HIFOOD GROUP HOLDINGS CO., LIMITED
海福德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 442)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

FINANCIAL HIGHLIGHTS

Revenue was approximately HK$307.4 million for the six months ended 30 September 2017 (the "**Period**"), representing an increase of approximately 25.0% as compared with the same for the six months ended 30 September 2016.

Gross profit was approximately HK$51.9 million for the six months ended 30 September 2017, representing an increase of approximately 18.4% as compared with the same for the six months ended 30 September 2016.

Gross profit margin decreased to approximately 16.9% for the six months ended 30 September 2017, as compared with approximately 17.8% for the six months ended 30 September 2016.

For the six months ended 30 September 2017, Hifood Group Holdings Co., Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") recorded a consolidated loss attributable to the owners of the parent of approximately HK$6.3 million, compared with consolidated losses of approximately HK$6.4 million for the corresponding period of 2016.

Basic and diluted losses per share amounted to approximately HK$0.04 for the six months ended 30 September 2017, compared with the basic and diluted losses per share of approximately HK$0.04 for the six months ended 30 September 2016.

The board (the "**Board**") of directors (the "**Directors**") of the Company does not recommend the payment of an interim dividend for the six months ended 30 September 2017.

INTERIM RESULTS

The Board announces the unaudited condensed consolidated interim financial results of the Group for the six months ended 30 September 2017 together with the comparative figures for the corresponding period in 2016. The condensed consolidated interim financial statements have not been audited by the Company's independent auditors but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2017

	Notes	Six months ended 30 September 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Revenue	4	**307,402**	245,965
Cost of sales		**(255,550)**	(202,167)
Gross profit		**51,852**	43,798
Other income		**1,890**	1,392
Selling expenses		**(19,281)**	(17,898)
Administrative expenses		**(38,347)**	(33,946)
Operating loss		**(3,886)**	(6,654)
Other gains, net		**6,064**	4,542
Finance costs	5	**(5,954)**	(2,715)
Share of loss of a joint venture		**(136)**	(32)
Loss before tax	6	**(3,912)**	(4,859)
Income tax expense	7	**(2,369)**	(1,514)
Loss for the Period attributable to the owners of the parent		**(6,281)**	(6,373)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax			
Change in fair value of an available-for-sale investment		**278**	309
Exchange differences on translation of foreign operations		**10,527**	(8,822)
Realisation of exchange fluctuation reserve upon disposal/deregistration of subsidiaries		**1,020**	(6,056)
Other comprehensive income/(loss) for the period, net of tax		**11,825**	(14,569)
Total comprehensive income/(loss) for the period attributable to the owners of the parent		**5,544**	(20,942)
Losses per share attributable to ordinary equity holders of the parent:			
Basic and diluted	9	**HK$(0.04)**	HK$(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2017

	Notes	**At 30 September 2017 *HK$'000* (unaudited)**	At 31 March 2017 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**28,760**	171,871
Prepaid land lease payments		**–**	13,271
Prepayments for construction progress		**–**	267
Investment in a joint venture		**599**	367
Available-for-sale investment	*10*	**15,417**	15,015
Total non-current assets		**44,776**	200,791
Current assets			
Inventories	*11*	**73,837**	109,590
Trade receivables	*12*	**174,736**	176,125
Prepayments, deposits and other receivables		**24,724**	23,561
Tax recoverable		**1,295**	1,901
Prepaid land lease payments		**–**	389
Pledged bank deposits		**33,887**	55,495
Cash and bank balances		**210,747**	152,090
Total current assets		**519,226**	519,151
Non-current assets classified as held for sale	*13*	**135,980**	–
Total assets		**699,982**	719,942
Current liabilities			
Trade and other payables	*14*	**166,243**	160,304
Interest-bearing bank and other borrowings	*15*	**138,461**	232,438
Obligations under finance leases		**889**	1,580
Total current liabilities		**305,593**	394,322
Net current assets		**213,633**	124,829
Total assets less current liabilities		**394,389**	325,620
Non-current liabilities			
Obligations under finance leases		**2,054**	4,120
Deferred tax liabilities		**581**	236
Total non-current liabilities		**2,635**	4,356
Net assets		**391,754**	321,264
Equity			
Equity attributable to owners of parent			
Share capital	*16*	**863**	800
Reserves		**390,891**	320,464
Total equity		**391,754**	321,264

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 June 2014. The registered office of the Company is located at Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the Period, the Group was principally involved in the manufacture and sale of jewellery and related products.

In the opinion of the Directors, the holding company of the Company is HNA Aviation Investment Holding Company Ltd. ("HNA Aviation Investment"), which was incorporated in the Cayman Islands.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the Period have been prepared in accordance with the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated interim financial statements have not been audited by the Company's independent auditors but have been reviewed by the Company's audit committee.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for available-for-sale investment, which has been measured at fair values.

The significant accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 March 2017.

In addition, the Group has adopted, for the first time, a number of revised Hong Kong Financial Reporting Standards ("**HKFRSs**", which also include HKASs and Interpretations) which are applicable to the unaudited condensed consolidated interim financial statements for the Period. The adoption of these revised HKFRSs has had no material effect on the unaudited condensed consolidated interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in the manufacture and sale of jewellery products. Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, who have been identified as the executive Directors of the Company. Information reported to the Group's chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one reportable operating segment, i.e. manufacture and sale of jewellery products, and no further analysis thereof is presented.

Geographical information

Information about the Group's revenue by geographical locations is presented based on the area or country in which external customers are operated.

(a) Revenue from external customers

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Russia	**67,200**	19,437
Americas	**138,419**	134,619
Mainland China	**69,435**	50,305
Europe (other than Russia)	**17,610**	27,502
Middle East	**–**	1,983
Other countries	**14,738**	12,119
	307,402	245,965

Information about the Group's non-current assets, excluding available-for-sale investment, is presented based on the locations of the assets.

(b) Non-current assets

	At 30 September 2017	At 31 March 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Mainland China	**5,637**	164,813
Hong Kong	**23,722**	20,963
	29,359	185,776

The Company is domiciled in the Cayman Islands while the Group operates its business in Hong Kong and Mainland China. During the Period, no revenue was generated from any customer in the Cayman Islands and no assets were located in the Cayman Islands.

4. REVENUE

Revenue represents the net amounts received and receivable arising from sale of jewellery products during the Period.

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sale of jewellery products	**307,402**	245,965

5. FINANCE COSTS

An analysis of finance cost is as follows:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank and other borrowings	**4,979**	1,934
Interest on factoring of trade receivables	**831**	711
Interest on finance leases	**144**	70
	5,954	2,715

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories sold*	**216,761**	166,761
Depreciation	**5,206**	5,298
Amortisation of prepaid land lease payments	**191**	203
Foreign exchange differences, net#	**(894)**	1,798
Realisation of exchange fluctuation reserve upon disposal/deregistration of subsidiaries	**1,020**	(6,056)
Write-down/(Write-back) of inventories to net realisable value*	**1,040**	(688)
Minimum lease payments under operating lease	**766**	2,023
Net gains on disposal of subsidiary and items of property, plant and equipment#	**(7,677)**	(284)

* These items are included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

\# These items are included in "Other gains, net" on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

The statutory income tax rates for Hong Kong and Mainland China are 16.5% and 25.0%, respectively. A subsidiary of the Group enjoyed a lower profit tax rate during the Period as further explained below. The profit tax of the Group has been provided at the applicable tax rates on estimated assessable profits arising in Hong Kong and Mainland China during the Period.

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current — Hong Kong		
Charge for the period	**492**	90
Current — Mainland China		
Charge for the period	**1,532**	1,428
Deferred	**345**	(4)
Total tax charge for the period	**2,369**	1,514

In relation to the Departmental Interpretation and Practice Notes No. 21 (Revised) (apportionment under a 50:50 basis) of the Inland Revenue Department Hong Kong, a portion of profits from KTL Jewellery Trading Limited ("**KTL Trading**"), a wholly-owned subsidiary of the Company, is considered neither arisen in, nor derived from Hong Kong. Accordingly, that portion of KTL Trading's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the Directors that portion of KTL Trading's profit is not subject to taxation in any other jurisdiction in which KTL Trading operates during the Period.

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 September 2016: Nil).

9. LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic losses per share amounts is based on the loss for the Period attributable to ordinary equity holders of the parent of approximately HK$6,281,000 (2016: losses of approximately HK$6,373,000), and the weighted average number of ordinary shares in issue of 164,750,820 (2016: 160,000,000) which has been adjusted for the Company's placing of the new shares on 16 May 2017. The Group has no potentially dilutive ordinary shares in issue during the periods ended 30 September 2017 and 2016.

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Losses		
Losses attributable to ordinary equity holders of the parent used in the basic losses per share calculation	**(6,281)**	(6,373)

	Number of shares Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic losses per share calculation	**164,750,820**	160,000,000

10. AVAILABLE-FOR-SALE INVESTMENT

	At 30 September 2017 *HK$'000* (unaudited)	At 31 March 2017 *HK$'000* (audited)
Life insurance policy, at fair value	**15,417**	15,015

During the Period, the gross gain in respect of the change in fair value of the Group's available-for-sale investment recognised in other comprehensive income amounted to approximately HK$278,000 (30 September 2016: HK$309,000). There was no reclassification from other comprehensive income to profit or loss during the Period.

11. INVENTORIES

	At 30 September 2017 *HK$'000* (unaudited)	At 31 March 2017 *HK$'000* (audited)
Raw materials	**36,147**	36,692
Work in progress	**16,541**	39,893
Finished goods	**21,149**	33,005
	73,837	109,590

12. TRADE RECEIVABLES

	At 30 September 2017 *HK$'000* (unaudited)	At 31 March 2017 *HK$'000* (audited)
Trade receivables	**190,060**	191,324
Less: Allowance for doubtful debts	**(15,324)**	(15,199)
	174,736	176,125

The Group's trading terms with its customers are mainly on credit, except for new customers. Before accepting any new customer, the Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limits by customer. The credit period is generally for a period of 60 to 120 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a treasury department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	At 30 September 2017 *HK$'000* (unaudited)	At 31 March 2017 *HK$'000* (audited)
Within 1 month	**53,209**	43,508
1 to 2 months	**33,347**	32,742
2 to 3 months	**40,935**	45,505
Over 3 months	**47,245**	54,370
	174,736	176,125

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 12 July 2017, the Group entered into a sale and purchase agreement with an independent third party the "Purchaser" in relation to the disposal of property in the PRC. Pursuant to the terms of the sale and purchase agreement, the transfer of the legal title to the Purchaser was evidenced by the property rights certificate issued in the name of the Purchaser on 30 October 2017. In accordance with HKFRS 5, the disposal property was reclassified as non-current assets held for sale of HK$135,980,000.

14. TRADE AND OTHER PAYABLES

	At 30 September 2017 *HK$'000* (unaudited)	At 31 March 2017 *HK$'000* (audited)
Trade payables	**71,247**	81,258
Other payables	**94,996**	79,046
	166,243	160,304

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2017 *HK$'000* (unaudited)	At 31 March 2017 *HK$'000* (audited)
Within 1 month	**14,453**	31,853
1 to 2 months	**9,874**	19,920
2 to 3 months	**7,772**	8,496
Over 3 months	**39,148**	20,989
	71,247	81,258

The trade payables are non-interest-bearing and the credit period of purchases ranges from 30 to 180 days. Other payables are non-interest-bearing and have an average term of one to three months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 September 2017		At 31 March 2017	
	Effective contractual interest rate	**Amount**	Effective contractual interest rate	Amount
	(%)	***HK$'000***	*(%)*	*HK$'000*
	(unaudited)	**(unaudited)**	(audited)	(audited)
Current:				
Bank loans — secured	**0.94–4.65**	**38,461**	1.56–3.28	132,438
Other borrowings	**4.35–12.00**	**100,000**	6.00	100,000
Maturity profile:				
On demand		**138,461**		232,438

HK Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" requires that a loan which includes a clause that gives the lender the unconditional right to call the loan at any time ("**repayment on demand clause**") shall be classified in total by the borrower as current in the statement of financial position. As at 30 September 2017, approximately HK$138,461,000 (at 31 March 2017: approximately HK$232,480,000) included a repayment on demand clause under the relevant loan agreements, among which approximately HK$Nil (at 31 March 2017: approximately HK$7,658,000) that are repayable after one year from the end of the reporting period have been classified as current liabilities. For the purpose of the above analysis, such loans are included within current bank loans and analysed into bank loans repayable on demand.

The Group's bank borrowings as at the end of the reporting period are secured by:

(i) mortgages over the Group's leasehold land, which had a net carrying amount at the end of the reporting period of approximately HK$9,722,000 (at 31 March 2017: approximately HK$9,886,000);

(ii) mortgages over the Group's buildings, which had a net carrying amount at the end of the reporting period of approximately HK$2,293,000 (at 31 March 2017: approximately HK$17,350,000);

(iii) the Group did not have any mortgages over prepaid land lease payments at the end of the reporting period (at 31 March 2017: approximately HK$2,806,000);

(iv) the pledge of the Group's bank deposits at the end of the reporting period amounting to approximately HK$33,887,000 (at 31 March 2017: approximately HK$55,495,000);

(v) the pledge of the Group's available-for-sale investment at the end of the reporting period amounting to approximately HK$15,417,000 (at 31 March 2017: approximately HK$15,015,000);

(vi) the pledge of the Group's trade receivables at the end of the reporting period amounting to approximately HK$67,511,000 (at 31 March 2017: approximately HK$69,162,000); and

(vii) corporate guarantees provided by certain subsidiaries of the Company (31 March 2017: by the company and certain subsidiaries at the Company).

The Group's other borrowings as at the end of the reporting period are secured by the pledge of the Group's trade receivables at the end of the reporting period amounting to approximately HK$128,504,000 (at 31 March 2017: HK$142,311,000).

16. SHARE CAPITAL

	At 30 September 2017 *HK$'000* **(unaudited)**	At 31 March 2017 *HK$'000* (audited)
Authorised:		
2,000,000,000 (31 March 2017: 2,000,000,000) ordinary shares of HK$0.005 each (31 March 2017: HK$0.005 each)	**10,000**	10,000
Issued and fully paid:		
172,600,000 (31 March 2017: 160,000,000) ordinary shares of HK$0.005 each (31 March 2017: HK$0.005 each)	**863**	800

On 16 May 2017, 12,600,000 ordinary shares of HK$0.005 each were allotted and issued at a price of HK$5.06 per share under the placing agreement for the net proceeds, after deducting the placing fee, stamp duty and other related expenses payable by the Company, of approximately HK$62,475,000.

17. OPERATING LEASE ARRANGEMENTS

As Lessee

The Group leases certain of its premises and office equipment under operating lease arrangements. The leases are negotiated for terms ranging from one to five years with fixed monthly rentals.

At 30 September 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2017 *HK$'000* **(unaudited)**	At 31 March 2017 *HK$'000* (audited)
Within one year	**803**	4,004
In the second to fifth years, inclusive	**1,148**	1,856
	1,951	5,860

18. COMMITMENTS

At 30 September 2017, save as the operating lease commitments detailed in Note 17, the Group had nil commitment as at the end of the reporting period:

	At 30 September 2017 *HK$'000* **(unaudited)**	At 31 March 2017 *HK$'000* (audited)
Contracted, but not provided for:		
— Construction in progress	**–**	2,587
	–	2,587

19. EVENT AFTER THE REPORTING PERIOD

Please refer to change of company names and stock short names under paragraph named "Event after the reporting period" on page 13 of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Being an integrated fine jewellery provider and an original design manufacturer with a well-established operating history in Hong Kong, the Group is primarily engaged in designing, manufacturing and exporting fine jewelleries to jewellery wholesalers and retailers mainly in the Americas, Russia, other European countries and increasingly so in the People's Republic of China (the "**PRC**") and the Middle East in recent years. The Group has been offering a wide range of fine jewellery products in karat gold encompassing rings, earrings, pendants, necklaces, bracelets, bangles, cufflinks, brooches and anklets that are generally targeted at the mass to middle segment, the lowest among the three tiers of the fine jewellery market segments in terms of retail prices. The Group's customers are mainly wholesalers and retailers of jewellery products.

In 2017, global economic growth finally appears to be coming back on track. However, with the baseline outlook strengthening, growth has remained weak in many countries and recovery is still a work in process with inflation staying below target in most advanced economies. A mixed performance has been shown across the globe since the beginning of the year. Volatility brought about by the Brexit and the new Trump Administration in the U.S., escalating tensions in North Korea, ongoing fears of a Chinese hard landing as well as a weak global trade have all weighted on the risk sentiment. Against this backdrop, practitioners in the jewellery trade have continued to experience a challenging operating environment. Times have not been easy for consumers in general as well, as reflected in the depressing effect of eroding confidence and purchasing power on overall slow wage growth.

For the six months ended 30 September 2017, revenue generated from sales to the Americas market, the largest market of the Group, registered a mild increase of 2.8% to HK$138.4 million as compared with the corresponding period last year. In the U.S., the economy is back on track but the market has no slack amid hurricane-related disruptions in the country. Even though there is evidence that the U.S. labour market is improving, a lack of wage growth has dented consumer spending, which appears to have been largely supported by savings this year.

As the world's second largest economy and the Group's second largest market, the PRC has maintained a fairly steady economic growth as the Beijing government sought to rein in property and debt risks. Market talks of the possibility of a hard landing for the economy also prevailed. During the period under review, revenue generated from sales to the PRC market stood at HK$69.4 million, up 38.0% from the same prior year period. However, the market is undergoing major changes in terms of consumer expectations. New, more modern Chinese consumers have exhibited strong aspiration for exclusivity and individuality, which would put traditional fine jewellery under increasing pressure.

In Russia, the jewellery industry is confronting the challenges of a declining economy, with overall retail sales figures continuing to decline further. Even though the Russian economy is seen growing slightly faster in 2017 than previously on the back of a rebound in oil and commodity prices, the present trend troubling the industry is not expected to get reversed unless the economic situation improves significantly as a whole and middle class incomes rise. Having said that, thanks to the efforts of our sales and marketing teams, revenue generated from sales to the Russian market recorded an increase of 245.7% to HK$67.2 million from a year ago upon securing a number of one-off orders from customers.

To better cater for the needs of different customers, the Group has had an ancillary business line engaging in the trading of watches, silver jewelleries and non-precious metal jewelleries. Sales generated from these non-fine gold jewellery products represented a mere 2.2% of the Group's total sales for the period under review.

In the face of the ever-changing market landscape, the Group has spared no effort to apply stringent controls over capital expenditures. For the first six months of the financial year of 2017, the Group's administrative expenses were up 13.0% year-on-year to HK$38.3 million, while selling expenses increased by 7.7% year-on-year to HK$19.3 million. However, excluding the one-off expenses associated with operations and resources optimisation, administrative and selling expenses were reduced by 16.0% and 5.5%, respectively.

Event after the reporting period

On 19 October 2017, a special resolution in relation to the Change of Company Name was proposed and duly passed at the extraordinary general meeting of the Company to approve the change of the English name of the Company from "KTL International Holdings Group Limited" to "Hifood Group Holdings Co., Limited" and the adoption of "海福德集團控股有限公司" as the dual foreign name in Chinese of the Company.

The Certificate of Incorporation on Change of Name of the Company was issued by the Registry of Companies in the Cayman Islands on 24 October 2017 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 15 November 2017.

The stock short names of the Company for trading in the Shares on the Stock Exchange has been changed from "KTL INT'L" to "HIFOOD GROUP" in English and "海福德集團" in Chinese since 23 November 2017.

The new name will not only provide the Company with a fresh corporate identity, but will also better reflect the relationship between the Company and its controlling shareholder — HNA Aviation Investment Holding Company Ltd.. The Board of Directors considers it is in the best interests of the Company and its shareholders as a whole.

The Company ceased to use its logo with effect from 20 November 2017.

Please refer to the announcements of the Company dated 20 November 2017, 25 September 2017 and the circular dated 27 September 2017 relating to the change of company names and stock short names.

Prospects

Looking ahead, the global economy is picking up its speed with upswing in economic activity strengthening. Nonetheless, continued political and economic uncertainties remain on a number of fronts. Trade tensions between the U.S. and the PRC, as well as the brewing crises in North Korea and the Middle East could derail the global economic recovery. The Group expects that the global economy will continue to make stages of adjustments and is cautiously prudent about the outlook in the remainder of the financial year.

In Russia, even though the country's economic prospects have improved, retail consumption is still adjusting to lower disposable real incomes. Russians are spending less. The Russian jewellery market can only revive slowly in 2017 only if the economic situation of the country as a whole normalises.

The U.S. economy has expanded at a modest to moderate pace amid uncertainty around President Trump's policies, while capital controls, rapid domestic credit growth and continuous anti-corruption drives might cast a shadow over the PRC's steady growth of its economy.

Additionally, shifts in the demographics and mindset of millennials' attitude and purchase motivations have also brought forth profound changes to the jewellery market. Their shifting preferences, loose brand loyalties and urge for self-expression have made the industry more competitive than ever before.

Strategies and outlook

With continued political, economic and market uncertainties, the existing business of the Group in manufacturing and sale of jewellery products has seen a decrease in both revenue and net profit. In the light of the operations and financial position of the Group, the Group intends to explore possible business opportunities in the food and beverage industry both locally and abroad while continuing its jewellery business.

The Group considers the food and beverage industry has proved more resistant to impacts of changes in the macroeconomic environment and offers an optimistic growth potential. Furthermore, the "One Belt, One Road" initiative as proposed by the Chinese government is expected to boost demand for an array of sectors in the region, which will also benefit the development of the food and beverage businesses at large. The Group therefore considers that possible business expansions to food and beverage industry can enable it to better utilise its resources, mitigate the risks involved in its existing business of manufacturing and sale of jewellery products, and maximise investment returns for its shareholders.

Moreover, the management team members of the Group have seasoned experience and involvement in the food and beverage industry with all of them holding senior positions in HNA Catering Holdings Co., Ltd. As such, the Group considers that it possesses essential know-how and expertise to enable its expansion into the food and beverage industry, which is expected to help drive revenue of the Group.

Concurrently, the Group remains committed to maintaining its status as a top fine jewellery manufacturer and exporter in Hong Kong by strengthening its sales and marketing force, solidifying its presence in existing markets and reinforcing market recognition of its brand name globally.

In the U.S., the Group plans to explore opportunities where the Group believes would benefit from the integrated services it offers, providing a wider range of styles and designed tailored for the market and adjusting its production resources and capacity to better cater for the product lead time, consumer preferences and festive shopping practices. In the PRC, the Group will draw strength on its established corporate brand name and proven design capabilities to increase resources in a bid to attract jewellery wholesalers or chain stores which focus on the said market. The Group will focus its sales and marketing resources on promoting its brand and products, participating in selected trade exhibitions in the PRC, and allocating sufficient design and product development resources to offer a wider range of designs that are favourable to the Chinese consumers.

The Group believes its abilities to create new product designs and develop innovative production techniques in response to market trends and customers' preferences contribute to the success of its products. The Group has been offering customers with a diverse range of products with appealing designs at affordable prices, made with assorted kinds of precious metals, diamonds and gem stones with various specifications to cater for a broad bandwidth of market demand. The Group is also positive with the food and beverage industry vibe. Backed by the "One Belt, One Road" initiative, the Group is devoted to expanding into the new market that will provide the Group with strong momentum for future growth.

Financial Review

	Six months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
Revenue *(HK$'000)*	**307,402**	245,965
Gross profit *(HK$'000)*	**51,852**	43,798
Gross profit margin *(%)*	**16.9**	17.8
Loss attributable to the owners of the parent *(HK$'000)*	**(6,281)**	(6,373)

Revenue

The Group's revenue for the Period was approximately HK$307.4 million, representing an increase of approximately HK$61.4 million or 25.0% over the corresponding period in 2016. The increase in the Group's revenue was primarily due to (i) an increase in sales in Russia of approximately HK$47.8 million boosted by the efforts made by the sales and marketing team and several standalone orders; (ii) an increase in sales in the PRC of approximately HK$19.1 million; and (iii) a slight increase in sales in the Americas of approximately HK$3.8 million. However, increase in revenue was partially offset by a decrease in sales in Europe (other than Russia) of approximately HK$9.9 million.

Gross profit and gross profit margin

The Group's gross profit for the Period was approximately HK$51.9 million, representing an increase of approximately HK$8.1 million or 18.4% over the corresponding period in 2016. Gross profit margin decreased to approximately 16.9% from approximately 17.8%, which was mainly due to a higher proportion of sales of simple design with lower pricing to the Russian market.

Selling expenses

The Group's selling expenses slightly increased by approximately HK$1.4 million or 7.7%, to approximately HK$19.3 million for the Period from approximately HK$17.9 million for the six months ended 30 September 2016. The increase was primarily attributable to (i) the Group's implementation of stringent cost control measures to lower advertising and promotion costs by approximately HK$0.8 million, which was partially offset by (ii) an increase in export credit insurance and freight charges of approximately HK$0.3 million on the pack of an increase in sales for the Period (iii) an increase in staff costs of approximately HK$0.4 million due mainly to the result of recruiting designers for creating new product collections and (iv) an increase in sales commission of approximately HK$0.8 million as a reward for expanding new customer base and exploring new markets.

Administrative expenses

The Group's administrative expenses increased by approximately HK$4.4 million or 13.0%, to approximately HK$38.3 million for the Period from approximately HK$33.9 million for the six months ended 30 September 2016. The increase was primarily due to the combined effects of (i) a decline in office, utility and sundry expenses by approximately HK$2.7 million as a result of the Group's continuous implementation of rigorous cost control by further streamlining operations and rationalising overheads; and (ii) an increase in staff costs and consulting expenditures of approximately HK$7.1 million resulted from the one-off expenses incurred from the business operation and resources allocation process.

Finance costs

The Group's finance costs increased by approximately HK$3.3 million or 119.3% from approximately HK$2.7 million for the six months ended 30 September 2016 to approximately HK$6.0 million for the Period. The increase was primarily a result of the increase in interest-bearing other borrowings at a higher borrowing rate during the Period.

Loss attributable to the owners of the parent

During the Period, the Group recorded a consolidated loss (the "**Loss**") attributable to the owners of the parent of approximately HK$6.3 million, compared with a consolidated loss of approximately HK$6.4 million for the corresponding period of 2016. The reduction in Loss was mainly attributable to an increase in the Group's revenue by approximately 25.0% and gross profit by approximately 18.4% for the Period as compared to the corresponding period in 2016. The increase in revenue was attributable to the rise of sales in Russian and the Chinese markets, the increase of which were approximately HK$47.8 million and HK$19.1 million, respectively, for the Period as compared to the corresponding period in 2016.

Liquidity and financial resources

As at 30 September 2017, the Group had current assets of approximately HK$519.2 million (31 March 2017: approximately HK$519.2 million) which comprised cash and bank balances of approximately HK$210.7 million (31 March 2017: approximately HK$152.1 million). As at 30 September 2017, the Group had non-current liabilities of approximately HK$2.6 million (31 March 2017: approximately HK$4.4 million), and its current liabilities amounted to approximately HK$305.6 million (31 March 2017: approximately HK$394.3 million), consisting mainly of payables arising in the normal course of operation and bank borrowings for trade financing. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 1.7 at 30 September 2017 (31 March 2017: approximately 1.3).

The Group monitors its liquidity requirements on a short to medium term basis and arranges refinancing of the Group's borrowings as appropriate. As at 30 September 2017, we had banking facilities in an aggregate amount of approximately HK$163.9 million, of which approximately HK$114.4 million was unutilised.

With cash on hand and available banking facilities, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Gearing ratio

The gearing ratio of the Group as at 30 September 2017 was not applicable as cash and bank balances exceeded interest-bearing bank and other borrowings and obligations under finance lease.

The gearing ratio of the Group, calculated as net debt (being interest-bearing bank and other borrowings and obligations under finance lease less cash and bank balances) divided by the total equity plus net debt, was approximately 21.1% as at 31 March 2017.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and maintained a healthy liquidity position throughout the Period. The Group strives to reduce exposure to credit risk by buying credit insurance on certain customers' receivables, performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Foreign exchange exposure

For the Period, the Group had monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables, other receivables, available-for-sale investment, cash and bank balance, pledged bank deposits, trade and other payables and interest-bearing bank borrowings. Consequently, the Group has foreign exchange risk exposure from translation of amount denominated in foreign currencies as at 30 September 2017. Since HK$ is pegged to US$, the Group does not expect any significant movements in HK$/US$ exchange rate. We are exposed to foreign exchange risk primarily with respect to Renminbi ("**RMB**"). If HK$ as at 30 September 2017 had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the period attributable to the owners of the parent would have been increased/decreased by approximately HK$1.3 million for the Period (30 September 2016: loss for the period attributable to the owners of the parent would have been increased/decreased by approximately HK$2.0 million).

The Group does not engage in any derivatives activities and does not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital commitments

As at 30 September 2017, capital commitments of the Group was nil (31 March 2017: approximately HK$2.6 million).

Interim dividend

The Board does not recommend the payment of an interim dividend for the Period.

Information on employees

As at 30 September 2017, the Group had 338 employees (31 March 2017: 534), including the executive Directors. Remuneration is determined with reference to market conditions and individual employees' performance, qualification and experience.

Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the Group's performance as well as assessment of individual performance. Since the adoption of the share option scheme on 10 February 2015 and up to 30 September 2017, no options had been granted by the Company.

The Directors believe that the salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Capital structure

On 5 May 2017, the Company entered into the placing agreement (the "**Placing Agreement**") with First Shanghai Securities Limited (the "**Placing Agent**"), pursuant to which (i) the Placing Agent agreed to procure (by itself or through its respective sub-placing agent(s)), on a best efforts basis, not less than six placees (the "**Placees**") to subscribe 12,600,000 new shares of the Company (the "**Placing Shares**") at the placing price of HK$5.06 per share; and (ii) the Company agreed to issue, and the Placing Agent agreed to procure, on a best efforts basis, each Placee who subscribed for any Placing Shares to subscribe such number of warrants as equal to such number of Placing Shares.

On 16 May 2017, the Company completed placing of the Placing Shares. The Placing Shares were allotted and issued to not less than six placees at the price of HK$5.06 per share, representing approximately 7.30% of the issued shares of the Company. Please refer to the announcements of the Company dated 7 May 2017, 16 May 2017 and 10 August 2017, and the circular of the Company dated 26 July 2017 relating to the placing.

Use of proceeds from the placing of shares

The net proceeds from the placing, after deducting the placing fee, stamp duty and other related expenses payable by the Company, is approximately HK$62,475,000, which is intended to be used by the Company as general working capital of the Group. As at 30 September 2017, no proceeds have been utilized and the net proceeds remain available for the intended use.

Share option scheme

The Company has adopted the share option scheme on 10 February 2015 (the "**Scheme**") under which certain selected classes of participants (including, among others, Directors and full-time employees) may be granted options to subscribe for the shares. Unless otherwise cancelled or amended, the scheme will remain in force for 10 years from that date. No share option had ever been granted under the Scheme since its adoption.

Unlisted warrents

Pursuant to the Placing Agreement, the Company agreed to issue 12,600,000 unlisted warrants (the "**Warrants**") at an issue price of HK$0.20 per Warrant. Each Warrant entitled the Placees to subscribe for one ordinary share of HK$0.005 each at an initial subscription price of HK$7.00 per share (the "**Warrant Shares**") at any time within two years commencing from the date of issue of Warrants. For further information, please refer to the circular of the Company dated 26 July 2017.

Following obtaining the Shareholders' approval of the issue of the Warrants and the Warrant Shares at the extraordinary general meeting held on 10 August 2017, completion of the issue of the Warrants took place on 15 August 2017. Warrants of an aggregate amount of approximately HK$2.5 million have been issued to the Placees at the Issue Price of HK$0.20 per Warrant. The Warrants entitle the Placee to subscribe for the Warrant Shares at the initial subscription price of HK$7.00 each for a period of two years commencing from the date of issue of the Warrants.

Save as disclosed above, there was no change in the capital structure of the Group as at 30 September 2017 as compared with that as at 31 March 2017.

Significant investment held

The Group did not hold any significant investments in equity interest in any other company during the Period.

Future plans for material investments and capital assets

There was no definite future plan for material investments and acquisition of material capital assets as at 30 September 2017.

Material acquisitions and disposal of subsidiaries and affiliated companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charge on assets

As at 30 September 2017, the Group's bank borrowings are secured by its assets as below:

(i) mortgages over the Group's leasehold land, which had a net carrying amount of approximately HK$9.7 million and approximately HK$9.9 million, respectively, as at 30 September 2017 and 31 March 2017;

(ii) mortgages over the Group's buildings, which had a net carrying amount of approximately HK$2.3 million and approximately HK$17.4 million, respectively, as at 30 September 2017 and 31 March 2017;

(iii) mortgages over the Group's prepaid land lease payments, which had a net carrying amount of nil and of approximately HK$2.8 million, respectively, as at 30 September 2017 and 31 March 2017;

(iv) the pledge of the Group's bank deposits of approximately HK$33.9 million and approximately HK$55.5 million, respectively, as at 30 September 2017 and 31 March 2017;

(v) the pledge of the Group's available-for-sale investment amounting to approximately HK$15.4 million as at 30 September 2017 (31 March 2017: HK$15.0 million);

(vi) the pledge of the Group's trade receivables of approximately HK$67.5 million as at 30 September 2017 (31 March 2017: HK$69.2 million); and

(vii)corporate guarantees provided by certain subsidiaries of the Company (31 March 2017: by the Company and certain subsidiaries of the Company).

As at 30 September 2017, the Group's other borrowings are secured by the pledge of the Group's trade receivables of approximately HK$128.5 million (31 March 2017: HK$142.3 million).

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2017 (31 March 2017: nil).

CORPORATION GOVERNANCE

Corporate Governance Practices

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

For the Period, the Company had complied with the code provisions ("**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Directors of the Company. Having made specific enquiries to all the Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in this announcement, during the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Nang Qi (Chairman), Mr. Chen Peiliang and Mr. Xue Qiang and three independent non-executive Directors, namely Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong. During the Period, there was no change in the composition of the Board.

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive Directors of the Company, namely Mr. Chan Chi Kuen (Chairman of the Audit Committee), Mr. Ting Tit Cheung and Mr. Lo Chun Pong.

The audit committee of the Company has reviewed the Company's unaudited interim report (containing the unaudited condensed consolidated interim financial statements) for the Period, including the accounting principles and practices adopted by the Group, and discussed with management regarding internal control and financial reporting matters.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at (www.hkexnews.hk) and the website of the Company at (www.ktl.com.hk). The interim report of the Company will be despatched to the shareholders and published on the above websites in due course.

By order of the Board
Hifood Group Holdings Co., Limited
Nang Qi
Chairman

Hong Kong, 30 November 2017

As at the date of this announcement, the executive Directors are Mr. Nang Qi, Mr. Chen Peiliang, and Mr. Xue Qiang; and the independent non-executive Directors are Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong.