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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, 2009

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 the shareholders of the Company for the financial year ended 31st March, 2009 amounted to HK\$59,183,000.

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31st March,	
		2009 HK\$'000	2008 HK\$'000
Revenue	2	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		(8,126)	(8,892)
Share of loss of a jointly controlled entity		(409)	(364)
Profit before taxation	4	72,629	164,991
Taxation	5	(13,455)	(18,466)
Profit for the year		59,174	146,525
Attributable to:			
Shareholders of the Company		59,183	146,940
Minority interests		(9)	(415)
Profit for the year		59,174	146,525
Dividends	6	6,091	12,182
Earnings per share for profit attributable to the shareholders of the Company during the year	7		
– Basic (HK cents)		13.6 cents	33.8 cents

CONSOLIDATED BALANCE SHEET

	Notes	As at 31st March,	
		2009 HK\$'000	2008 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		19,990	20,129
Leasehold interests in land		4,914	5,719
Investment properties		418	868
Interest in a jointly controlled entity		4,778	5,099
Available-for-sale investments		103,651	182,035
Other assets		2,196	2,196
		<u>135,947</u>	<u>216,046</u>
Current assets			
Inventories		838,657	673,286
Debtors, deposits and prepayments	8	118,491	93,311
Investments at fair value through profit or loss		19,385	13,153
Tax recoverable		26	451
Trust bank balances held on behalf of clients		14,011	1,053
Cash and cash equivalents		58,025	85,421
		<u>1,048,595</u>	<u>866,675</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	9	114,145	97,861
Taxation payable		5,089	12,185
Gold loans, unsecured		28,251	33,347
Bank loans, unsecured		209,332	64,167
		<u>356,817</u>	<u>207,560</u>
Net current assets		<u>691,778</u>	<u>659,115</u>
Total assets less current liabilities		<u>827,725</u>	<u>875,161</u>
Non-current liabilities			
Bank loans, unsecured		29,167	45,833
Provision for long service payments		2,282	1,029
		<u>31,449</u>	<u>46,862</u>
Net assets		<u>796,276</u>	<u>828,299</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital		108,768	108,768
Other reserves		140,377	222,873
Retained profits			
Proposed final dividends		4,351	6,961
Others		542,551	489,459
		<u>796,047</u>	<u>828,061</u>
Minority interests		<u>229</u>	<u>238</u>
		<u>796,276</u>	<u>828,299</u>

Notes:

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 (“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”).

1.2 Adoption of new or amended HKFRSs

In the current year, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.2 Adoption of new or amended HKFRSs (Continued)

- 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. 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:

	Year ended 31st March,	
	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
	<u>1,040,500</u>	<u>1,171,459</u>
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
	<u>46,669</u>	<u>50,802</u>
Total revenue	<u>1,087,169</u>	<u>1,222,261</u>

3. 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	<u>1,034,972</u>	<u>5,528</u>	<u>40,670</u>	<u>5,999</u>	<u>1,087,169</u>
Segment results	<u>121,540</u>	<u>(1,757)</u>	<u>(3,804)</u>	<u>(648)</u>	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					<u>59,174</u>
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					<u>1,184,542</u>
Segment liabilities	64,064	47,695	9,565	261,853	383,177
Taxation payable					5,089
Total liabilities					<u>388,266</u>
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

3. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	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	<u>1,157,473</u>	<u>13,986</u>	<u>39,817</u>	<u>10,985</u>	<u>1,222,261</u>
Segment results	<u>134,161</u>	<u>4,551</u>	<u>920</u>	<u>(7,535)</u>	132,097
Unallocated operating income and expenses					42,150
Operating profit					<u>174,247</u>
Finance costs					(8,892)
Share of loss of a jointly controlled entity	(364)	—	—	—	(364)
Profit before taxation					<u>164,991</u>
Taxation					(18,466)
Profit for the year					<u>146,525</u>
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					<u>1,082,721</u>
Segment liabilities	84,672	14,521	6,036	137,008	242,237
Taxation payable					12,185
Total liabilities					<u>254,422</u>
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.

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Year ended 31st March,	
	2009	2008
	HK\$'000	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	–	2,741
Provision for long service payments	1,258	–
	<u>1,258</u>	<u>–</u>
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	–	115
	<u>–</u>	<u>115</u>

5. 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.

	Year ended 31st March,	
	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
	<u>13,493</u>	<u>17,302</u>
– Overseas taxation		
Tax for the year	30	1,164
Over provision in prior years	(68)	–
	<u>(38)</u>	<u>1,164</u>
Total taxation charge	<u>13,455</u>	<u>18,466</u>

6. DIVIDENDS

(a) Dividends attributable to the year

	Year ended 31st March,	
	2009 HK\$'000	2008 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
	<u>6,091</u>	<u>12,182</u>

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.

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 as at 31st March, 2009, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2010.

6. DIVIDENDS (Continued)

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

	Year ended 31st March,	
	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)	<u>6,961</u>	<u>5,221</u>

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\$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).

8. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31st March,	
	2009	2008
	HK\$'000	HK\$'000
Trade debtors	68,739	50,013
Other receivables	17,631	11,228
Deposits and prepayments	20,121	20,070
Insurance claim receivable	12,000	12,000
	<u>118,491</u>	<u>93,311</u>

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

	As at 31st March,	
	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
	<u>68,739</u>	<u>50,013</u>

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.

9. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	As at 31st March,	
	2009	2008
	HK\$'000	HK\$'000
Trade payables (Note (a))	66,075	39,171
Other payables and accruals (Note (b))	36,522	41,827
Deposits received and deferred income	10,873	16,188
Other provision (Note (c))	675	675
	<u>114,145</u>	<u>97,861</u>

Notes:

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

	As at 31st March,	
	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
	<u>66,075</u>	<u>39,171</u>

(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.

10. COMPARATIVE FIGURES

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

DIVIDEND

The Board of Directors resolved to recommend the payment of a final dividend of HK1.0 cent (2008: HK1.6 cents - HK1.3 cents final dividend and HK0.3 cent special final dividend) per ordinary share to shareholders whose names appear on the Register of Members on 25th September, 2009 subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 25th September, 2009. The dividend warrants for the proposed final dividend will be despatched to shareholders on or about 2nd October, 2009.

CLOSURE OF REGISTER OF MEMBERS

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, Wanchai, Hong Kong not later than 4:30 p.m. on 15th September, 2009.

BUSINESS REVIEW

While the first half of the year under review was characterised by robust demand, the rapid contraction of sales in the second half inevitably affected the Group's performance. The Group's revenue from gold ornament, jewellery, watch, fashion and gift retail business for the year ended 31st March, 2009 decreased by 10% to HK\$993,356,000 as compared with that of the previous year.

Due to the fair value losses on revaluation of investments at fair value through profit or loss and no disposal of the investment in Hong Kong Exchange and Clearing Limited for the year under review, the Group's consolidated profit before tax for the year ended 31st March, 2009 reduced to HK\$72,629,000 and earnings per share were HK13.6 cents.

PROSPECTS

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 People's Republic of China and to maintain our presence in prime locations. We had recently expanded the shop at Causeway Bay by opening its mezzanine floor with a more spacious and stylish environment for our customers. As consumers become more selective and cautious in spending on luxurious items, we believe that there will be a shift towards demand in quality by the 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, we are exercising stringent cost controls to maintain the Group's operation efficiency. We will also actively formulate timely and effective strategies to strengthen our brand name to enhance the Group's business. With a solid foundation of sixty years, we are confident that we could weather through these financial difficulties.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPLIANCE WITH THE CODE OF 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 (the "Code") set out in Appendix 14 to the Listing Rules in the year ended 31st March, 2009 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. It has also carried out a review of the new provision of C.2.2 of the Code subsequent to 1st January, 2009.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including review of the results for the year ended 31st March, 2009.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 10th July, 2009

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.