



king fook holdings limited
景福集團有限公司

Stock Code: 280



for the 6 months ended 30 September 2016
Interim Report

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Management Commentary

The Board of Directors (the “Board”) 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 30 September 2016. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 September 2016, and the consolidated balance sheet as at 30 September 2016 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 the Company has resolved not to declare an interim dividend for the year ending 31 March 2017 (for the year ended 31 March 2016: Nil) to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Group Results

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

Business Review

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

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

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Future Outlook

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

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

Financial Review

Finance

At 30 September 2016, the Group's current assets and current liabilities were about HK\$808,349,000 and HK\$129,827,000 respectively. There were cash and cash equivalents of about HK\$106,623,000, bank loans of about HK\$84,000,000 and unsecured gold loan of about HK\$19,601,000.

Based on the total borrowings of the Group of about HK\$103,601,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$685,060,000 at 30 September 2016, the overall borrowings to equity ratio was 15.1%, which was at a healthy level.

Foreign Exchange

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

Management Commentary (Continued)

EMPLOYEES

At 30 September 2016, the Group had about 151 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.

DISCLOSURE OF INTERESTS

At 30 September 2016, 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 otherwise 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	Trust		
Mr. Tang Yat Sun, Richard	7,528,500	Nil	[#] 31,571,400	Nil	39,099,900	4.28%
Mr. Cheng Ka On, Dominic	2,622,000	Nil	Nil	Nil	2,622,000	0.29%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	[*] 6,657,000	Nil	6,657,000	0.73%
Dr. Fung Yuk Bun, Patrick	Nil	Nil	Nil	[^] 5,856,517	5,856,517	0.64%

[#] These shares were held by Daily Moon Investments Limited ("Daily Moon"). As Mr. Tang has a 100% interest in Daily Moon, he 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"). As Mr. Ho has a 40% interest in Tak Hung, he is deemed to be interested in all these shares held by Tak Hung.

[^] These shares were ultimately held by Federal Trust Co. Ltd. as trustee of The Ng Yip Shing Trust, under which Dr. Fung is a beneficiary. Dr. Fung is deemed to be interested in all these shares held by The Ng Yip Shing Trust.

Save as disclosed above, at 30 September 2016, 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.

With effect on 18 October 2016, the remuneration of Ms. Lau Kit Yee, Christina, the chief executive of the Company, has been revised to include an allowance of HK\$20,000 per month and medical insurance cover in addition to her basic salary.

Management Commentary (Continued)

SUBSTANTIAL SHAREHOLDER

At 30 September 2016, 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	547,539,057	Note	59.93%

Note: 534,603,015 shares were beneficially owned by Yeung Chi Shing Estates Limited while 12,936,042 shares were of its corporate interest.

Save as disclosed above, at 30 September 2016, 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 has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2016.

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 30 September 2016.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Corporate Governance Code (the "Code") set out in appendix 14 to the Listing Rules throughout the six months ended 30 September 2016 except the deviations as explained below:

Code provision A.4.1

In respect of code provision A.4.1 of the Code, the non-executive directors of the Company were not appointed for a specific term, but each of them is subject to retirement by rotation at annual general meeting of the Company at least once every 3 years in accordance with the Articles of Association of the Company. The retiring directors shall be eligible for re-election.

Management Commentary (Continued)

CORPORATE GOVERNANCE PRACTICES (Continued)

Code provisions A.5.1 to A.5.4

In respect of code provisions A.5.1 to A.5.4 of the Code, the Company has not established a nomination committee. In view of the current structure of the Board of the Company and the 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

As far as code provision D.1.4 of the Code is concerned, except for Mr. Yeung Ping Leung, Howard (who ceased to be a director of the Company on 1 July 2016), the Company does not have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Board decides on the key terms and conditions of the appointment of the directors of the Company from time to time which are recorded in the relevant board minutes.

REVIEW BY AUDITOR AND AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 September 2016 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 system of risk management and internal control and financial reporting matters and these unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 March 2016 included in this report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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 interim financial information set out on pages 9 to 34 which comprise the consolidated balance sheet of King Fook Holdings Limited as of 30 September 2016 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 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 interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made 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 interim financial information 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

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Independent Auditor's Review Report (Continued)

Conclusion

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

BDO Limited

Certified Public Accountants

Leung Tze Wai

Practising Certificate Number P06158

Hong Kong, 25 November 2016

Consolidated Income Statement

For the six months ended 30 September 2016

		Unaudited	
		Six months ended 30 September	
		2016	2015
<i>Note</i>		HK\$'000	HK\$'000
CONTINUING OPERATIONS			
	Revenue	202,510	322,835
	Cost of sales	(153,775)	(256,233)
	Gross profit	48,735	66,602
	Other operating income	3,303	1,613
	Distribution and selling costs	(82,023)	(97,070)
	Administrative expenses	(20,731)	(24,156)
	Other operating expenses	(254)	(4,348)
	Operating loss	(50,970)	(57,359)
	Finance costs	(1,832)	(2,286)
	Loss before taxation	(52,802)	(59,645)
	Taxation	(1,436)	12
	Loss for the period from continuing operations	(54,238)	(59,633)
DISCONTINUED OPERATION			
	Loss for the period from discontinued operation	—	(318)
	Loss for the period	(54,238)	(59,951)
Loss for the period attributable to:			
	Shareholders of the Company		
	Continuing operations	(54,235)	(59,612)
	Discontinued operation	—	(318)
		(54,235)	(59,930)
	Minority interests	(3)	(21)
		(54,238)	(59,951)
		HK cent	HK cent
Loss per share for loss attributable to the shareholders of the Company for the period			
	- Basic and diluted		
	Continuing and discontinued operations	(5.9)	(8.8)
	Continuing operations	(5.9)	(8.7)

Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

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

Consolidated Balance Sheet

As at 30 September 2016

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
<i>Note</i>		
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	12 3,464	4,506
Investment properties	610	626
Available-for-sale investments	13 864	864
Deferred tax assets	1,762	3,198
	<u>6,700</u>	<u>9,194</u>
Current assets		
Inventories	619,800	698,816
Debtors, deposits and prepayments	14 55,651	53,889
Investments at fair value through profit or loss	15 26,275	24,577
Cash and cash equivalents	106,623	105,101
	<u>808,349</u>	<u>882,383</u>
Current liabilities		
Creditors, deposits received, accruals and deferred income	16 26,226	28,529
Tax payable	—	7
Gold loan, unsecured	19,601	18,172
Bank loans	17 84,000	105,000
	<u>129,827</u>	<u>151,708</u>
Net current assets	<u>678,522</u>	<u>730,675</u>
Total assets less current liabilities	<u>685,222</u>	<u>739,869</u>
Non-current liability		
Provision for long service payments	53	99
Net assets	<u>685,169</u>	<u>739,770</u>
CAPITAL AND RESERVES		
Capital and reserves attributable to the shareholders of the Company		
Share capital	18 393,354	393,354
Other reserves	34,881	35,244
Retained profits	256,825	311,060
	<u>685,060</u>	<u>739,658</u>
Minority interests	109	112
	<u>685,169</u>	<u>739,770</u>

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Capital and reserves attributable to the shareholders of the Company				Total	Minority interests	Total
	Share capital	Capital reserve	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited							
For the six months ended 30 September 2016							
At 1 April 2016	393,354	24,753	10,491	311,060	739,658	112	739,770
Loss for the period	—	—	—	(54,235)	(54,235)	(3)	(54,238)
Other comprehensive income:							
Exchange differences on translation	—	—	(363)	—	(363)	—	(363)
Total comprehensive income for the period	—	—	(363)	(54,235)	(54,598)	(3)	(54,601)
At 30 September 2016	393,354	24,753	10,128	256,825	685,060	109	685,169
Unaudited							
For the six months ended 30 September 2015							
At 1 April 2015	241,021	24,753	11,449	430,232	707,455	133	707,588
Rights issue (note 18)	156,626	—	—	—	156,626	—	156,626
Share issue expenses (note 18)	(4,293)	—	—	—	(4,293)	—	(4,293)
	152,333	—	—	—	152,333	—	152,333
Loss for the period	—	—	—	(59,930)	(59,930)	(21)	(59,951)
Other comprehensive income:							
Exchange differences on translation	—	—	(598)	—	(598)	—	(598)
Total comprehensive income for the period	—	—	(598)	(59,930)	(60,528)	(21)	(60,549)
At 30 September 2015	393,354	24,753	10,851	370,302	799,260	112	799,372

Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Note	Unaudited	
		Six months ended 30 September 2016 HK\$'000	2015 HK\$'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss before working capital changes	19	(49,314)	(40,618)
Decrease/(increase) in inventories		76,406	(37)
Increase in debtors, deposits and prepayments		(3,707)	(10,141)
Increase in creditors, deposits received, accruals and deferred income		21	6,987
Dividends received from investments at fair value through profit or loss		513	5
Change in investments at fair value through profit or loss		(474)	(34,810)
Refund of other assets		—	176
Interest received		98	118
Hong Kong profits tax refunded		—	58
Overseas tax paid		(7)	(15)
Long service payments paid		(20)	—
<i>Net cash generated from/(used in) operating activities</i>		23,516	(78,277)
CASH FLOWS FROM INVESTING ACTIVITIES			
Liquidation of a subsidiary		—	(111)
Proceeds from disposal of property, plant and equipment		690	125
Purchase of property, plant and equipment		(885)	(1,500)
Net proceeds on disposal of a subsidiary	21	987	—
<i>Net cash generated from/(used in) investing activities</i>		792	(1,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(1,714)	(2,221)
Repayment of bank loans		(21,000)	(21,500)
Proceeds from issue of rights shares		—	156,626
Share issue expenses		—	(4,293)
<i>Net cash (used in)/generated from financing activities</i>		(22,714)	128,612
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		1,594	48,849
Cash and cash equivalents at the beginning of the period		105,101	117,788
Effect of foreign exchange rates changes, net		(72)	(569)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
		106,623	166,068

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

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 and diamond wholesaling.

These unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 March 2016, except for the adoption of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2016.

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 amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2016:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative: Presentation of financial statements

The adoption of these amendments to HKFRSs has no significant impact on the Group's consolidated 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 chief executive for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major product and service lines. The Group has identified the following operating segments:

Continuing operations

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the People's Republic of China
- (iii) Provision of travel related products and services (the subsidiary operated this business was disposed of during the period as detailed in note 21)

Discontinued operation

- (iv) Construction services

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

Continuing operations

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

Discontinued operation

- (c) Construction services

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 or loss. 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 at fair value through profit or loss, available-for-sale investments, deferred tax assets, tax payable, bank loans, corporate assets and liabilities and cash and cash equivalents managed by corporate as they are not included in the internal management segment reporting information which is reviewed by the top management. Segment result excludes corporate income and expenses, fair value change of investments at fair value through profit or loss, gain on disposal of a subsidiary, dividend income 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.

3. SEGMENT INFORMATION (Continued)

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

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

For the six months ended 30 September 2016

3. SEGMENT INFORMATION (Continued)

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

3. SEGMENT INFORMATION (Continued)

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

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

4. REVENUE

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

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Gold ornament, jewellery, watch, fashion and gift retailing	194,406	312,933
Bullion trading	6,847	4,854
Diamond wholesaling	704	1,274
Income from provision of travel related products and services	553	3,774
	<u> </u>	<u> </u>
Total revenue	202,510	322,835
	<u> </u>	<u> </u>

5. FINANCE COSTS

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Interest charges on:		
Financial liability at amortised cost:		
Bank loans	1,440	1,985
Financial liability at fair value through profit or loss:		
Gold loan, unsecured	392	301
	<u> </u>	<u> </u>
	1,832	2,286
	<u> </u>	<u> </u>

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

For the six months ended 30 September 2016

6. LOSS BEFORE TAXATION

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

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

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

7. EMPLOYEE BENEFIT EXPENSE

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Continuing operations		
Wages, salaries and other benefits	26,413	31,021
Pension costs - defined contribution retirement schemes	1,351	1,582
Reversal of provision for long service payments	(26)	(43)
	<u>27,738</u>	<u>32,560</u>

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 30 September 2015: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

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

For the six months ended 30 September 2016

8. TAXATION (Continued)

The amount of taxation charged/(credited) to the consolidated income statement represents:

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

9. DISCONTINUED OPERATION

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

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

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

9. DISCONTINUED OPERATION (Continued)

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

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

Loss of the construction services segment for the six months ended 30 September 2015 was arrived after charging:

	Unaudited HK\$'000
Employee benefit expenses (including pension costs of defined contribution retirement scheme)	<u><u>130</u></u>

10. DIVIDEND

At a meeting held on 25 November 2016, the Board of Directors (the "Board") of the Company resolved not to declare an interim dividend for the year ending 31 March 2017 (for the year ended 31 March 2016: Nil).

For the six months ended 30 September 2016

11. LOSS PER SHARE

Continuing and discontinued operations

The calculation of basic loss per share is based on the consolidated loss attributable to the shareholders of the Company of HK\$54,235,000 (for the six months ended 30 September 2015: HK\$59,930,000) and on 913,650,465 (for the six months ended 30 September 2015: the weighted average number of 683,989,692) ordinary shares in issue during the period.

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

Continuing operations

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

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

Discontinued operation

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

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

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

12. CAPITAL EXPENDITURES

During the period, the Group incurred capital expenditures of approximately HK\$885,000 (for the six months ended 30 September 2015: HK\$1,500,000) which mainly related to the acquisitions of leasehold improvements, and furniture and equipment.

13. AVAILABLE-FOR-SALE INVESTMENTS

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
Unlisted equity securities, at cost less impairment	508	508
Membership licence, at cost	356	356
	864	864

14. DEBTORS, DEPOSITS AND PREPAYMENTS

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

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

For the six months ended 30 September 2016

14. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

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

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	23,092	22,016
Listed outside Hong Kong	3,183	2,561
	26,275	24,577

The above investments are classified as held for trading.

Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the end of the reporting period.

For the six months ended 30 September 2016

16. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

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

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

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

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

For the six months ended 30 September 2016

17. BANK LOANS

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
Bank loans, unsecured	<u>84,000</u>	<u>105,000</u>

At 30 September 2016, all bank loans of HK\$84,000,000 (at 31 March 2016: HK\$105,000,000) are scheduled to be repaid within one year or on demand.

The carrying values of bank loans are considered to be a reasonable approximation of their fair values.

18. SHARE CAPITAL

	Unaudited As at 30 September 2016 HK\$'000	Audited As at 31 March 2016 HK\$'000
Issued and fully paid:		
At 1 April 2016		
913,650,465 (at 1 April 2015: 652,607,475) ordinary shares	393,354	241,021
Issue of new shares under rights issue of 261,042,990 ordinary shares (note)	—	152,333
At 30 September 2016		
913,650,465 (at 31 March 2016: 913,650,465) ordinary shares	<u>393,354</u>	<u>393,354</u>

Note:

On 9 September 2015, the Company completed its rights issue by issuing 261,042,990 rights shares on the basis of 2 rights shares for every 5 existing shares, at the subscription price of HK\$0.6 per rights share. The net cash proceeds of approximately HK\$152,333,000, after related expenses of approximately HK\$4,293,000, were used to finance the repayment of existing debts and for general working capital of the Group. The issue of rights shares has increased the share capital of the Company by approximately HK\$152,333,000. These rights shares rank *pari passu* with the shares of the Company in issue on the date of their allotment in all respects.

19. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to operating loss before working capital changes is as follows:

	Unaudited	
	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Loss before taxation	(52,802)	(59,963)
Depreciation of property, plant and equipment	774	2,165
Depreciation of investment properties	16	15
Directly write off of other receivables	8	—
Dividend income	(513)	(5)
Fair value change of investments at fair value through profit or loss	(1,224)	1,798
Gain on disposal of a subsidiary	(1,128)	—
Interest expenses	1,832	2,286
Interest income	(98)	(118)
Loss on write off/disposal of property, plant and equipment	33	76
Provision for and write down of inventories to net realisable value	5,873	12,525
Provision for impairment loss of debtors	48	—
Provision for impairment loss of property, plant and equipment	—	2,474
Reversal of provision for and write down of inventories to net realisable value	(2,107)	(855)
Reversal of provision for impairment loss of other receivables	—	(973)
Reversal of provision for long service payments	(26)	(43)
	<u> </u>	<u> </u>
Operating loss before working capital changes	<u>(49,314)</u>	<u>(40,618)</u>

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

For the six months ended 30 September 2016

20. 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			Audited		
	As at 30 September 2016			As at 31 March 2016		
	Land and buildings	Other assets	Total	Land and buildings	Other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	72,742	267	73,009	97,308	306	97,614
In the second to fifth years, inclusive	109,075	—	109,075	19,810	114	19,924
	<u>181,817</u>	<u>267</u>	<u>182,084</u>	<u>117,118</u>	<u>420</u>	<u>117,538</u>

The Group leases a number of land and buildings and other assets under operating leases. The leases of the Group run for an initial period of 10 months to 3 years (at 31 March 2016: 4 months to 3 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.

(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	Audited
	As at	As at
	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
Within one year	<u>197</u>	<u>489</u>

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 2 years (at 31 March 2016: 1 to 2 years).

21. DISPOSAL OF A SUBSIDIARY

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

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

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

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

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

For the six months ended 30 September 2016

22. RELATED PARTY TRANSACTIONS

In addition to the transactions 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 30 September	
		2016	2015
<i>Note</i>		HK\$'000	HK\$'000
		<u> </u>	<u> </u>
Operating lease rental on land and buildings paid to:			
Stanwick Properties Limited	(a)	5,903	6,005
Fabrigo (Mfg) Limited	(b)	90	90
Operating lease rental on furniture and fixtures paid to			
Stanwick Properties Limited	(a)	153	153
Management fees and air-conditioning charges paid to			
Stanwick Properties Limited	(a)	548	571
Sale of goods to directors	(c)	523	1,167
		<u> </u>	<u> </u>

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, the ultimate holding company. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kin, Alan (both former directors of the Company), together with other members of their family control the management of Yeung Chi Shing Estates Limited. These related party transactions were entered into on normal commercial terms.
- (b) The operating lease rental was paid to Fabrigo (Mfg) Limited ("Fabrigo") for the premises occupied by the Group. Fabrigo is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)). This related party transaction was entered into on normal commercial terms.
- (c) It represents sale of gold ornament, jewellery, watch and fashion net of sale discounts to the directors for the period and the value of discounts given to the directors are considered not material to the unaudited interim condensed consolidated financial statements.

22. RELATED PARTY TRANSACTIONS (Continued)

Note: (Continued)

- (d) 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 30 September	
	2016	2015
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,827	3,897
Pension costs - defined contribution retirement schemes	129	200
	2,956	4,097

23. FAIR VALUE MEASUREMENTS

At the end of the reporting period, the financial asset and liability measured at fair value in the consolidated balance sheet are set out as follows:

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2016	2016
	HK\$'000	HK\$'000
Financial asset at fair value through profit or loss		
Investments at fair value through profit or loss	26,275	24,577
Financial liability at fair value through profit or loss		
Gold loan, unsecured	19,601	18,172

The Group followed HKFRS 13, *Fair Value Measurement*, which introduces a 3 level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

For the six months ended 30 September 2016

23. FAIR VALUE MEASUREMENTS (Continued)

The hierarchy groups financial asset and liability into 3 levels based on the relative reliability of significant inputs used in measuring the fair value of these financial asset and liability. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical asset or liability;

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 the end of each reporting period, the investments at fair value through profit or loss and unsecured gold loan 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 asset or liability.

There have been no transfers between levels in the reporting period.

24. 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 on 25 November 2016.

By order of the Board
Tang Yat Sun, Richard
Acting Chairman

Hong Kong, 25 November 2016

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