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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

FINANCIAL HIGHLIGHTS

	Unaudited		Change
	Six months ended 30 September		
	2017	2016	
	HK\$ million	HK\$ million	
Revenue	225.3	202.5	+11.3%
Gross profit	60.7	48.7	+24.6%
Loss for the period attributable to the owners of the Company	(14.6)	(54.2)	+73.1%
Gross profit %	27.0%	24.1%	+12.0%
Net loss %	(6.5%)	(26.8%)	+75.7%

The Board of Directors (the “Board”) of King Fook Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Unaudited	
		Six months ended 30 September 2017	2016
		HK\$'000	HK\$'000
Revenue	4	225,299	202,510
Cost of sales		<u>(164,578)</u>	<u>(153,775)</u>
Gross profit		60,721	48,735
Other operating income		917	3,303
Distribution and selling costs		(56,639)	(82,023)
Administrative expenses		(16,950)	(20,731)
Other operating expenses		<u>(773)</u>	<u>(254)</u>
Operating loss		(12,724)	(50,970)
Finance costs		<u>(1,851)</u>	<u>(1,832)</u>
Loss before taxation	5	(14,575)	(52,802)
Taxation	6	<u>-</u>	<u>(1,436)</u>
Loss for the period		<u>(14,575)</u>	<u>(54,238)</u>
Other comprehensive income, after tax, items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<u>407</u>	<u>(363)</u>
Total comprehensive income for the period		<u>(14,168)</u>	<u>(54,601)</u>
Loss for the period attributable to:			
– Owners of the Company		(14,573)	(54,235)
– Non-controlling interests		<u>(2)</u>	<u>(3)</u>
		<u>(14,575)</u>	<u>(54,238)</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		(14,166)	(54,598)
– Non-controlling interests		<u>(2)</u>	<u>(3)</u>
		<u>(14,168)</u>	<u>(54,601)</u>
		HK cent	HK cent
Loss per share	7		
– Basic and diluted		<u>(1.6)</u>	<u>(5.9)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,273	3,294
Investment properties		578	594
Available-for-sale investments		837	837
		4,688	4,725
Current assets			
Inventories		554,624	587,871
Debtors, deposits and prepayments	8	36,929	40,215
Investments at fair value through profit or loss		29,428	30,662
Cash and cash equivalents		134,393	107,158
		755,374	765,906
Total assets		760,062	770,631
Current liabilities			
Creditors, deposits received, accruals and deferred income	9	24,134	21,045
Gold loan		19,004	18,439
Bank loans		78,000	78,000
		121,138	117,484
Net current assets		634,236	648,422
Total assets less current liabilities		638,924	653,147
Non-current liability			
Provision for long service payments		41	96
Net assets		638,883	653,051
CAPITAL AND RESERVES			
Share capital		393,354	393,354
Other reserves		34,924	34,517
Retained profits		210,500	225,073
Equity attributable to the owners of the Company		638,778	652,944
Non-controlling interests		105	107
Total equity		638,883	653,051

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a limited liability company incorporated and domiciled in Hong Kong. Its registered office is located at 9th Floor, King Fook Building, 30-32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The directors of the Company consider the ultimate holding company to be Yeung Chi Shing Estates Limited, a company incorporated in Hong Kong.

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017 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 provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 March 2017, except for the adoption of the amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as disclosed in note 2.

The preparation of unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 March 2017.

The unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated. The unaudited interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2017.

The interim condensed consolidated financial statements are unaudited, but 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 AMENDMENTS TO 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 consolidated financial statements for the annual period beginning on 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 7: *Disclosure Initiative*

Amendments to HKAS 7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosures to be provided in the Group's annual financial statements. The Group is not required to provide the additional disclosures in these unaudited interim condensed consolidated financial statements.

2. ADOPTION OF AMENDMENTS TO HKFRSs (Continued)

Amendments to HKAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situation. The amendments clarify that an entity, when assessing whether taxable profit will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The adoption of these amendments to HKFRSs has no significant impact on the unaudited interim condensed consolidated financial statements. The Group has not applied any new HKFRSs or amendments that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's top management including executive directors and chief executive for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major product and service lines. The Group has identified the following operating segments:

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the People's Republic of China
- (iii) Provision of travel related products and services (the subsidiary operated this business was disposed of in the prior period)

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. Since (ii) and (iii) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated with (i) because they have similar economic characteristics and (iii) is reported under "All others" in the prior period. Reportable segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) All others

After the disposal of (iii), the Group's top management determined that the Group has only one single reportable segment which is (a) retailing, bullion trading and diamond wholesaling. Accordingly, no separate segment of analysis is presented.

No geographical information was presented as more than 90% of the Group's revenue is derived from activities in Hong Kong (place of domicile). Also, most of the Group's non-current assets are located in Hong Kong.

For the six months ended 30 September 2017, no revenue from a single customer accounted for 10% or more of the total revenue of the Group (for the six months ended 30 September 2016: Nil).

4. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling. Revenue of the Group recognised during the period comprised the following:

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Gold ornament, jewellery, watch and gift retailing	219,979	194,228
Bullion trading	4,926	6,847
Diamond wholesaling	300	704
Others	94	731
	<u>225,299</u>	<u>202,510</u>
Total revenue	<u>225,299</u>	<u>202,510</u>

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and (crediting):

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Auditors' remuneration	354	357
Cost of inventories sold, including	168,666	156,558
– provision for and write down of inventories to net realisable value	13,826	5,873
– reversal of provision for and write down of inventories to net realisable value*	(4,743)	(2,107)
Depreciation of property, plant and equipment	692	774
Depreciation of investment properties	16	16
Directly write off of other receivables	-	8
Dividend income	(297)	(513)
Fair value change of investments at fair value through profit or loss	704	(1,224)
Foreign exchange differences, net	8	165
Gain on disposal of a subsidiary	-	(1,128)
Interest income from financial assets at amortised cost	(214)	(98)
Loss on write off/disposal of property, plant and equipment	61	33
Operating lease charges in respect of properties	33,917	54,735
Operating lease charges in respect of furniture and fixtures	296	297
Outgoings in respect of investment properties	42	42
Provision for impairment loss of debtors	-	48
Rental income on owned properties	(399)	(330)
Reversal of provision for long service payments	(55)	(26)

* The reversal of provision for and write down of inventories to net realisable value mainly arose from inventories that were sold subsequently during the period.

6. TAXATION

No Hong Kong profits tax and overseas profits tax has been provided as the Group has no estimated assessable profit for the period (for the six months ended 30 September 2016: Nil).

The amount of taxation charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited	
	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Deferred tax		
– Hong Kong		
Current period	<u>-</u>	<u>1,436</u>
Taxation charge	<u><u>-</u></u>	<u><u>1,436</u></u>

7. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to the owners of the Company of HK\$14,573,000 (for the six months ended 30 September 2016: HK\$54,235,000) and the weighted average number of 913,650,465 (for the six months ended 30 September 2016: 913,650,465) ordinary shares in issue during the period.

Diluted loss per share and basic loss per share for each of the six months ended 30 September 2016 and 2017 respectively are the same as there were no dilutive potential ordinary shares during both periods.

8. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
Trade debtors	5,110	3,373
Other receivables	8,929	4,632
Deposits and prepayments	<u>22,890</u>	<u>32,210</u>
	<u><u>36,929</u></u>	<u><u>40,215</u></u>

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

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2017	2017
	HK\$'000	HK\$'000
Within 30 days	4,846	3,353
31 – 90 days	<u>264</u>	<u>20</u>
	<u><u>5,110</u></u>	<u><u>3,373</u></u>

9. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Trade payables	7,793	5,719
Other payables and accruals	8,789	7,661
Deposits received and deferred income	7,552	7,665
	<u>24,134</u>	<u>21,045</u>

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

	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
Within 30 days	4,758	2,810
31 – 90 days	150	276
More than 90 days	2,885	2,633
	<u>7,793</u>	<u>5,719</u>

10. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 November 2017, the Group disposed of an investment at fair value through profit or loss with carrying amount of HK\$25,520,000 at the end of the reporting period, to independent purchasers on-market through the Stock Exchange at the total consideration of HK\$28,985,000. Details of the disposal are disclosed in the Company's announcement dated 8 November 2017.

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend for the year ending 31 March 2018 (for the year ended 31 March 2017: Nil) to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results Overview

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling. More than 90% of the Group's revenue is derived from activities in Hong Kong.

For the six months ended 30 September 2017, the Group recorded total revenue of approximately HK\$225.3 million, representing an increase of approximately HK\$22.8 million or 11.3% from approximately HK\$202.5 million of the last corresponding period. The unaudited consolidated loss attributable to the owners of the Company for the period under review reduced by approximately HK\$39.6 million or 73.1% to approximately HK\$14.6 million from approximately HK\$54.2 million of the same period last year. Such decrease in loss was primarily due to improvement in the retail business of the Group and decrease in rental expenses during such period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review

The Group operated six retail shops as at 30 September 2017. Despite the Group has one shop less than in the previous period, both revenue and gross profit margin achieved a double-digit growth during the period under review. The revenue of the Group's retailing business for the six months ended 30 September 2017 increased by approximately HK\$25.8 million or 13.3% to approximately HK\$220.0 million from approximately HK\$194.2 million of the same period last year. Such increase was mainly contributed by the 84.5% growth on sales of jewellery products. Same shop sales growth was 33.5% as compared to the same period last year mainly due to the improvement in the business environment of the luxury goods retail market in Hong Kong in the third quarter of 2017 and our sales development activities implemented in the period under review.

Outlook

Looking forward, the retail sector of Hong Kong is expected to benefit from the improving economic environment factors such as low unemployment rate and improving consumer sentiment in Hong Kong. The Group will closely monitor the market trends and look for opportunities to expand our shop network, and will continue to bring in creativity in our service and product offer.

The Group will keep on launching quality and exquisite King Fook jewellery products by leveraging on our solid foundation and reputation, and will enhance our competitiveness by optimising our product mix so as to meet the changing needs of customers. The Group will also continue to maintain good relationship with existing customers and to attract new customers by launching various marketing activities and promotional events.

Besides adopting the above strategies to improve our sales, the Group will strive to enhance productivity and reduce expenditure in various operational aspects, including the on-going negotiations with landlords on rent reduction; stringent control on inventory management and streamlining the operations in order to enhance efficiency.

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 30 September 2017.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Corporate Governance Code (the "Code") set out in appendix 14 to the Listing Rules throughout the six months ended 30 September 2017 except the deviations as explained below:

Code provision A.4.1

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 meeting of the Company at least once every 3 years in accordance with the Articles of Association of the Company. The retiring directors shall be eligible for re-election.

Code provisions A.5.1 to A.5.4

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

Code provision D.1.4

The Company does not have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Board decides on the key terms and conditions of the appointment of the directors of the Company from time to time which 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 30 September 2017 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 system of risk management and internal control and financial reporting matters and the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 March 2017 included in this preliminary announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

By Order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 24 November 2017

As at the date of this announcement, the executive directors of the Company are Mr. Tang Yat Sun, Richard, Dr. Fung Yuk Bun, Patrick and Mr. Yeung Ka Shing; the non-executive director is Mr. Wong Wei Ping, Martin; and the independent non-executive directors are Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony.