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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, 2014

The Board of Directors 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 30th September, 2014 amounted to HK\$92,711,000.

CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30th September,	
		2014	2013
	Note	HK\$'000	HK\$'000
CONTINUING OPERATIONS			
Revenue	4	414,043	554,331
Cost of sales		<u>(322,730)</u>	<u>(422,693)</u>
Gross profit		91,313	131,638
Other operating income		8,463	2,825
Distribution and selling costs		(149,850)	(166,602)
Administrative expenses		(32,992)	(38,252)
Other operating expenses		<u>(6,827)</u>	<u>(73)</u>
Operating loss		(89,893)	(70,464)
Finance costs		<u>(2,807)</u>	<u>(4,083)</u>
Loss before taxation	5	(92,700)	(74,547)
Taxation	6	<u>(14)</u>	<u>(14)</u>
Loss for the period from continuing operations		(92,714)	(74,561)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	7	<u>-</u>	<u>(3,648)</u>
Loss for the period		<u>(92,714)</u>	<u>(78,209)</u>

CONSOLIDATED INCOME STATEMENT (Continued)

		Unaudited	
		Six months ended 30th September,	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
Loss for the period attributable to:			
Shareholders of the Company			
Continuing operations		(92,711)	(74,559)
Discontinued operation		-	(3,648)
		<u>(92,711)</u>	<u>(78,207)</u>
Minority interests		(3)	(2)
		<u>(92,714)</u>	<u>(78,209)</u>
Losses per share for loss attributable to the shareholders			
of the Company for the period			
- Basic and diluted (HK cents)	9		
Continuing and discontinued operations		<u>(14.2) cents</u>	<u>(14.2) cents</u>
Continuing operations		<u>(14.2) cents</u>	<u>(13.5) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period	(92,714)	(78,209)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of available-for-sale investments	3,589	1,096
Reclassification adjustment upon disposal of available-for-sale investments	(4,717)	-
Exchange translation differences	292	220
Other comprehensive income for the period	(836)	1,316
Total comprehensive income for the period	(93,550)	(76,893)
Total comprehensive income for the period attributable to:		
Shareholders of the Company	(93,547)	(76,891)
Minority interests	(3)	(2)
	(93,550)	(76,893)

CONSOLIDATED BALANCE SHEET

		Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		9,879	23,034
Investment properties		675	691
Available-for-sale investments		952	5,186
Other assets		396	396
		<u>11,902</u>	<u>29,307</u>
Current assets			
Inventories		827,422	884,791
Debtors, deposits and prepayments	10	91,930	94,556
Investments at fair value through profit or loss		1,028	8,208
Tax recoverable		32	32
Trust bank balances held on behalf of clients		148	144
Cash and cash equivalents		88,126	122,634
		<u>1,008,686</u>	<u>1,110,365</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	11	45,078	56,207
Tax payable		7	6
Gold loans, unsecured		25,521	24,850
Bank loans		161,000	201,000
Loan from a substantial shareholder		25,000	-
		<u>256,606</u>	<u>282,063</u>
Net current assets		<u>752,080</u>	<u>828,302</u>
Total assets less current liabilities		<u>763,982</u>	<u>857,609</u>
Non-current liabilities			
Provision for long service payments		217	294
Net assets		<u>763,765</u>	<u>857,315</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital		241,021	241,021
Other reserves		35,836	36,672
Retained profits		486,772	579,483
		<u>763,629</u>	<u>857,176</u>
Minority interests		<u>136</u>	<u>139</u>
		<u>763,765</u>	<u>857,315</u>

Note:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30th September, 2014 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, 2014, except for the adoption of the amendments to 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, 2014.

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 amended 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, 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures

The adoption of these amendments to HKFRSs has no significant impact on the Group’s financial statements.

3. SEGMENT INFORMATION

The Group’s reportable segments are as follows:

Continuing operations

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

Discontinued operation

- (d) Securities broking

3. SEGMENT INFORMATION (Continued)

	Continuing operations				
	Retailing, bullion trading and diamond wholesaling 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, 2014					
Revenue					
From external customers	407,496	3,143	3,404	-	414,043
Inter-segment sales	-	-	2	(2)	-
Reportable segment revenue	<u>407,496</u>	<u>3,143</u>	<u>3,406</u>	<u>(2)</u>	<u>414,043</u>
Interest income	20	-	-	-	20
Finance costs	(5,111)	(63)	-	-	(5,174)
Depreciation	(7,524)	-	(16)	-	(7,540)
Provision for and write down of inventories to net realisable value	(6,981)	-	-	-	(6,981)
Provision for impairment losses of property, plant and equipment	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>
Reportable segment results	(101,088)	2,270	(88)	-	(98,906)
Corporate income					26,024
Corporate expenses					(26,766)
Dividend income					48
Fair value change of investments at fair value through profit or loss					2,183
Gain on disposal of available-for-sale investments					<u>4,717</u>
Loss before taxation					<u>(92,700)</u>
Unaudited					
At 30th September, 2014					
Reportable segment assets	945,670	6,903	6,605	-	959,178
Corporate assets					3,603
Available-for-sale investments					952
Investments at fair value through profit or loss					1,028
Tax recoverable					32
Cash and cash equivalents					<u>55,795</u>
Total assets per consolidated balance sheet					<u>1,020,588</u>
Reportable segment liabilities	57,271	3,302	5,071	-	65,644
Corporate liabilities					5,172
Bank loans					161,000
Loan from a substantial shareholder					25,000
Tax payable					<u>7</u>
Total liabilities per consolidated balance sheet					<u>256,823</u>

3. SEGMENT INFORMATION (Continued)

	Continuing operations					Discontinued operation	Total HK\$'000
	Retailing, bullion trading and diamond wholesaling HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Sub-total HK\$'000	Securities broking HK\$'000	
Unaudited							
For the six months ended							
30th September, 2013							
Revenue							
From external customers	549,400	1,433	3,498	-	554,331	913	555,244
Inter-segment sales	-	-	1	(1)	-	-	-
Reportable segment revenue	<u>549,400</u>	<u>1,433</u>	<u>3,499</u>	<u>(1)</u>	<u>554,331</u>	<u>913</u>	<u>555,244</u>
Interest income	56	-	-	-	56	21	77
Finance costs	(7,532)	(563)	-	-	(8,095)	-	(8,095)
Depreciation	(9,228)	-	(16)	-	(9,244)	(2)	(9,246)
Provision for and write down of inventories to net realisable value	<u>(6,709)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,709)</u>	<u>-</u>	<u>(6,709)</u>
Reportable segment results	(70,601)	(4,346)	(92)	-	(75,039)	(3,648)	(78,687)
Corporate income					32,439		32,439
Corporate expenses					(32,548)		(32,548)
Dividend income					139		139
Fair value change of investments at fair value through profit or loss					<u>462</u>		<u>462</u>
Loss before taxation					<u>(74,547)</u>		<u>(78,195)</u>
Audited							
At 31st March, 2014							
Reportable segment assets	1,016,612	4,106	5,523	-	1,026,241	5,149	1,031,390
Corporate assets							2,797
Available-for-sale investments							5,186
Investments at fair value through profit or loss							8,208
Tax recoverable							32
Cash and cash equivalents							<u>92,059</u>
Total assets per consolidated balance sheet							<u>1,139,672</u>
Reportable segment liabilities	69,875	3,331	4,542	-	77,748	282	78,030
Corporate liabilities							3,321
Bank loans							201,000
Tax payable							<u>6</u>
Total liabilities per consolidated balance sheet							<u>282,357</u>

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

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 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,	
	2014	2013
	HK\$'000	HK\$'000
CONTINUING OPERATIONS		
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	399,086	534,173
Bullion trading	5,634	12,626
Diamond wholesaling	2,776	2,601
	407,496	549,400
Other revenue		
Revenue on construction contracts	3,143	1,433
Income from provision of travel related products and services	3,404	3,498
	6,547	4,931
	414,043	554,331
DISCONTINUED OPERATION		
Turnover		
Commission from securities broking	-	913
Total revenue	414,043	555,244

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and crediting:

	Unaudited	
	Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Continuing operations		
Charging:		
Cost of inventories sold, including	325,114	424,880
- provision for and write down of inventories to net realisable value	6,981	6,709
- reversal of provision for and write down of inventories to net realisable value*	(4,610)	(1,672)
Depreciation of property, plant and equipment	7,972	9,674
Depreciation of investment properties	16	16
Loss on write off/disposal of property, plant and equipment	5,183	8
Operating lease charges in respect of properties	99,893	107,186
Operating lease charges in respect of furniture and fixtures	321	321
Outgoings in respect of investment properties	38	36
Provision for impairment losses of debtors		
- provided against allowance account	87	-
- reversal of provision	(3)	(40)
Provision for impairment losses of other receivables		
- provided against allowance account	60	-
Provision for impairment losses of property, plant and equipment	1,500	-
Provision for long service payments		
- provided against the account	9	337
- reversal of provision	(47)	(9)
Write off of debtors	-	65
	_____	_____
Crediting:		
Dividend income	48	139
Fair value change of investments at fair value through profit or loss	2,183	462
Foreign exchange gain, net	290	168
Gain on disposal of available-for-sale investments	4,717	-
Interest income from financial assets at amortised cost	150	169
Rental income		
- owned properties	305	305
- operating sub-leases	-	6
	_____	_____

* The reversal of provision for and write down of inventories to net realisable value 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 (for the six months ended 30th September, 2013: 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 to the consolidated income statement represents:

	Unaudited	
	Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Continuing operations		
Current tax		
- Overseas		
Current period	<u>14</u>	<u>14</u>

7. DISCONTINUED OPERATION

By the end of July 2013, the business of securities broking operated by two subsidiaries of the Company, King Fook Securities Company Limited and King Fook Commodities Company Limited, had been ceased. This business segment is presented as discontinued operation in accordance with HKFRS 5 accordingly.

The results of the securities broking segment for the six months ended 30th September, 2013 were as follows:

	Unaudited HK\$'000
Income	1,084
Expenses	<u>(4,732)</u>
Loss before taxation	(3,648)
Taxation	<u>-</u>
Loss for the period	<u>(3,648)</u>

The cash flows of the securities broking segment for the six months ended 30th September, 2013 were as follows:

	Unaudited HK\$'000
Operating cash flows	(628)
Investing cash flows	<u>(11)</u>
Total cash flows	<u>(639)</u>

8. DIVIDEND

At a meeting held on 28th November, 2014, the Board of Directors resolved not to declare an interim dividend for the year ending 31st March, 2015 (for the year ended 31st March, 2014: Nil).

9. LOSSES PER SHARE

Continuing and discontinued operations

The calculation of basic losses per share is based on the consolidated loss attributable to the shareholders of the Company of HK\$92,711,000 (for the six months ended 30th September, 2013: HK\$78,207,000) and on the weighted average number of 652,607,475 (for the six months ended 30th September, 2013: 550,510,661) ordinary shares in issue during the period.

Diluted losses per share for the six months ended 30th September, 2013 and 2014 are the same as the basic losses per share as there were no dilutive potential ordinary shares during the periods.

The weighted average number of ordinary shares for the purpose of basic losses per share for the six months ended 30th September, 2013 has been adjusted to reflect the impact of the rights issue which was completed on 28th June, 2013.

Continuing operations

The calculation of basic losses per share from continuing operations attributable to the shareholders of the Company is based on the following data:

	Unaudited	
	Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Loss for the period	92,711	78,207
Less: Loss for the period from discontinued operation	<u>-</u>	<u>3,648</u>
Loss for the purpose of basic losses per share from continuing operations	<u><u>92,711</u></u>	<u><u>74,559</u></u>

The denominators used are the same as those detailed above for basic losses per share.

Discontinued operation

For the six months ended 30th September, 2013, basic losses per share for the discontinued operation attributable to the shareholders of the Company is HK0.7 cent, based on the loss for the period from the discontinued operation of HK\$3,648,000 and the denominators detailed above for basic losses per share.

Diluted losses per share from discontinued operation for the six months ended 30th September, 2013 is the same as the basic losses per share as there were no dilutive potential ordinary shares during the period.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Trade debtors	11,852	17,998
Other receivables	30,099	23,332
Deposits and prepayments	49,979	53,226
	<u>91,930</u>	<u>94,556</u>

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

	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Within 30 days	6,453	12,401
31 - 90 days	460	420
More than 90 days	4,939	5,177
	<u>11,852</u>	<u>17,998</u>

The balance of trade debtors was normally due within three months.

11. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Trade payables	20,189	24,198
Other payables and accruals	17,038	25,296
Deposits received and deferred income	7,176	6,038
Other provision	675	675
	<u>45,078</u>	<u>56,207</u>

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

	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Within 30 days	12,497	13,546
31 - 90 days	3,467	5,269
More than 90 days	4,225	5,383
	<u>20,189</u>	<u>24,198</u>

INTERIM DIVIDEND

The Board of Directors of the Company (the “Board”) has resolved not to declare an interim dividend for the year ending 31st March, 2015 (for the year ended 31st March, 2014: Nil) to shareholders.

BUSINESS REVIEW AND PROSPECTS

The Group’s unaudited consolidated loss attributable to the shareholders of the Company for the six months ended 30th September, 2014 from its continuing operations was about HK\$92,711,000, as compared to loss of HK\$74,559,000 for the same period of 2013. During the period under review, the Group’s continuing operations recorded a turnover of HK\$414,043,000, representing a decrease of 25.3% to the turnover of HK\$554,331,000 for the same period of 2013. Such decrease was mainly attributable to the reduction in the turnover of the Group’s continuing operations in retailing business for the period by 25.3% from HK\$534,173,000 to HK\$399,086,000 as a result of the frugality campaign of the Chinese Government in recent years with the aim to stem wasteful government spending and extravagant consumption, which in turn has severely affected the sales of the luxury goods retail market. The Company had offered greater discounts during the period to boost sales and the gross profit margin had therefore been reduced by 1.6% from 23.7% to 22.1%.

During the period under review, the Group continued to consolidate the floor areas of its retail shops in Hong Kong by closing or downsizing underperforming shops, including two at Central Building (Central) (a boutique shop for watch brands solely distributed by the Group and a *king fook* shop respectively), one at The Miramar Shopping Centre (Tsimshatsui) and one at The Park Lane Hotel (Causeway Bay) in order to counter-balance the weak consumer sentiment and sluggish demand in the luxury goods retail market.

The “Occupy Movement”, which began in late September, has caused disruptions to economic activities in sectors such as retail, catering and inbound tourism. The management expects that their negative impacts on the local consumption market and the economy as a whole will become more pronounced in the coming months and the operating environment will be even more severe and challenging. Looking forward, the Group will continue to launch quality and exquisite products by leveraging on our solid foundation and reputation. The management will also continue to ask for reduction of shop rental from landlords in order to minimise operating expenses. With the consolidation of our sales outlets, the operating expenses, especially the shop rental, are expected to reduce further. The management will continue to take cost cutting measures and improve operating efficiency by streamlining the operations and optimising internal resources in order to achieve 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, 2014.

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 period 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 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

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, 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 and records the same in the minutes of the relevant Board meetings.

REVIEW BY AUDITOR AND AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30th September, 2014 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, 2014.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 28th November, 2014

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 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.