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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, 2011

The Board of Directors of King Fook Holdings Limited (the “Company”) announces that the unaudited consolidated profit of the Company and its subsidiaries (the “Group”) attributable to the shareholders of the Company for the six months ended 30th September, 2011 amounted to HK\$11,313,000.

CONSOLIDATED INCOME STATEMENT

	Note	Unaudited	
		2011	2010
		HK\$'000	HK\$'000
Revenue	4	696,791	524,454
Cost of sales		<u>(489,691)</u>	<u>(381,465)</u>
Gross profit		207,100	142,989
Other operating income		8,244	10,168
Distribution and selling costs		(153,464)	(96,369)
Administrative expenses		(39,972)	(37,776)
Other operating expenses		<u>(4,671)</u>	<u>(692)</u>
Operating profit		17,237	18,320
Finance costs		(1,594)	(1,183)
Share of loss of a jointly controlled entity		<u>(23)</u>	<u>(83)</u>
Profit before taxation	5	15,620	17,054
Taxation	6	<u>(4,302)</u>	<u>(3,320)</u>
Profit for the period		11,318	13,734
Profit for the period attributable to:			
Shareholders of the Company		11,313	13,701
Minority interests		<u>5</u>	<u>33</u>
		11,318	13,734
Earnings per share for profit attributable to the shareholders of the Company during the period	8		
- Basic (HK cents)		2.6 cents	3.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
Profit for the period	11,318	13,734
Other comprehensive income		
Change in fair value of available-for-sale investments	(75,378)	30,079
Exchange translation differences	1,155	1,167
Other comprehensive income for the period	(74,223)	31,246
Total comprehensive income for the period	(62,905)	44,980
Total comprehensive income for the period attributable to:		
Shareholders of the Company	(62,910)	44,947
Minority interests	5	33
	(62,905)	44,980

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Unaudited As at 30th September, 2011 HK\$'000	Audited As at 31st March, 2011 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		37,542	40,836
Investment properties		774	790
Interests in jointly controlled entities		22	22
Available-for-sale investments		161,912	237,386
Other assets		2,196	2,196
		<u>202,446</u>	<u>281,230</u>
Current assets			
Inventories		857,968	800,689
Debtors, deposits and prepayments	9	171,501	142,370
Amount due from a jointly controlled entity		2,348	-
Investments at fair value through profit or loss		13,175	20,009
Trust bank balances held on behalf of clients		2,071	1,914
Cash and cash equivalents		63,704	69,799
		<u>1,110,767</u>	<u>1,034,781</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	10	123,634	116,209
Amount due to a jointly controlled entity		22	22
Taxation payable		7,150	4,485
Gold loans, unsecured		30,912	27,042
Bank loans, unsecured		141,832	81,166
		<u>303,550</u>	<u>228,924</u>
Net current assets		<u>807,217</u>	<u>805,857</u>
Total assets less current liabilities		<u>1,009,663</u>	<u>1,087,087</u>
Non-current liabilities			
Bank loans, unsecured		55,000	65,000
Provision for long service payments		393	1,431
		<u>55,393</u>	<u>66,431</u>
Net assets		<u>954,270</u>	<u>1,020,656</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital		108,768	108,768
Other reserves		203,130	277,353
Retained profits			
Proposed dividend		653	3,481
Others		641,570	630,910
		<u>954,121</u>	<u>1,020,512</u>
Minority interests		<u>149</u>	<u>144</u>
		<u>954,270</u>	<u>1,020,656</u>

Note:

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It has been prepared in accordance with the same accounting policies adopted in the Group’s annual financial statements for the year ended 31st March, 2011, except for the adoption of the revised or amended Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as disclosed in note 2 below.

The interim financial report is unaudited, but has 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. It does 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, 2011.

2. ADOPTION OF REVISED OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following revised or 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, 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

2.1 Amendment to HKAS 34: *Interim Financial Reporting*

It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change only results in additional disclosure.

2.2 Amendment to HK(IFRIC) - Interpretation 13: *Customer Loyalty Programmes*

It clarifies that the “fair value” of award credits should take into account the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale, and any expected forfeitures.

2.3 Adoption of HKAS 24 (Revised): *Related Party Disclosures*

It clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government.

The adoption of these revised or amended HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

3. SEGMENT INFORMATION

The Group's reporting segments are as follows:

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

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Unaudited						
For the six months ended						
30th September, 2011						
Revenue						
From external customers	656,487	2,372	32,693	5,239	-	696,791
Inter-segment sales	-	-	-	10	(10)	-
Reportable segment revenue	<u>656,487</u>	<u>2,372</u>	<u>32,693</u>	<u>5,249</u>	<u>(10)</u>	<u>696,791</u>
Interest income	48	49	-	-	-	97
Finance costs	(4,851)	-	(234)	-	-	(5,085)
Depreciation	(5,870)	(94)	(313)	(27)	-	(6,304)
Share of loss of a jointly controlled entity	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23)</u>
Reportable segment results	18,538	(3,570)	(2,143)	1,002	-	13,827
Corporate income						30,076
Corporate expenses						(30,463)
Dividend income						5,990
Fair value change of investments at fair value through profit or loss held for trading						<u>(3,810)</u>
Profit before taxation						<u>15,620</u>
Unaudited						
At 30th September, 2011						
Reportable segment assets	1,030,999	30,601	40,150	7,041	-	1,108,791
Corporate assets						29,335
Available-for-sale investments						161,912
Investments at fair value through profit or loss						<u>13,175</u>
Total assets per consolidated balance sheet						<u>1,313,213</u>
Reportable segment liabilities	116,552	7,653	12,794	7,723	-	144,722
Corporate liabilities						207,071
Taxation payable						<u>7,150</u>
Total liabilities per consolidated balance sheet						<u>358,943</u>

3. SEGMENT INFORMATION (Continued)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Unaudited						
For the six months ended						
30th September, 2010						
Revenue						
From external customers	504,291	2,760	13,271	4,132	-	524,454
Inter-segment sales	-	-	-	19	(19)	-
Reportable segment revenue	<u>504,291</u>	<u>2,760</u>	<u>13,271</u>	<u>4,151</u>	<u>(19)</u>	<u>524,454</u>
Interest income	157	43	-	-	-	200
Finance costs	(5,649)	-	(71)	-	-	(5,720)
Depreciation	(3,508)	(153)	(244)	(31)	-	(3,936)
Share of loss of a jointly controlled entity	-	-	(83)	-	-	(83)
Reportable segment results	<u>17,125</u>	<u>(2,246)</u>	<u>(1,004)</u>	<u>429</u>	<u>-</u>	<u>14,304</u>
Corporate income						25,122
Corporate expenses						(28,760)
Dividend income						6,852
Fair value change of investments at fair value through profit or loss held for trading						<u>(464)</u>
Profit before taxation						<u>17,054</u>
Audited						
At 31st March, 2011						
Reportable segment assets	947,012	40,591	20,085	8,768	-	1,016,456
Corporate assets						42,160
Available-for-sale investments						237,386
Investments at fair value through profit or loss						<u>20,009</u>
Total assets per consolidated balance sheet						<u>1,316,011</u>
Reportable segment liabilities	101,102	18,378	6,832	10,483	-	136,795
Corporate liabilities						154,075
Taxation payable						<u>4,485</u>
Total liabilities per consolidated balance sheet						<u>295,355</u>

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

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

4. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which includes the Group's turnover and other revenue, recognised during the period comprised the following:

	Unaudited	
	Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	636,200	484,040
Bullion trading	15,428	16,794
Commission from securities broking	2,372	2,760
Diamond wholesaling	4,859	3,457
	<u>658,859</u>	<u>507,051</u>
Other revenue		
Revenue on construction contracts	32,693	13,271
Income from provision of travel related products and services	5,239	4,132
	<u>37,932</u>	<u>17,403</u>
Total revenue	<u><u>696,791</u></u>	<u><u>524,454</u></u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	Unaudited	
	Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
Charging:		
Cost of inventories, including	489,132	382,709
- provision for and write down of inventories to net realisable value	2,043	1,410
- reversal of write down of inventories	(4,968)	(4,370)
Depreciation of property, plant and equipment	6,813	4,583
Depreciation of investment properties	16	17
Fair value change of investments at fair value through profit or loss held for trading	3,810	464
Foreign exchange loss, net	678	-
Loss on write off/disposal of property, plant and equipment	22	207
Operating lease charges in respect of properties	103,812	60,748
Operating lease charges in respect of furniture and fixtures	309	153
Outgoings in respect of investment properties	31	42
Provision for impairment losses of debtors		
- provided against allowance account	160	21
	_____	_____
Crediting:		
Dividend income	5,990	6,852
Foreign exchange gain, net	-	2,053
Interest income from financial assets at amortised cost	303	356
Rental income		
- owned properties	330	381
- operating sub-leases	15	-
Reversal of provision for impairment loss of interest in a jointly controlled entity	1,224	-
Write back of provision for long service payments	965	-
	_____	_____

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

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the period. 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,	
	2011	2010
	HK\$'000	HK\$'000
Current tax		
- Hong Kong		
Current period	4,286	3,316
- Overseas		
Current period	16	4
Taxation charge	<u>4,302</u>	<u>3,320</u>

7. DIVIDEND

(a) Dividend attributable to the period

	Unaudited	
	Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of HK0.15 cent (note (ii)) (2010: HK0.2 cent (note (i))) per ordinary share	<u>653</u>	<u>870</u>

Note:

- (i) At a meeting held on 18th November, 2010, the Board of Directors declared an interim dividend of HK0.2 cent per ordinary share for the year ended 31st March, 2011. This interim dividend was paid on 20th December, 2010 and was reflected as an appropriation of retained profits for the year ended 31st March, 2011.
- (ii) At a meeting held on 25th November, 2011, the Board of Directors declared an interim dividend of HK0.15 cent per ordinary share for the year ending 31st March, 2012. This proposed interim dividend is not reflected as dividend payable in the interim financial report, but will be reflected as an appropriation of retained profits for the year ending 31st March, 2012.

(b) Dividend attributable to the previous financial year

	Unaudited	
	Six months ended 30th September,	
	2011	2010
	HK\$'000	HK\$'000
2011 final dividend of HK0.8 cent per ordinary share (2010: 2010 final dividend of HK1.2 cents per ordinary share)	<u>3,481</u>	<u>5,221</u>

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$11,313,000 (six months ended 30th September, 2010: HK\$13,701,000) and on 435,071,650 (2010: 435,071,650) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30th September, 2011 was not presented as there were no dilutive potential ordinary shares during the period (six months ended 30th September, 2010: Nil).

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Trade debtors	55,061	48,980
Other receivables	37,377	28,435
Deposits and prepayments	67,063	52,955
Insurance claim receivable	12,000	12,000
	<u>171,501</u>	<u>142,370</u>

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

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Within 30 days	31,199	38,458
31 - 90 days	13,354	2,214
More than 90 days	10,508	8,308
	<u>55,061</u>	<u>48,980</u>

The trade debtors as at 30th September, 2011 consisted of receivables from customers of the securities broking business amounting to HK\$5,161,000 (at 31st March, 2011: HK\$17,804,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

10. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Trade payables	58,489	38,620
Other payables and accruals	50,380	64,025
Dividend payable	3,481	-
Deposits received and deferred income	10,609	12,889
Other provision	675	675
	123,634	116,209

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

	Unaudited 30th September, 2011 HK\$'000	Audited 31st March, 2011 HK\$'000
Within 30 days	44,050	35,972
31 - 90 days	12,584	996
More than 90 days	1,855	1,652
	58,489	38,620

Interim dividend

The Board of Directors has resolved the payment of an interim dividend of HK0.15 cent (for the year ended 31st March, 2011: HK0.2 cent) per ordinary share for the year ending 31st March, 2012, payable to all shareholders whose names appear on the Register of Members of the Company on 28th December, 2011. The interim dividend will be paid on or about 5th January, 2012.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 21st December, 2011 to Wednesday, 28th December, 2011, both days inclusive, during which period no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 20th December, 2011 in order to qualify for the interim dividend above mentioned.

Business review and prospects

The operating environment of the Group during the period under review continued to be challenging. The revenue of the Group increased by 32.9% to HK\$696,791,000 over the same period last year mainly due to the growth in turnover of its gold ornament, jewellery, watch, fashion and gift retail business as a result of the continued strong demands of visitors from Mainland China. However, the consolidated profit attributable to the shareholders of the Company for the six months ended 30th September, 2011 decreased by 17.4% from HK\$13,701,000 to HK\$11,313,000, mainly caused by the substantial increase in lease rental of the retail shops. As a result of the unfavourable equity market conditions caused by the uncertainty of the EU sovereign debt crisis and concern of double-dipped US economy, an unfavourable change of HK\$75,378,000 in fair value of the Group's available-for-sale investment for the period under review was recorded as opposed to a favourable change of HK\$30,079,000 for the same period last year. The total comprehensive income for the period fell substantially by HK\$107,885,000 to a negative income of HK\$62,905,000 from a positive income of HK\$44,980,000 for the previous period.

During the period under review, the Group participated in a wide spectrum of marketing activities and publicity campaigns to strengthen its brand positioning which covered the Group's exclusive jewellery brands from Italy such as Annamaria Cammilli, Palmiero and Mattia Cielo. The highlights of such activities included an exclusive jewellery exhibition of the latest collection of Mattia Cielo at Mandarin Oriental, Hong Kong, an exclusive preview of Annamaria Cammilli's jewellery including the latest 2011 Basel collection at Four Seasons Hotel Hong Kong and a private banquet held by Palmiero at Grand Hyatt Hong Kong. The Group also participated in the "Extravagant Simplicity" Fund-raising Gala for Crossroads Foundation hosted by the renowned Hong Kong fashion designer Barney Cheng in May 2011.

In view of the possible adverse effects of the uncertain economic conditions in Europe and the US on Mainland China and Hong Kong, the management expects that the operating environment for the Group will continue to be challenging and competition within the luxury goods retail sector will remain keen. In view of such circumstances, the management will closely evaluate the overall business outlook and will adjust its pace of development accordingly. The Group will also be more prudent in cost management and strive to optimise its internal resources in order to achieve a higher degree of cost-efficiency.

Purchase, sale or redemption of shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30th September, 2011.

Code on Corporate Governance Practices

The Company is committed to maintaining high standard corporate governance practices. It met all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules at any time during the six months ended 30th September, 2011 except that the non-executive directors 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.

Review by auditor and audit committee

The unaudited interim financial results of the Company for the six months ended 30th September, 2011 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 financial results for the six months ended 30th September, 2011.

By Order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 25th November, 2011

As at the date of this announcement, the executive directors of the Company are Mr. Yeung Ping Leung, Howard, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth and Ms. Fung Chung Yee, Caroline; the non-executive directors are Mr. Wong Wei Ping, Martin, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Yeung Ka Shing; and the independent non-executive directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter and Mr. Chan Chak Cheung, William.