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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)

Interim results

For the six months ended 30th September, 2012

The Board of Directors of King Fook Holdings Limited (the “Company”) announces that the unaudited consolidated profit of the Company and its subsidiaries (the “Group”) attributable to the shareholders of the Company for the six months ended 30th September, 2012 amounted to HK\$4,324,000.

CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		2012	2011
		HK\$'000	HK\$'000
Revenue	4	554,209	696,791
Cost of sales		(401,469)	(489,691)
Gross profit		152,740	207,100
Other operating income		76,018	8,244
Distribution and selling costs		(168,570)	(153,464)
Administrative expenses		(39,738)	(39,972)
Other operating expenses		(12,546)	(4,671)
Operating profit		7,904	17,237
Finance costs		(4,598)	(1,594)
Share of loss of a jointly controlled entity		-	(23)
Profit before taxation	5	3,306	15,620
Taxation	6	(10)	(4,302)
Profit for the period		3,296	11,318
Profit/(loss) for the period attributable to:			
Shareholders of the Company		4,324	11,313
Minority interests		(1,028)	5
		3,296	11,318
Earnings per share for profit attributable to the shareholders of the Company for the period	8		
- Basic (HK cents)		1.0 cent	2.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Profit for the period	3,296	11,318
Other comprehensive income		
Change in fair value of available-for-sale investments	(17,339)	(75,378)
Reclassification adjustment upon disposal of available-for-sale investments	(72,702)	-
Reclassification adjustment upon impairment loss of available-for-sale investments	4,312	-
Exchange translation differences	(1,389)	1,155
Other comprehensive income for the period	(87,118)	(74,223)
Total comprehensive income for the period	(83,822)	(62,905)
Total comprehensive income for the period attributable to:		
Shareholders of the Company	(82,794)	(62,910)
Minority interests	(1,028)	5
	(83,822)	(62,905)

CONSOLIDATED BALANCE SHEET

		Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		43,059	38,908
Investment properties		741	757
Available-for-sale investments		3,828	98,534
Other assets		2,196	2,196
		<u>49,824</u>	<u>140,395</u>
Current assets			
Inventories		1,063,287	971,559
Debtors, deposits and prepayments	9	131,203	144,549
Investments at fair value through profit or loss		10,816	12,678
Tax recoverable		4,862	2,986
Trust bank balances held on behalf of clients		1,569	1,258
Cash and cash equivalents		47,530	46,852
		<u>1,259,267</u>	<u>1,179,882</u>
Non-current assets held for sale	10	4,476	-
		<u>1,263,743</u>	<u>1,179,882</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	11	111,752	93,688
Tax payable		4	6
Gold loans, unsecured		33,818	31,541
Bank loans		238,500	215,666
		<u>384,074</u>	<u>340,901</u>
Net current assets		<u>879,669</u>	<u>838,981</u>
Total assets less current liabilities		<u>929,493</u>	<u>979,376</u>
Non-current liabilities			
Bank loans		102,000	65,000
Provision for long service payments		312	327
Deferred tax liabilities		243	243
		<u>102,555</u>	<u>65,570</u>
Net assets		<u>826,938</u>	<u>913,806</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital		108,768	108,768
Other reserves		52,839	139,957
Retained profits			
Proposed dividend		218	3,046
Others		667,571	663,465
		<u>829,396</u>	<u>915,236</u>
Minority interests		<u>(2,458)</u>	<u>(1,430)</u>
		<u>826,938</u>	<u>913,806</u>

Notes:

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30th September, 2012 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 (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). They have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st March, 2012, except for the adoption of the amended Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual HKFRSs, HKASs and Interpretations) as disclosed in note 2 below. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31st March, 2012.

The unaudited interim condensed consolidated financial statements have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

2. ADOPTION OF REVISED HKFRSs

In the current period, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1st April, 2012:

Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets
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The adoption of the above amendments has no material impact on the Group’s financial statements.

3. SEGMENT INFORMATION

The Group’s reportable segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

3. SEGMENT INFORMATION (Continued)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Unaudited						
For the six months ended						
30th September, 2012						
Revenue						
From external customers	539,458	1,048	8,746	4,957	-	554,209
Inter-segment sales	-	-	205	1	(206)	-
Reportable segment revenue	<u>539,458</u>	<u>1,048</u>	<u>8,951</u>	<u>4,958</u>	<u>(206)</u>	<u>554,209</u>
Interest income	61	34	2	-	-	97
Finance costs	(8,918)	-	(516)	-	-	(9,434)
Depreciation	(10,114)	(119)	(320)	(20)	-	(10,573)
Provision for and write down of inventories to net realisable value	(3,677)	-	-	-	-	(3,677)
Provision for impairment losses of other receivables	(6,508)	-	(240)	-	-	(6,748)
Reportable segment results	<u>(55,386)</u>	<u>(3,542)</u>	<u>(9,931)</u>	<u>965</u>	<u>-</u>	<u>(67,894)</u>
Corporate income						33,418
Corporate expenses						(30,367)
Dividend income						1,621
Gain on disposal of available-for-sale investments						72,702
Fair value change of investments at fair value through profit or loss						(1,862)
Provision for impairment loss of available-for-sale investments						<u>(4,312)</u>
Profit before taxation						<u>3,306</u>
Unaudited						
At 30th September, 2012						
Reportable segment assets	1,225,206	35,078	19,555	7,418	-	1,287,257
Corporate assets						6,804
Available-for-sale investments						3,828
Investments at fair value through profit or loss						10,816
Tax recoverable						<u>4,862</u>
Total assets per consolidated balance sheet						<u>1,313,567</u>
Reportable segment liabilities	112,700	9,183	10,708	8,629	-	141,220
Corporate liabilities						345,162
Tax payable						4
Deferred tax liabilities						<u>243</u>
Total liabilities per consolidated balance sheet						<u>486,629</u>

3. SEGMENT INFORMATION (Continued)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Unaudited						
For the six months ended						
30th September, 2011						
Revenue						
From external customers	656,487	2,372	32,693	5,239	-	696,791
Inter-segment sales	-	-	-	10	(10)	-
Reportable segment revenue	<u>656,487</u>	<u>2,372</u>	<u>32,693</u>	<u>5,249</u>	<u>(10)</u>	<u>696,791</u>
Interest income	48	49	-	-	-	97
Finance costs	(4,851)	-	(234)	-	-	(5,085)
Depreciation	(5,870)	(94)	(313)	(27)	-	(6,304)
Provision for and write down of inventories to net realisable value	(2,043)	-	-	-	-	(2,043)
Share of loss of a jointly controlled entity	(23)	-	-	-	-	(23)
Reportable segment results	18,538	(3,570)	(2,143)	1,002	-	13,827
Corporate income						30,076
Corporate expenses						(30,463)
Dividend income						5,990
Fair value change of investments at fair value through profit or loss						(3,810)
Profit before taxation						<u>15,620</u>
Audited						
At 31st March, 2012						
Reportable segment assets	1,130,138	22,258	29,293	8,621	-	1,190,310
Corporate assets						15,769
Available-for-sale investments						98,534
Investments at fair value through profit or loss						12,678
Tax recoverable						<u>2,986</u>
Total assets per consolidated balance sheet						<u>1,320,277</u>
Reportable segment liabilities	84,368	7,314	14,128	9,621	-	115,431
Corporate liabilities						290,791
Tax payable						6
Deferred tax liabilities						<u>243</u>
Total liabilities per consolidated balance sheet						<u>406,471</u>

No geographical information is presented as more than 90% of the Group's revenue and assets are derived from activities in Hong Kong.

The Group did not have a concentration of reliance on any single customer under each of the segments.

4. 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 period comprised the following:

	Unaudited	
	Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	528,535	636,200
Bullion trading	8,127	15,428
Commission from securities broking	1,048	2,372
Diamond wholesaling	2,796	4,859
	540,506	658,859
Other revenue		
Revenue on construction contracts	8,746	32,693
Income from provision of travel related products and services	4,957	5,239
	13,703	37,932
Total revenue	554,209	696,791

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Unaudited	
	Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Charging:		
Cost of inventories sold, including	405,726	489,132
- provision for and write down of inventories to net realisable value	3,677	2,043
- reversal of write down of inventories	(4,510)	(4,968)
Depreciation of property, plant and equipment	11,042	6,813
Depreciation of investment properties	16	16
Fair value change of investments at fair value through profit or loss	1,862	3,810
Foreign exchange loss, net	-	678
Loss on write off/disposal of property, plant and equipment	52	22
Operating lease charges in respect of properties	108,101	103,812
Operating lease charges in respect of furniture and fixtures	325	309
Outgoings in respect of investment properties	30	31
Provision for impairment loss of available-for-sale investments	4,312	-
Provision for impairment losses of debtors		
- provided against allowance account	148	160
- reversal of provision	(576)	-
Provision for impairment losses of other receivables		
- provided against allowance account	6,748	-
Provision for long service payments		
- provided against the account	65	-
- write back of provision	(57)	(965)
	<u>(57)</u>	<u>(965)</u>
Crediting:		
Dividend income	1,621	5,990
Foreign exchange gain, net	899	-
Gain on disposal of available-for-sale investments	72,702	-
Interest income from financial assets at amortised cost	209	303
Rental income		
- owned properties	287	330
- operating sub-leases	37	15
Reversal of provision for impairment loss of interest in a jointly controlled entity	-	1,224
	<u>-</u>	<u>1,224</u>

The reversal of write down of inventories arose from inventories that were sold subsequently.

6. TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit for the period. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30th September, 2011. 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 consolidated income statement represents:

	Unaudited	
	Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Current tax		
- Hong Kong		
Current period	-	4,286
- Overseas		
Current period	<u>10</u>	<u>16</u>
Taxation charge	<u><u>10</u></u>	<u><u>4,302</u></u>

7. DIVIDEND

(a) Dividend attributable to the period

	Unaudited	
	Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.05 cent (note (ii)) (2011: HK0.15 cent (note (i))) per ordinary share	<u><u>218</u></u>	<u><u>653</u></u>

Notes:

- (i) At a meeting held on 25th November, 2011, the Board of Directors declared an interim dividend of HK0.15 cent per ordinary share for the year ended 31st March, 2012. This interim dividend was paid on 5th January, 2012 and was reflected as an appropriation of retained profits for the year ended 31st March, 2012.
- (ii) At a meeting held on 23rd November, 2012, the Board of Directors declared an interim dividend of HK0.05 cent per ordinary share for the year ending 31st March, 2013. This interim dividend is not reflected as dividend payable in the unaudited interim condensed consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2013.

(b) Dividend attributable to the previous financial year

	Unaudited	
	Six months ended 30th September,	
	2012	2011
	HK\$'000	HK\$'000
2012 final dividend of HK0.7 cent per ordinary share (2011: 2011 final dividend of HK0.8 cent per ordinary share)	<u><u>3,046</u></u>	<u><u>3,481</u></u>

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$4,324,000 (six months ended 30th September, 2011: HK\$11,313,000) and on 435,071,650 (2011: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2012 was not presented as there were no dilutive potential ordinary shares during the period (six months ended 30th September, 2011: Nil).

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Trade debtors	34,107	38,586
Other receivables	35,999	35,746
Deposits and prepayments	61,097	64,217
Insurance claim receivable	-	6,000
	<u>131,203</u>	<u>144,549</u>

The ageing analysis of trade debtors, based on the invoice dates, was as follows:

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Within 30 days	20,293	26,014
31 - 90 days	6,008	7,515
More than 90 days	7,806	5,057
	<u>34,107</u>	<u>38,586</u>

Trade debtors as at 30th September, 2012 consisted of receivables from customers of the securities broking business amounting to HK\$7,186,000 (at 31st March, 2012: HK\$6,626,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

10. NON-CURRENT ASSETS HELD FOR SALE

On 3rd May, 2012, the Group entered into a provisional agreement for sale and purchase (the "Agreement") for the disposal of a real estate property at Tsuen Wan (the "Property") to an independent third party at the consideration of HK\$100,000,000 with a gain of about HK\$94,600,000 over the net carrying amount of the Property. The Agreement was completed on 2nd November, 2012. Accordingly, as at 30th September, 2012, the net carrying amount of the Property has been reclassified as non-current assets held for sale.

11. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Trade payables	46,689	34,763
Other payables and accruals	41,400	46,842
Deposits received and deferred income	22,988	11,408
Other provision	675	675
	<u>111,752</u>	<u>93,688</u>

The ageing analysis of trade payables, based on the invoice dates, was as follows:

	Unaudited As at 30th September, 2012 HK\$'000	Audited As at 31st March, 2012 HK\$'000
Within 30 days	37,862	19,858
31 - 90 days	2,621	8,027
More than 90 days	6,206	6,878
	<u>46,689</u>	<u>34,763</u>

Interim dividend

The Board of Directors has resolved the payment of an interim dividend of HK0.05 cent per ordinary share for the year ending 31st March, 2013 (for the year ended 31st March, 2012: HK0.15 cent), payable to shareholders whose names appear on the Register of Members of the Company on 31st December, 2012. The interim dividend will be paid on or about 8th January, 2013.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 24th December, 2012 to Monday, 31st December, 2012, 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 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 Friday, 21st December, 2012 in order to qualify for the interim dividend above mentioned.

Business review and prospects

During the period under review, the Group expanded its *king fook* shop at Park Lane Hotel, Causeway Bay and re-opened its prime shop at the Miramar Shopping Centre, Tsim Sha Tsui. However, consumer sentiment and spending, especially for luxury items, were adversely affected by the slowdown of Mainland China's economic growth in the first half of 2012 as the export sector was hit by the global slowdown and the credit tightening policies of the Chinese Government. As a result, during the period, the Group's overall turnover decreased by 18% from the same period last year. Due to the drop in sales and higher operating expenses mainly resulting from shop expansion, opening of new shop and more marketing campaigns and promotions, the Group's unaudited consolidated profit attributable to the shareholders of the Company for the period was approximately HK\$4,324,000, representing a decline of 61.8% as compared with the same period last year.

During the period under review, the Group had launched numerous new products to cater for the diverse needs of its customers. The Group also strived to improve its overall turnover and enhance its brand image by participating in a variety of marketing activities, promotional events and publicity campaigns.

Looking ahead, the management expects that the global economic environment will continue to be challenging and severe in the latter half of the year. The management will continue to take stringent cost control measures and closely monitor changes in the operating environment. The management will also maintain the policy to streamline operations and optimise internal resources in order to achieve a higher degree of cost-efficiency for better results.

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 six months ended 30th September, 2012.

Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules throughout the period from 1st April, 2012 to 30th September, 2012, with deviations as explained below.

Code provision A.4.1

In respect of code provision A.4.1 of the Code, the non-executive directors of the Company 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.

Code provisions A.5.1 to A.5.4

In respect of code provisions A.5.1 to A.5.4 of the Code, the Company has not established a nomination committee. In view of the current structure of the Board of Directors and business operations of the Group, the Board of Directors believes that it is not necessary to establish a nomination committee as it considers that all directors should be involved in performing the duties set out in such code provisions.

Code provision D.1.4

For code provision D.1.4 of the Code, except for Mr. Yeung Ping Leung, Howard, the Company does not have formal letters of appointment for other directors setting out the key terms and conditions of their appointment. The Board of Directors decides on the key terms and conditions of the appointment of the directors from time to time and are recorded in the relevant board minutes.

Review by auditor and audit committee

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30th September, 2012 have been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

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 unaudited interim condensed consolidated financial statements for the six months ended 30th September, 2012.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 23rd November, 2012

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 and Mr. Yeung Ka Shing; and the independent non-executive directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Chan Chak Cheung, William, Mr. Ho Hau Hay, Hamilton and Mr. Sin Nga Yan, Benedict.