

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, 2006.

#### REVIEW OF OPERATIONS

For the year ended 31st March, 2006, the Group's consolidated profit before taxation amounted to HK\$22,003,000. During the year, the Group disposed available-for-sale investments at a profit of HK\$13,082,000. The Group's turnover for the year increased by 18% as compared with that of last year.

The Group benefited from the improving economic environment with booming property market, improving salary level and increasing number of individual travellers from Mainland China during the year. Turnover of the Group's gold ornament, jewellery, watch and gift retailing business for the year increased to HK\$698 million.

During the year under review, the commission income from the securities broking division of the Group decreased by 15% as a result of the keen competition among brokers and with banks in Hong Kong.

The Company has discovered that a former director of King Fook Securities Company Limited ("KF Securities"), a wholly owned subsidiary of the Company, may have misappropriated securities belonging to clients of KF Securities. KF Securities has taken out an insurance policy with a cover of HK\$15 million (subject to an excess of HK\$3 million). The value of misappropriated clients' securities is estimated to be approximately HK\$28.8 million, and a provision of HK\$16.8 million has been charged to the income statement accordingly for the year.

#### DIVIDEND

The Board of Directors resolved to recommend the payment of a final dividend of HK0.8 cent (2005: HK0.8 cent) per ordinary share to shareholders whose names appear on the Register of Members of the Company on 31st August, 2006. 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 6th September, 2006.

#### PROSPECTS

The economic environment of Hong Kong is improving with growing employment rate, active property market and increasing number of tourists, especially from Mainland China. These favourable factors are expected to benefit the retail business of the Group. Nonetheless, the management believes the escalating rental payment and staff cost in Hong Kong are two imminent unfavourable factors for the Group in the coming year. In order to counteract the impact of such factors, the management will continue to introduce more international branded jewellery to Hong Kong and to develop markets in respect of gold ornaments, jewellery, watches and gifts in major cities in the Mainland China. In respect of the Group's securities broking business, it is expected that the Group's future profit attributable to this division will continue to shrink due to the keen competition in the industry.

The Group has launched "Anna Maria Cammilli" brand jewellery from Italy and Swiss "Alain Philippe" jewellery watches to expand its luxury product range.

## Chairman's Statement (Continued)

### PROSPECTS (Continued)

The Group has agreed to rent premises on 1st Basement Level of the Shopping Arcade at Hotel Miramar, Tsimshatsui, Kowloon. It has also obtained the approval of the shareholders of the Company to rent premises on 2nd Basement Level of the said Shopping Arcade to expand the business activities of the Group. The relevant tenancy agreements are expected to be signed within this year.

The Group has also obtained the authorisation of the Company's shareholders to dispose of all the 1,874,000 shares of Hong Kong Exchanges and Clearing Limited held by KF Securities. The Board of Directors will monitor the market condition and dispose of such shares in the market when appropriate to recognise the gain.

The management will continue its prudent management policy and take steps to improve the Group's businesses. In order to maintain a high standard of customer services, the management will provide further training and development program to its staff.

### 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, 4th July, 2006