an appropriation of retained profits for the year.

At a meeting held on 10th July, 2009, the directors proposed a final dividend of HK1.0 cent per ordinary share for the year, subject to the approval of shareholders at the Annual General Meeting to be held on 25th September, 2009. This proposed final dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2010.

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

	2009	2008
	HK$'000	HK$'000
2008 final and special dividends totalling HK1.6 cents per ordinary share (2008: 2007 final dividend of HK1.2 cents per ordinary share)	**6,961**	5,221

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK$59,183,000 (2008: HK$146,940,000) and on 435,071,650 (2008: 435,071,650) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31st March, 2009 was not presented as there were no dilutive potential ordinary shares during the year (2008: Nil).

12. EMPLOYEE BENEFIT EXPENSE

	2009 HK$'000	2008 HK$'000
Wages, salaries and allowances	**78,919**	76,696
Pension costs - defined contribution retirement schemes*	**3,609**	3,428
	82,528	80,124

Employee benefit expense as shown above include directors' emoluments (note 13).

* As permitted under the rules of the provident fund schemes, all forfeited contributions for the two years ended 31st March, 2008 and 2009 have been credited to the employers' balance in respect of the remaining members' accounts.

13. DIRECTORS' EMOLUMENTS

	Directors' fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Pension costs - defined contribution retirement schemes HK$'000	Total HK$'000
2009					
Executive directors					
Mr. Yeung Ping Leung, Howard	24	—	—	1	25
Mr. Tang Yat Sun, Richard	24	—	—	1	25
Mr. Cheng Ka On, Dominic	24	—	—	1	25
Mr. Yeung Bing Kwong, Kenneth	26	238	—	12	276
Ms. Fung Chung Yee, Caroline	22	1,122	878	84	2,106
Non-executive directors					
Mr. Wong Wei Ping, Martin	17	—	—	—	17
Mr. Ho Hau Hay, Hamilton	17	—	—	—	17
Mr. Sin Nga Yan, Benedict	17	—	—	—	17
Mr. Yeung Ka Shing	17	—	—	—	17
Independent non-executive directors					
Mr. Lau To Yee	55	—	—	—	55
Mr. Cheng Kar Shing, Peter	57	—	—	—	57
Mr. Chan Chak Cheung, William	275	—	—	—	275
	575	1,360	878	99	2,912

	Directors' fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Pension costs - defined contribution retirement schemes HK$'000	Total HK$'000
2008					
Executive directors					
Mr. Yeung Ping Leung, Howard	24	—	—	1	25
Mr. Tang Yat Sun, Richard	24	—	—	1	25
Mr. Cheng Ka On, Dominic	24	—	—	1	25
Mr. Yeung Bing Kwong, Kenneth	26	216	—	11	253
Ms. Fung Chung Yee, Caroline	22	1,020	1,569	76	2,687
Non-executive directors					
Mr. Wong Wei Ping, Martin	17	—	—	—	17
Mr. Ho Hau Hay, Hamilton	17	—	—	—	17
Mr. Sin Nga Yan, Benedict	17	—	—	—	17
Independent non-executive directors					
Mr. Lau To Yee	55	—	—	—	55
Mr. Cheng Kar Shing, Peter	57	—	—	—	57
Mr. Chan Chak Cheung, William	275	—	—	—	275
	558	1,236	1,569	90	3,453

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2008: Nil).

None of the directors has waived or agreed to waive any emoluments in respect of the year (2008: Nil).

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included one (2008: one) director whose emoluments are reflected in the analysis presented in note 13. The emoluments payable to the remaining four (2008: four) highest paid, non-director individuals during the year are as follows:

	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,577**	3,421
Bonuses	**3,595**	3,792
Pension costs - defined contribution retirement schemes	**199**	129
	7,371	7,342

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
Nil - HK$1,000,000	**—**	1
HK$1,000,001 - HK$1,500,000	**1**	1
HK$1,500,001 - HK$2,000,000	**2**	1
HK$2,500,001 - HK$3,000,000	**1**	—
HK$3,000,001 - HK$3,500,000	**—**	1

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2008: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st April, 2007					
Cost	4,481	33,609	28,258	1,360	67,708
Accumulated depreciation	(2,923)	(22,183)	(22,244)	(943)	(48,293)
Net book amount	1,558	11,426	6,014	417	19,415
Net book amount					
At 1st April, 2007	1,558	11,426	6,014	417	19,415
Additions	—	9,580	4,081	—	13,661
Transfer from investment properties	620	—	—	—	620
Transfer to investment properties	(426)	—	—	—	(426)
Disposals	—	(219)	(56)	—	(275)
Depreciation	(106)	(9,665)	(2,897)	(198)	(12,866)
At 31st March, 2008	1,646	11,122	7,142	219	20,129
At 31st March, 2008					
Cost	3,103	41,395	31,196	1,360	77,054
Accumulated depreciation	(1,457)	(30,273)	(24,054)	(1,141)	(56,925)
Net book amount	1,646	11,122	7,142	219	20,129
Net book amount					
At 1st April, 2008	1,646	11,122	7,142	219	20,129
Additions	—	5,187	3,665	137	8,989
Disposals	—	(156)	(3)	—	(159)
Depreciation	(90)	(6,066)	(2,620)	(193)	(8,969)
At 31st March, 2009	**1,556**	**10,087**	**8,184**	**163**	**19,990**
At 31st March, 2009					
Cost	3,103	44,882	34,663	1,497	84,145
Accumulated depreciation	(1,547)	(34,795)	(26,479)	(1,334)	(64,155)
Net book amount	**1,556**	**10,087**	**8,184**	**163**	**19,990**

The Group's buildings are situated in Hong Kong and are held under medium term leases.

Depreciation expense of HK$146,000 (2008: HK$Nil) was included in cost of sales, HK$6,894,000 (2008: HK$11,067,000) was included in distribution and selling costs and HK$1,929,000 (2008: HK$1,799,000) was included in administrative expenses.

(b) Company

	Leasehold improvement HK$'000	Plant and machinery, furniture and equipment HK$'000	Total HK$'000
At 1st April, 2007			
Cost	1,496	16,016	17,512
Accumulated depreciation	(835)	(12,905)	(13,740)
Net book amount	661	3,111	3,772
Net book amount			
At 1st April, 2007	661	3,111	3,772
Additions	79	2,948	3,027
Depreciation	(229)	(925)	(1,154)
At 31st March, 2008	511	5,134	5,645
At 31st March, 2008			
Cost	1,575	18,964	20,539
Accumulated depreciation	(1,064)	(13,830)	(14,894)
Net book amount	511	5,134	5,645
Net book amount			
At 1st April, 2008	511	5,134	5,645
Additions	167	405	572
Depreciation	(261)	(1,226)	(1,487)
At 31st March, 2009	**417**	**4,313**	**4,730**
At 31st March, 2009			
Cost	1,742	19,361	21,103
Accumulated depreciation	(1,325)	(15,048)	(16,373)
Net book amount	**417**	**4,313**	**4,730**

16. LEASEHOLD INTERESTS IN LAND

(a) Group

	2009 **HK$'000**	2008 HK$'000
Opening net carrying amount	**5,719**	5,849
Disposal	**(675)**	—
Amortisation charge for the year	**(130)**	(130)
Closing net carrying amount	**4,914**	5,719

The prepaid lease payments for leasehold interests in land are held under long and medium term leases in Hong Kong of HK$Nil (2008: HK$676,000) and HK$4,914,000 (2008: HK$5,043,000) respectively.

(b) Company

	2009	2008
	HK$'000	HK$'000
Opening net carrying amount	**676**	677
Disposal	**(675)**	—
Amortisation charge for the year	**(1)**	(1)
Closing net carrying amount	**—**	676

The prepaid lease payment for leasehold interest in land was held under a long term lease in Hong Kong.

17. INVESTMENT PROPERTIES

(a) Group

	2009	2008
	HK$'000	HK$'000
At 1st April		
Gross carrying amount	**934**	1,169
Accumulated depreciation	**(66)**	(82)
Net carrying amount at 1st April	**868**	1,087
Opening net carrying amount	**868**	1,087
Transfer from property, plant and equipment	**—**	426
Transfer to property, plant and equipment	**—**	(620)
Disposal	**(422)**	—
Depreciation	**(28)**	(25)
Closing net carrying amount	**418**	868
At 31st March		
Gross carrying amount	**450**	934
Accumulated depreciation	**(32)**	(66)
Net carrying amount at 31st March	**418**	868

All of the Group's investment properties are situated in Hong Kong and are held under long and medium term leases of HK$Nil (2008: HK$429,000) and HK$418,000 (2008: HK$439,000) respectively.

The fair value of the Group's investment properties at 31st March, 2009 was approximately HK$2,126,000 (2008: HK$3,164,000) which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuations were based on the properties' open market value on 31st March, 2009.

(b) Company

	2009	2008
	HK$'000	HK$'000
At 1st April		
Gross carrying amount	**484**	484
Accumulated depreciation	**(55)**	(36)
Net carrying amount at 1st April	**429**	448
Opening net carrying amount	**429**	448
Disposal	**(422)**	—
Depreciation	**(7)**	(19)
Closing net carrying amount	**—**	429
At 31st March		
Gross carrying amount	**—**	484
Accumulated depreciation	**—**	(55)
Net carrying amount at 31st March	**—**	429

The Company's investment property was situated in Hong Kong and was held under long term lease.

The fair value of the Company's investment property at 31st March, 2008 was approximately HK$930,000 which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuation was based on the property's open market value on 31st March, 2008.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Investments in subsidiaries		
Unlisted shares, at cost	**128,655**	128,655
Less: Provision for impairment loss	**(5,650)**	(5,650)
	123,005	123,005
Amounts due from subsidiaries	**695,859**	578,269
Amounts due to subsidiaries	**(264,468)**	(257,676)

The amounts due from/to subsidiaries were unsecured, interest free, except for receivables of HK$275,748,000 (2008: HK$144,960,000) and payables of HK$6,013,000 (2008: HK$7,744,000) which bore interest at rates ranging from 2.52% to 5.00% (2008: 3.50% to 5.25%) per annum, being the effective interest rates as at 31st March, 2009, and repayable on demand. The weighted average effective interest rates of the interest bearing balances due from/to subsidiaries during the year ranged from 2.52% to 6.09% (2008: 3.50% to 7.75%) per annum.

Details of the subsidiaries as at 31st March, 2009 are as follows:

Name	Place of incorporation/ operation	Particulars of issued capital/ registered capital	Percentage of issued capital held by Group	Percentage of issued capital held by Company	Principal activities
Elias Holdings Limited	The Republic of Liberia	1 ordinary share with no par value	100	100	Dormant
Evermind Limited	Hong Kong	10,000 ordinary shares of HK$1 each	80	80	Investment holding
Grand Year Engineering Limited	Hong Kong	1 ordinary share of HK$1	80	—	Trading of construction materials
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	PRC	US$1,000,000	100	100	Dormant
Guangzhou Grand Year Building Materials Limited^	PRC	HK$1,000,000	80	—	Manufacturing of construction materials
Jacqueline Emporium Limited	Hong Kong	1,000 ordinary shares of HK$100 each	100	—	Investment and watch trading
Jet Bright Trading Limited	Hong Kong	2 ordinary shares of HK$1 each	100	—	Dormant
Jewellery Hospital Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	—	Manufacturing of jewellery products
King Fook China Resources Limited	Hong Kong	2 ordinary shares of HK$10 each	100	100	Investment holding
King Fook Commodities Company Limited	Hong Kong	50,000 ordinary shares of HK$100 each	100	—	Dormant
King Fook Gold & Jewellery Company Limited	Hong Kong	546,750 ordinary shares of HK$100 each	100	100	Investment holding and trading
King Fook Holding Management Limited	Hong Kong	50 ordinary shares of HK$100 each	100	100	Dormant
King Fook International Money Exchange (Kowloon) Limited	Hong Kong	65,000 ordinary shares of HK$100 each	100	—	Dormant
King Fook Investment Company Limited	Hong Kong	2,500,000 ordinary shares of HK$1 each	100	100	Investment holding
King Fook Jewellery Designing & Trading Company Limited	Hong Kong	5,000 ordinary shares of HK$100 each	100	—	Dormant

Name	Place of incorporation/ operation	Particulars of issued capital/ registered capital	Percentage of issued capital held by Group	Percentage of issued capital held by Company	Principal activities
King Fook Jewellery Group Limited	Hong Kong	600,000 ordinary shares of HK$100 each	100	100	Gold ornament, jewellery and watch retailing and bullion trading
King Fook Securities Company Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	100	—	Securities broking
King Shing Bullion Traders & Finance Company Limited	Hong Kong	60,000 ordinary shares of HK$100 each	100	—	Dormant
King Fook (Beijing) Consultancy Services Limited#	PRC	US$100,000	100	—	Business consultancy
King Fook Jewellery (Beijing) Company Limited^	PRC	US$1,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook Jewellery (China) Company Limited	PRC	RMB30,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook (Shanghai) International Trading Limited#	PRC	US$200,000	100	—	Gold ornament, jewellery and watch wholesaling
Mario Villa Limited	Hong Kong	2,000,000 ordinary shares of HK$1 each	100	100	Investment trading
Mempro Limited	Isle of Man	100 ordinary shares of £1 each	60	—	Investment holding
Mempro S.A.*	Switzerland	1,052 ordinary shares of CHF1,000 each	59	—	Under liquidation
Metal Innovation Limited	British Virgin Islands and operating in Hong Kong	1 ordinary share of US$1	80	—	Dormant
Most Worth Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	100	100	Investment holding
Perfectrade Limited	Hong Kong	20,000 ordinary shares of HK$1 each	80	—	Provision of interior design services

Name	Place of incorporation/ operation	Particulars of issued capital/ registered capital	Percentage of issued capital held by Group	Company	Principal activities
Perfectrade Macau Limited	Macau	MOP25,000	80	—	Provision of interior design services
Polyview International Limited	Hong Kong	2 ordinary shares of HK$1 each	100	100	Watch trading and investment holding
PTE Engineering Limited	Hong Kong	10,000 ordinary shares of HK$1 each	80	—	Provision of construction services
Rich Point Trading Limited	Hong Kong	2 ordinary shares of HK$1 each	100	—	Dormant
Superior Travellers Services Limited	Hong Kong	500,000 ordinary shares of HK$1 each	100	100	Sale of travel related products and provision of marketing services for sale of travel related products
Sure Glory Limited	Hong Kong	2 ordinary shares of HK$1 each	100	—	Dormant
Top Angel Limited	Hong Kong	1 ordinary share of HK$1	100	—	Fashion wholesaling
Trade Vantage Holdings Limited	Hong Kong	2 ordinary shares of HK$1 each	100	—	Investment trading
Yatheng Investments Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100	—	Property subletting
Young's Diamond Corporation (International) Limited	Hong Kong	100,000 ordinary shares of HK$100 each	98.6	98.6	Diamond wholesaling
Young's Diamond Factory Limited	Hong Kong	2,000 ordinary shares of US$10 each	98.6	—	Diamond wholesaling
Young's Diamond Corporation (Shanghai) Limited#	PRC	US$200,000	100	100	Diamond wholesaling

^ The companies were newly incorporated during the year.

The names of these subsidiaries represent management's translation of the Chinese names of these companies as no English names have been registered.

* This company was engaged in the import and distribution of memory extensions and computer peripheral products. It applied for liquidation during the year ended 31st March, 2008.

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2009	2008
	HK$'000	HK$'000
Share of net assets	**4,778**	5,099

Details of the jointly controlled entity, established and operating in the PRC and held indirectly by the Company, as at 31st March, 2009 are as follows:

Name	Principal activity
Shandong Tarzan King Fook Precious Metal Refinery Co. Ltd.#	Gold refining and assaying

The name of the jointly controlled entity represents management's translation of the Chinese name of the company as no English name has been registered.

Pursuant to the joint venture agreement dated 25th January, 2002, the Group established a jointly controlled entity in the PRC with a PRC partner. The jointly controlled entity is a limited liability company with a registered capital of RMB10,000,000 and has a joint venture period of 15 years. The Group has a 49% interest in ownership and profit sharing and a 40% interest in voting power in the jointly controlled entity.

The aggregate amounts relating to the jointly controlled entity attributable to the Group that have been included in the Group's consolidated financial statements are as follows:

	2009	2008
	HK$'000	HK$'000
At 31st March		
Non-current assets	**1,183**	1,394
Current assets	**4,124**	4,124
	5,307	5,518
Current liabilities	**(529)**	(419)
Net assets	**4,778**	5,099
Year ended 31st March		
Income	**121**	240
Expenses	**(530)**	(604)
Loss for the year	**(409)**	(364)

20. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK$'000	2008 HK$'000
Listed equity securities, at market value and fair value		
Listed in Hong Kong	**96,185**	175,550
Listed outside Hong Kong*	**6,823**	5,889
	103,008	181,439
Unlisted equity securities, at cost	**3,970**	3,923
Less: Provision for impairment loss#	**(3,327)**	(3,327)
	643	596
	103,651	182,035

* As at 31st March, 2009, 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 40.6% (2008: 40.6%) and 5.1% (2008: 5.1%) equity interests in that company respectively.

\# Impairment losses in respect of unlisted equity securities are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against unlisted equity securities directly. The movement in provision for impairment loss is as follows:

	2009 HK$'000	2008 HK$'000
At the beginning of the year	**3,327**	586
Impairment loss for the year	**—**	3,327
Unrecoverable amounts written off	**—**	(586)
At the end of the year	**3,327**	3,327

The amounts presented for the listed equity securities have been determined directly by reference to published price quotations in active markets.

The fair value of unlisted equity securities was not disclosed as the fair value cannot be measured reliably. There was no open market on the unlisted investment and the management has no intention to dispose of such investment at 31st March, 2009.

These investments are subject to financial risk exposure in terms of price and currency risks.

21. OTHER ASSETS

	2009 HK$'000	2008 HK$'000
Statutory deposits	**2,126**	2,126
Guarantee deposit	**70**	70
	2,196	2,196

22. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Jewellery	**350,931**	297,149
Gold ornament and bullion	**39,545**	56,426
Watch and gift	**448,181**	318,562
Fashion	**—**	1,149
	838,657	673,286

23. DEBTORS, DEPOSITS AND PREPAYMENTS

		Group		**Company**	
		2009	2008	**2009**	2008
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade debtors	(a)	**68,739**	50,013	**—**	—
Other receivables	(b)	**17,631**	11,228	**208**	365
Deposits and prepayments		**20,121**	20,070	**612**	843
Insurance claim receivable	(c)	**12,000**	12,000	**—**	—
		118,491	93,311	**820**	1,208

Notes:

(a) Trade debtors

	Group	
	2009	2008
	HK$'000	HK$'000
Gross carrying amount of trade debtors	**72,167**	53,299
Less: Provision for impairment loss	**(3,428)**	(3,286)
Trade debtors	**68,739**	50,013

The management of the Group considered that the fair values of trade debtors are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The movement in provision for impairment loss is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
At the beginning of the year	**3,286**	1,635
Impairment loss for the year	**142**	1,651
At the end of the year	**3,428**	3,286

At each balance sheet date, the Group reviews receivables for evidence of impairment on both individual and collective basis. As at 31st March, 2009, the Group has determined trade debtors of HK$3,428,000 as individually impaired (2008: HK$3,286,000). Based on this assessment, an impairment loss of HK$142,000 has been recognised (2008: HK$1,651,000). The impaired trade debtors are due from customers experiencing financial difficulties and were in default or delinquency of payments.

The Group did not hold any material collateral as security or other credit enhancements over the impaired trade debtors, whether determined on individual or collective basis.

At 31st March, the ageing analysis of the trade debtors, based on the invoice date, was as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 30 days	**50,878**	40,600
31 - 90 days	**4,988**	2,891
More than 90 days	**12,873**	6,522
	68,739	50,013

The trade debtors as at 31st March, 2009 consist of receivables from customers of the securities broking business amounting to HK$34,515,000 (2008: HK$13,511,000), the credit terms of which are in accordance with the securities broking industry practice. The remaining balance of trade debtors are primarily receivables from retailing, bullion trading and diamond wholesaling businesses which are normally due within three months.

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**45,062**	30,498
Past due 90 days or less	**10,804**	12,993
Past due more than 90 days but less than 1 year	**7,690**	6,385
Past due more than 1 year	**8,611**	3,423
Determined to be impaired	**(3,428)**	(3,286)
At 31st March	**68,739**	50,013

As at 31st March, 2009, trade debtors that were neither past due nor impaired related to customers for whom there were no recent history of default.

Trade debtors that were past due but not impaired related to a number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered to be fully recoverable. The Group did not hold any material collateral in respect of trade debtors past due but not impaired.

(b) As at 31st March, 2009, included in other receivables was an advance made by the Group to an independent third party of HK$2,006,000. This advance was secured by certain diamonds with carrying amount of HK$4,652,000 as assessed by the management of the Group, interest bearing at fixed amount of HK$53,000 and repayable within one year.

(c) During the year ended 31st March, 2006, the Company had discovered that a former director of a subsidiary of the Group might have misappropriated securities belonging to clients of the Group. At the best estimates of the directors of the Company, such securities had a total market value of about HK$28,800,000. During the year ended 31st March, 2007, the Group made compensation to the relevant customers. Based on current information, including the findings of the investigation and internal control review reports prepared by a firm of independent professional accountants, the directors of the Company considered that the provisions made in the prior years were adequate.

In this regard, the Group also has an insurance policy with a cover of HK$15,000,000 (subject to an excess of HK$3,000,000). Taking into consideration the latest development of the insurance claim, the Group recognised the net amount of HK$12,000,000 as "insurance claim receivable".

24. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	2008
	HK$'000	HK$'000
Equity securities, at market value and fair value		
Listed in Hong Kong	**2,564**	4,551
Listed outside Hong Kong	**16,821**	8,602
	19,385	13,153

The above investments are classified as held for trading.

Fair values for the listed equity securities have been determined by reference to their quoted bid prices at the balance sheet date.

Movements in investments at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the consolidated cash flow statement.

Changes in fair value of investments at fair value through profit or loss are recorded in other operating income and expenses in the consolidated income statement.

These investments are subject to financial risk exposure in terms of price and currency risks.

25. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of securities dealing, it receives and holds money from clients in the course of conducting its regulated activities. These clients' monies are maintained in one or more segregated bank accounts and bank time deposits. The Group manages clients' monies and places such clients' monies on short term time deposits. As at 31st March, 2009, the Group's clients' monies placed on 19 to 20 days short term time deposits amounted to HK$1,784,000 with fixed interest rate at 0.01% per annum. As at 31st March, 2008, there was no clients' monies placed on short term time deposits. Trust bank balances carry interest at floating rates based on daily bank deposits rates. The Group has classified the clients' monies as trust bank balances held on behalf of clients under the current assets section of the consolidated balance sheet and recognised the corresponding accounts payable to the respective clients under the current liabilities section of the consolidated balance sheet on the grounds that the Group is liable for any loss or misappropriation of clients' monies.

26. CASH AND CASH EQUIVALENTS

(a) Group

Cash and cash equivalents include the following components:

	2009	2008
	HK$'000	HK$'000
Cash at banks and in hand	**30,988**	49,438
Cash at other financial institution	**5,813**	21,602
Short-term bank deposits	**21,224**	14,381
	58,025	85,421

The cash balances at banks and other financial institution bore interests at floating rates based on daily bank deposit rates.

The effective interest rates of short-term bank deposits ranged from 0.001% to 0.15% (2008: 1.20% to 3.57%) per annum, which were the effective interest rates at 31st March, 2009. The weighted average effective interest rates of short-term bank deposits throughout the year ranged from 0.001% to 4.50% (2008: 0.05% to 4.10%) per annum. These deposits had a maturity of 1 to 33 days (2008: 1 to 31 days) and were eligible for immediate cancellation without receiving any interest for the last deposit period.

The management of the Group considered that the fair value of the short-term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in cash and cash equivalents of the Group were balances of HK$7,783,000 (2008: HK$27,651,000) denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

(b) Company

	2009	2008
	HK$'000	HK$'000
Cash at banks and in hand	**19,438**	13,022

The cash balances at banks bore interests at floating rates based on daily bank deposit rates.

27. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

		Group		Company	
		2009	2008	**2009**	2008
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables	(a)	**66,075**	39,171	**—**	—
Other payables and accruals	(b)	**36,522**	41,827	**12,682**	16,197
Deposits received and deferred income		**10,873**	16,188	**—**	90
Other provision	(c)	**675**	675	**—**	—
		114,145	97,861	**12,682**	16,287

Notes:

(a) At 31st March, the ageing analysis of the trade payables, based on the invoice date, was as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Within 30 days	**57,297**	33,079
31 - 90 days	**1,677**	4,304
More than 90 days	**7,101**	1,788
	66,075	39,171

(b) At 31st March, 2009, the balance included amounts due to directors of subsidiaries of approximately HK$2,684,000 (2008: HK$2,948,000). The amounts due were unsecured, interest free and repayable on demand.

(c) The Group has applied for liquidation for a subsidiary and a provision on the liquidation loss of HK$675,000 was made during the year ended 31st March, 2008.

Included in trade and other payables, there was also an amount of approximately HK$14,011,000 (2008: HK$1,053,000) in respect of the clients' undrawn monies which arose from securities broking transactions. The amount is repayable on demand. All amounts are short term and hence the carrying values of creditors, deposits received, accruals and deferred income are considered to be a reasonable approximation of fair value.

28. GOLD LOANS, UNSECURED

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Gold loans at market value		
Repayable within one year	**28,251**	33,347

Gold loans bore interests at fixed rates ranging from 2.50% to 3.50% (2008: 1.38% to 1.60%) per annum, which were the effective interest rates at 31st March, 2009. The weighted average effective interest rates of gold loans throughout the year ranged from 1.38% to 4.25% (2008: 1.38% to 1.60%) per annum.

Gold loans were borrowed to reduce the impact of fluctuations in gold prices on gold inventory. However, the criteria for hedge accounting were not fully met. Gold loans were designated as financial liabilities at fair value through profit or loss to avoid an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

Gold loans are subject to financial risk exposure in terms of price risk.

29. BANK LOANS, UNSECURED

	Group and Company	
	2009	2008
	HK$'000	HK$'000
Bank loans are repayable as follows:		
Within one year	**209,332**	64,167
In the second year	**16,667**	16,668
In third to fifth years, inclusive	**12,500**	29,165
	238,499	110,000
Portion classified as current liabilities	**(209,332)**	(64,167)
Non-current portion	**29,167**	45,833

All bank loans were denominated in HK$ and US$ and bore interests at variable rates ranging from 1.02% to 5.60% (2008: 2.70% to 6.20%) per annum, which were the effective interest rates at 31st March, 2009. The weighted average effective interest rates of bank loans throughout the year ranged from 0.95% to 13.25% (2008: 2.55% to 8.60%) per annum.

The carrying values of current bank loans are considered to be a reasonable approximation of fair values due to their short term maturities.

30. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**1,029**	1,152	**23**	146
Payments	**(5)**	(8)	**—**	(8)
Write back	**—**	(115)	**—**	(115)
Provision for the year	**1,258**	—	**250**	—
At the end of the year	**2,282**	1,029	**273**	23

The balances as at 31st March, 2008 and 2009 represent the provision for entitlements of the Group's employees to long service payments on termination of their employment, which are not fully covered by the Group's provident fund schemes, under the required circumstances specified in the Employment Ordinance.

31. SHARE CAPITAL

	Group and Company 2009 HK$'000	2008 HK$'000
Authorised:		
620,000,000 (2008: 620,000,000) ordinary shares of HK$0.25 each	**155,000**	155,000
Issued and fully paid:		
435,071,650 (2008: 435,071,650) ordinary shares of HK$0.25 each	**108,768**	108,768

32. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity of the financial statements.

The share premium account of the Group includes the premium arising from issue of shares of the Company at a premium.

The capital reserve account of the Group includes negative goodwill arising on acquisitions of subsidiaries before 1st April, 2001 which represented the excess of the fair value of the Group's share of the net assets acquired over the cost of the acquisitions.

(b) Company

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1st April, 2007	17,575	186,678	204,253
Profit for the year	—	2,650	2,650
Dividends	—	(10,442)	(10,442)
At 31st March, 2008	17,575	178,886	196,461
Representing:			
Proposed final dividends (note 10)		6,961	
Others		171,925	
		178,886	
At 1st April, 2008	17,575	178,886	196,461
Profit for the year	—	3,151	3,151
Dividends	—	(8,701)	(8,701)
At 31st March, 2009	**17,575**	**173,336**	**190,911**
Representing:			
Proposed final dividend (note 10)		4,351	
Others		168,985	
		173,336	

Details of the share premium account of the Company are set out in note 32(a) above.

33. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to operating profit before working capital changes is as follows:

	2009	2008
	HK$'000	HK$'000
Profit before taxation	**72,629**	164,991
Amortisation of leasehold interests in land	**130**	130
Depreciation of property, plant and equipment	**8,969**	12,866
Depreciation of investment properties	**28**	25
Dividend income from investments at fair value through profit or loss/available-for-sale investments	**(8,043)**	(4,976)
Exchange differences	**(88)**	(510)
Loss on disposal of property, plant and equipment	**159**	242
Loss on liquidation of a subsidiary	**—**	675
Interest expense	**8,126**	8,892
Interest income	**(1,261)**	(1,076)
Gain on disposal of available-for-sale investments	**—**	(59,062)
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	**8,904**	(20,016)
Provision for impairment losses of available-for-sale investments, net	**—**	2,741
Provision for impairment losses of debtors	**142**	2,511
Provision for and write down of inventories to net realisable value	**2,845**	15,135
Reversal of write down of inventories to net realisable value	**(1,531)**	—
Provision for long service payments	**1,258**	—
Write back of provision for long service payments	**—**	(115)
Share of loss of a jointly controlled entity	**409**	364
Operating profit before working capital changes	**80,773**	122,817

34. DEFERRED TAX

(a) Group

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a taxation rate of 16.5% (2008: 17.5%).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities/(assets)

	Accelerated taxation depreciation		**Tax losses**		**Net amount shown in balance sheet**	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**870**	615	**(870)**	(615)	**—**	—
(Credited)/charged to consolidated income statement	**(15)**	255	**15**	(255)	**—**	—
Attributable to change in tax rate	**(50)**	—	**50**	—	**—**	—
At the end of the year	**805**	870	**(805)**	(870)	**—**	—

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31st March, 2009, the Group has unrecognised deferred tax asset arising from estimated tax losses of the Company and subsidiaries operating in Hong Kong and the subsidiaries operating in the PRC of approximately HK$82,666,000 and HK$3,893,000 (2008: HK$74,368,000 and HK$311,000) respectively.

The tax losses of the subsidiaries operating in the PRC can be carried forward for five years and the tax losses of the companies within the Group operating in Hong Kong will not expire under the current tax legislation.

At 31st March, 2009, there were no material unrecognised deferred tax liabilities (2008: Nil). No deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of certain subsidiaries because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

(b) Company

At 31st March, 2009, the Company has no material unrecognised deferred tax liabilities (2008: Nil). The Company has unrecognised estimated tax losses of HK$2,640,000 (2008: HK$4,526,000) to carry forward against future taxable income and these tax losses have no expiry dates.

35. OPERATING LEASE COMMITMENTS

At 31st March, the total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

(a) Group

	2009			2008		
	Land and buildings	**Other assets**	**Total**	Land and buildings	Other assets	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Within one year	**68,639**	**291**	**68,930**	66,753	786	67,539
In the second to fifth years inclusive	**50,578**	**—**	**50,578**	47,601	291	47,892
After five years	**27**	**—**	**27**	—	—	—
	119,244	**291**	**119,535**	114,354	1,077	115,431

At 31st March, 2009, the Group had total future minimum sub-lease payments expected to be received under non-cancellable sub-leases amounting to HK$Nil (2008: HK$713,000).

(b) Company

	2009			2008		
	Land and buildings	**Other assets**	**Total**	Land and buildings	Other assets	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Within one year	**368**	**114**	**482**	984	306	1,290
In the second to fifth years inclusive	**—**	**—**	**—**	368	114	482
	368	**114**	**482**	1,352	420	1,772

The Group and the Company lease a number of properties under operating leases. The leases run for an initial period of one to six and two years respectively, without option to renew the lease term at the expiry date.

36. FUTURE OPERATING LEASE RECEIVABLES

At 31st March, the total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**628**	992	**—**	360
In the second to fifth years inclusive	**405**	1,127	**—**	120
	1,033	2,119	**—**	480

The Group and the Company lease their investment properties under operating lease arrangements which run for an initial period of three years, with option to renew the lease term at the expiry date.

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	**2009 HK$'000**	2008 HK$'000
Operating lease rentals on land and buildings paid to related companies:			
Stanwick Properties Limited	(a)	**7,025**	6,730
Contender Limited	(b)	**19,046**	19,046
Fabrico (Mfg) Limited	(c)	**180**	180
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	(a)	**306**	191
Consultancy fees paid to related companies:			
Verbal Company Limited	(d)	**5,500**	7,251
Excellent Base Trading Limited	(e)	**650**	650
Revenue on construction contracts from a related companies:			
Nudgee Hawaii Limited	(f)	**—**	1,426
Verbal Company Limited	(g)	**136**	—
Management fees and air-conditioning charges paid to Stanwick Properties Limited	(a)	**590**	589

Notes:

(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 in King Fook Building, Des Voeux Road Central, Hong Kong and the furniture and fixtures located in King Fook Building. 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 was paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar"), a shareholder of the Company, for the shop premises occupied by the Group on the ground and first floors and the basement one floor of Miramar Shopping Centre - Hotel Tower, 118-130 Nathan Road, Kowloon, Hong Kong ("Miramar Shopping Centre - Hotel Tower"), advertising signboards C1 and C2 at the external wall of Miramar Shopping Centre - Hotel Tower and the signboard and showcases at the ground floor entrance facing Nathan Road of Miramar Shopping Centre - Hotel Tower. 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.

(c) The operating lease rental was paid to Fabrico (Mfg) Limited ("Fabrico") for the warehouse occupied by the Group in Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).

(d) The Company has entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.

(e) The Group has entered into a marketing consultancy agreement with Excellent Base Trading Limited ("Excellent Base"), whereby Excellent Base provides marketing consultation service to a subsidiary of the Company. The spouse of Mr. Yeung Ping Leung, Howard (a director of the Company) is a director and the sole shareholder of Excellent Base.

(f) Revenue on construction contracts was recognised by the Group for the interior design services provided to Nudgee Hawaii Limited ("Nudgee"). Nudgee is a wholly owned subsidiary indirectly owned by an associated company of Yeung Chi Shing Estates Limited (note (a)).

(g) Revenue on construction contracts was recognised by the Group for the interior design services provided to Verbal (note (d)).

(h) Compensation of key management personnel

Included in employee benefit expense is key management personnel's compensation which comprises the following categories:

	2009	2008
	HK$'000	HK$'000
Wages, salaries and allowances	**8,602**	9,353
Pension costs - defined contribution retirement schemes	**281**	266
	8,883	9,619

38. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the Board of Directors meets periodically to analyse and formulate strategies to manage the Group's exposure to financial risks. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are described below.

38.1 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities.

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value				
Non-current assets				
- Available-for-sale investments	**103,008**	181,439	**—**	—
Current assets				
- Investments at fair value through profit or loss	**19,385**	13,153	**—**	—
	122,393	194,592	**—**	—
Financial assets at cost less impairment loss				
Non-current assets				
- Available-for-sale investments	**643**	596	**—**	—
Financial assets at amortised cost				
Current assets				
- Trade debtors	**68,739**	50,013	**—**	—
- Amounts due from subsidiaries	**—**	—	**695,859**	578,269
- Other receivables	**17,631**	11,228	**208**	365
- Insurance claim receivable	**12,000**	12,000	**—**	—
- Trust bank balances held on behalf of clients	**14,011**	1,053	**—**	—
- Cash and cash equivalents	**58,025**	85,421	**19,438**	13,022
	170,406	159,715	**715,505**	591,656
	293,442	354,903	**715,505**	591,656
Financial liabilities at fair value				
Current liabilities				
- Gold loans, unsecured	**28,251**	33,347	**28,251**	33,347
Financial liabilities at amortised cost				
Non-current liabilities				
- Bank loans, unsecured	**29,167**	45,833	**29,167**	45,833
Current liabilities				
- Trade payables	**66,075**	39,171	**—**	—
- Amounts due to subsidiaries	**—**	—	**264,468**	257,676
- Other payables and accruals	**36,522**	41,827	**12,682**	16,197
- Bank loans, unsecured	**209,332**	64,167	**209,332**	64,167
	341,096	190,998	**515,649**	383,873
	369,347	224,345	**543,900**	417,220

38.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of operations and its investing activities. The Group's maximum exposure to credit risk on recognised financial assets is limited to the carrying amount at balance sheet date as shown in note 38.1.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the management of the Group consider that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

The credit risks for proceeds from sale of investments at fair value through profit or loss and available-for-sale investments of the Group are considered immaterial as the counterparties are reputable financial institutions (broker with high quality credit ratings). The credit risks for cash and cash equivalents of the Group and the Company are also regarded as immaterial as they are deposited with major banks and other financial institution located in Hong Kong and the PRC.

Saved as disclosed in note 23(b), the Group does not hold other material collateral over the financial assets. None of the financial assets of the Company are secured by collateral or other credit enhancements.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

38.3 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Group's transactions are carried out in HK$. Exposures to currency exchange rates arise from the Group's investments, which are denominated in US$ and cash and cash equivalents, which are denominated in Euro, Swiss Franc ("CHF") and US$.

Details of financial assets and liabilities denominated in foreign currencies as at the balance sheet date, translated into HK$ equivalents at the closing rate, are as follows:

	2009			2008		
	EURO	**CHF**	**US$**	EURO	CHF	US$
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Financial assets						
Available-for-sale investments	**—**	**—**	**6,823**	—	—	5,889
Cash and cash equivalents	**342**	**16,207**	**7,861**	7,251	2,991	1,320
Exposure	**342**	**16,207**	**14,684**	7,251	2,991	7,209

The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign currency risk becomes significant.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) in response to the reasonably possible change in the foreign currency rate of CHF, to which the Group has significant exposure at the balance sheet date.

	2009		2008	
	Increase/ (decrease) in foreign currency rate	**Effect on profit after tax and retained earnings HK$'000**	Increase/ (decrease) in foreign currency rate	Effect on profit after tax and retained earnings HK$'000
CHF	**15%**	**2,431**	15%	449
CHF	**(15%)**	**(2,431)**	(15%)	(449)

A reasonable change in foreign currency rates, Euro and US$, in the next twelve months is assessed to result in immaterial change in the Group's and Company's profit after tax, retained profits and other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exchange differences.

38.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to changes in market interest rates through its cash at banks and other financial institution and bank loans at floating interest rates, which are subject to variable interest rates. The interest rates and terms are disclosed in notes 26 and 29.

The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

A reasonable change in interest rates in the next twelve months is assessed to result in immaterial change in the Group's and Company's profit after tax and retained profits. Changes in interest rates have no impact on the Group's and Company's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

38.5 Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as investments at fair value through profit or loss and available-for-sale investments. Other than unquoted securities, all of these investments are listed. The Company has no significant investments subject to equity price risk.

The Group's listed investments are primarily listed on the stock exchanges of Hong Kong, the PRC and the United States of America ("USA"). Listed investments held in the available-for-sale portfolio have been chosen based on their long term growth potential and are monitored regularly for performance against expectations.

The policies to manage equity price risk have been followed by the Group since prior years and are considered to be effective.

The following table indicates the approximate change in the Group's profit after tax (and retained earnings) and investment revaluation reserve in response to the reasonably possible changes in the stock market prices of Hong Kong, USA and the PRC, to which the Group has significant exposure at the balance sheet date.

	2009			2008		
	Increase/ (decrease) in security market price	**Effect on profit after tax and retained earnings HK$'000**	**Effect on investment revaluation reserve HK$'000**	Increase/ (decrease) in security market price	Effect on profit after tax and retained earnings HK$'000	Effect on investment revaluation reserve HK$'000
Hong Kong market	**30%**	**769**	**28,855**	30%	1,365	52,665
Hong Kong market	**(30%)**	**(769)**	**(28,855)**	(30%)	(1,365)	(52,665)
USA market	**30%**	**—**	**2,047**	30%	—	1,767
USA market	**(30%)**	**—**	**(2,047)**	(30%)	—	(1,767)
PRC market	**30%**	**5,046**	**—**	30%	2,580	—
PRC market	**(30%)**	**(5,046)**	**—**	(30%)	(2,580)	—

The sensitivity analysis above has been determined assuming that the change in equity price had occurred at the balance sheet date and had been applied to the exposure to price risk for the non-derivative financial instruments in existence at that date. The 30% increase/decrease represents management's assessment of a reasonably possible change in equity prices over the period until the next annual balance sheet date. The analysis is performed on the same basis for the year ended 31st March, 2008.

The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exposure to fair value change.

Commodity price risk

The Group's and the Company's commodity price risk arises from gold loans (note 28). The gold loans are designated to reduce the impact of fluctuations in gold price on gold inventory. Given this, management does not expect that there will be any significant commodity price risk associated with the gold loans.

The policies to manage commodity price risk have been followed by the Group since prior years and are considered to be effective.

38.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The management of the Group are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

As at 31st March, 2009, the Group's financial liabilities have contractual maturities, which are based on contractual undiscounted cash flows, as set out below:

(a) Group

	On demand	Within 6 months	6 to 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March, 2009					
Trade payable	**—**	**66,075**	**—**	**—**	**66,075**
Other payables and accruals	**13,288**	**22,578**	**656**	**—**	**36,522**
Gold loans, unsecured	**—**	**28,480**	**—**	**—**	**28,480**
Bank loans, unsecured	**—**	**202,898**	**8,527**	**31,072**	**242,497**
	13,288	**320,031**	**9,183**	**31,072**	**373,574**
At 31st March, 2008					
Trade payable	—	39,171	—	—	39,171
Other payables and accruals	11,989	29,802	36	—	41,827
Gold loans, unsecured	—	33,401	—	—	33,401
Bank loans, unsecured	—	30,170	35,337	49,356	114,863
	11,989	132,544	35,373	49,356	229,262

(b) Company

	On demand	Within 6 months	6 to 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March, 2009					
Other payables and accruals	**857**	**11,750**	**75**	**—**	**12,682**
Gold loans, unsecured	**—**	**28,480**	**—**	**—**	**28,480**
Bank loans, unsecured	**—**	**202,898**	**8,527**	**31,072**	**242,497**
Amounts due to subsidiaries	**264,468**	**—**	**—**	**—**	**264,468**
	265,325	**243,128**	**8,602**	**31,072**	**548,127**
At 31st March, 2008					
Other payables and accruals	793	15,404	—	—	16,197
Gold loans, unsecured	—	33,401	—	—	33,401
Bank loans, unsecured	—	30,170	35,337	49,356	114,863
Amounts due to subsidiaries	257,676	—	—	—	257,676
	258,469	78,975	35,337	49,356	422,137

38.7 Fair values

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity. The fair values of non-current liabilities are not disclosed because their carrying values are not materially different from their fair values.

39. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and
(ii) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The equity capital-to-overall financing ratio at balance sheet date was as follows:

	2009	2008
	HK$'000	HK$'000
Equity capital		
Total capital and reserves	**796,276**	828,299
Overall financing		
Bank loans, unsecured	**238,499**	110,000
Gold loans, unsecured	**28,251**	33,347
	266,750	143,347
Equity capital-to-overall financing ratio	**2.99 : 1**	5.78 : 1

40. COMPARATIVE FIGURES

Comparative figures on cash flow statement, debtors, deposits and prepayments and cash and cash equivalents have been reclassified to conform with the current year's presentation.

(3) INDEBTEDNESS

As at the close of business on 30th June, 2009, being the latest practicable date for ascertaining information regarding this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$248,000,000 comprising unsecured long term bank loans of approximately HK$25,000,000, unsecured short term bank loans of approximately HK$196,000,000 and unsecured gold loan of approximately HK$27,000,000. There were no secured or guaranteed borrowings.

As at 30th June, 2009, the Group had no contingent liability arising in the ordinary course of business.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 30th June, 2009.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 30th June, 2009.

(4) WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internally generated funds and available banking facilities, the Group has sufficient working capital to satisfy its present requirements for at least 12 months from the date of this circular.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the unaudited consolidated pro forma net assets statement of the Group as at 31st March, 2009 and the unaudited consolidated pro forma profit and loss statement for the year then ended (collectively known as "unaudited pro forma financial information") which have been prepared in accordance with rule 4.29 of the Listing Rules to illustrate the effect of the Disposal Proposal as if it were completed on 31st March, 2009 for the unaudited consolidated pro forma net assets statement and on 1st April, 2008 for the unaudited consolidated pro forma profit and loss statement.

The unaudited pro forma financial information has been prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the Group's financial position or results following completion of the Disposal Proposal.

The unaudited pro forma financial information is based on the audited consolidated net assets of the Group as at 31st March, 2009 and the audited consolidated income statement for the year then ended as shown in the audited financial statements of the Group for the year ended 31st March, 2009, after giving effect to the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments of the Disposal Proposal that are (i) directly attributable to the Disposal Proposal and not relating to future events or decisions; and (ii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma financial information of the Group is based on a number of assumptions, estimates and uncertainties. The accompanying unaudited pro forma financial information of the Group does not purport to describe the actual financial position or results of the Group that would have been attained had the Disposal Proposal been completed on 31st March, 2009 for the unaudited consolidated pro forma net assets statement and on 1st April, 2008 for the unaudited consolidated pro forma profit and loss statement. The unaudited pro forma financial information of the Group does not purport to predict the future financial position or results of the Group.

1.1 Unaudited consolidated pro forma net assets statement

	Audited as at 31st March, 2009	Pro forma adjustments			Unaudited pro forma as at 31st March, 2009
	HK$'000	HK$'000 (Note 1)	HK$'000 (Note 2)	HK$'000 (Note 3)	HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	19,990				19,990
Leasehold interests in land	4,914				4,914
Investment properties	418				418
Interest in a jointly controlled entity	4,778				4,778
Available-for-sale investments	103,651		(96,185)		7,466
Other assets	2,196				2,196
	135,947				39,762
Current assets					
Inventories	838,657				838,657
Debtors, deposits and prepayments	118,491				118,491
Investments at fair value through profit or loss	19,385				19,385
Tax recoverable	26				26
Trust bank balances held on behalf of clients	14,011				14,011
Cash and cash equivalents	58,025	190,321		(500)	247,846
	1,048,595				1,238,416
Current liabilities					
Creditors, deposits received, accruals and deferred income	114,145				114,145
Taxation payable	5,089				5,089
Gold loans, unsecured	28,251				28,251
Bank loans, unsecured	209,332				209,332
	356,817				356,817
Net current assets	691,778				881,599
Total assets less current liabilities	827,725				921,361
Non-current liabilities					
Bank loans, unsecured	29,167				29,167
Provision for long service payments	2,282				2,282
	31,449				31,449
Net assets	796,276				889,912

Notes:

1. The adjustment reflects the estimated net proceeds arising from the Disposal Proposal of approximately HK$190,321,000, after deduction of handling charges of approximately HK$209,000 (i.e. 0.11% on the gross proceeds), to be received by the Group in cash assuming the 1,314,000 HKEC Shares under the Disposal Proposal will be fully disposed of at the price of HK$145 per HKEC Share (i.e. the closing price quoted on the Stock Exchange as at the Latest Practicable Date).

2. The adjustment reflects the carrying amount of the 1,314,000 HKEC Shares at 31st March, 2009 which were classified as "Available-for-sale investments" under the Disposal Proposal of approximately HK$96,185,000.

3. The adjustment reflects the estimated related expenses to be paid in cash by the Group of approximately HK$500,000 in connection with the Disposal Proposal which are directly attributable to the Disposal Proposal and are based on the latest quotations from various working parties.

4. In prior years, the Group disposed of HKEC Shares which were classified as "Available-for-sale investments" and the net gain from such disposal was not subject to Hong Kong profits tax. Therefore, in the opinion of the Directors, the net gain from the proposed disposal of the 1,314,000 HKEC Shares which were classified as "Available-for-sale investments" (note 2) will not be subject to Hong Kong profits tax due to the capital nature of such investments. There is no potential tax liability based on the Company's experience.

1.2 Unaudited consolidated pro forma profit and loss statement

	Audited for the year ended 31st March, 2009	**Pro forma adjustments**			**Unaudited pro forma for the year ended 31st March, 2009**
	HK$'000	HK$'000 (Note 1)	HK$'000 (Note 2)	HK$'000 (Note 3)	HK$'000
Revenue	1,087,169				1,087,169
Cost of sales	(772,782)				(772,782)
Gross profit	314,387				314,387
Other operating income	25,935	(7,739)	14,271	175,550	208,017
Distribution and selling costs	(170,371)				(170,371)
Administrative expenses	(76,846)				(76,846)
Other operating expenses	(11,941)				(11,941)
Operating profit	81,164				263,246
Finance costs	(8,126)				(8,126)
Share of loss of a jointly controlled entity	(409)				(409)
Profit before taxation	72,629				254,711
Taxation	(13,455)				(13,455)
Profit for the year	59,174				241,256
Attributable to:					
Shareholders of the Company	59,183	(7,739)	14,271	175,550	241,265
Minority interests	(9)				(9)
Profit for the year	59,174				241,256

Notes:

1. The adjustment reflects the reversal of dividend income received by the Group for the 1,314,000 HKEC Shares during the year ended 31st March, 2009 had the Disposal Proposal been completed on 1st April, 2008.

2. The adjustment reflects the net gain arising from the Disposal Proposal assuming it were completed on 1st April, 2008. The adjustment of approximately HK$14,271,000 takes into account the followings:

   a. the estimated net proceeds of approximately HK$190,321,000, after deduction of handling charges of approximately HK$209,000 (i.e. 0.11% on the gross proceeds), to be received by the Group assuming the 1,314,000 HKEC Shares under the Disposal Proposal will be fully disposed of at the price of HK$145 per HKEC Share (i.e. closing price quoted on the Stock Exchange as at the Latest Practicable Date);

   b. the carrying amount of the 1,314,000 HKEC Shares as at 1st April, 2008 to be disposed of amounted to approximately HK$175,550,000; and

   c. the estimated related expenses of approximately HK$500,000 in connection with the Disposal Proposal based on the latest quotations from various working parties.

3. The adjustment reflects the realisation of accumulated revaluation surplus of HK$175,550,000 for the 1,314,000 HKEC Shares which were classified as "Available-for-sale investments" assuming the Disposal Proposal were completed on 1st April, 2008.

2. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA INFORMATION RELATING TO THE DISPOSAL PROPOSAL

The following is the full text of a letter from the Company's reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong for incorporation in this circular:

Grant Thornton
均富

Member of Grant Thornton International Ltd

The Directors
King Fook Holdings Limited
9/F, King Fook Building
30-32 Des Voeux Road Central
Hong Kong

27th August, 2009

Dear Sirs,

Accountants' report on the unaudited pro forma financial information to the directors of King Fook Holdings Limited (the "Company")

We report on the unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed disposal of 1,314,000 shares in Hong Kong Exchanges and Clearing Limited (the "Disposal Proposal") might have affected the financial information presented, for inclusion in Appendix II of the Company's circular dated 27th August, 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in the section headed "Unaudited pro forma financial information" in Appendix II to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial positions of the Group as at 31st March, 2009 or any future date; or

– the results of the Group for the year ended 31st March, 2009 or any future periods.

Opinion

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Mr. Tang Yat Sun, Richard	18,619,000	(Note 1)	4.28%
Mr. Cheng Ka On, Dominic	4,035,000	(Note 2)	0.93%
Mr. Ho Hau Hay, Hamilton	3,170,000	Corporate (Note 3)	0.73%

Notes:

1. 3,585,000 Shares are personal interest and 15,034,000 Shares are corporate interest (which Shares are held by Daily Moon Investments Limited in which Mr. Tang has a 100% interest).

2. 4,020,000 Shares are personal interest and 15,000 Shares are family interest.

3. These Shares are held by Tak Hung (Holding) Co. Ltd. in which Mr. Ho has a 40% interest.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of other persons in the share capital of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following person (other than a Director or chief executive of the Company) had an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Number of Shares	Nature of interest	Percentage of shareholding
YCS	193,145,055	Note	44.39%

Note: 186,985,035 Shares are beneficially owned by YCS while 6,160,020 Shares are its corporate interest.

Save as disclosed above, as at the Latest Practicable Date, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

None of the Directors is a director or employee of YCS.

Interests in other members of the Group

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the following subsidiaries of the Company:

(a) Mr. David Cheng Kam Hung was interested in (i) 20% of the issued share capital of each of Evermind Limited, Perfectrade Limited, Metal Innovation Limited, PTE Engineering Limited, Perfectrade Macau Limited, Grand Year Engineering Limited and Guangzhou Grand Year Building Materials Limited; (ii) 15% of the issued share capital of Mempro Limited; and (iii) 14.85% of the issued share capital of Mempro S.A.; and

(b) Temple Belle Limited was interested in (i) 25% of the issued share capital of Mempro Limited; and (ii) 24.75% of the issued share capital of Mempro S.A., which has applied for liquidation during the year ended 31st March, 2008.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any person (other than a Director or chief executive of the Company) who was interested, directly or indirectly, in 10% or more of the issued shares of any member of the Group or any options in respect of such capital.

Interests of experts in the Group

The experts named in the paragraph headed "Qualifications of experts" in this appendix do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Interests in contracts or arrangements

(a) (i) The Company has entered into a licence agreement with YCS pursuant to which the Company was granted an exclusive right for the design, manufacture and distribution of gold and jewellery products under the trademark of "King Fook" on a worldwide basis for a total consideration of HK$1. The agreement commenced from 7th December, 1998 and does not fix the termination date.

(ii) KF Jewellery (as tenant) entered into a tenancy agreement dated 26th March, 2009 with Fabrico (Mfg) Limited (a wholly owned subsidiary of YCS) relating to Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon for a term of two years from 1st April, 2009 at the monthly rent of HK$15,000 exclusive of rates.

(iii) The Company and KF Jewellery (as tenants) and the Landlord entered into 6 tenancy agreements all dated 20th July, 2009 in respect of Basement, Ground Floor, Mezzanine Floor, and 3rd, 5th, 8th, 9th and 10th Floors of King Fook Building, 30-32 Des Voeux Road Central, Hong Kong for a term of two years from 16th August, 2009 at the total monthly rent of HK$585,385, exclusive of management fees and air-conditioning charges totalling HK$49,140 per month, and rates.

(iv) The Company entered into an agreement dated 20th July, 2009 with the Landlord pursuant to which the Company is granted the right to use the furniture and fixture at 3rd Floor of King Fook Building (which is used by the Group as conference rooms) at the monthly fee of HK$25,480 for a term of two years from 16th August, 2009.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, together with other members of their family, control the management of YCS.

(b) The Company entered into a consultation service agreement on 1st April, 2009 with Verbal Company Limited ("Verbal") whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group at a consultancy fee of HK$2,798,400 per annum plus a performance based incentive bonus. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of Verbal and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal.

Save as disclosed above, none of the Directors has any interest in contracts or arrangements subsisting at the Latest Practicable Date which is significant in relation to the business of the Group as a whole.

Interests in assets

Save as disclosed in the paragraph headed "Interests in contracts or arrangements" above, none of the Directors or experts named in the paragraph headed "Qualifications of experts" in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31st March, 2009, being the date to which the latest published audited financial statements of the Company were made up.

Service contracts

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

Competing business

Mr. Cheng Kar Shing, Peter is a director of Chow Tai Fook Jewellery Co. Ltd. ("Chow Tai Fook"). The gold ornament, jewellery and watch retailing business of Chow Tai Fook may compete with similar business of the Group.

Mr. Sin Nga Yan, Benedict is a director and general manger of Myer Jewelry Manufacturer Limited. The trading of fine and costume jewellery business of Myer Jewelry Manufacturer Limited and its subsidiaries ("Myer Group") may compete with similar business of the Group.

Mr. Tang Yat Sun, Richard is a director of Hang Seng Bank Limited ("Hang Seng"). The bullion trading, securities broking and money changer business of Hang Seng may compete with similar business of the Group.

The Group has experienced senior management independent of the above-named Directors to conduct its business and is therefore capable of carrying on its business independently of and at arm's length from the respective businesses of Chow Tai Fook, Myer Group and Hang Seng.

Save as disclosed above, none of the Directors has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

CONSENTS

The experts named in the paragraph headed "Qualifications of experts" have given and have not withdrawn their respective written consents to the issue of this circular with copy of its letter (in the case of Grant Thornton) and the references to their names included herein in the form and context in which they are respectively included.

QUALIFICATIONS OF EXPERTS

The qualifications of the experts who have given opinions in this circular are as follows:

Name	**Qualification**
Grant Thornton	Certified Public Accountants
Somerley Limited	A licensed corporation under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

MATERIAL CONTRACTS

No contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular which are or may be material.

GENERAL

(a) The secretary of the Company is Ms. Cheung Kit Man, Melina. She holds a bachelor degree in business administration from the Chinese University of Hong Kong and has over 25 years' experience in company secretarial work.

(b) The qualified accountant of the Company is Ms. Mok Sau Fun, a MBA holder from the University of Strathclyde, United Kingdom, and a member of the Association of Chartered Certified Accountants in the United Kingdom and Hong Kong Institute of Certified Public Accountants.

(c) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jennifer Cheung & Co. at Unit A, 19th Floor, Two Chinachem Plaza, 68 Connaught Road Central, Hong Kong during normal business hours up to and including 11th September, 2009:

(a) the Memorandum and Articles of Association of the Company;

(b) the annual reports of the Company for the two years ended 31st March, 2009;

(c) the report of Grant Thornton on (i) the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II; and (ii) review of the profit and loss statement on and valuation attributable to the Disposal Shares under the Disposal Proposal set out in the letter from the Board; and

(d) the written consents referred to in the paragraph headed "Consents" in this appendix.

king fook holdings limited

景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

NOTICE IS HEREBY GIVEN that the annual general meeting of the abovementioned company (the "Company") will be held at 1st Floor Function Room, The Mira Hong Kong, 118–130 Nathan Road, Kowloon, Hong Kong on Friday, 25th September, 2009 at 12:00 noon for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March, 2009.

2. To declare a final dividend of HK1 cent per share for the year ended 31st March, 2009.

3. To elect directors and to authorise the board of directors to fix the directors' remuneration.

4. To appoint auditors and to authorise the board of directors to fix their remuneration.

5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

A. "THAT:

(a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options which would or might require shares to be allotted be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require shares to be allotted after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or a scrip dividend scheme or similar arrangement of the Company or the exercise of the subscription rights under the share option scheme of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory)."

B. "THAT the disposal of up to 1,314,000 shares of HK$1 each of Hong Kong Exchanges and Clearing Limited ("Disposal Shares") owned by King Fook Securities Company Limited, a wholly owned subsidiary of the Company, to purchasers (who and whose ultimate beneficial owners are independent and not connected with the Company, any directors, chief executive officer or substantial shareholders of the Company or any of its subsidiaries or their respective associates) at prevailing market prices (which shall not be less than HK$30 per Disposal Share) on-market through The Stock Exchange of Hong Kong Limited within a period of one year from 3rd October, 2009 and on such terms and conditions as may be determined by the directors of the Company from time to time be and is herby approved and that the directors of the Company be and are hereby authorised to implement the same."

By Order of the Board
Cheung Kit Man, Melina
Company Secretary

Hong Kong, 27th August, 2009

Registered office:
9th Floor
King Fook Building
30-32 Des Voeux Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice (the "Meeting") is entitled to appoint not more than two proxies (except a member who is a clearing house or its nominee may appoint more than two proxies) to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, a form of proxy must be deposited at the Company's registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the Meeting or adjourned Meeting.

2. The register of members of the Company will be closed from 16th September, 2009 to 25th September, 2009, 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, Hong Kong not later than 4:30 p.m. on 15th September, 2009.