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king fook holdings limited

景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

GROUP RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The Board of Directors (the “Board”) of King Fook Holdings Limited (the “Company”) announces the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the financial year ended 31 March 2019 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Revenue	6	551,885	517,642
Cost of sales		<u>(401,944)</u>	<u>(395,126)</u>
Gross profit		149,941	122,516
Other operating income		5,848	4,510
Distribution and selling costs		(112,666)	(110,233)
Administrative expenses		(40,074)	(35,842)
Other operating expenses		<u>(396)</u>	<u>(116)</u>
Operating profit/(loss)		2,653	(19,165)
Finance costs		<u>(1,989)</u>	<u>(3,576)</u>
Profit/(loss) before taxation	7	664	(22,741)
Taxation	8	<u>-</u>	<u>-</u>
Profit/(loss) for the year		<u>664</u>	<u>(22,741)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

	Note	Year ended 31 March	
		2019 HK\$'000	2018 HK\$'000
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(677)	987
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of investments at fair value through other comprehensive income		239	-
Other comprehensive income for the year		<u>(438)</u>	<u>987</u>
Total comprehensive income for the year		<u>226</u>	<u>(21,754)</u>
Profit/(loss) for the year attributable to:			
- Owners of the Company		767	(22,737)
- Non-controlling interests		(103)	(4)
		<u>664</u>	<u>(22,741)</u>
Total comprehensive income for the year attributable to:			
- Owners of the Company		329	(21,750)
- Non-controlling interests		(103)	(4)
		<u>226</u>	<u>(21,754)</u>
		HK cents	HK cents
Earnings/(loss) per share	9		
- Basic and diluted		<u>0.08</u>	<u>(2.49)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2019	2018
		HK\$'000	HK\$'000
	<i>Note</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,167	3,094
Investment properties		529	562
Available-for-sale investments	10	-	805
Investments at fair value through other comprehensive income	11	2,836	-
Other asset		356	-
		6,888	4,461
		6,888	4,461
Current assets			
Inventories		477,738	508,408
Debtors, deposits and prepayments	12	41,078	31,441
Investments at fair value through profit or loss		316	3,877
Cash and cash equivalents		161,958	199,582
		681,090	743,308
		681,090	743,308
Total assets		687,978	747,769
Current liabilities			
Creditors, deposits received and other payables	13	31,788	28,632
Gold loan		22,494	19,805
Bank loans		-	68,000
		54,282	116,437
		54,282	116,437
Net current assets		626,808	626,871
		626,808	626,871
Total assets less current liabilities		633,696	631,332
		633,696	631,332
Non-current liability			
Provision for long service payments		53	35
		53	35
		53	35
Net assets		633,643	631,297
		633,643	631,297
CAPITAL AND RESERVES			
Share capital		393,354	393,354
Other reserves		37,214	35,504
Retained profits		203,075	202,336
		633,643	631,194
Equity attributable to owners of the Company		633,643	631,194
Non-controlling interests		-	103
		-	103
Total equity		633,643	631,297
		633,643	631,297

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company (the "Directors") consider the ultimate holding company to be Yeung Chi Shing Estates Limited, a company incorporated in Hong Kong.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and have been prepared in compliance with the Hong Kong Companies Ordinance.

2. ADOPTION OF NEW OR REVISED TO HKFRSs

In the current year, 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 2018:

Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC) - Interpretation 22	Foreign Currency Transactions and Advance Considerations

The adoption of these amendments to HKFRSs has no significant impact on the consolidated financial statements. The Group has not applied any new HKFRSs or amendments that is not yet effective for the current accounting year.

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) HKFRS 9: *Financial Instruments* – Impact of adoption

HKFRS 9 was generally adopted without restating comparative financial information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the Group's consolidated statement of financial position as at 31 March 2018, but are recognised in the opening balance on 1 April 2018.

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(a) HKFRS 9: *Financial Instruments* – Impact of adoption (Continued)

The following tables show the adjustments of the Group recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments of the Group are explained in more detail below.

	At 31 March 2018 HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000	At 1 April 2018 HK\$'000
Non-current assets				
Available-for-sale investments (note)	449	(449)	-	-
Investments at fair value through other comprehensive income ("FVTOCI")	-	449	2,148	2,597
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Equity				
Investments at FVTOCI reserve	-	-	2,148	2,148
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total equity	<u>631,297</u>	<u> </u>	<u>2,148</u>	<u>633,445</u>

Note: A membership licence with carrying amount of HK\$356,000 was reclassified from available-for-sale investments to other asset on 1 April 2018.

HKFRS 9 replaces the provisions of HKAS 39, *Financial Instruments: Recognition and Measurement*, that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the Group's consolidated financial statements. The new accounting policies are set out in note 2(b) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition are recognised in the opening retained profits of the current year.

Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9) (the "DIA"), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of HKFRS 9. The main effects resulting from this reclassification are as follows:

Financial assets – 1 April 2018	<i>Note</i>	Investments at FVTOCI HK\$'000	Available-for-sale investments HK\$'000
Closing balance as at 31 March 2018 (note 2(a))		-	449
Reclassification from available-for-sale investments to investments at FVTOCI	<i>(i)</i>	449	(449)
Remeasurement of financial assets	<i>(ii)</i>	<u>2,148</u>	<u> </u>
Opening balance as at 1 April 2018		<u>2,597</u>	<u> </u>

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(a) HKFRS 9: *Financial Instruments* – **Impact of adoption** (Continued)

Classification and measurement (Continued)

The impact of the change on the Group's equity is as follows:

	<i>Note</i>	Effect on investments at FVTOCI reserve HK\$'000
Closing balance as at 31 March 2018		-
Remeasurement of financial assets	(ii)	<u>2,148</u>
Opening balance as at 1 April 2018		<u><u>2,148</u></u>

Notes:

(i) Reclassification from available-for-sale investments to investments at FVTOCI

As of 1 April 2018, certain investments in unlisted equity securities of HK\$449,000 were reclassified from available-for-sale investments to investments at FVTOCI. These unlisted equity securities have no quoted price in active market. The Group intends to hold these equity securities for long term strategic purposes. Under HKFRS 9, the Group has designated these equity securities at the date of initial application as measured at FVTOCI.

(ii) Remeasurement of financial assets

Certain available-for-sale investments with carrying amounts of HK\$449,000 as at 31 March 2018 were stated at cost less impairment in prior years. Those investments have been remeasured and stated at fair value amounted to HK\$2,597,000, also were reclassified as investments at FVTOCI on 1 April 2018.

The fair value gains on remeasurement of investments at FVTOCI amounted to HK\$2,148,000 were credited to investments at FVTOCI reserve of the Group on 1 April 2018. The fair value gains further increased by HK\$239,000 during the year ended 31 March 2019.

(b) HKFRS 9: *Financial Instruments* – **Accounting policy applied from 1 April 2018**

(i) *Classification and measurement of financial instruments*

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity investments, loans and receivables and available-for-sale investments. The adoption of HKFRS 9 has no significant impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade debtors (that the trade debtors do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at FVTOCI; or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(b) HKFRS 9: *Financial Instruments* – Accounting policy applied from 1 April 2018 (Continued)

(i) *Classification and measurement of financial instruments* (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
FVTOCI (equity investments)	Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(b) HKFRS 9: *Financial Instruments* – Accounting policy applied from 1 April 2018 (Continued)

(i) *Classification and measurement of financial instruments* (Continued)

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 HK\$’000	Carrying amount as at 1 April 2018 under HKFRS 9 HK\$’000
Unlisted equity securities	Available-for-sale investments (at cost less impairment)	FVTOCI	449	2,597
Listed equity securities	FVTPL	FVTPL	3,877	3,877
Trade debtors	Loans and receivables	Amortised cost	4,856	4,856
Other receivables	Loans and receivables	Amortised cost	5,751	5,751
Deposits	Loans and receivables	Amortised cost	19,426	19,426
Cash and cash equivalents	Loans and receivables	Amortised cost	<u>199,582</u>	<u>199,582</u>

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

The Directors have determined that the amount of change in fair value of gold loan, which is designated as financial liability at FVTPL, during the year and cumulatively, attributable to change in own credit risk was insignificant.

(ii) *Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group’s impairment model by replacing the HKAS 39 “incurred loss model” to the “expected credit loss (“ECL”) model”. HKFRS 9 requires the Group to recognise ECLs for trade debtors and financial assets at amortised cost earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of the reporting period: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(b) HKFRS 9: *Financial Instruments* – Accounting policy applied from 1 April 2018 (Continued)

(ii) *Impairment of financial assets* (Continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade debtors using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, time value of money, adjusted for forward-looking factors specific to the debtors and the economic environment.

For short term bank deposits, cash at banks and cash at financial institution, the Group recognises a loss allowance equal to 12 months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

For financial assets at amortised cost, other than trade debtors, short term bank deposits, cash at banks and cash at financial institution, the ECLs are determined based on the 12 months ECLs. The 12 months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the end of the reporting period. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's other receivables at amortised cost are considered to have low credit risk since there was no recent history of default of the debtor and it has good settlement record with the Group.

Impact of the ECL model

The Group has concluded that there is no material impact for the initial application of the new impairment requirements and as of 31 March 2019.

(iii) *Hedge accounting*

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) *Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative financial information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(b) HKFRS 9: *Financial Instruments* – Accounting policy applied from 1 April 2018 (Continued)

(iv) *Transition* (Continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the DIA:

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(c) HKFRS 15: *Revenue from Contracts with Customers* – Impact of adoption

HKFRS 15 supersedes HKAS 11, *Construction Contracts*, HKAS 18, *Revenue*, and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application (i.e. 1 April 2018). As a result, the financial information presented for the year ended 31 March 2018 has not been restated.

The following tables summarised the impact, net of tax, of transition to HKFRS 15 on the opening balances of retained profits and consolidated statement of financial position as follows:

	HK\$'000
Retained profits	
Variable consideration arising from right of return (note 2(c)(i))	(28)
Impact at 1 April 2018	<u>(28)</u>

	At 31 March 2018 under HKAS 39 HK\$'000	Reclassification HK\$'000	Remeasurement HK\$'000	At 1 April 2018 under HKFRS 9 HK\$'000
Current liabilities				
Other payables and accruals	888	(888)	-	-
Deposits received and deferred income	1,368	(1,368)	-	-
Refund liabilities	-	-	82	82
Contract liabilities	-	2,256	-	2,256
	<u>2,256</u>	<u>-</u>	<u>82</u>	<u>2,338</u>

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(c) HKFRS 15: *Revenue from Contracts with Customers* – Impact of adoption (Continued)

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018 and for the year ended 31 March 2019
(i)	Gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling	<p>Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon acceptance of the goods by the customers. There is generally only one performance obligation. Invoices are usually payable upon transfer of control of goods.</p> <p><u>Right of return</u> Some of the Group's contracts with customers on sales of certain jewellery products provide a right of return (a right to exchange for another product) to customers. These rights of return allow the returned goods to be refunded in cash or exchanged other goods with equivalent values.</p>	<p><u>Right of return</u> Under HKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made.</p> <p>Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods asset are recognised.</p> <p><u>Impact</u> As of 1 April 2018, an increase in refund liability of HK\$82,000, an increase in right to recover returned goods asset of HK\$54,000 and a decrease in retained profits of HK\$28,000 were recognised.</p> <p>As of 31 March 2019, the refund liability decreased by HK\$82,000 and right to recover returned goods asset decreased by HK\$54,000. Accordingly, increase in revenue, increase in cost of sales and increase in profit of HK\$82,000, HK\$54,000 and HK\$28,000 were recognised for the year ended 31 March 2019 respectively.</p>

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(c) HKFRS 15: *Revenue from Contracts with Customers* – Impact of adoption (Continued)

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018 and for the year ended 31 March 2019
(i)	Gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling	<p><u>Customer loyalty program</u> The Group launches a customer loyalty program, which allows customers to redeem the award credits for gifts or cash coupons within a specified period of time.</p>	<p><u>Customer loyalty program</u> Under HK (IFRIC) – Interpretation 13, <i>Customer Loyalty Programmes</i>, it requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed.</p> <p>Under HKFRS 15, an option to acquire additional goods or services gives rise to a separate performance obligation if the option provides a material right that the customer would not receive without entering into that contract, resulting in allocation of transaction price to separate performance obligations and to recognise a contract liability for the performance obligations that will be satisfied in the future and revenue for the option when the award credits are utilised by customers for goods or services or when the option expires.</p> <p><u>Impact</u> As of 1 April 2018, there is no significant impact on the Group’s consolidated financial statements. Amount of HK\$337,000 previously recognised as deferred income as of 31 March 2018 was presented as contract liabilities since 1 April 2018. The contract liabilities further increased by HK\$340,000 during the year ended 31 March 2019.</p> <p><u>Deposits received from customers</u> Under HKFRS 15, when a customer pays a non-refundable consideration to the Group, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a goods or service to the customer, the Group shall present the consideration received or receivable as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.</p> <p><u>Impact</u> Amount of HK\$1,919,000 previously recognised as other payables and deposits received as of 31 March 2018 was presented as contract liabilities since 1 April 2018. These contract liabilities decreased to HK\$1,833,000 as at 31 March 2019.</p>

2. ADOPTION OF NEW OR REVISED TO HKFRSs (Continued)

(c) HKFRS 15: Revenue from Contracts with Customers – Impact of adoption (Continued)

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018 and for the year ended 31 March 2019
(ii)	Money exchange services	Revenue is recognised at a point in time as those services are provided. Invoices are issued upon money exchange services rendered.	<u>Impact</u> By considering the contract terms and performance obligation, there is no significant impact on the Group's consolidated financial statements.

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The Group has not early applied the following new/revised HKFRSs that have been issued but are not yet effective:

Amendments to HKAS 1 and HKAS 8	Definition of Material ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long term Interests in Associates and Joint Ventures ¹
Amendments to HKFRS 3	Definition of a business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture ²
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing costs ¹
HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ⁵
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continues to be permitted

³ Effective for annual periods beginning on or after 1 January 2020

⁴ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. The Group has identified some aspects of HKFRS 16 which may have expected impact on the Group's consolidated financial statements. Further details of the expected impacts are discussed below.

While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards is initially applied in the Group's interim financial report for the six months ending 30 September 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

(Continued)

HKFRS 16: Leases

HKFRS 16, which upon the effective date will supersede HKAS 17, *Leases*, and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those 2 types of leases differently.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. At 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$74,304,000. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets is approximately HK\$69,581,000, after taking into account the effects of discounting, as at 1 April 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statement onwards.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 March 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 2 above.

5. 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.

Based on the above, the Group's top management determined that the Group has only one single reportable segment which is retailing, bullion trading and diamond wholesaling. Accordingly, no separate segment of analysis is presented.

No geographical information was presented as more than 90% of the Group's revenue is derived from activities in Hong Kong (place of domicile). Also, most of the Group's non-current assets are located in Hong Kong.

For each of the 2 years ended 31 March 2018 and 2019 respectively, no revenue from a single customer accounted for 10% or more of the total revenue of the Group.

6. REVENUE

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

	Year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customer within the scope of HKFRS 15:		
Gold ornament, jewellery, watch and gift retailing	539,181	505,418
Bullion trading	10,078	10,547
Diamond wholesaling	2,551	1,583
Others	75	94
	<u>551,885</u>	<u>517,642</u>
Total revenue	<u>551,885</u>	<u>517,642</u>
Timing of revenue recognition:		
At a point in time	<u>551,885</u>	<u>517,642</u>

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging and (crediting):

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Auditors' remuneration	779	749
Cost of inventories sold, including	408,766	400,659
– provision for and write down of inventories to net realisable value	9,146	27,842
– reversal of provision for and write down of inventories to net realisable value*	(4,034)	(9,605)
Depreciation of property, plant and equipment	1,067	1,184
Depreciation of investment properties	33	32
Directly write off of deposits and other receivables	46	18
Dividend income	(135)	(365)
Expenses for liquidation of subsidiaries	2	-
Fair value change of investments at FVTPL	313	(2,760)
Foreign exchange differences, net	(79)	3
Interest income from financial assets at amortised cost	(2,360)	(570)
Loss on write off/disposal of property, plant and equipment	35	63
Operating lease charges in respect of properties	65,314	66,983
Operating lease charges in respect of furniture and fixtures	598	595
Outgoings in respect of investment properties	95	88
Provision for impairment loss of available-for-sale investments	-	32
Provision for long service payments		
– provided against the account	33	13
– reversal of provision	(15)	(74)
Rental income on owned properties	(997)	(799)
Written off of payables	(2,233)	-

* Reversal of provision for and write down of inventories to net realisable value mainly arose from inventories that were sold subsequently during the year.

8. TAXATION

No Hong Kong profits tax has been provided for the year ended 31 March 2019 as the Group has sufficient tax loss brought forward to set off the estimated assessable profit.

No Hong Kong profits tax has been provided for the year ended 31 March 2018 as the Group has no estimated assessable profit.

No overseas profits tax has been provided for the years ended 31 March 2018 and 2019 as the Group has no estimated assessable profit.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the consolidated profit for the year attributable to owners of the Company of HK\$767,000 (2018: consolidated loss of HK\$22,737,000) and the weighted average number of 913,650,465 (2018: 913,650,465) ordinary shares in issue during the year.

Diluted earnings/(loss) per share and basic earnings/(loss) per share for each of the 2 years ended 31 March 2018 and 2019 respectively are the same as there were no dilutive potential ordinary shares during both years.

10. AVAILABLE-FOR-SALE INVESTMENTS

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Unlisted equity securities, at cost less impairment	-	449
Membership licence, at cost	-	356
	<u>-</u>	<u>805</u>

The unlisted equity securities and membership licence were reclassified to investments at FVTOCI (note 11) and other asset respectively on 1 April 2018.

11. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Unlisted equity securities	<u>2,836</u>	<u>-</u>

These investments in unlisted equity securities were reclassified from available-for-sale investments, at cost less impairment, of HK\$449,000 on 1 April 2018 after the adoption of HKFRS 9 as detailed in notes 2(a) and (b). The fair values of these investments at 1 April 2018 and 31 March 2019 were determined by BMI Appraisals Limited, an independent qualified valuer and the Directors respectively.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Trade debtors	7,900	4,856
Other receivables	5,181	5,751
Deposits and prepayments	<u>27,997</u>	<u>20,834</u>
	<u>41,078</u>	<u>31,441</u>

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

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
Within 30 days	6,628	4,801
31 – 90 days	<u>1,272</u>	<u>55</u>
	<u>7,900</u>	<u>4,856</u>

13. CREDITORS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Trade payables	17,363	11,501
Other payables and accruals	7,820	10,489
Contract liabilities	2,510	-
Deposits received and deferred income	4,095	6,642
	<u>31,788</u>	<u>28,632</u>

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

	As at 31 March	
	2019 HK\$'000	2018 HK\$'000
Within 30 days	14,628	8,475
31 – 90 days	149	25
More than 90 days	2,586	3,001
	<u>17,363</u>	<u>11,501</u>

DIVIDEND

The Board of the Company has resolved not to recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil) to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results Overview

For the year ended 31 March 2019, the Group recorded total revenue of HK\$551.9 million, representing an increase of HK\$34.2 million or 6.6% from HK\$517.6 million of the previous year. The Group has made a turnaround and recorded a consolidated profit attributable to owners of the Company for the year ended 31 March 2019 of HK\$0.8 million, which compared to an attributable consolidated loss of HK\$22.7 million in last year. Such profit improvement was primarily due to the increase in turnover and improvement of gross profit margin by 3.5 percentage points from last year's 23.7% to this year's 27.2%. The Group's distribution and selling costs for the year under review increased by 2.2% to HK\$112.7 million as compared with HK\$110.2 million for the previous year, and the increase was mainly attributable to the increase in marketing expenses. The Group's administrative expenses for the year under review increased by 11.8% to HK\$40.1 million as compared with HK\$35.8 million for the previous year.

Business Review

During the year ended 31 March 2019, the Group had 6 shops in Hong Kong for retail of gold ornament, jewellery, watch, gift and bullion trading. The revenue of the Group's retailing business for the year ended 31 March 2019 increased by 6.5% to HK\$549.3 million from HK\$516.0 million for the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review (Continued)

For the year under review, there was an outbreak and escalation of trade dispute between China and the United States, slugging the just recovered retail market economy. Despite the challenging global environment, the Group still managed to achieve a growth in both turnover and gross profit margin and got a turnaround to become profitable again. The growth was mainly contributed by 21.5% sales growth and 2.5% gross profit margin improvement in the sales of watch products. Same store sales growth was 11.0% for the year. During the year, the Group had launched series of marketing activities and revamped its social media platforms to attract more new customers. In March 2019, the shop and display window in Pacific Place were renovated to become more stylish and the new image was well received by its customers. The management will continue to monitor the market trends and adjust its product offerings and designs to serve its customers better and fulfil the market demands.

Future Outlook

Looking forward, the Group will keep on investing in people management, revamping its website, digital marketing channels, product designs and craftsmanship. To cope with the uncertain global environments, the Group will continue to improve its operational efficiencies and take cautious control in its costs and inventory management. Nevertheless, the outlook of the retail market is challenging, the Group have confidence in its business and will find opportunities to expand or optimise its retail store network. To better serve its customers, the Group will provide training to its front line staff to enhance their product knowledge, services and management skill. Adhere to the 真、摯、美 spirits of the Group, the Group is devoted to continue delivering high quality products with exquisite craftsmanship.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

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 year except the deviations as explained below:

Code provision A.4.1

The non-executive directors of the Company were not appointed for a specific term, but each of them is subject to retirement by rotation at annual general 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.

Code provisions A.5.1 to A.5.4

The Company has not established a nomination committee. In view of the current structure of the Board and 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 should be involved in performing the duties set out in such code provisions.

Code provision D.1.4

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 from time to time which are recorded in the relevant board minutes.

Code provision E.1.5

The Company does not have a dividend policy or any pre-determined dividend distribution ratio. The Board will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Company's operating results, business plans and prospects, financial position and working capital requirements, and other factors that the Board considers relevant.

REVIEW OF ANNUAL RESULTS

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 including review of the results for the year ended 31 March 2019.

SCOPE OF WORK OF BDO LIMITED

The figures in this preliminary announcement in respect of the Group's results for the year ended 31 March 2019 have been reviewed and agreed by the Group's auditor, BDO Limited ("BDO"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on this preliminary announcement.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the 2 years ended 31 March 2018 and 2019 respectively included in this preliminary announcement of the annual results for the year ended 31 March 2019 do not constitute the Company's statutory annual consolidated financial statements for those years 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 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2019 in due course.

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the rights to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from 4 September 2019 to 9 September 2019, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 3 September 2019.

By order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 25 June 2019

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