



# 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, 2008

#### SUMMARY OF RESULTS

The Board of Directors of King Fook Holdings Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the six months ended 30th September, 2008 with comparative figures for the previous corresponding period are as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30th September,	
	Notes	2008 HK\$'000	2007 HK\$'000
Revenue	3	557,713	497,236
Cost of sales		<u>(396,252)</u>	<u>(367,887)</u>
Gross profit		161,461	129,349
Other operating income		22,510	87,664
Distribution and selling costs		(83,870)	(76,955)
Administrative expenses		(33,735)	(35,372)
Other operating expenses		<u>(11,779)</u>	<u>(108)</u>
Operating profit		54,587	104,578
Finance costs		(2,517)	(5,135)
Share of loss of a jointly controlled entity		<u>(220)</u>	<u>(161)</u>
Profit before taxation	4	51,850	99,282
Taxation	5	<u>(10,105)</u>	<u>(6,196)</u>
Profit for the period		<u>41,745</u>	<u>93,086</u>
Attributable to:			
Shareholders of the Company		41,736	93,085
Minority interests		<u>9</u>	<u>1</u>
Profit for the period		<u>41,745</u>	<u>93,086</u>
Dividends	6	<u>1,740</u>	<u>5,221</u>
Earnings per share for profit attributable to the shareholders of the Company during the period	7		
- Basic (HK cents)		<u>9.6 cents</u>	<u>21.4 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September, 2008 HK\$'000	Audited 31st March, 2008 HK\$'000
<b>ASSETS AND LIABILITIES</b>	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		19,191	20,129
Leasehold interests in land		4,978	5,719
Investment properties		429	868
Interest in a jointly controlled entity		5,031	5,099
Available-for-sale investments		131,519	182,035
Other assets		2,196	2,196
		163,344	216,046
<b>Current assets</b>			
Inventories		837,012	673,286
Debtors, deposits and prepayments	8	92,839	93,311
Investments at fair value through profit or loss		17,823	13,153
Tax recoverable		451	451
Cash and cash equivalents		106,601	86,474
		1,054,726	866,675
<b>Current liabilities</b>			
Creditors, deposits received, accruals and deferred income	9	97,012	97,861
Taxation payable		20,649	12,185
Gold loans, unsecured		27,666	33,347
Bank loans, unsecured		225,167	64,167
		370,494	207,560
<b>Net current assets</b>		684,232	659,115
<b>Total assets less current liabilities</b>		847,576	875,161
<b>Non-current liabilities</b>			
Bank loans, unsecured		37,499	45,833
Provision for long service payments		1,029	1,029
		38,528	46,862
<b>Net assets</b>		809,048	828,299
<b>CAPITAL AND RESERVES</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital		108,768	108,768
Other reserves		168,837	222,873
Retained profits			
Proposed dividends		1,740	6,961
Others		529,455	489,459
		808,800	828,061
<b>Minority interests</b>		248	238
		809,048	828,299

Notes:

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “Interim Financial Report”) of the Company for the six months ended 30th September, 2008 (the “period”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Interim Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31st March, 2008 (the “2008 Annual Financial Statements”).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Interim Financial Report has been prepared under the historical convention, except for the revaluation of certain financial instruments classified as available-for-sale and at fair value through profit or loss. The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the 2008 Annual Financial Statements.

From 1st April, 2008, the Group has adopted all the new and amended HKFRSs issued by the HKICPA which were first effective during the period and relevant to the Group’s operation. The adoption of these new and amended HKFRSs did not result in significant changes to the Group’s accounting policies.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective:

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 32 (Amendment)	Financial Instruments: Presentation <sup>1</sup>
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items <sup>3</sup>
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>1</sup>
HKFRS 2 (Amendment)	Amendments to HKFRS 2 Share-based Payment: Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combination <sup>3</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK (IFRIC) – Interpretation 13	Customer Loyalty Programmes <sup>2</sup>
HK (IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK (IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008

Save as disclosed above, the HKICPA has made minor amendments to a number of HKFRSs in October 2008 as a result of the annual improvements project of the HKICPA. Unless otherwise specified, these minor amendments to HKFRSs in an annual improvements project are effective for annual periods beginning on or after 1st January, 2009.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### Amendment to HKAS 1 Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense 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 other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. The directors of the Company are currently assessing the detailed impact of this amendment on the Group’s financial statements.

The directors of the Company are currently assessing the impact of other new standards and interpretations but are not yet in a position to state whether they would have material impact on the Group’s financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which includes the Group’s turnover and other revenue, recognised during the period comprised the following:

	<b>Unaudited</b>	
	<b>Six months ended 30th September,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
<b>Turnover</b>		
Gold ornament, jewellery, watch, fashion and gift retailing	500,788	446,929
Bullion trading	21,606	15,532
Commission from securities broking	2,640	7,688
Diamond wholesaling	7,741	8,529
	<u>532,775</u>	<u>478,678</u>
<b>Other revenue</b>		
Revenue on construction contracts	21,237	11,221
Sale of computer related products	-	4,068
Income from provision of travel related products and services	3,701	3,269
	<u>24,938</u>	<u>18,558</u>
<b>Total revenue</b>	<u><u>557,713</u></u>	<u><u>497,236</u></u>

### (a) Business segments

The Group is organised into three main business segments:

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

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) Business segments (Continued)

There was no intersegment sale and transfer during the period (2007: Nil). An analysis of the Group's revenue and results for the period by business segments is as follows:

	<b>Retailing, bullion trading and diamond wholesaling HK\$'000</b>	<b>Securities broking HK\$'000</b>	<b>Construction services HK\$'000</b>	<b>Unallocated * HK\$'000</b>	<b>Group HK\$'000</b>
Unaudited Six months ended 30th September, 2008					
Segment revenue	<u>530,135</u>	<u>2,640</u>	<u>21,237</u>	<u>3,701</u>	<u>557,713</u>
Segment results	<u>65,703</u>	<u>(1,860)</u>	<u>94</u>	<u>241</u>	64,178
Unallocated operating income and expenses					<u>(9,591)</u>
Operating profit					54,587
Finance costs					(2,517)
Share of loss of a jointly controlled entity	(220)	-	-	-	<u>(220)</u>
Profit before taxation					51,850
Taxation					<u>(10,105)</u>
Profit for the period					<u>41,745</u>
Unaudited Six months ended 30th September, 2007					
Segment revenue	<u>470,990</u>	<u>7,688</u>	<u>11,221</u>	<u>7,337</u>	<u>497,236</u>
Segment results	<u>35,078</u>	<u>3,410</u>	<u>73</u>	<u>(109)</u>	38,452
Unallocated operating income and expenses					<u>66,126</u>
Operating profit					104,578
Finance costs					(5,135)
Share of loss of a jointly controlled entity	(161)	-	-	-	<u>(161)</u>
Profit before taxation					99,282
Taxation					<u>(6,196)</u>
Profit for the period					<u>93,086</u>

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

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (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.

### 4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Unaudited	
	Six months ended 30th September,	
	2008	2007
	HK\$'000	HK\$'000
Charging:		
Amortisation of leasehold interests in land	65	65
Cost of inventories sold	389,883	361,915
Depreciation of property, plant and equipment	4,288	4,240
Depreciation of investment properties	18	24
Loss on disposal of property, plant and equipment	15	105
Provision for and write down of inventories	2,234	5,387
Provision for impairment losses of debtors	107	-
Operating leases charges in respect of properties	36,546	30,245
Outgoings in respect of investment properties	35	30
Fair value change of investments at fair value through profit or loss held for trading	10,730	-
Crediting:		
Dividend income	7,885	4,904
Interest income from financial assets at amortised cost	697	492
Fair value change of investments at fair value through profit or loss held for trading	-	20,569
Gain on disposal of available-for-sale investments (including Nil (2007: 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	-
Rental income		
- owned properties	674	594
- operating subleases	710	570

## 5. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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:

	<b>Unaudited</b>	
	<b>Six months ended 30th September,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
- Hong Kong		
Tax for the period	9,212	5,052
Under provision in prior years	942	48
	<u>10,154</u>	<u>5,100</u>
- Overseas		
Tax for the period	19	1,096
Over provision in prior years	(68)	-
	<u>(49)</u>	<u>1,096</u>
Total taxation charge	<u><u>10,105</u></u>	<u><u>6,196</u></u>

## 6. DIVIDENDS

	<b>Unaudited</b>	
	<b>Six months ended 30th September,</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared after the interim period end of HK0.4 cent (note (c)) (2007: HK0.5 cent (note(a))) per ordinary share	1,740	2,175
Special interim dividend declared after the interim period end of Nil (note (c)) (2007: HK0.7 cent (note(a))) per ordinary share	-	3,046
	<u>1,740</u>	<u>5,221</u>

### Notes:

- (a) 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 interim dividend 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.
- (b) 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 final dividend of HK1.6 cents per ordinary share for the year, subject to the approval of 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 six months ended 30th September, 2008.

## 6. DIVIDENDS (Continued)

Notes: (Continued)

- (c) At a meeting held on 12th December, 2008, the directors declared an interim dividend of HK0.4 cent per ordinary share for the year ending 31st March, 2009. This proposed interim dividend is not reflected as dividend payable in the Interim Financial Report, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2009.

## 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\$41,736,000 (2007: HK\$93,085,000) and on 435,071,650 (2007: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2008 has not been presented as there were no dilutive potential ordinary shares during the period (2007: Nil).

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited 30th September, 2008 HK\$'000	Audited 31st March, 2008 HK\$'000
Trade debtors	31,476	38,406
Other receivables	27,049	22,835
Deposits and prepayments	22,314	20,070
Insurance claim receivable	12,000	12,000
	<u>92,839</u>	<u>93,311</u>

Ageing analysis of the trade debtors is as follows:

	Within 30 days HK\$'000	31-90 days HK\$'000	More than 90 days HK\$'000	Total HK\$'000
<b>Balance at 30th September, 2008 (Unaudited)</b>	<u>25,164</u>	<u>1,856</u>	<u>4,456</u>	<u>31,476</u>
Balance at 31st March, 2008 (Audited)	<u>33,925</u>	<u>798</u>	<u>3,683</u>	<u>38,406</u>

The trade debtors as at 30th September, 2008 consisted of receivables of the securities broking business amounting to HK\$10,576,000 (At 31st March, 2008: HK\$13,511,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was primarily receivables from retailing, bullion trading and diamond wholesaling businesses which are normally due within three months.

As at 30th September, 2008, included in other receivables was an advance made by the Group to an independent third party of HK\$2,000,000. This advance was secured by certain diamonds with carrying amount of HK\$4,652,000, interest bearing at fixed amount of HK\$53,000 and repayable within one year.



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

	<b>Unaudited 30th September, 2008 HK\$'000</b>	<b>Audited 31st March, 2008 HK\$'000</b>
Trade payables	51,741	39,171
Other payables and accruals	32,870	41,827
Deposits received and deferred income	11,726	16,188
Other provision	675	675
	<u>97,012</u>	<u>97,861</u>

As at 30th September, 2008, included in other payables and accruals were amounts due to directors of subsidiaries of approximately HK\$3,058,000 (At 31st March, 2008: HK\$2,948,000) which were unsecured, interest free and repayable on demand.

Ageing analysis of the trade payables, based on the invoice date, is as follows:

	<b>Within 30 days HK\$'000</b>	<b>31-90 days HK\$'000</b>	<b>More than 90 days HK\$'000</b>	<b>Total HK\$'000</b>
<b>Balance at 30th September, 2008 (Unaudited)</b>	<u>43,813</u>	<u>5,908</u>	<u>2,020</u>	<u>51,741</u>
Balance at 31st March, 2008 (Audited)	<u>33,079</u>	<u>4,304</u>	<u>1,788</u>	<u>39,171</u>

### **Interim dividend**

The Board of Directors has resolved the payment of an interim dividend of HK0.4 cent per ordinary share in respect of the year ending 31st March, 2009 (2008: HK1.2 cents), payable to all shareholders whose names appear on the Register of Members of the Company on 5th January, 2009. The interim dividend will be paid on or about 14th January, 2009.

### **Closure of Register of Members**

The Register of Members of the Company will be closed from 31st December, 2008 to 5th January, 2009, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 30th December, 2008 in order to qualify for the interim dividend above mentioned.

### **Business review and prospects**

The Group's unaudited consolidated profit attributable to the shareholders of the Company for the six months ended 30th September, 2008 was approximately HK\$41.7 million. During the period, the Group's overall turnover increased by 11% compared with the same period of last year, driven by growth in sales from gold ornament and gold bullion trading by HK\$36 million. The Group's sales of jewellery, watch, fashion and gift and the construction business also recorded varying degrees of increases in turnover compared with the same period of last year. Due to a downturn in the Hong Kong stock market for the period under review, commission income from the securities broking division of the Group decreased by 66%.

During the period, the Group's gold ornament retailing and gold bullion trading businesses benefited from uncertainties in the global environment as gold is perceived as a safe investment during times of economic uncertainty. However, most rental leases were renewed at a time when the retail market was not yet affected by the current development of the financial tsunami and therefore the Group may not be able to take advantage of lower retail rentals that the market currently commands. In spite of improvements in overall turnover, the Group recorded a significant decrease in net profits for the period under review, which was mainly caused by the fair value losses on revaluation of investments at fair value through profit or loss and no disposal of the investment in Hong Kong Exchanges and Clearing Limited during the period under review. Notwithstanding that the Group's financial performance for the period under review was affected only to a limited extent by the slowdown in the world economy and the tightening of the credit market, the Group expects that the deterioration of the world's financial markets during the third quarter of this year will have repercussions on the Group in the months ahead as consumption on luxury items will inevitably be affected.

Looking forward, the Group continues to expand its retailing business in the People's Republic of China. A retail shop is scheduled to open in Beijing in April next year. In spite of the current difficult operating environment, the management is constantly on the look-out for suitable investment opportunities and will continue to implement stringent cost reduction programs to reduce operating expenses, secure uninterrupted supplies from major vendors by developing closer relationships and plan to implement an Enterprise Resource Planning System to strive for total quality management and operational efficiencies.

The management will follow its usual management policy based on prudence, remain vigilant of the effect of the global economic uncertainty over the local retailing business and continue to introduce more international branded jewellery and watches to satisfy customers' needs.

### **Purchase, sale or redemption of listed securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th September, 2008.

## **Code on Corporate Governance Practices**

The Company is committed to maintaining high standard corporate governance practices. It met all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules at any time during the six months ended 30th September, 2008 except that the non-executive directors were not appointed for a specific term but each of them is subject to retirement by rotation at annual general meetings of the Company at least once every three years in accordance with the Articles of Association of the Company.

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

The Interim Financial Report of the Company for the six months ended 30th September, 2008 has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 issued by HKICPA by Grant Thornton, the auditors of the Company.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its internal control and financial reporting matters and the Interim Financial Report for the six months ended 30th September, 2008.

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

Hong Kong, 12th December, 2008

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