

**KING FOOK HOLDINGS LTD :
A 'VERBAL' ANSWER TO THE PROBLEM OF PROFITS, IF YOU PLEASE**

No matter how one views the company, it must be considered a failure in terms of its lack of achievements over at least the past 5 Financial Years.

It has everything going for it, with massive amounts of financial support, if needs be; yet, it has failed miserably.

TARGET is referring to publicly listed King Fook Holdings Ltd (Code: 280), the jewellery retailer and bullion trading/stockbroking group, beneficially controlled by the Yeung Family of the late pater familias Yeung Chi Wan, of Miramar Hotel and Investment Company Ltd (Code: 71), at one time, among the largest financial groups in what was the old Hongkong.

For the Financial Year, ended March 31, 2000, King Fook reported a Net Profit Attributable to Shareholders of about \$HK25.83 million.

On the surface, it would appear to the man in the street that this was a great improvement over the 1999 Financial Year when the Company reported a Loss Attributable to Shareholders of about \$HK33.03 million.

However, of the \$HK25.83-million Attributable Profit for the 2000 Year, about 53.54 percent was the result of sales of Mid-Levels properties.

These are one-off profits that cannot be repeated.

Without the property sales, via the disposals of King Fook's interests in 2 associated companies, the Bottom Line would have been reduced to about \$HK12 million.

And, considering that the Company logged in a Turnover of about \$HK1.05 billion, such a Net Profit Margin, amounting to about 1.15 percent, must be considered totally unacceptable.

A breakdown of the Turnover for the 2000 Financial Year is given at Page 25 of the Annual Report for the 2000 Year as follows:

	2000 Year	1999 Year
	All Figures are Denominated in \$HK'000	
Gold Ornament, Jewellery and Watch Retailing	590,326	609,485
Bullion Trading	381,822	898,380
Commission from Securities Broking	30,210	14,130
Diamond Wholesaling and Gift Retailing	36,129	34,992
Other Business Activities	9,182	13,487
TOTAL	1,047,669	1,570,474

It is very obvious that the major difference between the 2 Financial Years is the reduction in bullion trading activities in the 2000 Year.

The dollar-value difference in this sphere of activity, at \$HK516,558,000, if added to the 2000-Year's Total Turnover of \$HK1,047,669,000, brings it back to \$HK1,564,227,000 -- which is just \$HK6,247,000 less than the 1999 Total of \$HK1,570,474.

Jewellery retailing and bullion trading activities are the mainstays for this Company, but, on a turnover in this area of business of about \$HK972.15 million, the Company booked in a Contribution to the Operating Profit after Financing Costs of just a little more than \$HK3 million.

This is a rate of return of just below the 3-percent level.

As for stockbroking activities, in the 2000 Year, the Company logged in a turnover from this sphere of operations of about \$HK30.21 million, on which it reported a Contribution to the Operating Profit after Financing Costs of about \$HK8.94 million.

This is a rate of return, approaching 30 percent.

Which would appear to be impossible since commissions on buying and selling shares on The Stock Exchange of Hongkong Ltd will never approach the 30-percent mark: It is only about one half of one percent, at the most -- and even that figure is negotiable.

But an interesting aspect about share trading in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) is that it has been a booming industry for the past few years -- while King Fook appears to have been sitting on its proverbial hands.

According to the New Issue Prospectus of SW Kingsway Capital Holdings Ltd, published on August 29, 2000, as at August 22, 2000, the Hang Seng Index, the '*barometer*' of The Stock Exchange of Hongkong Ltd, stood at 17,668.

This compared with the Hang Seng Index, as at December 31, 1998, when it touched 10,049.

The Prospectus states: '*... In 1999, along with the increase in market capitalisation and average daily turnover due to improved market conditions, the HSI (Hang Seng Index) steadily returned to its previous level and closed at about 16,692 on 30th December, 1999. In the first quarter of 2000, stronger market sentiment pushed the HSI to its all-time high of about 18,301 points on 28th March, 2000 ...*'.

Between December 31, 1998 and March 28, 2000, therefore, the Hang Seng Index scooted up about 82 percent.

Since the Financial Year of King Fook ends March 31, one would have thought that an observant Management would have caught the stock-market boat and sailed into higher profits.

But that was not the case for this Company as is only too apparent by the fact that the turnover in securities broking was only about \$HK30.21 million, according to Page 9 of the 2000 Annual Report.

Verbal Company Ltd

According to TOLFIN (TARGET's On-Line Computerised Database), there is a company, registered in the HKSAR, named Verbal Company Ltd.

This company is legally owned as to 99.80 percent by Horse Mart Ltd.

The Principal Directors of this company are Mr Howard Yeung Ping Leung and Mr Richard Tang Yat Sun.

Mr Howard Yeung is the Chairman of King Fook Holdings Ltd while Mr Richard Tang is the Vice Chairman.

According to the 2000 Annual Report of King Fook, at Page 11, it is stated:

'The Company (King Fook) entered into a consultation service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides consultation services to the Group for the year ended 31st March, 2000 at fees totalling HK\$1,800,000. Mr. Yeung Ping Leung, Howard and Mr Tang Yat Sun, Richard are directors of Verbal and Mr Yeung Ping Leung, Howard has a beneficial interest in Verbal.'

It would be interesting to learn what kind of 'consultation services' are being provided by Verbal; that information not stated in the Annual Report of King Fook ... [CLICK TO ORDER FULL ARTICLE](#)

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