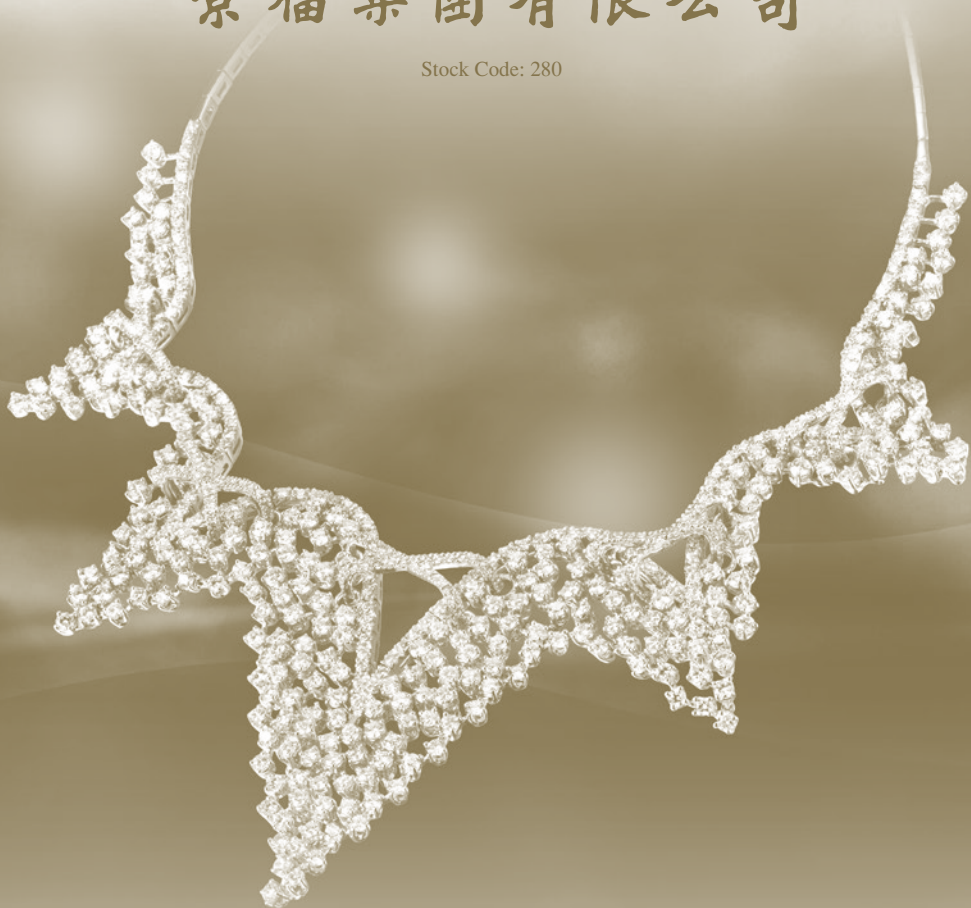




king fook holdings limited
景福集團有限公司

Stock Code: 280



for the six months ended 30th September, 2014
Interim Report

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Management Commentary

The Board of Directors of King Fook Holdings Limited (the “Company”) presents their report together with the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2014. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30th September, 2014, and the consolidated balance sheet as at 30th September, 2014 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 9 to 34 of this report.

Interim dividend

The Board of Directors 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 Group 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.

Management Commentary (Continued)

Business review and prospects (Continued)

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.

Investments

During the six months ended 30th September, 2014, the Group had disposed of all equity securities listed outside Hong Kong under available-for-sale investments.

Finance

At 30th September, 2014, the Group’s current assets and current liabilities were about HK\$1,008,686,000 and HK\$256,606,000 respectively. There were cash and cash equivalents of about HK\$88,126,000, bank loans of about HK\$161,000,000, unsecured gold loans of about HK\$25,521,000 and loan from a substantial shareholder of about HK\$25,000,000.

Based on the total borrowings of the Group of about HK\$211,521,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$763,629,000 at 30th September, 2014, the overall borrowings to equity ratio was 28%, which was at a healthy level.

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant.

Management Commentary (Continued)

Employees

At 30th September, 2014, the Group had about 253 employees. The employees (including directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward employees based on their performance. It also provides training programs to employees to improve the standard of customer services and for their further advancement.

Directors' interests

At 30th September, 2014, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register maintained by the Company under Section 352 of the Securities and Futures Ordinance (the "SFO") or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

	Number of ordinary shares held			Total	Percentage of shareholding
	Personal	Family	Corporate		
Mr. Tang Yat Sun, Richard	5,377,500	Nil	[#] 22,551,000	27,928,500	4.28%
Mr. Cheng Ka On, Dominic	2,622,000	Nil	Nil	2,622,000	0.40%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	[*] 4,755,000	4,755,000	0.73%

[#] These shares were held by Daily Moon Investments Limited ("Daily Moon") in which Mr. Tang has a 100% interest. Mr. Tang is deemed to be interested in all these shares held by Daily Moon.

^{*} These shares were held by Tak Hung (Holding) Co. Ltd. ("Tak Hung") in which Mr. Ho has a 40% interest. Mr. Ho is deemed to be interested in all these shares held by Tak Hung.

Save as disclosed above, at 30th September, 2014, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Management Commentary (Continued)

Substantial shareholder

At 30th September, 2014, the following person (other than a director or chief executive of the Company) had interest in the shares of the Company as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO:

<u>Name of shareholder</u>	<u>Number of ordinary shares held</u>	<u>Nature of interest</u>	<u>Percentage of shareholding</u>
Yeung Chi Shing Estates Limited	313,127,784	<i>Note</i>	47.98%

Note: 303,887,754 shares were beneficially owned by Yeung Chi Shing Estates Limited while 9,240,030 shares were of its corporate interest.

Save as disclosed above, at 30th September, 2014, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

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.

Share option scheme

On 27th August, 2004, the Company adopted a share option scheme (the "Scheme") under which the Board of Directors may grant options to eligible persons, including directors, employees or consultants of the Group, to subscribe for shares of the Company. The Company had not granted any option under the Scheme since its adoption and the Scheme expired on 26th August, 2014.

Model Code

The Company has adopted a code of conduct regarding directors' securities transactions on the terms of the Model Code. Having made specific enquiry of all the directors of the Company, all of them had complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the six months ended 30th September, 2014.

Management Commentary (Continued)

Corporate Governance Practices

The Company had complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30th September, 2014 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 of directors of the Company (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 set out on pages 9 to 34 have been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

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

Independent Auditor's Review Report



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TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the unaudited interim condensed consolidated financial statements set out on pages 9 to 34 which comprise the consolidated balance sheet of King Fook Holdings Limited as of 30th September, 2014 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on these unaudited interim condensed consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of unaudited interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Limited

香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Independent Auditor's Review Report (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong, 28th November, 2014

Consolidated Income Statement

For the six months ended 30th September, 2014

	Note	Unaudited Six months ended 30th September, 2014	
		HK\$'000	2013 HK\$'000
CONTINUING OPERATIONS			
Revenue	4	414,043	554,331
Cost of sales		(322,730)	(422,693)
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		(6,827)	(73)
Operating loss		(89,893)	(70,464)
Finance costs	5	(2,807)	(4,083)
Loss before taxation	6	(92,700)	(74,547)
Taxation	8	(14)	(14)
Loss for the period from continuing operations		(92,714)	(74,561)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	9	—	(3,648)
Loss for the period		(92,714)	(78,209)
Loss for the period attributable to:			
Shareholders of the Company			
Continuing operations		(92,711)	(74,559)
Discontinued operation		—	(3,648)
		(92,711)	(78,207)
Minority interests		(3)	(2)
		(92,714)	(78,209)
Losses per share for loss attributable to the shareholders of the Company for the period			
	11		
- Basic and diluted (HK cents)			
Continuing and discontinued operations		(14.2) cents	(14.2) cents
Continuing operations		(14.2) cents	(13.5) cents

Consolidated Statement of Comprehensive Income

For the six months ended 30th September, 2014

	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

As at 30th September, 2014

		Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
	Note		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	9,879	23,034
Investment properties		675	691
Available-for-sale investments	13	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	14	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	15	45,078	56,207
Tax payable		7	6
Gold loans, unsecured		25,521	24,850
Bank loans	16	161,000	201,000
Loan from a substantial shareholder	17	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	18	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		136	139
		<u>763,765</u>	<u>857,315</u>

Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2014

	Capital and reserves attributable to the shareholders of the Company						Minority interests	Total	
	Share capital HK\$'000	Share premium HK\$'000	Capital	Exchange	Investment	Retained	Total HK\$'000	HK\$'000	HK\$'000
			reserve on consolidation HK\$'000	reserve HK\$'000	revaluation reserve HK\$'000	profits HK\$'000			
Unaudited									
For the six months ended									
30th September, 2014									
At 1st April, 2014	241,021	—	24,753	10,791	1,128	579,483	857,176	139	857,315
Loss for the period	—	—	—	—	—	(92,711)	(92,711)	(3)	(92,714)
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	3,589	—	3,589	—	3,589
Reclassification adjustment upon disposal of available-for-sale investments	—	—	—	—	(4,717)	—	(4,717)	—	(4,717)
Exchange translation differences	—	—	—	292	—	—	292	—	292
Total comprehensive income for the period	—	—	—	292	(1,128)	(92,711)	(93,547)	(3)	(93,550)
At 30th September, 2014	241,021	—	24,753	11,083	—	486,772	763,629	136	763,765
Unaudited									
For the six months ended									
30th September, 2013									
At 1st April, 2013	108,768	17,575	24,753	10,955	—	710,712	872,763	142	872,905
Rights issue (note 18(ii))	54,384	65,261	—	—	—	—	119,645	—	119,645
Share issue expenses (note 18(iii))	—	(4,967)	—	—	—	—	(4,967)	—	(4,967)
Transactions with shareholders	54,384	60,294	—	—	—	—	114,678	—	114,678
Loss for the period	—	—	—	—	—	(78,207)	(78,207)	(2)	(78,209)
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	1,096	—	1,096	—	1,096
Exchange translation differences	—	—	—	220	—	—	220	—	220
Total comprehensive income for the period	—	—	—	220	1,096	(78,207)	(76,891)	(2)	(76,893)
At 30th September, 2013	163,152	77,869	24,753	11,175	1,096	632,505	910,550	140	910,690

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th September, 2014

	Unaudited	
	Six months ended	
	30th September,	
	2014	2013
	HK\$'000	HK\$'000
Net cash used in operating activities	(25,903)	(76,950)
Net cash generated from/(used in) investing activities	6,373	(427)
Net cash (used in)/generated from financing activities	(15,262)	92,459
Net (decrease)/increase in cash and cash equivalents	(34,792)	15,082
Cash and cash equivalents at the beginning of the period	122,634	74,176
Effect of foreign exchange rate changes, net	284	176
Cash and cash equivalents at the end of the period	88,126	89,434

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30th September, 2014

1. GENERAL INFORMATION AND BASIS OF PREPARATION

King Fook Holdings Limited (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 Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, diamond wholesaling and provision of construction services.

These 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. 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. These 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.

These 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 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 general manager 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:

Continuing operations

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the People's Republic of China
- (iii) Construction services
- (iv) Provision of travel related products and services

Discontinued operation

- (v) Securities broking

For the six months ended 30th September, 2014

3. SEGMENT INFORMATION (Continued)

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 (iv) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated with (i) because they have similar economic characteristics and (iv) is reported under "All others". Although (iii) also does not meet the quantitative thresholds, it is separately presented as it is a major business line of the Group. The top management has identified the Group's reportable segments as follows:

Continuing operations

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

Discontinued operation

- (d) Securities broking

Under HKFRS 8, *Operating Segments*, reported segment information is based on internal management reporting information that is regularly reviewed by the top management. The top management assesses segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements except as noted below.

Reportable segment assets and liabilities are all assets and liabilities excluding investments in securities, tax recoverable and payable, banks loans, loan from a substantial shareholder and corporate assets and liabilities as they are not included in the internal management reporting information reviewed by the top management. Segment result excludes corporate income and expenses, and income and expenses arising from investments in securities and income tax.

Corporate income and expenses mainly include management fee income and expense, interest income and expense, employee benefit expense and operating lease charge of the Company and investment holding companies. Corporate assets and liabilities mainly include property, plant and equipment and accrued expenses of the Company and investment holding companies.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

3. SEGMENT INFORMATION (Continued)

	Continuing operations				Total HK\$'000
	Retailing, bullion trading and diamond wholesaling HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination 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	(1,500)	—	—	—	(1,500)
Reportable segment results	<u>(101,088)</u>	<u>2,270</u>	<u>(88)</u>	<u>—</u>	<u>(98,906)</u>
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					4,717
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					55,795
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					7
Total liabilities per consolidated balance sheet					<u>256,823</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

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					462		462
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							92,059
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							6
Total liabilities per consolidated balance sheet							<u>282,357</u>

3. SEGMENT INFORMATION (Continued)

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
	<u> </u>	<u> </u>
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
	<u>407,496</u>	<u>549,400</u>
	-----	-----
Other revenue		
Revenue on construction contracts	3,143	1,433
Income from provision of travel related products and services	3,404	3,498
	<u>6,547</u>	<u>4,931</u>
	-----	-----
	414,043	554,331
DISCONTINUED OPERATION		
Turnover		
Commission from securities broking	—	913
	<u> </u>	<u> </u>
Total revenue	<u>414,043</u>	<u>555,244</u>
	-----	-----

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

5. FINANCE COSTS

	Unaudited Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Continuing operations		
Interest charges on:		
Financial liabilities at amortised cost:		
Bank loans, overdrafts and loan from a substantial shareholder wholly repayable within five years	2,408	3,719
Financial liabilities at fair value through profit or loss:		
Gold loans, unsecured wholly repayable within five years	399	364
	2,807	4,083

6. 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
	=====	=====

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

6. LOSS BEFORE TAXATION (Continued)

	Unaudited Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
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.

7. EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Continuing operations		
Wages, salaries and other benefits	42,295	48,638
Pension costs - defined contribution retirement schemes	2,099	2,343
Provision for long service payments	9	337
Reversal of provision for long service payments	(47)	(9)
	_____	_____
	44,356	51,309
	_____	_____

Employee benefit expense as shown above includes directors' and chief executive's emoluments.

8. 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>

9. 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, *Non-current Assets Held for Sale and Discontinued Operations*, 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><u>(3,648)</u></u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

9. DISCONTINUED OPERATION (Continued)

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	(11)
Total cash flows	<u>(639)</u>

Loss of the securities broking segment for the six months ended 30th September, 2013 was arrived after charging and (crediting):

	Unaudited HK\$'000
Depreciation of property, plant and equipment	2
Employee benefit expenses (including directors' and chief executive's emoluments and pension costs of defined contribution retirement schemes)	1,440
Interest income from financial assets at amortised cost	(21)
Operating lease charges in respect of property	497
Operating lease charges in respect of furniture and fixtures	<u>4</u>

10. 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).

11. 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 (note 18(ii)).

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
	<u> </u>	<u> </u>
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>92,711</u>	<u>74,559</u>

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

11. LOSSES PER SHARE (Continued)

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.

12. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$1,492,000 (for the six months ended 30th September, 2013: HK\$618,000) which mainly related to the acquisitions of leasehold improvements and furniture and equipment.

13. AVAILABLE-FOR-SALE INVESTMENTS

At 31st March, 2014, included in available-for-sale investments were investment in equity securities of a company (the "Investee Company"), with carrying amount of HK\$4,234,000, listed outside Hong Kong.

At 31st March, 2014, Mr. Yeung Ping Leung, Howard (a director of the Company) and Horsham Enterprises Limited (a company beneficially owned by Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company) held 38.7% and 5.1% equity interests respectively in the Investee Company.

The investment in equity securities of the Investee Company had been disposed of during the period.

14. 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
	91,930	94,556

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

14. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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
	11,852	17,998

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

15. 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
	45,078	56,207

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
	20,189	24,198

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

16. BANK LOANS

	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Bank loans		
- unsecured	151,000	176,000
- secured	10,000	25,000
	<u>161,000</u>	<u>201,000</u>

At 30th September, 2014, the bank loans are scheduled to be repaid as follows:

	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Within one year or on demand and classified as current liabilities	<u>161,000</u>	<u>201,000</u>

At 30th September, 2014, the bank loan of HK\$10,000,000 (at 31st March, 2014: HK\$25,000,000) was secured by an insurance policy with coverage of HK\$19,395,000 (at 31st March, 2014: HK\$19,383,000).

Bank loans of HK\$36,000,000 are subject to the fulfillment of certain covenants. In the circumstances when the covenants were not met, the drawn down facilities would become payable on demand. At 30th September, 2014, certain covenants of the bank loans were not met, which primarily relate to the Group's interest coverage. No waiver has been obtained by the Group from the lenders on or before 30th September, 2014 and the bank loans were classified as a portion under current liability accordingly.

Subsequent to the end of the reporting period, the Group had received a waiver from the bank in respect of bank loans of HK\$36,000,000 in relation to the covenants.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

17. LOAN FROM A SUBSTANTIAL SHAREHOLDER

During the period, a loan of HK\$25,000,000 advanced from Yeung Chi Shing Estates Limited, a substantial shareholder of the Company, is unsecured, interest-bearing at 2.5% per annum and repayable on demand.

18. SHARE CAPITAL

	Note	Number of ordinary shares of HK\$0.25 each	HK\$'000
Authorised:			
At 1st April, 2013 (unaudited)		620,000,000	155,000
Increase in share capital	(i)	580,000,000	145,000
The concept of authorised share capital is abolished on 3rd March, 2014	(iii)	(1,200,000,000)	(300,000)
At 31st March, 2014 (audited), 1st April, 2014 (unaudited) and 30th September, 2014 (unaudited)		—	—
	Note	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Issued and fully paid:			
At 1st April, 2014:			
652,607,475 ordinary shares with no par value (at 1st April, 2013: 435,071,650 ordinary shares of HK\$0.25 each)		241,021	108,768
Issue of new shares under rights issue of 217,535,825 ordinary shares of HK\$0.25 each	(ii)	—	54,384
Transfer from share premium account on 3rd March, 2014	(iii)	—	77,869
652,607,475 (at 31st March, 2014: 652,607,475) ordinary shares with no par value		241,021	241,021

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

18. SHARE CAPITAL (Continued)

Note:

- (i) Pursuant to an ordinary resolution passed on 29th May, 2013, the authorised share capital of the Company has increased from HK\$155,000,000 to HK\$300,000,000 by the creation of 580,000,000 additional shares of HK\$0.25 each, ranking pari passu in all respects with the existing shares of the Company.
- (ii) On 28th June, 2013, the Company completed the rights issue by issuing 217,535,825 rights shares on the basis of one rights share for every two existing shares, at a subscription price of HK\$0.55 per rights share. The cash proceeds of approximately HK\$119,645,000, before share issue expenses of approximately HK\$4,967,000, are used to finance the repayment of existing debts and for general working capital of the Group. The issue of rights shares has resulted in the increase in share capital and share premium account of the Company by approximately HK\$54,384,000 and HK\$65,261,000 respectively. These rights shares rank pari passu with the then existing shares of the Company in issue in all respects.
- (iii) Under Section 135 of the Hong Kong Companies Ordinance, Cap. 622 (the "New Companies Ordinance"), which came into effect on 3rd March, 2014, shares in a company do not have nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to the Company. Following the transitional and saving provisions in the New Companies Ordinance, share premium account became part of the Company's share capital at the beginning of 3rd March, 2014.

19. OPERATING LEASE COMMITMENTS

(a) Future operating lease payables

The total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	Unaudited As at 30th September, 2014			Audited As at 31st March, 2014		
	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	Other assets HK\$'000	Total HK\$'000
Within one year	123,438	267	123,705	180,518	306	180,824
In the second to fifth years, inclusive	116,517	—	116,517	141,868	114	141,982
	<u>239,955</u>	<u>267</u>	<u>240,222</u>	<u>322,386</u>	<u>420</u>	<u>322,806</u>

The Group leases a number of land and buildings and other assets under operating leases. The leases of land and buildings run for an initial period of one to four years (at 31st March, 2014: one to four years) and the lease of other assets runs for an initial period of two years (at 31st March, 2014: two years).

Certain leasing arrangements have been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to calculate the above commitments.

19. OPERATING LEASE COMMITMENTS (Continued)**(b) Future operating lease receivables**

The total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Within one year	181	451

The Group leases out its investment properties under operating lease arrangements which run for an initial period of one to two years (at 31st March, 2014: one to two years).

20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

		Unaudited Six months ended 30th September, 2014 HK\$'000	2013 HK\$'000
Operating lease rental on land and buildings paid to:			
Stanwick Properties Limited	(a)	6,152	5,204
Contender Limited	(b)	12,668	15,319
Fabrico (Mfg) Limited	(c)	66	150
Shahdan Limited	(d)	473	422
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	(a)	153	153
Management fees, rates and air-conditioning charges paid to:			
Stanwick Properties Limited	(a)	605	575
Contender Limited	(b)	1,411	1,388
Shahdan Limited	(d)	114	104
Interest payable/paid to Yeung Chi Shing Estates Limited	(e)	98	208

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30th September, 2014

20. RELATED PARTY TRANSACTIONS (Continued)

The above related party transactions were entered into on normal commercial terms.

Note:

- (a) The operating lease rental, management fees and air-conditioning charges were paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group. Stanwick is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company, together with other members of their family control the management of Yeung Chi Shing Estates Limited.
- (b) The operating lease rental, management fees, rates and air-conditioning charges were paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar") for the shop premises occupied and the advertising signboards and showcases used by the Group. Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.
- (c) The operating lease rental was paid to Fabrico (Mfg) Limited ("Fabrico") for the premises occupied by the Group. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).
- (d) The operating lease rental, management fees, rates and air-conditioning charges were paid to Shahdan Limited ("Shahdan") for the office premises occupied by the Group. Shahdan is a wholly owned subsidiary of Miramar (note (b)).
- (e) The interest expenses were payable/paid to Yeung Chi Shing Estates Limited in relation to the loan from a substantial shareholder (note 17).
- (f) Compensation of key management personnel

The remuneration of directors (executive and non-executive) and other members of key management during the period was as follows:

	Unaudited Six months ended 30th September,	
	2014	2013
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	4,402	5,692
Pension costs - defined contribution retirement schemes	194	199
	<u>4,596</u>	<u>5,891</u>

21. FAIR VALUE MEASUREMENTS

The financial assets and liabilities measured at fair value in the balance sheet are set out as follows:

	Unaudited As at 30th September, 2014 HK\$'000	Audited As at 31st March, 2014 HK\$'000
Assets		
Available-for-sale investments - listed	—	4,234
Investments at fair value through profit or loss	1,028	8,208
Total fair values	1,028	12,442
Liabilities		
Gold loans, unsecured	25,521	24,850
Total fair values	25,521	24,850
Net fair values	(24,493)	(12,408)

The fair values of all listed securities are determined by reference to the quoted market bid price available to the relevant exchanges.

The Company followed HKFRS 13, *Fair Value Measurement*, which introduce a three level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

For the six months ended 30th September, 2014

21. FAIR VALUE MEASUREMENTS (Continued)

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31st March, 2014 and 30th September, 2014, the available-for-sale investments, investments at fair value through profit or loss and unsecured gold loans are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

There were no transfers between levels in the reporting period.

22. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28th November, 2014.

By order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 28th November, 2014

At the date of this report, 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.