king fook holdings limited
景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The Board of Directors (the "Board") of King Fook Holdings Limited (the "Company") announces the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2019 with comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 September	
		2019	2018
	Note	**HK$'000**	HK$'000
Revenue	*6*	**321,971**	264,347
Cost of sales		**(239,871)**	(192,456)
Gross profit		**82,100**	71,891
Other operating income		**2,797**	1,655
Distribution and selling costs		**(56,613)**	(55,516)
Administrative expenses		**(20,229)**	(20,841)
Other operating expenses		**(3,656)**	(707)
Operating profit/(loss)		**4,399**	(3,518)
Finance costs		**(2,025)**	(1,434)
Profit/(loss) before taxation	*7*	**2,374**	(4,952)
Taxation	*8*	**-**	-
Profit/(loss) for the period		**2,374**	(4,952)

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

	Note	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'000
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(514)**	(911)
Item that will not be reclassified to profit or loss:			
Change in fair value of investments at fair value through other comprehensive income		**431**	46
Other comprehensive income for the period		**(83)**	(865)
Total comprehensive income for the period		**2,291**	(5,817)
Profit/(loss) for the period attributable to:			
– Owners of the Company		**2,371**	(4,955)
– Non-controlling interests		**3**	3
		2,374	(4,952)
Total comprehensive income for the period attributable to:			
– Owners of the Company		**2,288**	(5,820)
– Non-controlling interests		**3**	3
		2,291	(5,817)
		HK cents	HK cents
Earnings/(loss) per share	*9*		
– Basic and diluted		**0.3**	(0.5)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited As at 30 September 2019 HK$'000**	Audited As at 31 March 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,819**	3,167
Right-of-use assets	*10*	**70,398**	-
Investment properties		**513**	529
Investments at fair value through other comprehensive income		**3,267**	2,836
Other asset		**356**	356
Deposits	*11*	**5,979**	-
		83,332	6,888
Current assets			
Inventories		**469,597**	477,738
Debtors, deposits and prepayments	*11*	**36,134**	41,078
Investments at fair value through profit or loss		**265**	316
Cash and cash equivalents		**179,959**	161,958
		685,955	681,090
Total assets		**769,287**	687,978
Current liabilities			
Creditors, deposits received and other payables	*12*	**29,330**	31,788
Gold loan		**29,403**	22,494
Lease liabilities		**48,508**	-
		107,241	54,282
Net current assets		**578,714**	626,808
Total assets less current liabilities		**662,046**	633,696
Non-current liabilities			
Provision for long service payments		**83**	53
Lease liabilities		**29,420**	-
		29,503	53
Net assets		**632,543**	633,643
CAPITAL AND RESERVES			
Share capital		**393,354**	393,354
Other reserves		**37,131**	37,214
Retained profits		**202,055**	203,075
Equity attributable to owners of the Company		**632,540**	633,643
Non-controlling interests		**3**	-
Total equity		**632,543**	633,643

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 principal activities of the Group are gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling.

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared with the same accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 March 2019 (the "2019 Annual Financial Statements"), except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2019. This is the first set of the Group's financial statements in which Hong Kong Financial Reporting Standard ("HKFRS") 16, *Leases,* has been adopted. Details of any changes in accounting policies are set out in note 3. Except for the adoption of HKFRS 16, the adoption of the new and revised HKFRSs have no material effect on the unaudited interim condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the unaudited interim condensed consolidated financial statements and their effect are disclosed in note 4.

The unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. The unaudited interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 Annual Financial Statements. The unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2019 Annual Financial Statements.

The interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has applied for the first time the following new and revised 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 2019:

Amendments to HKAS 28	Long term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
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
HKFRS 16	Leases
HK (IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments

Save as disclosed in the changes in accounting policies for HKFRS 16 in note 3, the adoption of these new and revised HKFRSs has no significant impact on the unaudited interim condensed consolidated financial statements. The Group has not applied any new and revised HKFRSs that is not yet effective for the current accounting period.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

(i) Impact of the adoption of HKFRS 16

Except as described below, the accounting policies applied in the unaudited interim condensed consolidated financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 March 2020.

The Group has initially adopted HKFRS 16, *Leases,* from 1 April 2019. A number of other new standards are effective from 1 April 2019 but they do not have a material effect on the Group's accounting policies.

HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented has not been restated and continues to be reported under HKAS 17, *Leases*, and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

Condensed consolidated statement of financial position as at 1 April 2019

	HK$'000
Right-of-use assets	64,515
Lease liabilities (non-current)	19,865
Lease liabilities (current)	48,240
Other payables and accruals	(199)
Retained profits	(3,391)

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the unaudited condensed consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitments to lease liabilities

	HK$'000
Operating lease commitments as of 31 March 2019	74,304
Less: Commitments relating to leases exempt from capitalisation:	
- short term leases with less than 12 months of lease term at transition	(4,529)
	69,775
Less: Total future interest charges	(1,670)
Total lease liabilities as of 1 April 2019	68,105

The weighted average lessee's incremental borrowing rate of 5% was applied to lease liabilities recognised in the unaudited condensed consolidated statement of financial position as at 1 April 2019.

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	Unaudited As at 30 September 2019 HK$'000	Unaudited As at 1 April 2019 HK$'000
Properties	**69,250**	64,370
Furniture and fixtures	**1,148**	145
	70,398	64,515

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee shall apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (Continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise leases which are short term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight line basis over the lease term.

The Group recognised right-of-use assets and lease liabilities at the commencement date of a lease.

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liabilities (see below for the accounting policy to account for lease liabilities); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

The Group assesses impairment at the end of each reporting period by evaluating conditions that may lead to impairment of right-of-use assets. Where an impairment condition exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from actual result. In making these key estimates and judgements, the Directors take into consideration assumptions that are based on market condition existing at the end of reporting period and appropriate market and discounts rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

The Group's leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40, *Investment Property*, as investment properties and would also continue to be carried at cost less accumulated depreciation and impairment loss. Leasehold land and buildings which were held for own use would continue to be accounted for under HKAS 16, *Property, Plant and Equipment*, as property, plant and equipment and would also continue to be carried at cost less accumulated depreciation and impairment loss. The adoption of HKFRS 16 therefore does not have any significant impact on these assets.

Lease liabilities

The lease liabilities should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (Continued)

(iii) Accounting as a lessee (Continued)

Lease liabilities (Continued)

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liabilities by: (i) increasing the carrying amount to reflect interest on the lease liabilities; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on the unaudited interim condensed consolidated financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 April 2019). The comparative information presented has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has relied on its assessment of whether leases were onerous by applying HKAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, immediately before 1 April 2019 as an alternative to performing an impairment review.

The Group has applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short term leases; and (iii) excluded the initial direct costs from the measurement of the right-of-use assets at 1 April 2019.

In addition, the Group has applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC) – Interpretation 4, *Determining whether an Arrangement contains a Lease*, and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK (IFRIC) – Interpretation 4.

3. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (Continued)

(vi) Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised right-of-use assets of HK$70,398,000 and lease liabilities of HK$77,928,000 as at 30 September 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation, interest charges and impairment loss, instead of operating lease charges. During the six months ended 30 September 2019, the Group had recognised depreciation charges of HK$25,490,000, interest charges of HK$1,569,000 and impairment loss of HK$3,600,000 from these leases.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this unaudited interim condensed 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 2019 Annual Financial Statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3 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 the six months ended 30 September 2018 and 2019, 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 period comprised the following:

	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'000
Revenue from contracts with customers:		
Gold ornament, jewellery, watch and gift retailing	**310,670**	259,505
Bullion trading	**9,385**	3,012
Diamond wholesaling	**1,916**	1,755
Others	**-**	75
Total revenue	**321,971**	264,347
Timing of revenue recognition:		
At a point in time	**321,971**	264,347

7. PROFIT/(LOSS) BEFORE TAXATION

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

	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'000
Auditors' remuneration	**380**	380
Cost of inventories sold, including	**239,819**	194,666
– provision for and write down of inventories to net realisable value	**3,002**	4,503
– reversal of provision for and write down of inventories to net realisable value*	**(3,496)**	(1,903)
Depreciation of investment properties	**16**	16
Depreciation of property, plant and equipment	**587**	487
Depreciation of right-of-use assets	**25,490**	-
Dividend income	**(116)**	(109)
Fair value change of investments at fair value through profit or loss	**46**	570
Foreign exchange differences, net	**10**	101
Interest income from financial assets at amortised cost	**(1,509)**	(1,108)
Loss on write off/disposal of property, plant and equipment	**-**	36
Operating lease charges in respect of furniture and fixtures	**-**	299
Operating lease charges in respect of properties	**-**	32,576
Outgoings in respect of investment properties	**47**	43
Provision for impairment loss on right-of-use assets	**3,600**	-
Provision for long service payments		
– provided against the account	**37**	42
– reversal of provision	**(7)**	(1)
Rental expenses for variable lease payments	**1,861**	-
Rental expenses on short term leases in respect of furniture and fixtures	**135**	-
Rental expenses on short term leases in respect of properties	**4,341**	-
Rental income on owned properties	**(608)**	(402)
Written off of payables	**(562)**	-

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

8. TAXATION

No Hong Kong profits tax has been provided for the six months ended 30 September 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 six months ended 30 September 2018 as the Group has no estimated assessable profit.

No overseas profits tax has been provided for the six months ended 30 September 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 period attributable to owners of the Company of HK$2,371,000 (for the six months ended 30 September 2018: consolidated loss of HK$4,955,000) and the weighted average number of 913,650,465 (for the six months ended 30 September 2018: 913,650,465) ordinary shares in issue during the period.

Diluted earnings/(loss) per share and basic earnings/(loss) per share for each of the six months ended 30 September 2018 and 2019 respectively are the same as there were no dilutive potential ordinary shares during both periods.

10. RIGHT-OF-USE ASSETS

As disclosed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

During the period, the Group entered into a number of lease agreements for use of properties and furniture and fixtures, and therefore recognised the additions to right-of-use assets of HK$35,390,000. Certain leases of retail stores contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed.

The Group performed an impairment assessment on right-of-use assets in accordance with HKAS 36, *Impairment of Assets*. Based on the assessment, an impairment loss of HK$3,600,000 was recognised and charged to the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2019. The impairment provisions were made against a new lease agreement which was entered into during the period and a previous lease agreement which cash flow forecast was revised downwards based on management's assessment. The recoverable amounts of these right-of-use assets using value-in-use calculation were determined by the discounted cash flows generated from retail stores based on a management budget plan and a pre-tax discount rate of 8%.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Current		
Trade debtors	**2,164**	7,900
Other receivables	**8,848**	5,181
Deposits and prepayments	**25,122**	27,997
	36,134	41,078
Non-current		
Deposits paid on purchase of property, plant and equipment	**1,670**	-
Rental deposits	**4,309**	-
	5,979	-
	42,113	41,078

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

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Within 30 days	**2,088**	6,628
31 – 90 days	**76**	1,272
	2,164	7,900

12. CREDITORS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Trade payables	**12,382**	17,363
Other payables and accruals	**9,640**	7,820
Contract and refund liabilities	**2,288**	2,510
Deposits received	**5,020**	4,095
	29,330	31,788

12. CREDITORS, DEPOSITS RECEIVED AND OTHER PAYABLES (Continued)

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

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Within 30 days	**9,661**	14,628
31 – 90 days	**435**	149
More than 90 days	**2,286**	2,586
	12,382	17,363

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the year ending 31 March 2020 (for the year ended 31 March 2019: Nil) to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results Overview

The Group is principally engaged in gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling. More than 90% of the Group's revenue is derived from activities in Hong Kong.

For the six months ended 30 September 2019, the Group recorded total revenue of HK$322.0 million, representing an increase of HK$57.7 million or 21.8% from HK$264.3 million for the last corresponding period. The Group has made a turnaround and recorded an unaudited consolidated profit attributable to owners of the Company of HK$2.4 million for such period as compared to an attributable consolidated loss of HK$5.0 million for the same period last year. Such improvement was primarily due to an increase in revenue in the retail business of the Group during such period.

Business Review

The Group operated six retail shops in Hong Kong as at 30 September 2019. Both of the Group's revenue and gross profit achieved a double-digit growth during such period.

The revenue of the Group's retailing business for the six months ended 30 September 2019 increased by HK$57.5 million or 21.9% to HK$320.0 million from HK$262.5 million for the same period last year. Such increase was mainly attributable to growth in sales to high end local customers. Same store sales growth was 28.0% as compared to the same period last year. The gross profit of the Group also rose to HK$82.1 million as compared to HK$71.9 million for the last correspondent period although there was a slight drop in gross profit percentage from 27.2% to 25.5% mainly as a result of the change in product mix. The turnaround to profit was mainly due to the improved productivity of sales staff with enhanced training provided by the Group and continued growth of sales to local high end customers.

Outlook

Looking forward, the Group considers the global economy and retail environment would remain uncertain as a result of the trade disputes between China and the United States and the recent local social unrest. Despite the complex macroeconomic environment and local social issues are expected to continue to impact consumer sentiment negatively, the Group has confidence to face the challenges. The Group is cautiously optimistic that the demand for luxury watches and jewellery will continue. Therefore, following the opening of a new shop in Harbour City, Kowloon in November 2019, the Group will continue to explore opportunities to expand its retail network. Furthermore, the Group will keep on investing in staff development, digital marketing and creative product designs to better serve our customers.

Besides measures to enhance sales performance, the Group will take steps to improve operation efficiency, including rental negotiation, inventory management and cost control.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2019.

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions of the Corporate Governance Code (the "Code") set out in appendix 14 to the Listing Rules throughout the six months ended 30 September 2019 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 BY AUDITOR AND AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 have been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its system of risk management and internal control and financial reporting matters and the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 March 2019 included in this interim results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

By Order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 22 November 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.