king fook holdings limited
景福集團有限公司

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2019

INTERIM REPORT

STOCK CODE : 280

Contents

The Board of Directors (the "Board") of King Fook Holdings Limited (the "Company") presents their report together with the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2019. The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 September 2019, and the condensed consolidated statement of financial position as at 30 September 2019 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 13 to 52 of this report.

INTERIM DIVIDEND

The Board of the Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Outlook (Continued)

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

Financial Review

Liquidity and Financial Resources

As at 30 September 2019, the Group's current assets and current liabilities were approximately HK$686.0 million and HK$107.2 million respectively. There were cash and cash equivalents of approximately HK$180.0 million, gold loan of approximately HK$29.4 million, and no bank loan as at that date.

Based on the total borrowings of the Group of approximately HK$29.4 million and the equity attributable to owners of the Company of approximately HK$632.5 million as at 30 September 2019, the overall borrowings to equity ratio was 4.6%, which was at a healthy level.

Exposure to Fluctuation in Foreign Exchange Rates

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant. No financial instrument had been used for hedging during the six months ended 30 September 2019.

Charge on Assets

As at 30 September 2019, there was no charge on the Group's assets.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review (Continued)

Capital Expenditure

During the period, the Group had incurred capital expenditures of approximately HK$240,000, including the costs of leasehold improvement, and furniture and equipment.

Capital Commitments and Contingent Liabilities

As at 30 September 2019, there was capital commitments of approximately HK$1.0 million relating to leasehold improvements and no contingent liabilities or off-balance sheet obligation.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group had about 130 employees. The employees (including directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward employees based on their performance. It also provides training programs to employees to improve the standard of customer services and for their further advancement.

DISCLOSURE OF INTERESTS

At 30 September 2019, the interests of the directors of the Company in the share capital of the Company as recorded in the register maintained by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

	Number of ordinary shares held					Percentage of
	Personal	***Family***	***Corporate***	***Trust***	***Total***	**shareholding**
Mr. Tang Yat Sun, Richard	7,528,500	Nil	#31,571,400	Nil	39,099,900	4.28%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*6,657,000	Nil	6,657,000	0.73%
Dr. Fung Yuk Bun, Patrick	Nil	Nil	Nil	^5,856,517	5,856,517	0.64%

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

* These shares were held by Tak Hung (Holding) Co. Ltd. ("Tak Hung"). As Mr. Ho has a 40% interest in Tak Hung, he is deemed to be interested in all these shares held by Tak Hung.

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

Save as disclosed above, at 30 September 2019, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER

At 30 September 2019, the following person (other than a director or chief executive of the Company) had interest in shares of the Company as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Number of ordinary shares held	Nature of interest	Percentage of shareholding
Yeung Chi Shing Estates Limited	554,624,457	*Note*	60.70%

Note: 541,688,415 shares were beneficially owned by Yeung Chi Shing Estates Limited while 12,936,042 shares were of its corporate interest.

Save as disclosed above, at 30 September 2019, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on the terms of the Model Code. Having made specific enquiry of all the directors of the Company, all of them had complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the six months ended 30 September 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

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

Code provisions A.5.1 to A.5.4

In respect of code provisions A.5.1 to A.5.4 of the Code, the Company has not established a nomination committee. In view of the current structure of the Board of the Company and the business operations of the Group, the Board of the Company believes that it is not necessary to establish a nomination committee as it considers that all directors of the Company should be involved in performing the duties set out in such code provisions.

Code provision D.1.4

As far as code provision D.1.4 of the Code is concerned, the Company does not have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Board of the Company decides on the key terms and conditions of the appointment of the directors of the Company from time to time which are recorded in the relevant board minutes.

CORPORATE GOVERNANCE PRACTICES (Continued)

Code provision E.1.5

In respect of code provision E.1.5 of the Code, the Company does not have a dividend policy or any pre-determined dividend distribution ratio. The Board of the Company 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 of the Company considers relevant.

REVIEW BY AUDITOR AND AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 set out on pages 13 to 52 have been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its system of risk management and internal control and financial reporting matters and these unaudited interim condensed consolidated financial statements for the six months ended 30 September 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 report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 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.

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TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 13 to 52 which comprise the condensed consolidated statement of financial position of King Fook Holdings Limited and its subsidiaries (collectively referred to as the "Group") as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants
Leung Tze Wai
Practising Certificate Number P06158

Hong Kong, 22 November 2019

For the six months ended 30 September 2019

	Note	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'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	*7*	**(2,025)**	(1,434)
Profit/(loss) before taxation	*8*	**2,374**	(4,952)
Taxation	*10*	**—**	—
Profit/(loss) for the period		**2,374**	(4,952)
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	*12*		
— Basic and diluted		**0.3**	(0.5)

As at 30 September 2019

	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	*13*	**2,819**	3,167
Right-of-use assets	*14*	**70,398**	—
Investment properties		**513**	529
Investments at fair value through other comprehensive income	*15*	**3,267**	2,836
Other asset	*16*	**356**	356
Deposits	*17*	**5,979**	—
		83,332	6,888
Current assets			
Inventories		**469,597**	477,738
Debtors, deposits and prepayments	*17*	**36,134**	41,078
Investments at fair value through profit or loss	*18*	**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	*19*	**29,330**	31,788
Gold loan		**29,403**	22,494
Lease liabilities	*20*	**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	*20*	**29,420**	—
		29,503	53
Net assets		**632,543**	633,643
CAPITAL AND RESERVES			
Share capital	*21*	**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

For the six months ended 30 September 2019

	Equity attributable to owners of the Company						Non-controlling interests	Total
	Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Investments at fair value through other comprehensive income reserve HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
Unaudited For the six months ended 30 September 2019								
At 31 March 2019 as originally presented	**393,354**	**24,753**	**10,074**	**2,387**	**203,075**	**633,643**	**—**	**633,643**
Change in accounting policy (note 3)	**—**	**—**	**—**	**—**	**(3,391)**	**(3,391)**	**—**	**(3,391)**
At 1 April 2019	**393,354**	**24,753**	**10,074**	**2,387**	**199,684**	**630,252**	**—**	**630,252**
Profit for the period	**—**	**—**	**—**	**—**	**2,371**	**2,371**	**3**	**2,374**
Other comprehensive income:								
Exchange differences on translation of foreign operations	**—**	**—**	**(514)**	**—**	**—**	**(514)**	**—**	**(514)**
Change in fair value of investments at fair value through other comprehensive income	**—**	**—**	**—**	**431**	**—**	**431**	**—**	**431**
Other comprehensive income for the period	**—**	**—**	**(514)**	**431**	**—**	**(83)**	**—**	**(83)**
Total comprehensive income for the period	**—**	**—**	**(514)**	**431**	**2,371**	**2,288**	**3**	**2,291**
At 30 September 2019	**393,354**	**24,753**	**9,560**	**2,818**	**202,055**	**632,540**	**3**	**632,543**
Unaudited For the six months ended 30 September 2018								
At 31 March 2018 as originally presented	393,354	24,753	10,751	—	202,336	631,194	103	631,297
Change in accounting policy — HKFRS 9 and HKFRS 15	—	—	—	2,148	(28)	2,120	—	2,120
At 1 April 2018	393,354	24,753	10,751	2,148	202,308	633,314	103	633,417
(Loss)/profit for the period	—	—	—	—	(4,955)	(4,955)	3	(4,952)
Other comprehensive income:								
Exchange differences on translation of foreign operations	—	—	(911)	—	—	(911)	—	(911)
Change in fair value of investments at fair value through other comprehensive income	—	—	—	46	—	46	—	46
Other comprehensive income for the period	—	—	(911)	46	—	(865)	—	(865)
Total comprehensive income for the period	—	—	(911)	46	(4,955)	(5,820)	3	(5,817)
At 30 September 2018	393,354	24,753	9,840	2,194	197,353	627,494	106	627,600

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Note	**Unaudited Six months ended 30 September 2019 HK$'000**	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit/(loss) before working capital changes	*22(a)*	**31,487**	(985)
Decrease in inventories		**11,493**	26,497
Decrease/(increase) in debtors, deposits and prepayments		**782**	(10,607)
(Decrease)/increase in creditors, deposits received and other payables		**(1,762)**	3,837
Dividends received from investments at fair value through profit or loss		**7**	109
Change in investments at fair value through profit or loss		**8**	851
Interest received		**1,350**	783
Net cash generated from operating activities		**43,365**	20,485
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid on purchase of property, plant and equipment		**(1,670)**	—
Dividends received from investments at fair value through other comprehensive income		**109**	—
Purchase of property, plant and equipment		**(240)**	(7)
Net cash used in investing activities		**(1,801)**	(7)
CASH FLOWS FROM FINANCING ACTIVITIES	*22(b)*		
Payment of principal element of lease liabilities		**(25,150)**	—
Payment of interest element of lease liabilities		**(1,569)**	—
Interest paid on bank and gold loans		**(386)**	(1,776)
Proceeds from bank and gold loans		**3,597**	10,000
Repayment of bank loans		**—**	(53,000)
Net cash used in financing activities		**(23,508)**	(44,776)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**18,056**	(24,298)
Cash and cash equivalents at the beginning of the period		**161,958**	199,582
Effect of foreign exchange rates changes, net		**(55)**	(48)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**179,959**	175,236
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**37,536**	29,298
Short term bank deposits with maturity within three months		**142,423**	145,938
		179,959	175,236

1. GENERAL INFORMATION AND BASIS OF PREPARATION

King Fook Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. Its registered office is located at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company consider the ultimate holding company to be Yeung Chi Shing Estates Limited ("Yeung Chi Shing"), a company incorporated in Hong Kong.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling.

These 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. 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 these 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.

1. GENERAL INFORMATION AND BASIS OF PREPARATION (Continued)

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 these unaudited interim condensed consolidated financial statements and their effect are disclosed in note 4.

These unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These 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. These 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.

These 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. BDO Limited's report on review of interim financial information to the Board of Directors (the "Board") is included on pages 11 to 12.

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 these 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 these 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 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.

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

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

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.

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

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

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.

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

(ii) The new definition of a lease (Continued)

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.

(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.

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

(iii) Accounting as a lessee (Continued)

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.

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

(iii) Accounting as a lessee (Continued)

Right-of-use assets (Continued)

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 of the Company 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.

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

(iii) Accounting as a lessee (Continued)

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.

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.

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

(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 these 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, *Provision, Contingent Liabilities and Contingent Assets*, immediately before 1 April 2019 as an alternative to performing an impairment review.

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

(v) Transition (Continued)

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.

(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 these 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	2018
	HK$'000	HK$'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. FINANCE COSTS

	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'000
Interest charges on:		
Financial liabilities at amortised cost		
Bank loans	**—**	1,035
Lease liabilities	**1,569**	—
Financial liability at fair value through profit or loss		
Gold loan	**456**	399
	2,025	1,434

8. 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

8. PROFIT/(LOSS) BEFORE TAXATION (Continued)

	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'000
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.

9. EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
Wages, salaries and other benefits	**28,812**	25,090
Pension costs — defined contribution retirement schemes	**1,117**	1,115
Provision for long service payments	**37**	42
Reversal of provision for long service payments	**(7)**	(1)
	29,959	26,246

Employee benefit expense as shown above includes directors' and chief executive's emoluments.

10. 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.

11. DIVIDEND

At a meeting held on 22 November 2019, the Board of the Company resolved not to declare an interim dividend for the year ending 31 March 2020 (for the year ended 31 March 2019: Nil).

12. 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.

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred capital expenditures of approximately HK$240,000 (for the six months ended 30 September 2018: HK$7,000) which mainly related to the purchases of leasehold improvements, and furniture and equipment.

14. 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%.

15. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Unlisted equity securities	**3,267**	2,836

The fair values of these investments at 31 March 2019 and 30 September 2019 were determined by the directors of the Company. Details of the fair value measurement are set out in note 26.

16. OTHER ASSET

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Membership licence, at cost	**356**	356

Membership licence is carried at cost less any impairment. It represented cost of membership at The Chinese Gold and Silver Exchange Society.

17. 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

18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Equity securities		
Listed in Hong Kong	**265**	316

The above listed equity securities are measured at fair value through profit or loss.

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

Details of the fair value measurement are set out in note 26.

19. 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

19. 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

20. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	Unaudited As at 30 September 2019		Unaudited As at 1 April 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**48,508**	**51,080**	48,240	50,688
After 1 year but within 2 years	**22,151**	**23,056**	14,892	14,703
After 2 years but within 5 years	**7,269**	**7,553**	4,973	4,384
	77,928	**81,689**	68,105	69,775
Less: Total future interest charges		**(3,761)**		(1,670)
Present value of lease liabilities		**77,928**		68,105

21. SHARE CAPITAL

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Issued and fully paid: 913,650,465 (at 31 March 2019: 913,650,465) ordinary shares	**393,354**	393,354

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before taxation to operating profit/(loss) before working capital changes is as follows:

	Unaudited Six months ended 30 September 2019 HK$'000	2018 HK$'000
Profit/(loss) before taxation	**2,374**	(4,952)
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
Interest charges	**2,025**	1,434
Interest income	**(1,509)**	(1,108)
Loss on write off/disposal of property, plant and equipment	**—**	36
Provision for and write down of inventories to net realisable value	**3,002**	4,503
Provision for long service payments	**37**	42
Provision for impairment loss on right-of-use assets	**3,600**	—
Reversal of provision for and write down of inventories to net realisable value	**(3,496)**	(1,903)
Reversal of provision for long service payments	**(7)**	(1)
Written off of payables	**(562)**	—
Operating profit/(loss) before working capital changes	**31,487**	(985)

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's condensed consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Bank loans HK$'000	Gold loan HK$'000	Interest payables HK$'000	Total HK$'000
As at 1 April 2018	—	68,000	19,805	959	88,764
Changes from cash flows:					
Proceeds from borrowings	—	10,000	—	—	10,000
Interest incurred	—	—	—	1,434	1,434
Interest paid on bank and gold loans	—	—	—	(1,776)	(1,776)
Repayment	—	(53,000)	—	—	(53,000)
	—	25,000	19,805	617	45,422
Other change:					
Change in fair value of gold loan*	—	—	(2,026)	—	(2,026)
As at 30 September 2018	—	25,000	17,779	617	43,396
As at 1 April 2019	**68,105**	**—**	**22,494**	**7**	**90,606**
Changes from cash flows:					
Additions	**35,390**	**—**	**—**	**—**	**35,390**
Proceeds from borrowings	**—**	**—**	**3,597**	**—**	**3,597**
Interest incurred	**1,569**	**—**	**—**	**456**	**2,025**
Interest paid on gold loan	**—**	**—**	**—**	**(386)**	**(386)**
Payment of principal element of lease liabilities	**(25,150)**	**—**	**—**	**—**	**(25,150)**
Payment of interest element of lease liabilities	**(1,569)**	**—**	**—**	**—**	**(1,569)**
Remeasurement of lease liabilities	**(417)**	**—**	**—**	**—**	**(417)**
	77,928	**—**	**26,091**	**77**	**104,096**
Other change:					
Change in fair value of gold loan*	**—**	**—**	**3,312**	**—**	**3,312**
As at 30 September 2019	**77,928**	**—**	**29,403**	**77**	**107,408**

22. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

Interest payables are included in creditors, deposits received and other payables presented in the condensed consolidated statement of financial position.

* The change in fair value of gold loan was fully offset by the change in fair value of gold bullion held by the Group during the six months ended 30 September 2018 and 2019 and was not recognised in profit or loss separately.

23. FUTURE OPERATING LEASE RECEIVABLES

The total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Within one year	**1,189**	1,185
In the second to fifth years, inclusive	**566**	1,129
	1,755	2,314

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 3 years (at 31 March 2019: 1 to 3 years), with option to renew the lease term at expiry date.

24. CAPITAL COMMITMENTS

	Unaudited As at 30 September 2019 HK$'000	Audited As at 31 March 2019 HK$'000
Capital expenditure contracted but not provided for in the unaudited interim condensed consolidated financial statements in respect of purchase of property, plant and equipment	**1,002**	—

25. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

		Unaudited Six months ended 30 September	
		2019	2018
	Note	**HK$'000**	HK$'000
Rental expenses on short term leases/operating lease rental on properties paid to Stanwick Properties Limited	*(a)*	**4,235**	5,666
Rental expenses on short term lease/operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	*(a)*	**114**	153
Management fees and air-conditioning charges paid to Stanwick Properties Limited	*(a)*	**548**	548
Depreciation of right-of-use assets for the lease with Stanwick Properties Limited	*(a)*	**1,549**	—
Interest charges of lease liabilities paid to Stanwick Properties Limited	*(a)*	**100**	—
Sale of goods to:	*(b)*		
Directors		**901**	708
Yeung Chi Shing		**15**	76

25. RELATED PARTY TRANSACTIONS (Continued)

Notes:

(a) The rental expenses on short term lease/operating lease rental, management fees and air-conditioning charges were paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group. Since 1 April 2019, the leases with Stanwick were accounted for according to HKFRS 16. As at 30 September 2019, the Group had recognised lease liabilities and right-of-use assets of approximately HK$22,969,000 and HK$23,064,000 for those leases respectively. Stanwick is a wholly owned subsidiary of Yeung Chi Shing, the ultimate holding company of the Group. Mr. Yeung Ka Shing, a director of the Company, is the son of Mr. Yeung Bing Kwong, Kenneth, who and his other family members control Yeung Chi Shing. These related party transactions were entered into on normal commercial terms.

(b) It represents sale of gold ornament, jewellery and watch items net of sale discounts to both the directors and Yeung Chi Shing for the period. Discounts offered to directors is available generally to customers and the value of discounts given to Yeung Chi Shing is considered not material to the unaudited interim condensed consolidated financial statements.

(c) Compensation of key management personnel

The remuneration of directors (executive and non-executive) and other members of key management during the period was as follows:

	Unaudited Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,295**	4,122
Pension costs — defined contribution retirement schemes	**27**	80
	4,322	4,202

26. FAIR VALUE MEASUREMENTS

At the end of the reporting period, the financial assets and liability measured at fair value in the condensed consolidated statement of financial position are set out as follows:

		Unaudited As at 30 September 2019				Audited As at 31 March 2019			
		Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	Note	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial asset at fair value through profit or loss									
Investments at fair value through profit or loss — Listed equity securities	*(i)*	**265**	**—**	**—**	**265**	316	—	—	316
Financial asset at fair value through other comprehensive income									
Investments at fair value through other comprehensive income — Unlisted equity securities	*(ii)*	**—**	**—**	**3,267**	**3,267**	—	—	2,836	2,836
Financial liability at fair value through profit or loss									
Gold loan	*(i)*	**29,403**	**—**	**—**	**29,403**	22,494	—	—	22,494

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

26. FAIR VALUE MEASUREMENTS (Continued)

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes:

(i) At the end of each reporting period, the listed equity securities and gold loan are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical asset or liability.

(ii) At the end of each reporting period, the unlisted equity securities are measured subsequent to initial recognition at fair value, grouped into Level 3 based on the degree to which the fair value is unobservable. The fair value measurements of unlisted equity securities are determined by the directors of the Company.

26. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

Movement of financial assets grouped into Level 3 is as follows:

Unlisted equity securities	**Unaudited As at 30 September 2019 HK$'000**	Audited As at 31 March 2019 HK$'000
At the beginning of period/year	**2,836**	2,597
Fair value change recognised in other comprehensive income	**431**	239
At the end of period/year	**3,267**	2,836

The valuations are determined based on the following significant unobservable inputs:

Financial assets	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity securities with carrying amounts of HK$313,000 and HK$181,000 as at 30 September 2019 and 31 March 2019 respectively	Market approach	Price-to-book multiple ("P/B multiple")	0.31 to 25.40 (at 31 March 2019: 0.50 to 11.47)	The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies, using the average of the P/B multiple of comparable. The fair value measurement is positively correlated to the P/B multiple. Had the highest P/B multiple among the comparable been used as at 30 September 2019, the fair value would have increased by HK$1,792,000. Had the lowest P/B multiple among the comparable been used as at 30 September 2019, the fair value would have decreased by HK$287,000.

26. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

Financial assets	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity securities with carrying amounts of HK$313,000 and HK$181,000 as at 30 September 2019 and 31 March 2019 respectively	Market approach	Discount for lack of marketability ("DLOM")	24.2% (at 31 March 2019: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement is negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 30 September 2019, the fair value would have increased by HK$21,000. Had the DLOM increased by 5% as at 30 September 2019, the fair value would have decreased by HK$21,000.
Unlisted equity securities with carrying amounts of HK$2,885,000 and HK$2,586,000 as at 30 September 2019 and 31 March 2019 respectively	Market approach	Enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiple ("EV/EBITDA multiple")	23.80 to 26.06 (at 31 March 2019: 18.75 to 24.74)	The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies, using the average of the EV/EBITDA multiple of comparable. The fair value measurement is positively correlated to the EV/EBITDA multiple. Had the highest EV/EBITDA multiple among the comparable been used as at 30 September 2019, the fair value would have increased by HK$108,000. Had the lowest EV/EBITDA multiple among the comparable been used as at 30 September 2019, the fair value would have decreased by HK$107,000.

26. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

Financial assets	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity securities with carrying amounts of HK$2,885,000 and HK$2,586,000 as at 30 September 2019 and 31 March 2019 respectively	Market approach	DLOM	24.2% (at 31 March 2019: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement is negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 30 September 2019, the fair value would have increased by HK$188,000. Had the DLOM increased by 5% as at 30 September 2019, the fair value would have decreased by HK$188,000.

Unlisted equity securities with carrying amounts of HK$69,000 as at both 30 September 2019 and 31 March 2019 are determined with reference to the net asset value of the unlisted equity securities. The directors of the Company determined that the reported net asset value represents the fair value of the unlisted equity securities.

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

27. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 22 November 2019.

By order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 22 November 2019

At the date of this report, 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.