



# 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, 2007

#### 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, 2007 with comparative figures for the previous corresponding period were as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 30th September,	
	Notes	2007 HK\$'000	2006 HK\$'000
Revenue	3	497,236	423,183
Cost of sales		<u>(367,887)</u>	<u>(333,600)</u>
<b>Gross profit</b>		<b>129,349</b>	<b>89,583</b>
Other operating income		87,664	25,505
Distribution and selling costs		(76,955)	(60,652)
Administrative expenses		(35,372)	(31,601)
Other operating expenses		<u>(108)</u>	<u>(97)</u>
<b>Operating profit</b>		<b>104,578</b>	<b>22,738</b>
Finance costs		(5,135)	(6,021)
Share of loss of a jointly controlled entity		<u>(161)</u>	<u>(72)</u>
<b>Profit before taxation</b>	4	<b>99,282</b>	<b>16,645</b>
Taxation	5	<u>(6,196)</u>	<u>(1,286)</u>
<b>Profit for the period</b>		<b><u>93,086</u></b>	<b><u>15,359</u></b>
<b>Attributable to:</b>			
Shareholders of the Company		93,085	15,351
Minority interests		<u>1</u>	<u>8</u>
<b>Profit for the period</b>		<b><u>93,086</u></b>	<b><u>15,359</u></b>
<b>Dividends</b>	6	<b><u>5,221</u></b>	<b><u>1,958</u></b>
<b>Earnings per share for profit attributable to the shareholders of the Company</b>	7		
- Basic (HK cents)		<b><u>21.4 cents</u></b>	<b><u>3.5 cents</u></b>

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
<b>ASSETS AND LIABILITIES</b>	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		19,622	19,415
Leasehold interests in land		5,784	5,849
Investment properties		1,063	1,087
Interests in a jointly controlled entity		4,929	4,953
Available-for-sale investments		321,188	152,565
Other assets		2,185	2,183
		354,771	186,052
<b>Current assets</b>			
Inventories		647,972	590,252
Debtors, deposits and prepayments	8	116,656	102,321
Investments at fair value through profit or loss		28,196	32,582
Tax recoverable		1,600	1,920
Cash and cash equivalents		79,206	56,697
		873,630	783,772
<b>Current liabilities</b>			
Creditors, deposits received and accruals	9	139,365	106,824
Taxation payable		7,483	3,809
Gold loans, unsecured		26,177	23,705
Bank loans, unsecured		61,056	92,215
		234,081	226,553
<b>Net current assets</b>		639,549	557,219
<b>Total assets less current liabilities</b>		994,320	743,271
<b>Non-current liabilities</b>			
Bank loans, unsecured		80,000	86,000
Provision for long service payments		1,144	1,152
		81,144	87,152
<b>Net assets</b>		913,176	656,119
<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		355,979	186,691
Retained profits			
Proposed dividends		5,221	5,221
Others		442,565	354,701
		912,533	655,381
<b>Minority interests</b>		643	738
		913,176	656,119

Notes:

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) of the Company for the six months ended 30th September, 2007 (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 Statements should be read in conjunction with the annual financial statements of the Company for the year ended 31st March, 2007 (the “2007 Annual Financial Statements”).

Comparative figures on revenue, cost of sales, other operating income, segment results, tax recoverable and taxation payable have been reclassified to conform with the presentation of the period.

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

The Interim Financial Statements have 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 Statements are consistent with those used in the 2007 Annual Financial Statements.

From 1st April, 2007, the Group has adopted all the new and amended HKFRSs issued by HKICPA which were first effective on 1st April, 2007 and relevant to the Group’s operation.

The adoption of these new and amended HKFRSs did not result in significant changes in the Group’s accounting policies.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such HKFRSs will not result in any material financial impact on the Group’s financial statements:

HKFRS 8	Operating Segments <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HK (IFRIC) – Interpretation 12	Service Concession Arrangements <sup>2</sup>
HK (IFRIC) – Interpretation 13	Customer Loyalty Programmes <sup>3</sup>
HK (IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction <sup>2</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 January, 2008

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

## 3. REVENUE AND SEGMENT INFORMATION

### (a) Business segments

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

The business of the Group is organised into three main 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 (2006: Nil). An analysis of the Group's revenue and results for the period by business segments was as follows:

	Unaudited				Group HK\$'000
	Six months ended 30th September, 2007				
	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	Unallocated* HK\$'000	
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>	<u>38,452</u>
Unallocated operating income and expenses					<u>66,126</u>
Operating profit					<u>104,578</u>
Finance costs					<u>(5,135)</u>
Share of loss of a jointly controlled entity	(161)				<u>(161)</u>
Profit before taxation					<u>99,282</u>
Taxation					<u>(6,196)</u>
Profit for the period					<u>93,086</u>

	Unaudited				Group HK\$'000
	Six months ended 30th September, 2006				
	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	Unallocated* HK\$'000	
Segment revenue	<u>410,790</u>	<u>3,376</u>	<u>2,628</u>	<u>6,389</u>	<u>423,183</u>
Segment results	<u>20,673</u>	<u>(909)</u>	<u>(864)</u>	<u>(405)</u>	<u>18,495</u>
Unallocated operating income and expenses					<u>4,243</u>
Operating profit					<u>22,738</u>
Finance costs					<u>(6,021)</u>
Share of loss of a jointly controlled entity	(72)				<u>(72)</u>
Profit before taxation					<u>16,645</u>
Taxation					<u>(1,286)</u>
Profit for the period					<u>15,359</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.

### 4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting the following:

	Unaudited	
	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Charging:		
Amortisation of leasehold interests in land	65	65
Cost of inventories sold	361,915	331,291
Depreciation of property, plant and equipment	4,240	5,082
Depreciation of investment properties	24	23
Loss on disposal of property, plant and equipment	105	7
Provision for and write down of inventories	5,387	1,551
Operating leases charges in respect of properties	30,245	25,581
Outgoings in respect of investment properties	<u>30</u>	<u>38</u>
Crediting:		
Dividend income	4,904	3,342
Interest income	492	417
Fair value change of investments at fair value through profit or loss	20,569	852
Gain on disposal of available-for-sale investments	59,062	18,270
Rental income		
- owned properties	594	580
- operating subleases	<u>570</u>	<u>582</u>

### 5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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,	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
- Hong Kong		
Tax for the period	5,052	1,200
Under provision in prior years	<u>48</u>	<u>-</u>
	5,100	1,200
- Overseas taxation	<u>1,096</u>	<u>86</u>
Total taxation charge	<u>6,196</u>	<u>1,286</u>

## 6. DIVIDENDS

	Unaudited	
	Six months ended 30th September,	
	2007	2006
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.5 cent (2006: HK0.45 cent) per ordinary share	2,175	1,958
Special interim dividend declared after the interim period end of HK0.7 cent (2006: Nil) per ordinary share	<u>3,046</u>	<u>-</u>
	<u>5,221</u>	<u>1,958</u>

### 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 ended 31st March, 2007. This interim dividend was paid on 12th January, 2007 and was reflected as an appropriation of retained profits for the year ended 31st March, 2007.
- (b) At a meeting held on 6th July, 2007, the directors proposed a final dividend of HK1.2 cents per ordinary share for the year ended 31st March, 2007, which was approved by the shareholders at the annual general meeting held on 7th September, 2007. This final dividend was paid on 14th September, 2007 and has been reflected as an appropriation of retained profits for the six months ended 30th September, 2007.
- (c) 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 ending 31st March, 2008. These interim and special interim dividends were not reflected as dividend payable in the Interim Financial Statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2008.

## 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\$93,085,000 (2006: HK\$15,351,000) and on 435,071,650 (2006: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2007 has not been presented as there were no dilutive potential ordinary shares during the period (2006: Nil).

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	30th September,	31st March,
	2007	2007
	HK\$'000	HK\$'000
Trade debtors	52,153	54,998
Other receivables	31,656	20,316
Deposits and prepayments	20,847	15,007
Insurance claim receivable	<u>12,000</u>	<u>12,000</u>
	<u>116,656</u>	<u>102,321</u>

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Ageing analysis of the trade debtors was 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, 2007 (Unaudited)</b>	<u>49,258</u>	<u>914</u>	<u>1,981</u>	<u>52,153</u>
Balance at 31st March, 2007 (Audited)	<u>52,327</u>	<u>1,471</u>	<u>1,200</u>	<u>54,998</u>

As at 30th September, 2007, the trade debtors mainly consist of receivables from the securities broking business amounting to HK\$29,458,000 (At 31st March, 2007: HK\$36,710,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of the trade debtors was primarily receivables from the retailing, bullion trading and diamond wholesaling businesses which were normally due within three months.

## 9. CREDITORS, DEPOSITS RECEIVED AND ACCRUALS

	Unaudited 30th September, 2007 HK\$'000	Audited 31st March, 2007 HK\$'000
Trade payables	78,016	59,622
Other payables and accruals	44,091	35,796
Deposits received and deferred income	<u>17,258</u>	<u>11,406</u>
	<u>139,365</u>	<u>106,824</u>

At 30th September, 2007, included in the creditors was an amount due to a director of a subsidiary of approximately HK\$3,092,000 (At 31st March, 2007: HK\$2,614,000) which was unsecured, interest free and repayable on demand.

Ageing analysis of the trade payables was 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, 2007 (Unaudited)</b>	<u>76,969</u>	<u>889</u>	<u>158</u>	<u>78,016</u>
Balance at 31st March, 2007 (Audited)	<u>58,438</u>	<u>1,020</u>	<u>164</u>	<u>59,622</u>

### **Interim dividend and special interim dividend**

The directors have resolved the payment of 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 in respect of the year ending 31st March, 2008 (2007: HK0.45 cent), payable to all shareholders whose names appear on the register of members of the Company on 3rd January, 2008. The interim and special interim dividends will be paid on or about 11th January, 2008.

### **Closure of register of members**

The register of members of the Company will be closed from 31st December, 2007 to 3rd January, 2008, 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 Friday, 28th December, 2007 in order to qualify for the interim dividends 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, 2007 was approximately HK\$93,085,000. The Group's overall turnover for the period increased by 17% as compared with the same period for the previous year. Such increase in turnover was mainly due to the growth in sales of the gold ornament, jewellery and watches retailing business by HK\$105 million though the turnover of the gold bullion trading business decreased by HK\$46 million. Due to the active stock market in Hong Kong, commission income from the securities broking division of the Group for the period increased by 128%.

During the period, the Group's gold ornament, jewellery, watches, fashion and gifts retailing business benefited from growing number of travellers from Mainland China (the "PRC") and the good consumer sentiment in Hong Kong. Nevertheless, the operating result of the Group was hit by increased rental payments and staff costs in Hong Kong.

Looking forward, the Group plans to expand its retailing business in Hong Kong by opening more shops in prime locations. The Group also plans to expand its retail business in the PRC, especially in major cities such as Shanghai and Beijing. The management will look for suitable investment opportunities and continue to introduce more international branded jewellery and watches to satisfy customer need. Recently, the Group has introduced "Mattia Cielo" brand of stylish jewellery to customers.

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, 2007.

### **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, 2007, except that 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.



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

The Interim Financial Statements of the Company for the six months ended 30th September, 2007 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 Interim Financial Statements for the six months ended 30th September, 2007.

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

Hong Kong, 7th December, 2007

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.