

In this financial year, the Hong Kong retail sector benefited from the positive market sentiments as a result of the booming property market, decrease in the unemployment rate and the relaxation of travel restrictions by the Chinese Government on mainland travellers. Overall, the Group has achieved a profitable operating result in the year ended 31st March, 2005.

REVIEW OF OPERATIONS

For the year ended 31st March, 2005, the Group's consolidated profit before taxation amounted to HK\$20,984,000, representing an increase of 95.9% as compared with that of the previous year excluding the gain on disposal of a property of HK\$13,922,000. The Group's turnover for the year increased by 11% as compared with that of the previous year. Turnover of the Group's gold ornament, jewellery, watch and gift retailing for the year increased from HK\$561 million to HK\$616 million. During the year under review, commission income from the securities broking division of the Group decreased by 16.5% as a result of keen competition within the industry and the introduction of on-line brokerage services by many banks in Hong Kong. The metal refining business of the joint venture company in China has continued making positive contribution to the Group.

The King Fook shops in Mongkok and Tsuen Wan have undergone renovation and re-opened in November 2004 and March 2005 respectively.

During the year under review, the Group has received an award from the Nature's Miracle Design Competition sponsored by DTC Asia Pacific Ltd. and the Buyer's Choice award from Chuk Kam Jewellery Design Competition 2004.

DIVIDEND

The Board of Directors resolved to recommend the payment of a final dividend of HK0.8 cent (2004: HK0.5 cent) per ordinary share to shareholders whose names appear on the Register of Members of the Company on 12th September, 2005. 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 16th September, 2005.

PROSPECTS

Looking forward, the retail sector of Hong Kong is expected to benefit from the improving economic environment such as increase in tourist arrivals from Mainland China and other countries after the opening of Hong Kong Disneyland in September 2005, the booming property market and the improving job market. Nevertheless, there are some unfavourable factors for the retail sector such as the drastic increases in both rental costs and interest rates in Hong Kong.

The Group has obtained the sole dealership rights in Hong Kong for the watches of "HD3" and "MUHLE GLASHUTTE", both of which will be launched in the second half of 2005.

In the coming year, the Group will carry on with its refurbishing program for one more shop to provide customers with a more comfortable shopping environment.

The Group has set up in China a wholly owned subsidiary, King Fook Jewellery (China) Co., Ltd., with the aim of exploring opportunities to develop its retail business in the PRC market and to expand its franchise business in major cities of China. The management will also seek opportunity to diversify into other business operations in order to generate more stable income.

The management will follow its prudent management policy and take steps to improve the Group's business. The management will continue to provide more training programs in the future in order to improve services to customers.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our staff members for their support in the past year.

Yeung Ping Leung, Howard
Chairman

Hong Kong, 8th July, 2005