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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 30 September 2016

The Board of Directors (the “Board”) of King Fook Holdings Limited (the “Company”) announces that the unaudited consolidated loss of the Company and its subsidiaries (the “Group”) attributable to the shareholders of the Company for the six months ended 30 September 2016 amounted to HK\$54,235,000.

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 September	
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Revenue	4	202,510	322,835
Cost of sales		<u>(153,775)</u>	<u>(256,233)</u>
Gross profit		48,735	66,602
Other operating income		3,303	1,613
Distribution and selling costs		(82,023)	(97,070)
Administrative expenses		(20,731)	(24,156)
Other operating expenses		<u>(254)</u>	<u>(4,348)</u>
Operating loss		(50,970)	(57,359)
Finance costs		<u>(1,832)</u>	<u>(2,286)</u>
Loss before taxation	5	(52,802)	(59,645)
Taxation	6	<u>(1,436)</u>	<u>12</u>
Loss for the period from continuing operations		(54,238)	(59,633)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	7	<u>-</u>	<u>(318)</u>
Loss for the period		<u>(54,238)</u>	<u>(59,951)</u>

CONSOLIDATED INCOME STATEMENT (Continued)

		Unaudited	
		Six months ended 30 September	
	<i>Note</i>	2016	2015
		HK\$'000	HK\$'000
Loss for the period attributable to:			
Shareholders of the Company			
Continuing operations		(54,235)	(59,612)
Discontinued operation		-	(318)
		<u> </u>	<u> </u>
		(54,235)	(59,930)
Minority interests		(3)	(21)
		<u> </u>	<u> </u>
		<u>(54,238)</u>	<u>(59,951)</u>
		HK cent	HK cent
Loss per share for loss attributable to the shareholders			
of the Company for the period			
- Basic and diluted	8		
Continuing and discontinued operations		(5.9)	(8.8)
		<u> </u>	<u> </u>
Continuing operations		(5.9)	(8.7)
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Loss for the period	<u>(54,238)</u>	<u>(59,951)</u>
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation	<u>(363)</u>	<u>(598)</u>
Other comprehensive income for the period	<u>(363)</u>	<u>(598)</u>
Total comprehensive income for the period	<u>(54,601)</u>	<u>(60,549)</u>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	(54,598)	(60,528)
Minority interests	<u>(3)</u>	<u>(21)</u>
	<u>(54,601)</u>	<u>(60,549)</u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,464	4,506
Investment properties		610	626
Available-for-sale investments		864	864
Deferred tax assets		1,762	3,198
		<u>6,700</u>	<u>9,194</u>
Current assets			
Inventories		619,800	698,816
Debtors, deposits and prepayments	9	55,651	53,889
Investments at fair value through profit or loss		26,275	24,577
Cash and cash equivalents		106,623	105,101
		<u>808,349</u>	<u>882,383</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	10	26,226	28,529
Tax payable		-	7
Gold loan, unsecured		19,601	18,172
Bank loans		84,000	105,000
		<u>129,827</u>	<u>151,708</u>
Net current assets		<u>678,522</u>	<u>730,675</u>
Total assets less current liabilities		<u>685,222</u>	<u>739,869</u>
Non-current liability			
Provision for long service payments		53	99
Net assets		<u>685,169</u>	<u>739,770</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital		393,354	393,354
Other reserves		34,881	35,244
Retained profits		256,825	311,060
		<u>685,060</u>	<u>739,658</u>
Minority interests		<u>109</u>	<u>112</u>
		<u>685,169</u>	<u>739,770</u>

Note:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016 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 to 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 consolidated financial statements for the year ended 31 March 2016, except for the adoption of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2016.

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 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 2016:

HKFRSs (Amendments) Amendments to HKAS 1	Annual Improvements to HKFRSs 2012-2014 Cycle Disclosure Initiative: Presentation of financial statements
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The adoption of these amendments to HKFRSs has no significant impact on the Group’s consolidated financial statements.

3. SEGMENT INFORMATION

The Group’s reporting segments are as follows:

Continuing operations

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

Discontinued operation

- (c) Construction services

3. SEGMENT INFORMATION (Continued)

	Continuing operations		
	Retailing, bullion trading and diamond wholesaling HK\$'000	All others HK\$'000	Total HK\$'000
Unaudited			
For the six months ended 30 September 2016			
Revenue			
From external customers	201,957	553	202,510
Inter-segment sales	-	-	-
Reportable segment revenue	<u>201,957</u>	<u>553</u>	<u>202,510</u>
Interest income	3	-	3
Finance costs	(2,583)	-	(2,583)
Depreciation	(606)	(8)	(614)
Loss on write off/disposal of property, plant and equipment	(33)	-	(33)
Provision for and write down of inventories to net realisable value	(5,873)	-	(5,873)
Reversal of provision for and write down of inventories to net realisable value	2,107	-	2,107
Reportable segment results	(51,914)	(166)	(52,080)
Corporate income			13,666
Corporate expenses			(17,253)
Dividend income			513
Fair value change of investments at fair value through profit or loss			1,224
Gain on disposal of a subsidiary			1,128
Loss before taxation			<u>(52,802)</u>
Unaudited			
At 30 September 2016			
Reportable segment assets	690,140	-	690,140
Corporate assets			1,990
Available-for-sale investments			864
Deferred tax assets			1,762
Investments at fair value through profit or loss			26,275
Cash and cash equivalents			94,018
Total assets per consolidated balance sheet			<u>815,049</u>
Reportable segment liabilities	40,234	-	40,234
Corporate liabilities			5,646
Bank loans			84,000
Total liabilities per consolidated balance sheet			<u>129,880</u>

3. SEGMENT INFORMATION (Continued)

	Continuing operations				Discontinued operation	
	Retailing, bullion trading and diamond wholesaling HK\$'000	All others HK\$'000	Inter-segment elimination HK\$'000	Sub-total HK\$'000	Construction services HK\$'000	Total HK\$'000
Unaudited						
For the six months ended 30 September 2015						
Revenue						
From external customers	319,061	3,774	-	322,835	-	322,835
Inter-segment sales	-	23	(23)	-	-	-
Reportable segment revenue	<u>319,061</u>	<u>3,797</u>	<u>(23)</u>	<u>322,835</u>	<u>-</u>	<u>322,835</u>
Interest income	25	-	-	25	-	25
Finance costs	(3,917)	-	-	(3,917)	-	(3,917)
Depreciation	(1,904)	(47)	-	(1,951)	-	(1,951)
Loss on write off/disposal of property, plant and equipment	(29)	-	-	(29)	-	(29)
Provision for and write down of inventories to net realisable value	(12,525)	-	-	(12,525)	-	(12,525)
Provision for impairment loss of property, plant and equipment	(2,474)	-	-	(2,474)	-	(2,474)
Reversal of provision for and write down of inventories to net realisable value	855	-	-	855	-	855
Reversal of provision for impairment loss of other receivables	973	-	-	973	-	973
Reportable segment results	(54,315)	(654)	-	(54,969)	(318)	(55,287)
Corporate income				17,166		17,166
Corporate expenses				(20,049)		(20,049)
Dividend income				5		5
Fair value change of investments at fair value through profit or loss				(1,798)		(1,798)
Loss before taxation				<u>(59,645)</u>		<u>(59,963)</u>
Audited						
At 31 March 2016						
Reportable segment assets	767,597	2,871	-	770,468	114	770,582
Corporate assets						2,048
Available-for-sale investments						864
Deferred tax assets						3,198
Investments at fair value through profit or loss						24,577
Cash and cash equivalents						<u>90,308</u>
Total assets per consolidated balance sheet						<u>891,577</u>
Reportable segment liabilities	39,425	2,098	-	41,523	2,813	44,336
Corporate liabilities						2,464
Bank loans						105,000
Tax payable						<u>7</u>
Total liabilities per consolidated balance sheet						<u>151,807</u>

No geographical information was presented as more than 90% of the Group's revenue and assets were derived from activities in Hong Kong (place of domicile).

For each of the six months ended 30 September 2015 and 2016 respectively, no revenue from a single customer amounted to 10% or more of the total revenue of the Group.

4. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion 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	
	2016	2015
	HK\$'000	HK\$'000
Gold ornament, jewellery, watch, fashion and gift retailing	194,406	312,933
Bullion trading	6,847	4,854
Diamond wholesaling	704	1,274
Income from provision of travel related products and services	553	3,774
	<u>202,510</u>	<u>322,835</u>
Total revenue	<u>202,510</u>	<u>322,835</u>

5. LOSS BEFORE TAXATION

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

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Continuing operations		
Auditors' remuneration	357	374
Cost of inventories sold, including	156,558	258,593
- provision for and write down of inventories to net realisable value	5,873	12,525
- reversal of provision for and write down of inventories to net realisable value*	(2,107)	(855)
Depreciation of property, plant and equipment	774	2,165
Depreciation of investment properties	16	15
Directly write off of other receivables	8	-
Dividend income	(513)	(5)
Fair value change of investments at fair value through profit or loss	(1,224)	1,798
Foreign exchange differences, net	165	(137)
Gain on disposal of a subsidiary	(1,128)	-
Interest income from financial assets at amortised cost	(98)	(118)
Loss on write off/disposal of property, plant and equipment	33	76
Operating lease charges in respect of properties	54,735	65,613
Operating lease charges in respect of furniture and fixtures	297	317
Outgoings in respect of investment properties	42	45
Provision for impairment loss of property, plant and equipment	-	2,474
Provision for impairment loss of debtors	48	-
Rental income		
- owned properties	(330)	(329)
- operating sub-leases	-	(3)
Reversal of provision for impairment loss of other receivables	-	(973)
Reversal of provision for long service payments	(26)	(43)

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

6. TAXATION

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit for the period (for the six months ended 30 September 2015: Nil). 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/(credited) to the consolidated income statement represents:

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Current tax		
- Hong Kong		
Over provision of prior years	-	(26)
- Overseas		
Current period	-	14
Deferred tax		
- Hong Kong		
Current period	1,436	-
Taxation charge/(credit)	<u>1,436</u>	<u>(12)</u>

7. DISCONTINUED OPERATION

At the end of September 2015, the business of construction services operated by the subsidiaries of the Company ceased. This business segment is presented as discontinued operation in accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The results of the construction services segment for the six months ended 30 September 2015 were as follows:

	Unaudited
	HK\$'000
Income	26
Expenses	<u>(344)</u>
Loss before taxation	(318)
Taxation	<u>-</u>
Loss for the period	<u>(318)</u>

The cash flows of the construction services segment for the six months ended 30 September 2015 were as follows:

	Unaudited
	HK\$'000
Operating and total cash flows	<u>(188)</u>

8. LOSS PER SHARE

Continuing and discontinued operations

The calculation of basic loss per share is based on the consolidated loss attributable to the shareholders of the Company of HK\$54,235,000 (for the six months ended 30 September 2015: HK\$59,930,000) and on 913,650,465 (for the six months ended 30 September 2015: the weighted average number of 683,989,692) 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 2015 and 2016 respectively are the same as there were no dilutive potential ordinary shares during both periods.

Continuing operations

The calculation of basic loss per share from continuing operations is based on the loss for the period attributable to the shareholders of the Company from continuing operations of HK\$54,235,000 (for the six months ended 30 September 2015: HK\$59,612,000) and the denominators detailed above for basic loss per share.

Diluted loss per share and basic loss per share from continuing operations for each of the six months ended 30 September 2015 and 2016 respectively are the same as there were no dilutive potential ordinary shares during both periods.

Discontinued operation

There is no basic or diluted earnings or loss per share for the discontinued operation attributable to the shareholders of the Company during the period as there was no profit or loss arising from discontinued operation for the period.

For the six months ended 30 September 2015, basic loss per share for the discontinued operation attributable to the shareholders of the Company was HK0.1 cent, which was based on the loss for the period from the discontinued operation of HK\$318,000 and the denominators detailed above for basic loss per share.

Diluted loss per share and basic loss per share from discontinued operation for the six months ended 30 September 2015 are the same as there were no dilutive potential ordinary shares during the period.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
Trade debtors	801	2,862
Other receivables	8,378	13,981
Deposits and prepayments	46,472	37,046
	55,651	53,889

9. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
Within 30 days	560	1,782
31 - 90 days	241	191
More than 90 days	-	889
	<u>801</u>	<u>2,862</u>

10. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
Trade payables	4,294	9,502
Other payables and accruals	11,888	11,237
Deposits received and deferred income	10,044	7,790
	<u>26,226</u>	<u>28,529</u>

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

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
Within 30 days	1,498	4,310
31 - 90 days	51	2,309
More than 90 days	2,745	2,883
	<u>4,294</u>	<u>9,502</u>

11. DISPOSAL OF A SUBSIDIARY

On 28 April 2016, the Company entered into a sale and purchase agreement to dispose of its subsidiary, Superior Travellers Services Limited ("STSL"), at the cash consideration of HK\$1,000,000. STSL is engaged in sale of travel related products and provision of marketing services for sale of travel related products in Hong Kong. The operating activities of STSL were reported under "All others" in segment information (note 3). Since STSL did not represent or was not part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or was not a subsidiary acquired exclusively with a view to sale, it is not presented as a discontinued operation.

The disposal of STSL was completed on the same day. After completion of the disposal, STSL ceased to be a subsidiary of the Company.

11. DISPOSAL OF A SUBSIDIARY (Continued)

The gain arising from the disposal was included as “Other operating income” in the consolidated income statement and is calculated as follows:

	HK\$'000	HK\$'000
Property, plant and equipment	414	
Debtors, deposits and prepayments	1,880	
Cash and cash equivalents	13	
Creditors, deposits received, accruals and deferred income	<u>(2,435)</u>	
Net liabilities		(128)
Gain on disposal of a subsidiary		<u>1,128</u>
Total consideration		<u><u>1,000</u></u>
Satisfied by:		
Cash		<u><u>1,000</u></u>
Net cash inflow arising on disposal:		
Cash consideration received		1,000
Cash and cash equivalents disposal of		<u>(13)</u>
		<u><u>987</u></u>

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend for the year ending 31 March 2017 (for the year ended 31 March 2016: Nil) to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group Results

For the six months ended 30 September 2016, the Group's continuing operations recorded a revenue of about HK\$202,510,000, representing a decrease of 37.3% from HK\$322,835,000 of the last corresponding period. The unaudited consolidated loss attributable to the shareholders of the Company from continuing operations for the period under review reduced by 9.0% to about HK\$54,235,000 from HK\$59,612,000 of the same period last year.

Business Review

The revenue of the Group's continuing operations in retailing business for the six months ended 30 September 2016 decreased by 37.9% to HK\$194,406,000 from HK\$312,933,000 of the same period last year. Such decrease was due to the closure of two retail shops of the Group and weak customer spending for luxury goods. The business environment of the luxury goods retail market continued to be severe and challenging. For the period under review, spending of tourists from Mainland China was adversely affected by Mainland China's decelerating economic growth. On the other hand, local consumption sentiment was negatively impacted by the uncertain global economic outlook, causing a further decline in demand in the luxury goods retail market.

During the period under review, two King Fook Jewellery shops in Causeway Bay and Tsim Sha Tsui respectively had been closed, and a retail shop selling fashion and another retail shop selling Audemars Piguet watches respectively had been changed to King Fook Jewellery shops. The number of retail shops of the Group as at 30 September 2016 was seven.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Future Outlook

Looking forward, the Group expects the sluggish market conditions will continue and the challenge to the luxury goods retail market will be severe. It will take stringent control on inventory management, and will continue to implement rigorous costs control and improve operating efficiency by streamlining the operations and optimising internal resources in order to achieve better results. The unfavorable retail environment has suppressed the rent in prime shopping areas. The Group will closely monitor the market trends and will take actions to adjust its shop network and business plan as appropriate.

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

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 2016.

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 2016 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 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

Except for Mr. Yeung Ping Leung, Howard (who ceased to be a director of the Company on 1 July 2016), 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 2016 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 2016.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 March 2016 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 2016 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
Acting Chairman

Hong Kong, 25 November 2016

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