king fook holdings limited

景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

GROUP RESULTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2006

The Board of Directors of King Fook Holdings Limited ("the Company") announces that the audited consolidated profit of the Company and its subsidiaries (collectively known as "the Group") attributable to shareholders of the Company for the financial year ended 31st March, 2006 amounted to HK$17,947,000.

CONSOLIDATED INCOME STATEMENT

		Year ended 31st March,	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Revenue	*2*	**798,912**	679,320
Cost of sales		**(622,900)**	(515,688)
Gross profit		**176,012**	163,632
Other operating income		**33,297**	12,574
Distribution and selling costs		**(102,698)**	(101,796)
Administrative expenses		**(57,251)**	(46,430)
Other operating expenses		**(17,686)**	(3,793)
Operating profit		**31,674**	24,187
Finance costs		**(9,685)**	(3,313)
Share of profit of jointly controlled entities		**14**	110
Profit before taxation	*4*	**22,003**	20,984
Taxation	*5*	**(3,928)**	(449)
Profit for the year		**18,075**	20,535
Attributable to:			
Shareholders of the Company		**17,947**	20,562
Minority interests		**128**	(27)
Profit for the year		**18,075**	20,535
Dividends	*6*	**5,439**	5,221
Earnings per share for profit attributable to the shareholders of the Company during the year	*7*		
— Basic *(HK cents)*		**4.1 cents**	4.7 cents

CONSOLIDATED BALANCE SHEET

	As at 31st March,	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	**17,768**	21,378
Leasehold interest in land	**5,980**	6,114
Investment properties	**1,134**	—
Interests in jointly controlled entities	**4,940**	4,884
Available-for-sale investments	**112,203**	65,830
Other assets	**2,203**	2,105
Goodwill	**—**	—
	144,228	100,311
Current assets		
Inventories	**575,613**	549,219
Debtors, deposits and prepayments	**83,522**	60,141
Investments at fair value through profit or loss	**9,271**	15,453
Tax recoverable	**—**	445
Cash and cash equivalents	**50,355**	34,418
	718,761	659,676
Current liabilities		
Creditors, accruals and provision	**78,683**	48,156
Taxation payable	**852**	—
Gold loans, unsecured	**25,006**	11,185
Bank loans and overdrafts, unsecured	**83,000**	62,236
	187,541	121,577
Net current assets	**531,220**	538,099
Total assets less current liabilities	**675,448**	638,410
Non-current liabilities		
Bank loans, unsecured	**98,000**	120,000
Provision for long service payments	**432**	607
	98,432	120,607
Net assets	**577,016**	517,803

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
CAPITAL AND RESERVES		
Capital and reserves attributable to the shareholders of the Company		
Share capital	**108,768**	108,768
Other reserves	**147,470**	101,053
Retained profits		
Proposed final dividend	**3,481**	3,481
Others	**316,687**	304,179
	576,406	517,481
Minority interests	**610**	322
	577,016	517,803

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Hong Kong Companies Ordinance and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

1.2 Adoption of new or revised HKFRS

From 1st April, 2005, the Group has adopted the new or revised standards and interpretations of HKFRS, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets

HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

1.2.1 *Adoption of HKAS 1*

The application of HKAS 1 has resulted in a change in the presentation of the financial statements. Minority interests are now presented as a separate line within capital and reserves. Profit and loss attributable to minority interests and that attributable to shareholders of the Company are now presented as an allocation of the profit for the year.

1.2.2 *Adoption of HKAS 17*

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at cost less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, prepaid land lease payments under operating leases are reclassified as leasehold interest in land, which are carried at cost and subsequently expensed in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively.

1.2.3 *Adoption of HKAS 31*

In previous years, the interest in a jointly controlled entity was accounted for using the equity method. In the current year, the Group has applied HKAS 31 "Interests in Joint Ventures" which allows an entity to use either proportionate consolidation or the equity method to account for its interests in jointly controlled entities. Upon the application of HKAS 31, the Group has elected to continue to apply the equity method to account for its interests in jointly controlled entities. As a result, there has been no change in accounting method in respect of the Group's interest in jointly controlled entities. This change has no effect on the Group's retained profits at 1st April, 2005.

1.2.4 *Adoption of HKAS 32 and HKAS 39*

Prior to the adoption of HKAS 39, trading investments and non-trading investments were measured at fair value. Changes in fair value of trading investments were recognised in the income statement as they arose. For non-trading investments, changes in fair value were dealt with in the investment revaluation reserve until the securities were sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in the investment revaluation reserve was included in the income statement for that period.

On the adoption of HKAS 39, the Group has redesignated "Trading investments" and "Non-trading investments" as "Investments at fair value through profit or loss" and "Available-for-sale investments" respectively.

The transitional provisions of HKAS 39 does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of retained earnings on 1st April, 2005 and the comparative figures have not been restated.

1.2.5 *Adoption of HKAS 36 and HKFRS 3*

In previous years, goodwill was capitalised and amortised on the straight-line basis over its estimated useful life and subject to impairment testing when there was any indication of impairment.

In accordance with the provisions of HKFRS 3, with respect to goodwill previously capitalised on the consolidated balance sheet, the amortisation of goodwill has ceased from 1st April, 2005 and the accumulated amortisation at 31st March, 2005 was eliminated against the original gross amount of goodwill. Goodwill is now subject only to annual testing for impairment as well as when there is an indication of impairment. The Group has allocated the carrying amount of its goodwill to its cash generating units.

In respect of goodwill previously eliminated against or credited to reserves, HKFRS 3 does not require entities to recognise that goodwill in profit or loss when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired. Moreover, the Group is not required nor permitted to restate goodwill previously eliminated against reserves. Goodwill previously recognised in reserves as at 1st April, 2005 continues to be held in reserves and will be transferred to retained profits at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

On adoption of HKFRS 3, all accumulated amortisation and impairment loss was eliminated against the gross amount of goodwill and amortisation of goodwill was discontinued from 1st April, 2005.

1.2.6 *Other standards adopted*

The adoption of HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37 and 40 did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in the financial statements.

1.2.7 The effect of changes in the accounting policies on the consolidated income statement on adoption of HKAS 17 which takes effect retrospectively is summarised below:

	HKAS 17
	HK$'000
Year ended 31st March, 2005	
Increase in amortisation of leasehold interest in land	134
Decrease in depreciation	(134)
Total increase/(decrease) in profit	—
Increase/(decrease) in basic earnings per share (HK cents)	—
Year ended 31st March, 2006	
Increase in amortisation of leasehold interest in land	**134**
Decrease in depreciation	**(134)**
Total increase/(decrease) in profit	**—**
Increase/(decrease) in basic earnings per share (HK cents)	**—**

1.2.8 The effect of changes in the accounting policies on the consolidated balance sheet on adoption of HKAS 17 and 39 is summarised below:

	HKAS 17#	**HKAS 39***	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31st March, 2005			
Increase/(decrease) in assets			
Property, plant and equipment	(6,114)	—	(6,114)
Leasehold interest in land	6,114	—	6,114
At 1st April, 2005			
Increase/(decrease) in assets			
Property, plant and equipment	**(6,114)**	**—**	**(6,114)**
Leasehold interest in land	**6,114**	**—**	**6,114**
Trading investments	**—**	**(15,453)**	**(15,453)**
Investments at fair value through profit or loss	**—**	**15,453**	**15,453**
Non-trading investments	**—**	**(65,830)**	**(65,830)**
Available-for-sale investments	**—**	**65,830**	**65,830**
At 31st March, 2006			
Increase/(decrease) in assets			
Property, plant and equipment	**(5,980)**	**—**	**(5,980)**
Leasehold interest in land	**5,980**	**—**	**5,980**

\# *adjustments which take effect retrospectively*

* *adjustments which take effect prospectively from 1st April, 2005*

1.2.9 *New standards or interpretations that have been issued but are not yet effective*

The Group has not adopted early the following standards or interpretations relevant to its operations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits — Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts — Financial Guarantee Contracts[2]
HKFRS 7	Financial Instruments — Disclosures[1]
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a Lease[2]

1 *Effective for annual periods beginning on or after 1st January, 2007*

2 *Effective for annual periods beginning on or after 1st January, 2006*

2. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which is also the Group's turnover, recognised during the year comprised the following:

	2006	2005
	HK$'000	*HK$'000*
Gold ornament, jewellery, watch and gift retailing	**697,620**	616,275
Bullion trading	**82,288**	36,928
Commission from securities broking	**6,805**	8,001
Diamond wholesaling	**12,199**	18,116
	798,912	679,320

3. SEGMENT INFORMATION

The Group is organised into two main business segments:

(i) Retailing, bullion trading and diamond wholesaling

(ii) Securities broking

There was no intersegment sale and transfer during the year (2005: Nil).

(a) Business segments

	Retailing, bullion trading and diamond wholesaling 2006 *HK$'000*	**Securities broking 2006** *HK$'000*	**Group 2006** *HK$'000*
Segment revenue	**792,107**	**6,805**	**798,912**
Segment results	**62,728**	**(1,643)**	**61,085**
Unallocated results			**(29,411)**
Operating profit			**31,674**
Finance costs			**(9,685)**
Share of profit of jointly controlled entities	**14**		**14**
Profit before taxation			**22,003**
Taxation			**(3,928)**
Profit for the year			**18,075**

	Retailing, bullion trading and diamond wholesaling 2005 *HK$'000*	Securities broking 2005 *HK$'000*	Group 2005 *HK$'000*
Segment revenue	671,319	8,001	679,320
Segment results	52,100	2,643	54,743
Unallocated results			(30,556)
Operating profit			24,187
Finance costs			(3,313)
Share of profit of a jointly controlled entity	110		110
Profit before taxation			20,984
Taxation			(449)
Profit for the year			20,535

(b) Geographical segments

Over 90% of the Group's revenue, results, assets and liabilities are derived from activities in Hong Kong.

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Charging:		
Amortisation of goodwill	**—**	414
Amortisation of leasehold interest in land	**134**	134
Auditors' remuneration		
— Provision for the current year	**843**	1,124
Cost of inventories sold	**620,927**	515,037
Depreciation of property, plant and equipment	**9,965**	7,733
Depreciation of investment properties	**35**	—
Loss on disposal of property, plant and equipment	**98**	590
Provision for impairment losses of goodwill	**—**	1,247
Operating leases — land and buildings	**44,059**	41,002
Provision for impairment losses of trade receivables	**23**	1,522
Provision for and write down of inventories	**1,086**	268
Provision for loss resulting from misappropriation of clients' securities, net *(note a)*	**16,800**	—
Crediting:		
Dividend income from investments at fair value through profit or loss/available-for-sale investments	**3,083**	1,544
Interest income	**468**	342
Fair value change of investments at fair value through profit or loss	**5,345**	4,388
Gain on disposal of available-for-sale investments	**13,082**	2,702
Rental income less outgoings		
— owned properties	**1,187**	563
— operating subleases	**939**	1,128

Note:

(a) 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 have a total market value of about HK$28,800,000. The Group has taken out an insurance policy with a cover of HK$15 million (subject to an excess of HK$3 million). A full provision of HK$16,800,000 on the net exposure, representing the market value of the securities less insurance covered resulting from this event was charged to the income statement during the year ended 31st March, 2006.

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

	2006	2005
	HK$'000	*HK$'000*
Current tax		
— Hong Kong		
Tax for the year	**3,921**	420
(Over)/under provision in prior years	**(3)**	1
	3,918	421
— Overseas taxation	**10**	28
Total tax charge for the year	**3,928**	449

6. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim dividend of HK0.45 cent per share (2005: HK0.4 cent)	**1,958**	1,740
Proposed final dividend of HK0.8 cent per share (2005: HK0.8 cent)	**3,481**	3,481
	5,439	5,221

At a meeting held on 9th December, 2005, the directors declared an interim dividend of HK0.45 cent per ordinary share for the year ended 31st March, 2006. This interim dividend was paid on 13th January, 2006 and was reflected as an appropriation of retained profits for the year.

At a meeting held on 4th July, 2006, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2007.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$17,947,000 (2005: HK$20,562,000) and on 435,071,650 (2005: 435,071,650) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31st March, 2006 was not presented as there was no potential dilutive effect (2005: Nil).

8. COMPARATIVES

Certain comparatives were reclassified to conform with current year's presentation as a result of the change in accounting policies. Further details are disclosed in note 1.

DIVIDEND

The Board of Directors resolved to recommend the payment of a final dividend of HK0.8 cent (2005: HK0.8 cent) per ordinary share to shareholders whose names appear on the Register of Members of the Company on 31st August, 2006. Subject to the approval of shareholders at the coming annual general meeting, the dividend warrants for the proposed final dividend will be dispatched by mail to shareholders on or about 6th September, 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28th August, 2006 to 31st August, 2006, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 25th August, 2006.

BUSINESS REVIEW

For the year ended 31st March, 2006, the Group's consolidated profit before taxation amounted to HK$22,003,000. During the year, the Group has disposed available-for-sale investments at a profit of HK$13,082,000. The Group's turnover for the year increased by 18% as compared with that of last year.

The Group benefited from the improving economic environment with booming property market, improving salary level and increasing number of individual travellers from Mainland China during the year. Turnover of the Group's gold ornament, jewellery, watch and gift retailing for the year increased to HK$698 million.

During the year under review, the commission income from the securities broking division of the Group decreased by 15% as a result of the keen competition among brokers and with banks in Hong Kong.

The Company has discovered that a director of King Fook Securities Company Limited ("KF Securities"), a wholly owned subsidiary of the Company, may have misappropriated securities belonging to clients of KF Securities. KF Securities has taken out an insurance policy with a cover of HK$15 million (subject to an excess of HK$3 million). The value of misappropriated clients' securities is estimated to be approximately HK$28.8 million, and a provision of HK$16.8 million has been charged to the income statement accordingly for the year.

PROSPECTS

The economic environment of Hong Kong is improving with growing employment rate, active property market and increasing number of tourists, especially from Mainland China. These favourable factors are expected to benefit the retail business of the Group. Nonetheless, the management believes the escalating rental payment and staff cost in Hong Kong are two imminent unfavourable factors for the Group in the coming year. In order to counteract the impact of such factors, the management will continue to introduce more international branded jewellery to Hong Kong and to develop markets in respect of gold ornaments, jewellery, watches and gifts in major cities in the Mainland China. In respect of the Group's securities broking business, it is expected that the Group's future profit attributable to this division will continue to shrink due to the keen competition in the industry.

The Group has launched "Anna Maria Cammilli" brand jewellery from Italy and Swiss "Alain Philippe" jewellery watches to expand its luxury product range.

The Group has agreed to rent premises on 1st Basement Level of the Shopping Arcade at Hotel Miramar, Tsimshatsui, Kowloon. It has also obtained the Company's shareholders' approval to rent premises on 2nd Basement Level of the said Shopping Arcade to expand the business activities of the Group. The relevant tenancy agreements are expected to be signed within this year.

The Group has also obtained the authorisation of the Company's shareholders to dispose of all the 1,874,000 shares of Hong Kong Exchange and Clearing Limited held by KF Securities. The directors will monitor the market condition and dispose of such shares in the market when appropriate to recognise the gain.

The management will continue its prudent management policy and take steps to improve the Group's business. In order to maintain a high standard of customer services, the management will provide further staff training and development program.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules at any time during the year ended 31st March, 2006 except that:

(a) the non-executive directors were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association of the Company; and

(b) the Articles of Association of the Company do not require every director to retire every three years but the directors will voluntarily do so.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the results for the year ended 31st March, 2006.

MODEL CODE

In respect of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, the Company states that during the year ended 31st March, 2006:

(a) the Company had a code of conduct regarding directors' securities transactions on the terms of the Model Code; and

(b) having made specific enquiry of all directors, the directors had complied with the required standard set out in the Model Code.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 4th July, 2006

As at the date of this announcement, the executive directors of the Company are Mr. Yeung Ping Leung, Howard, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth and Ms. Fung Chung Yee, Caroline, the non-executive directors are Dr. Sin Wai Kin, Mr. Wong Wei Ping, Martin, Mr. Ho Hau Hay, Hamilton and Mr. Sin Nga Yan, Benedict and the independent non-executive directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter and Mr. Chan Chak Cheung, William.