



king fook holdings limited

景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

Interim results

For the six months ended 30th September, 2006

SUMMARY OF RESULTS

The directors of King Fook Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2006 with comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended	
		30th September,	
		2006	2005
	Notes	HK\$'000	HK\$'000
Revenue	3	414,166	309,341
Cost of sales		<u>(327,838)</u>	<u>(232,063)</u>
Gross profit		86,328	77,278
Other operating income		28,760	10,892
Distribution and selling costs		(60,652)	(53,130)
Administrative expenses		(31,601)	(24,659)
Other operating expenses		<u>(97)</u>	<u>(130)</u>
Operating profit		22,738	10,251
Finance costs		(6,021)	(3,678)
Share of (loss)/profit of a jointly controlled entity		<u>(72)</u>	<u>55</u>
Profit before taxation	4	16,645	6,628
Taxation	5	<u>(1,286)</u>	<u>(272)</u>
Profit for the period		<u>15,359</u>	<u>6,356</u>
Attributable to:			
Shareholders of the Company		15,351	5,888
Minority interests		<u>8</u>	<u>468</u>

Profit for the period		<u>15,359</u>	<u>6,356</u>
Dividend	6	<u>1,958</u>	<u>1,958</u>
Earnings per share for profit attributable to the shareholders of the Company			
— Basic	7	<u>HK3.5 cents</u>	<u>HK1.4 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September, 2006 HK\$'000	Audited 31st March, 2006 HK\$'000
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		21,421	17,768
Leasehold interest in land		5,915	5,980
Investment properties		1,111	1,134
Interests in jointly controlled entities		4,966	4,940
Available-for-sale investments		116,140	112,203
Other assets		<u>2,181</u>	<u>2,203</u>
		----- 151,734	----- 144,228
Current assets			
Inventories		605,319	575,613
Debtors, deposits and prepayments	8	103,476	83,522
Investments at fair value through profit or loss		14,998	9,271
Cash and cash equivalents		<u>87,116</u>	<u>50,355</u>
		----- 810,909	----- 718,761
Current liabilities			
Creditors, accruals and provisions	9	90,985	78,683
Taxation payable		1,168	852
Gold loans, unsecured		25,963	25,006
Borrowings, unsecured		<u>170,416</u>	<u>83,000</u>
		----- 288,532	----- 187,541
Net current assets		----- <u>522,377</u>	----- <u>531,220</u>
Total assets less current liabilities		----- <u>674,111</u>	----- <u>675,448</u>

Non-current liabilities

Borrowings, unsecured	83,000	98,000
Provision for long service payments	<u>425</u>	<u>432</u>
	<u>83,425</u>	<u>98,432</u>
Net assets	<u><u>590,686</u></u>	<u><u>577,016</u></u>

CAPITAL AND RESERVES**Capital and reserves attributable to the shareholders of the Company**

Share capital	108,768	108,768
Other reserves	149,284	147,470
Retained profits		
Others	330,080	316,687
Proposed dividend	<u>1,958</u>	<u>3,481</u>
	<u>590,090</u>	<u>576,406</u>
Minority interests	<u>596</u>	<u>610</u>
	<u><u>590,686</u></u>	<u><u>577,016</u></u>

Notes:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Interim Financial Statements should be read in conjunction with the annual financial statements of the Company for the year ended 31st March, 2006 (the “2006 Annual Financial Statements”).

2. Principal accounting policies

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the 2006 Annual Financial Statements.

The following new standards, amendments to standards and interpretations are relevant to the Group’s operations and are applicable for the year ending 31st March, 2007:

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

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

The above mentioned new standards, amendments to standards and interpretations have no material impact on the Group’s operations.

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 such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments — Disclosures ¹
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives ²

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

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

3. Segment information

a. *Business segments*

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading, securities broking and diamond wholesaling. An analysis of the Group's revenue and results for the period by business segments is as follows:

	Unaudited			
	Six months ended 30th September,		Segment Results	
	Segment Turnover		Segment Results	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retailing, bullion trading and diamond wholesaling	410,790	306,312	20,673	20,269
Securities broking	3,376	3,029	20,371	2,041
	<u>414,166</u>	<u>309,341</u>	41,044	22,310
Unallocated results			(18,306)	(12,059)
Operating profit before finance costs			22,738	10,251
Finance costs			(6,021)	(3,678)
Share of (loss)/profit of a jointly controlled entity in retailing, bullion trading and diamond wholesaling			(72)	55
Profit before taxation			16,645	6,628
Taxation			(1,286)	(272)
Profit for the period			<u>15,359</u>	<u>6,356</u>

b. *Geographical segments*

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

4. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

Unaudited	
Six months ended	
30th September,	
2006	2005
HK\$'000	HK\$'000

Crediting

Dividend income	3,342	2,956
Interest income	417	194
Fair value change of investments at fair value through profit or loss	852	1,452
Gain on disposal of available-for-sale investments	18,270	—
Rental income less outgoings		
— owned properties	580	503
— operating subleases	582	459

Charging

Amortisation of leasehold interests in land	65	65
Cost of inventories sold	322,372	233,722
Depreciation of property, plant and equipment	5,082	4,134
Depreciation of investment properties	23	23
Net provision for and write down of inventories	1,551	1,239
Operating lease charges in respect of properties	25,581	21,227
Write off of property, plant and equipment	7	103

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 period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

Unaudited	
Six months ended	
30th September,	
2006	2005
HK\$'000	HK\$'000

Current tax		
— Hong Kong profits tax	1,200	229
— Overseas taxation	86	43
	<u>1,286</u>	<u>272</u>

6. Dividend

Unaudited	
Six months ended	
30th September,	
2006	2005
HK\$'000	HK\$'000

Interim dividend declared after the interim period end of HK0.45 cent (2005: HK0.45 cent) per ordinary share	<u>1,958</u>	<u>1,958</u>
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Notes:

- (a) At a meeting held on 8th December, 2006, the directors declared an interim dividend of HK0.45 cent per ordinary share for the year ending 31st March, 2007. This interim dividend is not reflected as a dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2007.
- (b) At a meeting held on 4th July, 2006, the directors proposed a final dividend of HK0.8 cent per ordinary share for the year ended 31st March, 2006, which was approved by the shareholders at the annual general meeting held on 31st August, 2006. This final dividend was paid on 6th September, 2006 and has been reflected as an appropriation of retained profits for the six months ended 30th September, 2006.
- (c) 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 ended 31st March, 2006.

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$15,351,000 (2005: HK\$5,888,000) and on 435,071,650 (2005: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share was not presented as there was no potential dilutive effect (2005: Nil).

8. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors and their ageing analysis is as follows:

	Within 30 days	31–90 days	More than 90 days	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 30th September, 2006 (Unaudited)	<u>27,952</u>	<u>2,961</u>	<u>1,458</u>	<u>32,371</u>
Balance at 31st March, 2006 (Audited)	<u>40,923</u>	<u>903</u>	<u>1,891</u>	<u>43,717</u>

As at 30th September, 2006, the trade debtors mainly consist of receivables of the securities broking business amounting to HK\$13,298,000 (At 31st March, 2006: HK\$22,695,000), the credit terms of which are in accordance with 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.

9. Creditors, accruals and provisions

Included in creditors, accruals and provisions are trade creditors and their ageing analysis is as follows:

	Within 30 days	31–90 days	More than 90 days	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 30th September, 2006 (Unaudited)	<u>46,993</u>	<u>201</u>	<u>144</u>	<u>47,338</u>
Balance at 31st March, 2006 (Audited)	<u>24,787</u>	<u>270</u>	<u>18</u>	<u>25,075</u>

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. The directors of the Company assessed the gross loss arising from this event and a provision for such loss of HK\$28,800,000 was made in the consolidated balance sheet as at 31st March, 2006. Base on current information, no further provision was made during the six months ended 30th September, 2006.

INTERIM DIVIDEND

The directors have resolved the payment of an interim dividend of HK0.45 cent per ordinary share in respect of the year ending 31st March, 2007 (2006: HK0.45 cent), payable to all shareholders whose names appear on the register of members of the Company on 4th January, 2007. The interim dividend will be paid on or about 12th January, 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2nd January, 2007 to 4th January, 2007, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Friday, 29th December, 2006 in order to qualify for the interim dividend above mentioned.

BUSINESS REVIEW AND PROSPECTS

The Group's unaudited consolidated profit attributable to shareholders of the Company for the six months ended 30th September, 2006 was approximately HK\$15,351,000. The Group's overall turnover for the period increased by 34% as compared with the same period for the previous year. Such increase in turnover was mainly due to the increase in both the watch and jewellery retailing and the gold bullion trading businesses. The gold bullion trading turnover increased by 317% as compared with the last period to HK\$61,561,000 as a result of profit taking by customers in view of the substantial increase in gold price. Due to the active stock market in Hong Kong, commission income from the securities broking division of the Group for the period under review increased by 11%.

During the period under review, turnover of the retailing business of the Group increased satisfactorily because of the booming economy of the People's Republic of China (the "PRC") and the good consumer sentiment in Hong Kong. Nevertheless, the operating result of the Group was hard hit by increased rental payments and staff costs in Hong Kong.

Looking forward, the Group plans to expand its retailing business in the PRC, especially in major cities such as Shanghai and Beijing. The management will look for every viable investment opportunity and continue to introduce more international branded jewellery and watches to satisfy customer need. Recently, the Group has introduced "Aleya" brand square diamonds to customers who favour diamonds of special shape. The management will follow its prudent management policy and take steps to improve the Group's businesses. In order to upgrade customer services, the management will provide more training programs for the frontline staff in both Hong Kong and the PRC.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the six months ended 30th September, 2006.

CODE OF CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code of Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules at any time during the six months ended 30th September, 2006, except that:

- (a) the non-executive directors were not appointed for a specific term but are subject to retirement by rotation at annual general meetings of the Company in accordance with the Articles of Association of the Company; and
- (b) prior to 31st August, 2006, the Articles of Association of the Company did not require every director to retire every three years but the directors had voluntarily done so. On 31st August, 2006, the Articles of Association of the Company was amended to comply with such requirement.

REVIEW BY AUDITORS AND AUDIT COMMITTEE

The interim results of the Company for the six months ended 30th September, 2006 have been reviewed (but not audited) by Grant Thornton, the auditors of the Company.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its internal control and financial reporting matters and the unaudited interim results for the six months ended 30th September, 2006.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 8th December, 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 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.