FOR THE YEAR ENDED 31ST MARCH, 2019

ANNUAL REPORT

STOCK CODE : 280

king fook holdings limited

景福集團有限公司

Contents

Corporate Information

Board of Directors	*Executive Directors* Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. *(Chairman)* Dr. Fung Yuk Bun, Patrick Mr. Yeung Ka Shing *Non-executive Director* Mr. Wong Wei Ping, Martin *Independent Non-executive Directors* Mr. Cheng Kar Shing, Peter Mr. Ho Hau Hay, Hamilton Mr. Sin Nga Yan, Benedict Mr. Cheng Kwok Shing, Anthony
Authorised Representatives	Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. Ms. Leung Pui Ling
Company Secretary	Ms. Leung Pui Ling
Auditor	BDO Limited *Certified Public Accountants*
Principal Bankers	Hang Seng Bank Limited The Bank of East Asia, Limited The Hongkong and Shanghai Banking Corporation Limited
Solicitors	Jennifer Cheung & Co.
Registered Office	9th Floor, King Fook Building 30–32 Des Voeux Road Central Hong Kong
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Stock Code	00280

NOTICE IS HEREBY GIVEN that the annual general meeting of King Fook Holdings Limited (the "Company") will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Kowloon, Hong Kong on Monday, 9 September 2019 at 12:00 noon for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and independent auditor for the year ended 31 March 2019.

2. To elect directors and to authorise the board of directors to fix their remuneration.

3. To re-appoint auditor and to authorise the board of directors to fix its remuneration.

4. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT:

(a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or scrip dividend scheme or similar arrangement of the Company, shall not exceed 20% of the total number of shares of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

By order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 19 July 2019

Registered office:
9th Floor
King Fook Building
30–32 Des Voeux Road Central
Hong Kong

Notes:

(1) A member entitled to attend and vote at the meeting convened by the above notice (the "Meeting") is entitled to appoint another person as his proxy (except a member who is a clearing house or its nominee may appoint more than 2 proxies) to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the Meeting or adjourned Meeting.

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

DIRECTORS

Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. ***(Chairman)***

Aged 66. A MBA graduate from The University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. The chairman and managing director of Richcom Company Limited. An executive director of Miramar Hotel and Investment Company, Limited. An independent non-executive director of Wheelock and Company Limited. He retired as an independent non-executive director of Hang Seng Bank Limited with effect from 10 May 2018. A director of various private business enterprises. An advisor of Tang Shiu Kin and Ho Tim Charitable Fund. A steward of The Hong Kong Jockey Club. Appointed as a director, the vice chairman and acting chairman of the Company in 1987, 1998 and 2016 respectively, and appointed as the Chairman of the Company on 20 March 2017.

Dr. Fung Yuk Bun, Patrick

Aged 72. A MBA graduate from The University of Toronto and was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University and an Honorary Doctor of Laws by the University of Toronto. A chairman of OCBC Wing Hang Bank Limited and a non-executive director of Miramar Hotel and Investment Company, Limited. A honorary member of the Court and Adjunct Professor with the Faculty's School of Accounting and Finance of the Hong Kong Polytechnic University, Vice President of the Hong Kong Institute of Bankers and a member of Board of Governors of The Hang Seng University of Hong Kong. Appointed as a non-executive director of the Company on 4 May 2016 and re-designated as an executive director of the Company on 25 November 2016.

Mr. Cheng Kar Shing (Alias: Mr. Cheng Kar Shing, Peter) ***(Independent Non-executive Director)***

Aged 66. A director of New World Development Company Limited, New World Hotels (Holdings) Limited and Chow Tai Fook Enterprises Limited. An executive director of New World China Land Limited (Listing of the New World China Land Limited shares on the Main Board of The Stock Exchange of Hong Kong Limited withdrew with effect from 4 August 2016). The deputy managing director of New World Development (China) Ltd. A chairman of Chow Tai Fook Charity Foundation. Appointed as an independent non-executive director of the Company in 1997.

Mr. Wong Wei Ping, Martin

Aged 77. A director of Citizen Thunderbird Travel Limited. Appointed as a director of the Company in 2000.

Mr. Ho Hau Hay, Hamilton ***(Independent Non-executive Director)***

Aged 68. An independent non-executive director of New World Development Company Limited. An executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited. Appointed as a director of the Company in 2004 and re-designated as an independent non-executive director of the Company on 29 June 2012.

Mr. Sin Nga Yan, Benedict ***(Independent Non-executive Director)***

Aged 55. A director and general manager of Myer Jewelry Manufacturer Limited. A member of the Australian Society of Certified Practising Accountants. A solicitor of the Supreme Court of New South Wales, Australia, the Supreme Court of England and Wales and the High Court of Hong Kong. The chairman of the Executive Committee of Hong Kong Young Industrialists Council. A permanent honorary director of The Federation of Hong Kong Watch Trades & Industries Limited. The honorary chairman and director of the Council of Management of Hong Kong Jewellery & Jade Manufacturers Association. A member of the Election Committee of Hong Kong Jewelry Manufacturers' Association. Appointed as a director of the Company in 2006 and re-designated as an independent non-executive director of the Company on 29 June 2012.

DIRECTORS (Continued)

Mr. Cheng Kwok Shing, Anthony ***(Independent Non-executive Director)***

Aged 72. A Fellow and a Certified Public Accountant (Practising) of The Hong Kong Institute of Certified Public Accountants. Has over 40 years of experience in auditing and accounting field. Appointed as an independent non-executive director of the Company in 2013. Chairman of the Audit Committee and Remuneration Committee of the Company.

Mr. Yeung Ka Shing

Aged 37. A holder of Bachelor of Political Science degree from The University of Victoria, Canada and a Juris Doctor Degree from the Chinese University of Hong Kong. A non-executive director of the Company from 11 July 2008 to 18 December 2012. A director of Tung Wah Group of Hospitals for the period between April 2014 and March 2017. A member of the Wan Chai District Fight Crime Committee. Appointed as an executive director of the Company on 31 May 2017.

(Mr. Yeung Ka Shing is the son of Mr. Yeung Bing Kwong, Kenneth, who together with other members of his family, control Yeung Chi Shing Estates Limited, which is the major shareholder of the Company interested in about 60.70% of the issued share capital of the Company, and the nephew of Mr. Wong Wei Ping, Martin.)

SENIOR MANAGEMENT

Ms. Sum Mei Lin

Aged 55. The Group General Manager of the Company. She joined the Group in June 2017 and is responsible for the Group's overall management and business development. She has over 30 years of management experience in the retail industry. She worked for luxury brands in LVMH group for 16 years before joining the Group.

Mr. Luk Kwing Yung

Aged 71. The General Manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in gold, jewellery and watch retailing. He has been with the Group for 53 years.

Ms. Fung Suk Ming, Abby

Aged 50. The Financial Controller of the Group. She graduated from the Chinese University of Hong Kong and holds a Bachelor's degree in Business Administration (Professional Accountancy). She also holds a Master Science degree in Economics from the Hong Kong University of Science and Technology. She is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group in January 2019, she had over 25 years of experience in treasury and accounting functions in several listed companies and multinational corporations.

On behalf of the Board of Directors of the Company (the "Board"), I present the annual report of the Group for the year ended 31 March 2019 (the "Year").

REVIEW OF OPERATIONS

The Group's revenue for the Year amounted to HK$551.9 million, representing an increase of HK$34.2 million or 6.6% from HK$517.6 million of the previous year. The Group has made a turnaround and recorded a consolidated profit attributable to owners of the Company for the Year of HK$0.8 million, which compared to an attributable consolidated loss of HK$22.7 million in last year.

The Hong Kong retail market economy recovered since the 2nd half of year 2017 and continued to have improved sentiment in the 1st half of year 2018. With the strong recovery in the retail industry, the Group achieved a revenue growth of 17.3% in the 1st half of this Year. However, along with the outbreak and escalation of trade dispute between China and the United States in the 2nd half of year 2018, the recovery of the Hong Kong retail market has slowed down to a flatten shape or slightly downwards trend. The pace in recovery for the Group has been affected by the sluggish market conditions and the revenue in our 2nd half year maintained stable. For the Year, the Group's revenue recorded a growth of 6.6% and achieved a same store growth rate of 11%. By adjusting our product mix and tightening the discount, the Group gross profit margin in the Year has been improved by 3.5 percentage points to 27.2%.

Looking forward, the US-China trade war and volatility in currency and stock market will increase the uncertainty in market performance and affect the economic growth and consumer sentiment. Despite the uncertainties, the management remains confident that the Group can continue to improve and will take a cautiously optimistic approach in our business and retail network expansion. The Group will continue to focus on its craftsmanship, product design and enriching its product assortments in order to better serve its customers and expand its customer base. In terms of control in costs and expenses, the Group will continue to take measures to improve operation efficiency and control over inventory and cost.

DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the Year (2018: Nil).

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to our customers, suppliers, shareholders and business partners for their continuous support and to the management and all the employees of the Group for their dedication and hard work.

Tang Yat Sun, Richard
Chairman

Hong Kong, 25 June 2019

GROUP RESULTS OVERVIEW

The results of the Group for the year ended 31 March 2019 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 31 to 97.

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

BUSINESS REVIEW

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

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

FUTURE OUTLOOK

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

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2019, the Group's current assets and current liabilities were approximately HK$681.1 million and HK$54.3 million respectively. There were cash and cash equivalents of approximately HK$162.0 million, no bank loan and gold loan of approximately HK$22.5 million.

Based on the total borrowings of the Group of approximately HK$22.5 million and the equity attributable to owners of the Company of approximately HK$633.6 million as at 31 March 2019, the overall borrowings to equity ratio was 3.6%, which was at a healthy level.

Exposure to Fluctuation in Exchange Rates

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant. No financial instrument was used for hedging.

FINANCIAL REVIEW (Continued)

Charge on Assets

As at 31 March 2019, there was no charge on the Group's assets.

Capital Expenditure

During the year, the Group incurred capital expenditures of approximately HK$1.2 million, including the costs of leasehold improvements, furniture and equipment.

Capital Commitments and Contingent Liabilities

As at 31 March 2019, there were no material capital commitments, contingent liabilities or off-balance sheet obligation.

Financial Ratio

A list of key financial ratios is set out in the Five Year Financial Summary on page 99.

INTERNAL CONTROL

BDO Limited has reviewed the Group's internal control matters relevant to the preparation and the true and fair presentation of the Group's consolidated financial statements for the year ended 31 March 2019 as part of its audit work, but its review was not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. With the assistance of the internal audit department, the audit committee continually endeavours to identify areas for improvement.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches importance in balancing the needs of business development and environmental protection, and endeavours to make continuous improvements by different means such as internal trainings and performance evaluations. The Group has established a well-functioning environmental, social and governance reporting system and compiles an environmental, social and governance report on an annual basis in order to regularly examine and review its environmental protection performance. Details of the environmental, social and governance report for the year ended 31 March 2019 will be available on the website of the Company at (http://www.irasia.com/listco/hk/kingfook/index.htm) as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 March 2019, the Group had about 128 employees. The employees and 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 performances. It also provides training programs to employees to improve the standard of customer services and for their personal advancement.

The board of directors of the Company (the "Board") would like to present their report together with the audited consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 35 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

The Board resolved not to declare an interim dividend for the year ended 31 March 2019 (2018: Nil).

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

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 27 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 33 and note 34 to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2019 amounted to HK$151,431,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 14 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the last 5 financial years is set out on page 99.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers were as follows:

Purchases	
— the largest supplier	46%
— 5 largest suppliers combined	86%
Sales	
— the largest customer	3%
— 5 largest customers combined	8%

None of the directors, their close associates or any shareholders (who to the knowledge of the Board owns more than 5% of the Company's issued share capital) had an interest in any of the major suppliers or customers noted above.

DIRECTORS

The directors during the year and up to the date of this report are:

Name of director

Executive directors
Mr. Tang Yat Sun, Richard *(Chairman of the Board)*
Dr. Fung Yuk Bun, Patrick
Mr. Yeung Ka Shing

Non-executive director
Mr. Wong Wei Ping, Martin

Independent non-executive directors
Mr. Cheng Kar Shing, Peter
Mr. Ho Hau Hay, Hamilton
Mr. Sin Nga Yan, Benedict
Mr. Cheng Kwok Shing, Anthony

Brief biographical details of the directors are set out on pages 5 and 6.

The Company confirms that it has received letters of confirmation of independence from all of the independent non-executive directors in accordance with rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that all the independent non-executive directors are independent.

None of the directors has a service contract with the Company which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation. The Company had not entered into any contract nor had any existing contract concerning the management and administration of the whole or any substantial part of any business of the Company during the year.

In accordance with article 116 of the Company's Articles of Association, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton and Mr. Wong Wei Ping, Martin will retire by rotation at the coming annual general meeting (the "AGM") of the Company and, being eligible, have offered themselves for re-election. Details of such directors as required under rule 13.51(2) of the Listing Rules are as follows:

Mr. Cheng Kar Shing (Alias: Mr. Cheng Kar Shing, Peter), aged 66, is an independent non-executive director and a member of the Remuneration Committee of the Company, and a director of King Fook Gold & Jewellery Company Limited, a wholly owned subsidiary of the Company. Mr. Cheng is a director of New World Development Company Limited, New World Hotels (Holdings) Limited and Chow Tai Fook Enterprises Limited. An executive director of New World China Land Limited (Listing of the New World China Land Limited shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") withdrew with effect from 4 August 2016). The deputy managing director of New World Development (China) Ltd. A chairman of Chow Tai Fook Charity Foundation. Mr. Cheng has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He was appointed as an independent non-executive director of the Company in 1997.

Mr. Ho Hau Hay, Hamilton, aged 68, is an independent non-executive director of the Company. Mr. Ho is an independent non-executive director of New World Development Company Limited, a company listed on the Stock Exchange. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited ("Tak Hung"). Mr. Ho has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He is deemed to be interested in 6,657,000 shares of the Company within the meaning of Part XV of the SFO, such shares being held by Tak Hung in which he has a 40% interest. He was appointed as a director of the Company in 2004 and re-designated as an independent non-executive director of the Company on 29 June 2012 respectively.

DIRECTORS (Continued)

Mr. Wong Wei Ping, Martin, aged 77, is a non-executive director and a member of the Audit Committee of the Company. He is a director of Citizen Thunderbird Travel Limited. Mr. Yeung Ka Shing (an executive director of the Company) is the nephew of Mr. Wong. He has no interest in the shares of the Company within the meaning of Part XV of the SFO. He was appointed as a director of the Company in 2000.

The above retiring directors do not have any service contract with the Company. They are not appointed for a specific term but each of them is subject to retirement by rotation at least once every 3 years in accordance with the Articles of Association of the Company.

For the year ended 31 March 2019, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton and Mr. Wong Wei Ping, Martin received directors' fee from the Group of HK$72,000, HK$70,000 and HK$35,000 respectively, which are nominal. The remuneration of these directors are subject to the recommendation of the Remuneration Committee from time to time.

The above retiring directors confirm that save as disclosed above, there is no information which is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules and there is no other matters that need to be brought to the attention of the shareholders of the Company.

Each of Mr. Cheng Kar Shing, Peter and Mr. Ho Hau Hay, Hamilton, both being independent non-executive directors of the Company are eligible for re-election at the AGM and have made an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules. During their years of appointment, they have demonstrated their abilities to provide an independent view to the Company's matters. The board of directors are satisfied that both Mr. Cheng and Mr. Ho have the required integrity, skills and experience to continuing fulfilling the role of an independent non-executive director, and that their long service on the Board would not affect their exercise of independent judgement and thus recommend them for re-election at the AGM. Mr. Cheng Kar Shing, Peter served as an independent non-executive director of the Company for more than 9 years. The board of directors of the Company considers that he is still independent as he complies with rule 3.13 of the Listing Rules and acts independently in the discharge of his duty to the Company and should be re-elected so that the Group can continue to benefit from his valuable commercial experience.

The directors of the subsidiaries of the Company include some directors of the Company and Mr. Cao Xin, Mr. Chik Kwok Wai, Stephen, Mr. Chung Tang Ching, Mr. Fung Tin Po, Paul, Ms. Lai Wing Yin, Victoria, Mr. Leung Yiu Wai, Mr. Liang Cheung Biu, Thomas, Mr. Lo Kun Io, Mr. Luk Kwing Yung, Ms. Wong Ka Ki, Kay, Ms. So Yuet Kuen, Brenda and Mr. Yee Kwan Yeung.

DIRECTORS' INTERESTS

As at 31 March 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 SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

	Number of ordinary shares held					Percentage of
Name of director	***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.

DIRECTORS' INTERESTS (Continued)

^ 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, as at 31 March 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.

Save as disclosed below, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or any entity connected with a director (has the meaning given by section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year:

1. The Group (as tenant) entered into various tenancy agreements (the "King Fook Leases") on normal commercial terms with Stanwick Properties Limited (as landlord) (a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company) on 15 August 2017 in respect of premises in King Fook Building, 30–32 Des Voeux Road Central, Hong Kong for a term of 2 years from 16 August 2017 to 15 August 2019. The leased properties are used as the key retail outlet and the headquarters of the Group.

   Major terms of the King Fook Leases are as follows:

   Basement and Ground Floor, King Fook Building

Tenant	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	HK$582,800.00	HK$21,037.50

   Mezzanine Floor, King Fook Building

Tenant	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	HK$50,000.00	HK$9,412.50

   3rd Floor (including a flat roof), King Fook Building

Tenant	Rent per month	Management fees and air-conditioning charges per month
the Company	HK$53,400.00	HK$13,650.00

   5th Floor, King Fook Building

Tenant	Rent per month	Management fees and air-conditioning charges per month
the Company	HK$51,000.00	HK$9,450.00

DIRECTORS' INTERESTS (Continued)

1. (Continued)

7th Floor, King Fook Building

Tenant	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	HK$51,500.00	HK$9,450.00

8th Floor, King Fook Building

Tenant	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	HK$51,700.00	HK$9,450.00

9th Floor, King Fook Building

Tenant	Rent per month	Management fees and air-conditioning charges per month
the Company	HK$51,900.00	HK$9,450.00

10th Floor, King Fook Building

Tenant	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	HK$52,100.00	HK$9,450.00

2. The Company entered into an agreement with Stanwick Properties Limited pursuant to which the Company is granted the right to use the furniture and fixture at 3rd Floor of King Fook Building (which is used by the Group as conference room) for a term of 2 years from 16 August 2017 to 15 August 2019 at the monthly fee of HK$25,480.

3. The Company entered into a licence agreement dated 7 December 1998 (the "Licence Agreement") with Yeung Chi Shing Estates Limited pursuant to which the Company is granted an exclusive right for the design, manufacture and distribution of gold and jewellery products under the trademark of "King Fook" on a worldwide basis for a total consideration of HK$1. The Licence Agreement commenced from 7 December 1998 and may be terminated by any party by giving 3 months' written notice to the other party.

Mr. Yeung Ka Shing, an executive director of the Company, is the son of Mr. Yeung Bing Kwong, Kenneth, who, together with other members of his family, control Yeung Chi Shing Estates Limited, which is the major shareholder of the Company interested in about 60.70% of the issued share capital of the Company.

The above transactions (except the Licence Agreement) constituted continuing connected transactions not exempt under rule 14A.73 of the Listing Rules. Details of these transactions and other related party transactions for the year ended 31 March 2019 are set out in note 32 to the financial statements.

DIRECTORS' INTERESTS (Continued)

The independent non-executive directors of the Company have reviewed the above continuing connected transactions (except the Licence Agreement) pursuant to rule 14A.55 of the Listing Rules and confirm that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has reviewed the above continuing connected transactions (except the Licence Agreement) pursuant to rule 14A.56 of the Listing Rules and advised the Board in writing with a copy provided to the Stock Exchange that nothing has come to its attention that causes it to believe that the continuing connected transactions:

(1) have not been approved by the Board;

(2) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(3) have exceeded the maximum aggregate annual cap for each of the continuing connected transactions disclosed in the announcement dated 15 August 2017 of the Company in respect of the continuing connected transactions.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, there is no contract of significance between the Group and a controlling shareholder of the Company (as defined in the Listing Rules) or any of its subsidiaries, including for the provision of services to the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to rule 8.10(2) of the Listing Rules:

Mr. Cheng Kar Shing, Peter, an independent non-executive director of the Company, is a director of Chow Tai Fook Enterprises Limited. The gold ornament, jewellery and watch retail business of Chow Tai Fook Enterprises Limited and its subsidiaries ("Chow Tai Fook Group") may compete with similar business of the Group.

Mr. Sin Nga Yan, Benedict, an independent non-executive director of the Company, is a director and general manager of Myer Jewelry Manufacturer Limited. The manufacturing and trading of fine and costume jewellery business of Myer Jewelry Manufacturer Limited and its subsidiaries ("Myer Group") may compete with similar business of the Group.

Mr. Tang Yat Sun, Richard, the Chairman and an executive director of the Company, had been an independent non-executive director of Hang Seng Bank Limited ("Hang Seng") (retired with effect from 10 May 2018). The bullion trading and money exchange business of Hang Seng may compete with similar business of the Group.

The Group has experienced senior management independent of the above-named directors to conduct its business and is therefore capable of carrying on its business independently of, and at arm's length from the respective businesses of Chow Tai Fook Group, Myer Group and Hang Seng.

GOLD LOAN AND BANK LOANS

Particulars of gold loan and bank loans of the Group are set out under current liabilities in the consolidated statement of financial position and in notes 24 and 25 to the financial statements respectively.

SUBSTANTIAL SHAREHOLDER

As at 31 March 2019, the following person (other than a director or chief executive of the Company) had interest in shares of the Company being 5% or more of the Company's issued share capital, 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, as at 31 March 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.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provides that a director or former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person (other than the Company or any of its subsidiaries) in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any of its subsidiaries (as the case may be) as provided under the Hong Kong Companies Ordinance. The Group has taken out and maintained directors' liability insurance throughout the year to protect the Group's directors against potential costs and liabilities arising from claims brought against them.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of directors and senior management for the year ended 31 March 2019 are set out in notes 12, 13 and 32(c) to the financial statements respectively.

Changes in the remuneration of directors and the senior management for the year ending 31 March 2020 are as follows:

(a) the directors' fees payable by the Group to Mr. Cheng Kwok Shing, Anthony has been increased to HK$283,250 per annum;

(b) the remuneration payable by the Group to Mr. Tang Yat Sun, Richard has been increased to HK$1,800,000 per annum; and

(c) the bases for determining the bonus payment to Dr. Fung Yuk Bun, Patrick, Mr. Yeung Ka Shing and senior management have been revised.

BUSINESS REVIEW

Details on the assessment and analysis of the Group's performance during the year under review and the material factors underlying its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Board, not less than 25% of the issued share capital of the Company is held by the public.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by BDO Limited ("BDO"). A resolution will be proposed at the forthcoming AGM of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board

Tang Yat Sun, Richard
Chairman

Hong Kong, 25 June 2019

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices. It met all the code provisions in the Corporate Governance Code (the "Code") set out in appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 March 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 (the "AGM") 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 directors of the Company (the "Board") and the business operations of the Company and its subsidiaries (the "Group"), the Board believes that it is not necessary to establish a nomination committee as it considers that all directors of the Company should be involved in performing the duties set out in such code provisions.

Code provision D.1.4

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

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 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in appendix 10 to the Listing Rules as a code of conduct regarding its directors' securities transactions. The Company has also adopted the practice to remind all directors of the Company the commencement of each period during which they are not allowed to deal in the securities of the Company under the Model Code.

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code regarding directors' securities transactions during the year ended 31 March 2019.

BOARD OF DIRECTORS

The Company is governed by the Board which has the responsibility for leadership and control of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs covering the Group's overall strategy, annual and interim results, major acquisitions and disposals, recommendations on directors' appointment or reappointment and other significant operational and financial matters.

The Board is responsible for ensuring the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget. It has delegated such responsibility to the Audit Committee.

BOARD OF DIRECTORS (Continued)

Decisions and directions of the Board are carried out and implemented by the management of the Company, which reports directly to the chief executive and/or the Executive Committee of directors so as to assist the directors to promote the success of the Group. All directors of the Company are well informed in a timely manner of major changes that may affect the Group's businesses, including relevant rules and regulations. Management monthly updates to the Board have been provided to all directors of the Company so as to enable them to discharge their duties. Written procedures are also in place for all directors of the Company to take independent professional advice where necessary in order to perform their duties at the expense of the Company.

All directors of the Company are given the opportunity to put items on the agenda for regular Board meetings. All directors have access to the company secretary of the Company (the "Company Secretary") to ensure that all Board procedures as well as rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection by any director on reasonable notice.

During the year, the Board had at all times complied with rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least 3 independent non-executive directors and 1 of the independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company has complied with rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

The Board held four board meetings and an AGM during the year ended 31 March 2019. The Board's composition and the attendances of individual directors at these meetings were as follows:

Name of director	Board Meetings	Annual General Meeting
Executive directors		
Mr. Tang Yat Sun, Richard *(Chairman of the Board)*	4/4	1/1
Dr. Fung Yuk Bun, Patrick	2/4	1/1
Mr. Yeung Ka Shing	4/4	1/1
Non-executive director		
Mr. Wong Wei Ping, Martin	4/4	1/1
Independent non-executive directors		
Mr. Cheng Kar Shing, Peter	4/4	1/1
Mr. Ho Hau Hay, Hamilton	4/4	1/1
Mr. Sin Nga Yan, Benedict	4/4	1/1
Mr. Cheng Kwok Shing, Anthony	4/4	1/1

Mr. Yeung Ka Shing is the nephew of Mr. Wong Wei Ping, Martin.

Details of the directors are disclosed in the section headed "Brief Biographical Details of the Directors and the Senior Management" on pages 5 and 6.

BOARD OF DIRECTORS (Continued)

Directors' Continuous Professional Development

In compliance with code provision A.6.5 of the Code, all directors of the Company during the year ended 31 March 2019 had participated in continuous professional development to develop and refresh their knowledge and skills, detailed as below:

Name of director	Attend seminars and/or training programmes	Reading materials
Executive directors		
Mr. Tang Yat Sun, Richard *(Chairman of the Board)*	✓	✓
Dr. Fung Yuk Bun, Patrick	✓	✓
Mr. Yeung Ka Shing	✓	✓
Non-executive director		
Mr. Wong Wei Ping, Martin	✓	✓
Independent non-executive directors		
Mr. Cheng Kar Shing, Peter	✓	✓
Mr. Ho Hau Hay, Hamilton	✓	✓
Mr. Sin Nga Yan, Benedict	✓	✓
Mr. Cheng Kwok Shing, Anthony	✓	✓

The Company arranged and funded 1 training programme. Some of the directors participated in continuous professional development programmes organised by other organisations. The Company Secretary also provides the directors with relevant reading materials from time to time. The Company Secretary has duly complied with the relevant training requirement under rule 3.29 of the Listing rules and taken not less than 15 hours of relevant professional training during the year.

CHAIRMAN AND GROUP GENERAL MANAGER (CHIEF EXECUTIVE)

The roles of the Chairman and the Group General Manager (Chief Executive) of the Company are separated, with a clear division of responsibilities. The positions of Chairman and Group General Manager are held by Mr. Tang Yat Sun, Richard and Ms. Sum Mei Lin respectively.

The Chairman of the Company is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting agenda of Board meetings and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, the Chairman of the Company is responsible for ensuring that good corporate governance practices and procedures are followed by the Group. The Chairman of the Company is also responsible for the strategic planning of the Group.

The Group General Manager of the Company is responsible for the day-to-day management of the Group's business (including monitoring the Group's operational and financial performance) and implementation of the directions of the Board.

NON-EXECUTIVE DIRECTORS

All the non-executive directors of the Company are not appointed for a specific term but each of them is subject to retirement by rotation and re-election at the Company's AGM at least once every 3 years in accordance with the Articles of Association of the Company.

REMUNERATION COMMITTEE

During the year ended 31 March 2019, the Remuneration Committee had 2 members, comprising Mr. Cheng Kwok Shing, Anthony and Mr. Cheng Kar Shing, Peter (both independent non-executive directors). The chairman of this Committee is Mr. Cheng Kwok Shing, Anthony. The terms of reference of the Remuneration Committee follow the guidelines set out in the Code.

REMUNERATION COMMITTEE (Continued)

The Remuneration Committee met once during the year. All members attended the meeting.

The Remuneration Committee has reviewed and approved the Group's remuneration policy and made recommendations to the Board on the levels of remuneration paid to the executive directors and the senior management of the Group. It has considered factors such as the performance of the executive directors and the senior management, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities. It aims to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group.

NOMINATION OF DIRECTORS

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by the shareholders of the Company at the first AGM after his/her appointment. The Board has adopted a nomination policy on 22 March 2013.

Potential new directors are selected on the basis of their qualifications, skills, experience and gender diversity which the Board considers will make a positive contribution to the performance of the Board.

BOARD DIVERSITY POLICY

The Board has adopted a diversity policy on 29 November 2013 to achieve diversity of Board members through consideration of relevant factors, including but not limited to gender, age, ethnicity, cultural and educational background, skill, knowledge, or professional/business experience to ensure the Board has an appropriate diversity of talents to contribute to the business of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted terms of reference for corporate governance functions set out in the Code and is responsible for performing the corporate governance duties set out therein. It determines the policies and practices on the corporate governance of the Company to comply with legal and regulatory requirements. The Board has reviewed and monitored the training and continuous professional development of the directors and senior management of the Company as well as the code of conduct applicable to the directors of the Company during the year.

ACCOUNTABILITY AND AUDIT

Financial reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company. As at 31 March 2019, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the Company's auditor about its financial reporting are set out in the Independent Auditor's Report attached to the Company's financial statements for the year ended 31 March 2019.

Risk management and internal control

The Board acknowledges that it is responsible for the Group's risk management and internal control systems (the "Systems") and reviewing their effectiveness. This responsibility is primarily undertaken by the Audit Committee on its behalf as mentioned below. As business operations involve inherent risks, the Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 March 2019, the Company had complied with the risk management and internal control code provisions of the Code.

ACCOUNTABILITY AND AUDIT (Continued)

Risk management and internal control (Continued)

The Group has in place policy and procedures for the handling and dissemination of inside information. The Board has established a Disclosure Committee which is given the responsibilities to review and monitor the Group's disclosure practices. Measures are implemented to ensure consistent, transparent, regular and timely public disclosure and dissemination of material information of the Group in accordance with the applicable laws and regulations; and preserve the confidentiality of any inside information before disclosure to the public.

The Systems were reviewed quarterly during the year ended 31 March 2019.

The Company's Internal Audit Department performs the internal audit function by carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Systems.

Based on the review by the Audit Committee, the Board confirms, and management has also confirmed to the Board, that the Systems are effective and adequate.

Further details of the Systems and its structures are set out in the "Risk Management and Internal Control Report" of this Annual Report.

AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the auditor, BDO Limited, for audit services was approximately HK$760,000 (2018: HK$730,000) and for non-audit service was approximately HK$186,000 (2018: HK$171,000).

The significant non-audit service assignment covered by these fees include the following:

Nature of service	Fee paid
Interim review	HK$160,000

AUDIT COMMITTEE

During the year ended 31 March 2019, the Audit Committee has 3 members, comprising Mr. Cheng Kwok Shing, Anthony and Mr. Sin Nga Yan, Benedict (both independent non-executive directors) and Mr. Wong Wei Ping, Martin (a non-executive director). The chairman of this Committee is Mr. Cheng Kwok Shing, Anthony. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The primary duties of the Audit Committee include the review of the Group's interim and annual financial reports, and the nature and scope of the external and internal audits including review of the effectiveness of the Systems. With the assistance of the Internal Audit Department, the Audit Committee reviewed internal control matters relating to key business of the Group with the aim to identify areas for improvement. It had also conducted on behalf of the Board a review of the effectiveness of the Systems covering all materials controls, including financial, operational and compliance control annually. Based on the review reports of the Internal Audit Department, the Audit Committee assessed the adequacy of resources, qualifications and experience of the staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget and was satisfied with the results. The result has been reported to the Board. Areas for improvement have been identified and appropriate measures taken. The Audit Committee is also responsible for making recommendation in relation to the appointment, reappointment and removal of the auditor, and reviews and monitors the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the Company's auditor to ensure that appropriate recommendations are implemented.

AUDIT COMMITTEE (Continued)

During the year, the Audit Committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee, which is of the opinion that such financial statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

The Audit Committee met 3 times during the year ended 31 March 2019. The attendances of individual members at these meetings were as follows:

Name of director	Number of meetings attended
Non-executive director	
Mr. Wong Wei Ping, Martin	3/3
Independent non-executive directors	
Mr. Sin Nga Yan, Benedict	3/3
Mr. Cheng Kwok Shing, Anthony *(Chairman of the Audit Committee)*	3/3

COMMUNICATIONS WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with the shareholders of the Company and, in particular, through AGMs or other general meetings to communicate with them and encourage their participation. The Company also communicates with its shareholders through annual reports, interim reports, announcements and circulars issued by the Company from time to time. Shareholders may also contact the Company in writing or visit the Company's website (http://www.irasia.com/listco/hk/kingfook/index.htm) for information about the Group and its activities.

Shareholders may put enquiries to the Board in writing sent to the Company's registered office at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and the Company will respond to enquiries from shareholders promptly.

The Company held an AGM on 18 September 2018 during the year ended 31 March 2019 (the "Meeting"), which provided opportunities for communication between the shareholders and the Board at which all the Board members had attended. Details of the procedures for conducting a poll were explained at the commencement of the Meeting. In accordance with the Listing Rules, the votes of shareholders at the Meeting were taken by poll and the poll results were announced at the Meeting and published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively after the Meeting. A separate resolution was proposed at each of the Meeting on each substantial issue, including the re-election of each director. All the resolutions proposed at the Meeting for the shareholders' approval were passed.

Pursuant to article 72 of the Company's Articles of Association and section 566 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company shall have the right to request the directors of the Company to call a general meeting of the Company by sending a request authenticated by the person(s) making it to the Company in hard copy or electronic form stating the general nature of the business to be dealt with at such meeting, including election of director(s). If within 21 days after the date the directors become required to call a general meeting they fail to proceed to convene such meeting for a day not more than 28 days after the date of the notice convening the meeting, the shareholder(s) who requested the meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting in accordance with the provisions of section 568 of the Companies Ordinance.

Constitutional documents

During the year ended 31 March 2019, no amendment was made to the Company's constitutional documents.

The board of directors of the Company (the "Board") takes the responsibility to ensure the Group has established and maintained its risk management and internal control systems (the "Systems") appropriately and effectively; and has evaluated and determined the risk appetite and risk tolerance of the Group in order to achieve its strategic objectives.

INTERNAL CONTROL SYSTEM

The main objectives of the internal control system of the Group are to ensure effective and efficient operations, reliable financial reporting, compliance with applicable laws and regulations and a sound risk management system. The components and features of this system cover control environment, risk assessment, control activities, information and communication, and monitoring.

The key activities and associated processes of the internal control system of the Group are as follows:

- Review the departmental internal control and policies and procedures of the Systems periodically;
- Maintain an appropriate organisational and governance structure;
- Monitor and control the operational and financial budgeting and forecasting systems closely;
- Set up the whistle-blowing system to provide channel for reporting any possible misconducts in the Group;
- Review the inside information policies and procedures periodically. Non-disclosure undertakings have been signed by all the employees of the Group; and
- The Internal Audit and Compliance Departments of the Company assist to achieve the objectives of the internal control system.

RISK MANAGEMENT SYSTEM AND STRUCTURE

Risk management system

The Group has adopted a risk management system which manages the risks associated with its businesses and operations. The current processes which assist the Group to review the effectiveness of the Systems and to timely resolve significant defects are as follows:

- Risk appetite and tolerance setting — set appetite and tolerance levels that could affect the achievement of business objectives;
- Risk identification — identify possible risks and the corresponding responsible parties to follow up;
- Risk assessment, rating and ranking — analyse the likelihood and impact of risks and rank the risk portfolio;
- Risk response and action plan — consider the risk responses and action plans; and
- On-going monitoring and reporting — monitor the residual risks on an on-going basis and ensure effective communication and reporting of significant risks.

Risk management structure

The Group has adopted a "three lines of defence" risk management structure with the following features:

First Line of Defence — Business Units and Departments

The business units and departments of the Group are required to ensure a "risk and control" environment, owning and managing risk; and to react promptly whenever there are changes in the business environment by reviewing, updating and managing risks.

RISK MANAGEMENT SYSTEM AND STRUCTURE (Continued)

Risk management structure (Continued)

Second Line of Defence — Risk Coordinator and the Risk Management Committee

The Risk Coordinator (a staff assigned by the Company) provides coordination and support to the Risk Management Committee (comprising staff members and the Group General Manager of the Company) to facilitate the risk management process.

Third Line of Defence — Internal Audit

The Internal Audit Department provides independent and objective appraisal of the Systems periodically.

Group General Manager

The overall responsibilities of the Group General Manager include designing, implementing and monitoring the Systems; and confirming the effectiveness of the Systems. Besides, the Group General Manager assists the Board to oversee the implementation of effective risk management practices; develop risk management strategies, goals and policies, and define the roles and provide guidance to all parties.

Board and Audit Committee

The Audit Committee of the Company, acting on behalf of the Board, reviews the Systems and reports the results periodically at the Board meetings; supervises the Group General Manager to discharge the duties under the Systems; and considers any major findings on risk management and internal control matters.

The External Auditor

The external auditor of the Company communicates to the Audit Committee on any significant operational and financial risks or internal control issues identified during their annual audit of the Group.

SUMMARY OF WORK

During the year ended 31 March 2019, key tasks performed by various units of the Group were summarised as follows:

- Business objectives, risk appetite and tolerance were approved by the Board;
- Internal control self-assessments were conducted by the heads of business units and departments quarterly;
- Risks at business units, departments and group levels, their respective action plans and related registers were identified, assessed and updated by the heads of business units and departments or/and the Group General Manager quarterly;
- Through performing various risk assessment exercises and risk based audit assignments, key risks and internal control issues of the Group were identified, reviewed and assessed by the Internal Audit Department independently;
- Significant risks or internal control issues and related progress of action plans for business units, departments and group levels were tested regularly. Necessary status updates were discussed and monitored by the three lines of defence and the Group General Manager at risk management meetings;
- Through the regular communication by the three lines of defence or its risk management report, the internal audit report and the semi-annual confirmation of the Group General Manager, the Board of directors or through the Audit Committee, reviewed and determined the effectiveness of the Systems;
- Trainings were provided to the Board and the three lines of defence; and
- The risk management culture of the Group was promoted, and policies and procedures of the Systems were updated.

ON-GOING IMPROVEMENT SYSTEM

The Group undertakes steps to improve the Systems such as review of the appropriateness of the methodology and approach of the Systems periodically; and relevant feedbacks of the System could be raised at the Risk Management Committee meetings or via emails for on-going improvement.

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

Opinion

We have audited the consolidated financial statements of King Fook Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 97, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory provision
(Refer to notes 3(iv) and 19 to the consolidated financial statements)

As at 31 March 2019, the Group had inventories of approximately HK$477,738,000 which mainly consisted of jewellery, gold ornament and bullion, watch and gift. The associated provision for, and write down of, inventories for the year ended 31 March 2019 was approximately HK$9,146,000. Management has made estimates based on certain assumptions related to obsolete and out-dated inventories.

Key audit matters (Continued)

Inventory provision (Continued)

The considerations of an appropriate level of provision for obsolete and out-dated inventories included inventory ageing, condition of inventories, historical and current sales information, as well as different market factors impacting the selling price of these inventories. In addition, the determination of provision on the aged and out-dated inventories as a result of changed prevailing market conditions, requires an exercise of significant judgement of management based on historical experience.

Accordingly, the provisions carried against inventory are considered to be a key audit matter.

Our response:

Our procedures in relation to inventory provision included:

- Understanding and evaluating the Group's provision policy on inventories and basis of the assessment;
- Reviewing and assessing management's process of the identification of obsolete or out-dated inventories and estimation of the net realisable value of these inventories;
- Evaluating historical accuracy of inventory provisioning by comparing historical provision made to the loss incurred for actual sales;
- Reviewing inventory ageing analysis and analysing the level of aged inventory and their associated provisions;
- Testing the purchase cost, selling price and margins of aged and obsolete inventories on a sample basis to the source documents; and
- Reviewing and evaluating net realisable value of inventories, with reference to subsequent sales information and the external price data and performed testing on a sample basis, by tracing to the source documents.

Other information in the annual report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Hong Kong, 25 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	5	**551,885**	517,642
Cost of sales		**(401,944)**	(395,126)
Gross profit		**149,941**	122,516
Other operating income		**5,848**	4,510
Distribution and selling costs		**(112,666)**	(110,233)
Administrative expenses		**(40,074)**	(35,842)
Other operating expenses		**(396)**	(116)
Operating profit/(loss)		**2,653**	(19,165)
Finance costs	6	**(1,989)**	(3,576)
Profit/(loss) before taxation	7	**664**	(22,741)
Taxation	8	**—**	—
Profit/(loss) for the year		**664**	(22,741)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(677)**	987
Item that will not be reclassified to profit or loss:			
Change in fair value of investments at fair value through other comprehensive income		**239**	—
Other comprehensive income for the year		**(438)**	987
Total comprehensive income for the year		**226**	(21,754)
Profit/(loss) for the year attributable to:			
— Owners of the Company		**767**	(22,737)
— Non-controlling interests		**(103)**	(4)
		664	(22,741)
Total comprehensive income for the year attributable to:			
— Owners of the Company		**329**	(21,750)
— Non-controlling interests		**(103)**	(4)
		226	(21,754)
		HK cents	HK cents
Earnings/(loss) per share	10		
— Basic and diluted		**0.08**	(2.49)

Consolidated Statement of Financial Position

As at 31 March 2019

	Note	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*14*	**3,167**	3,094
Investment properties	*15*	**529**	562
Available-for-sale investments	*16*	**—**	805
Investments at fair value through other comprehensive income	*17*	**2,836**	—
Other asset	*18*	**356**	—
		6,888	4,461
Current assets			
Inventories	*19*	**477,738**	508,408
Debtors, deposits and prepayments	*20*	**41,078**	31,441
Investments at fair value through profit or loss	*21*	**316**	3,877
Cash and cash equivalents	*22*	**161,958**	199,582
		681,090	743,308
Total assets		**687,978**	747,769
Current liabilities			
Creditors, deposits received and other payables	*23*	**31,788**	28,632
Gold loan	*24*	**22,494**	19,805
Bank loans	*25*	**—**	68,000
		54,282	116,437
Net current assets		**626,808**	626,871
Total assets less current liabilities		**633,696**	631,332
Non-current liability			
Provision for long service payments	*26*	**53**	35
Net assets		**633,643**	631,297
CAPITAL AND RESERVES			
Share capital	*27*	**393,354**	393,354
Other reserves	*28*	**37,214**	35,504
Retained profits	*28*	**203,075**	202,336
Equity attributable to owners of the Company		**633,643**	631,194
Non-controlling interests		**—**	103
Total equity		**633,643**	631,297

The consolidated financial statements on pages 31 to 97 were approved and authorised for issue by the Board of Directors on 25 June 2019 and were signed by:

Tang Yat Sun, Richard
Chairman

Fung Yuk Bun, Patrick
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Equity attributable to owners of the Company						Non-controlling interests	Total
	Share capital (note 27) HK$'000	Capital reserve (note 28) HK$'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
At 1 April 2017	393,354	24,753	9,764	—	225,073	652,944	107	653,051
Loss for the year	—	—	—	—	(22,737)	(22,737)	(4)	(22,741)
Other comprehensive income: Exchange differences on translation of foreign operations	—	—	987	—	—	987	—	987
Total comprehensive income for the year	—	—	987	—	(22,737)	(21,750)	(4)	(21,754)
At 31 March 2018	393,354	24,753	10,751	—	202,336	631,194	103	631,297
At 31 March 2018 as originally presented	**393,354**	**24,753**	**10,751**	**—**	**202,336**	**631,194**	**103**	**631,297**
Change in accounting policy (note 2.2)	**—**	**—**	**—**	**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**
Profit/(loss) for the year	**—**	**—**	**—**	**—**	**767**	**767**	**(103)**	**664**
Other comprehensive income: Exchange differences on translation of foreign operations	**—**	**—**	**(677)**	**—**	**—**	**(677)**	**—**	**(677)**
Change in fair value of investments at fair value through other comprehensive income	**—**	**—**	**—**	**239**	**—**	**239**	**—**	**239**
Other comprehensive income for the year	**—**	**—**	**(677)**	**239**	**—**	**(438)**	**—**	**(438)**
Total comprehensive income for the year	**—**	**—**	**(677)**	**239**	**767**	**329**	**(103)**	**226**
At 31 March 2019	**393,354**	**24,753**	**10,074**	**2,387**	**203,075**	**633,643**	**—**	**633,643**

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit/(loss) before working capital changes	*29(a)*	**4,549**	(3,355)
Decrease in inventories		**24,616**	63,519
(Increase)/decrease in debtors, deposits and prepayments		**(9,455)**	8,774
Increase in creditors, deposits received and other payables		**6,268**	7,576
Dividends received from investments at fair value through profit or loss		**119**	349
Change in investments at fair value through profit or loss		**3,262**	29,545
Interest received		**2,114**	570
Net cash generated from operating activities		**31,473**	106,978
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from available-for-sale investments		**—**	16
Dividends received from investments at fair value through other comprehensive income		**16**	—
Proceeds from disposal of property, plant and equipment		**—**	35
Purchase of property, plant and equipment		**(1,177)**	(1,079)
Net cash used in investing activities		**(1,161)**	(1,028)
CASH FLOWS FROM FINANCING ACTIVITIES	*29(b)*		
Interest paid		**(2,941)**	(3,577)
Proceeds from bank and gold loans		**13,041**	559
Repayment of bank loans		**(78,000)**	(10,559)
Net cash used in financing activities		**(67,900)**	(13,577)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(37,588)**	92,373
Cash and cash equivalents at the beginning of the year		**199,582**	107,158
Effect of foreign exchange rates changes, net		**(36)**	51
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**161,958**	199,582

1. GENERAL INFORMATION

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 activity of the Company is investment holding. Details of the place of operation and the principal activities of its subsidiaries are set out in note 35.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 31 to 97 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and have been prepared in compliance with the Hong Kong Companies Ordinance.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised HKFRSs and the impact on the Group's consolidated financial statements, if any, are disclosed in note 2.2.

These consolidated financial statements have been prepared on the historical cost basis except for gold bullion stocks held for trading, gold loan and financial instruments classified as fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVTOCI") which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of these consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 3.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.2 Adoption of new or revised HKFRSs

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2018:

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

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

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

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

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

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

	At 31 March 2018 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	At 1 April 2018 HK$'000
Non-current assets				
Available-for-sale investments (note)	449	(449)	—	—
Investments at FVTOCI	—	449	2,148	**2,597**
Equity				
Investments at FVTOCI reserve	—	—	2,148	**2,148**
Total equity	631,297	—	2,148	**633,445**

Note: A membership licence with carrying amount of HK$356,000 was reclassified from available-for-sale investments to other asset on 1 April 2018 (note 16).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

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

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the Group's consolidated financial statements. The new accounting policies are set out in notes 2.2(b) and 2.15. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition are recognised in the opening retained profits of the current year.

Classification and measurement

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

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

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

	Note	**Effect on investments at FVTOCI reserve HK$'000**
Closing balance as at 31 March 2018		—
Remeasurement of financial assets	*(ii)*	2,148
Opening balance as at 1 April 2018		2,148

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

Classification and measurement (Continued)

Notes:

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

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

(ii) Remeasurement of financial assets

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

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

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

(i) Classification and measurement of financial instruments

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

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

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

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

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

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

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

(ii) Impairment of financial assets

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

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

Measurement of ECLs

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

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

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

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

Impact of the ECL model

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

(iii) Hedge accounting

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

(iv) Transition

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

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

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

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

	HK$'000
Retained profits	
Variable consideration arising from right of return (note 2.2(c)(i))	(28)
Impact at 1 April 2018	(28)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

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

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 April 2018 and for the year ended 31 March 2019
(i)	Gold ornament, jewellery, watch and gift retailing, bullion trading and diamond wholesaling		Deposits received from customers Under HKFRS 15, when a customer pays a non-refundable consideration to the Group, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a goods or service to the customer, the Group shall present the consideration received or receivable as a contract liability when the payment is made or the payment is due (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Impact Amount of HK$1,919,000 previously recognised as other payables and deposits received as of 31 March 2018 was presented as contract liabilities since 1 April 2018. These contract liabilities decreased to HK$1,833,000 as at 31 March 2019.
(ii)	Money exchange services	Revenue is recognised at a point in time as those services are provided. Invoices are issued upon money exchange services rendered.	Impact By considering the contract terms and performance obligation, there is no significant impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New/revised HKFRSs that have been issued but are not yet effective

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 16: *Leases*

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

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

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

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in note 30, at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$74,304,000. Upon the initial adoption of HKFRS 16, the opening balance of lease liabilities and the corresponding right-of-use assets is approximately HK$69,581,000, after taking into account the effects of discounting, as at 1 April 2019.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.5 below) made up to 31 March for each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

Intra-group transactions, balances and unrealised gain and loss on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised loss on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in capital and reserves and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in capital and reserves. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.5 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Investments in subsidiaries are included in the Company's statement of financial position, at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gain and loss resulting from the settlement of such transactions and from the end of reporting period re-translation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the end of reporting period. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in capital and reserves.

When a foreign operation is sold, such exchange differences are reclassified from capital and reserves to profit or loss as part of the gain or loss on sale.

2.7 Revenue recognition (accounting policies applied from 1 April 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.7 Revenue recognition (accounting policies applied from 1 April 2018) (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception./ Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Gold ornament, jewellery, watch, gift retailing, bullion trading and diamond wholesaling

Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods. There is generally only one performance obligation. Invoices are usually payable upon transfer of control of goods.

Some of the Group's contracts with customers on sales of certain jewellery products provide a right of return (a right to exchange another product) to customers. These rights of return allow the returned goods to be refund in cash or other goods with equivalent values. Right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised.

The Group launches a customer loyalty program, which allows customers to redeem the award credits for gifts or cash coupons before a specified period of time. An option to acquire additional goods or services gives rise to a separate performance obligation if the option provides a material right that the customer would not receive without entering into that contract, resulting in allocation of transaction price to separate performance obligations and to recognise a contract liability for the performance obligations that will be satisfied in the future and revenue for the option when the award credits are utilised by customers for goods or services or when the option expires.

(ii) Money exchange services

Revenue is recognised at a point in time as those services are provided. Invoices are issued upon money exchange services render.

(iii) Other income

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.8 Revenue recognition (accounting policies applied until 31 March 2018)

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer. Commission income is recognised when the goods on which the commission is calculated are delivered. Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease. Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Dividend income is recognised when the right to receive the dividend is established.

2.9 Contract assets and liabilities (accounting policies applied from 1 April 2018)

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.10 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Buildings held under leasing agreements are depreciated over their expected useful lives of 40 to 50 years or over the term of lease, if shorter.

Depreciation on other assets is provided to write off the cost less their expected residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over lease term
Leasehold improvements	15% or over the remaining period of the lease, whichever is shorter
Plant and machinery, furniture and equipment	15%
Motor vehicles	15%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amounts if its carrying amount is higher than the assets estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.12 Investment properties

Investment properties are land and buildings held under a leasehold interest to earn rental income and/or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided so as to write off the cost of buildings held as investment properties using the straight line method over their expected useful lives ranging from 40 to 50 years or over the lease term, if shorter. Leasehold land held as investment property is depreciated over the lease term.

2.13 Impairment of non-financial assets

Property, plant and equipment, investment properties and investments in subsidiaries stated at cost are subject to impairment testing. These assets are tested for impairment at the end of each reporting period to determine whether there is indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for a CGU are charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease payments as lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Assets leased out under operating leases as lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

2.15 Financial instruments (accounting policies applied from 1 April 2018)

(i) Financial assets

A financial asset (unless it is a trade debtor without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments (accounting policies applied from 1 April 2018) (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are 3 measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments (accounting policies applied from 1 April 2018) (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on trade debtors, contract assets, financial assets measured at amortised cost and debt investments measured at FVTOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other debt financial assets, the ECLs are calculated based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments (accounting policies applied from 1 April 2018) (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, bank loans, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments (accounting policies applied from 1 April 2018) (Continued)

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

2.16 Financial instruments (accounting policies applied until 31 March 2018)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

Financial assets are classified into the following categories:

— investments at FVTPL;

— loans and receivables; and

— available-for-sale investments.

Management determines the classification of the financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, reevaluates this designation at the end of each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at FVTPL, directly attributable transaction costs.

Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial instruments (accounting policies applied until 31 March 2018) (Continued)

(i) ***Financial assets*** (Continued)

Investments at FVTPL

Investments at FVTPL include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit-taking.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend income and interest income are recognised in accordance with the Group's accounting policies in note 2.8.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment loss. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale investments

Non-derivative financial assets that do not qualify for inclusion in any of the categories of financial assets are classified as available-for-sale investments.

For available-for-sale investments in equity securities and membership licence that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment loss at the end of each reporting period subsequent to initial recognition.

(ii) ***Impairment loss on financial assets***

At the end of each reporting period, financial assets other than at FVTPL are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.16 Financial instruments (accounting policies applied until 31 March 2018) (Continued)

(ii) Impairment loss on financial assets (Continued)

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

(ii) Available-for-sale investments

For available-for-sale equity investments carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed in subsequent years.

For financial assets other than investments at FVTPL and trade debtors and other receivables that are stated at amortised cost, impairment loss are written off against the corresponding assets directly. Where the recovery of trade debtors and other receivables is considered doubtful but not remote, the impairment loss for doubtful receivables is recorded using an allowance account. When the Group is satisfied that recovery of trade debtors and other receivables is remote, the amount considered irrecoverable is written off against trade debtors and other receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment loss recognised in an interim period in respect of available-for-sale unlisted equity securities carried at cost is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial instruments (accounting policies applied until 31 March 2018) (Continued)

(iii) Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.10).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Inventories

Inventories, other than gold bullion held for trading, are stated at the lower of cost and estimated net realisable value. Cost is determined on an actual cost basis. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Gold bullion held for trading are stated at fair value less costs to sell. Changes in fair value are recognised in profit or loss in the year of the change.

2.18 Accounting for income taxes

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the tax years to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax loss available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax loss and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they related to items recognised in other comprehensive income or directly in capital and reserves, in which case the taxes are also recognised in other comprehensive income or directly in capital and reserves respectively.

The Group presents deferred tax assets and deferred tax liabilities on a net basis if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Cash and cash equivalents

Cash and cash equivalents include cash at banks, financial institutions and in hand, short term bank deposits with original maturities of 3 months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.20 Share capital

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.21 Employee benefits

(i) Defined contribution plans

The Group operates a number of defined contribution retirement schemes in Hong Kong. Contributions are made based on certain percentages of the employee's basic salaries.

The employees of the Group's subsidiaries which operate in the People's Republic of China, except Hong Kong (the "PRC"), are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

Contributions are recognised as expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(ii) Short term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2.23 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates property, plant and equipment on a straight line basis over the estimated useful lives of 7 to 50 years. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(ii) Fair value measurement of financial assets at FVTOCI

The Group estimates the fair value of certain financial assets, which are unlisted equity securities, based on various valuation methodologies which involves estimates of certain significant unobservable inputs as described in note 36.7. The directors of the Company have exercised their judgement and are satisfied that the method and input of valuations are reflective of the current market condition.

(iii) Impairment of property, plant and equipment

The Group assesses impairment at the end of each reporting period by evaluating conditions that may lead to impairment of property, plant and equipment. 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 results. 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.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles and changes in market conditions. Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's top management including executive directors and chief executive for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major product and service lines.

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

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

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

5. REVENUE

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

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

6. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest charges on:		
Financial liability at amortised cost		
Bank loans	**1,174**	2,760
Financial liability at FVTPL		
Gold loan	**815**	816
	1,989	3,576

7. PROFIT/(LOSS) BEFORE TAXATION

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

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

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

8. TAXATION

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

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

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

Reconciliation between accounting profit/(loss) and taxation charge at applicable tax rates is as follows:

	2019	2018
	HK$'000	HK$'000
Profit/(loss) before taxation	**664**	(22,741)
Tax on profit/(loss) before taxation, calculated at the rates applicable to profit/(loss) in the relevant tax jurisdictions	**(52)**	(3,847)
Tax effect of non-taxable income	**(874)**	(209)
Tax effect of non-deductible expenses	**155**	218
Temporary differences not recognised	**(278)**	(437)
Tax loss not recognised	**3,432**	4,732
Utilisation of previously unrecognised tax loss	**(2,383)**	(457)
Taxation charge	**—**	—

The Group has tax losses arising in Hong Kong of HK$559,920,000 (2018: HK$555,864,000) that are available indefinitely and tax losses arising in the PRC of HK$25,480,000 (2018: HK$24,805,000) that will expire in 1 to 5 years, for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax assets have been recognised in respect of the above items due to the unpredictability of future profit streams against which the tax losses can be utilised.

At 31 March 2019, no deferred tax has been provided in the consolidated statement of profit or loss and other comprehensive income as no material temporary differences (2018: Nil).

9. DIVIDEND

No dividend was paid or proposed for the 2 years ended 31 March 2018 and 31 March 2019, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS/(LOSS) PER SHARE

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

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

11. EMPLOYEE BENEFIT EXPENSE

	2019 HK$'000	2018 HK$'000
Wages, salaries and other benefits	50,067	47,337
Pension costs — defined contribution retirement schemes	2,250	2,211
Provision for long service payments (note 26)	33	13
Reversal of provision for long service payments (note 26)	(15)	(74)
	52,335	49,487

Employee benefit expense as shown above includes directors' and chief executive's emoluments (note 12).

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Directors' and chief executive's emoluments disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of the Directors) Regulation (Cap. 622G) are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension costs — defined contribution retirement schemes HK$'000	Total HK$'000
2019				
Executive directors				
Mr. Tang Yat Sun, Richard	74	1,655	—	1,729
Dr. Fung Yuk Bun, Patrick	74	35	—	109
Mr. Yeung Ka Shing	72	35	3	110
Non-executive director				
Mr. Wong Wei Ping, Martin	35	—	—	35
Independent non-executive directors				
Mr. Cheng Kar Shing, Peter	72	—	—	72
Mr. Ho Hau Hay, Hamilton	70	—	—	70
Mr. Sin Nga Yan, Benedict	70	—	—	70
Mr. Cheng Kwok Shing, Anthony	275	—	—	275
Chief executive				
Ms. Sum Mei Lin	—	2,502	18	2,520
	742	4,227	21	4,990

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS (Continued)

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension costs — defined contribution retirement schemes HK$'000	Total HK$'000
2018				
Executive directors				
Mr. Tang Yat Sun, Richard	39	1,200	1	1,240
Dr. Fung Yuk Bun, Patrick	39	—	—	39
Mr. Yeung Ka Shing (appointed on 31 May 2017)	37	—	2	39
Non-executive director				
Mr. Wong Wei Ping, Martin	35	—	—	35
Independent non-executive directors				
Mr. Cheng Kar Shing, Peter	72	—	—	72
Mr. Ho Hau Hay, Hamilton	70	—	—	70
Mr. Sin Nga Yan, Benedict	70	—	—	70
Mr. Cheng Kwok Shing, Anthony	250	—	—	250
Chief executive				
Ms. Sum Mei Lin (appointed on 8 June 2017)	—	2,066	15	2,081
	612	3,266	18	3,896

During the year, no emoluments were paid by the Group to the directors/chief executive as an inducement to join or upon joining the Group, or as compensation for loss of office (2018: Nil).

None of the other directors/chief executive has waived or agreed to waive any emoluments for the year ended 31 March 2019 (2018: Nil).

In August 2017, the Company entered into a contract with Stanwick Properties Limited of the Company ("Stanwick") which is a wholly owned subsidiary of Yeung Chi Shing for the lease of furniture and fixture at 3rd Floor and Basement and Ground Floor, Mezzanine Floor, 3rd Floor, 5th Floor, 7th Floor to 10th Floor of the premises in King Fook Building, 30–32 Des Voeux Road Central, Hong Kong. The directors of the Company are of the opinion that the rental was determined with reference to the market prices and the lease period of 2 years.

Moreover, the Company entered into a licence agreement dated 7 December 1998 (the "Licence Agreement") with Yeung Chi Shing to obtain an exclusive right for the design, manufacture and distribution of gold and jewellery products under the trademark of "King Fook" on a worldwide basis for a total consideration of HK$1. The Licence Agreement commenced from 7 December 1998 and may be terminated by any party by giving 3 months' written notice to the counterparty.

Mr. Yeung Ka Shing (a director of the Company), and other members of his family have control on Yeung Chi Shing.

Except as disclosed as above, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, were entered into or subsisted during or at the end of the financial year.

13. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

The 5 individuals whose emoluments were the highest in the Group for the year included 1 director and 1 chief executive (2018: 1 director and 1 chief executive) whose emoluments are reflected in the analysis as presented in note 12. The emoluments of the remaining 3 (2018: 3) individuals are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,603**	3,695
Pension costs — defined contribution retirement schemes	**135**	54
	3,738	3,749

The emoluments of the remaining 3 (2018: 3) individuals, fell within the following emolument bands:

	Number of individuals	
	2019	2018
HK$1,000,001 — HK$1,500,000	**2**	2
HK$1,500,001 — HK$2,000,000	**1**	1

During the year, no emoluments were paid by the Group to the 5 highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2018: Nil).

The emoluments of the members of senior management excluding directors (executive and non-executive) and chief executive during the year fell within the following emolument bands:

	Number of individuals	
	2019	2018
HK$0 — HK$500,000	**1**	2
HK$500,001 — HK$1,000,000	**2**	—
HK$1,000,001 — HK$1,500,000	**—**	2

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery, furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2017					
Cost	1,919	14,453	10,677	1,206	28,255
Accumulated depreciation	(1,268)	(9,052)	(7,187)	(1,017)	(18,524)
Impairment loss	—	(5,144)	(1,293)	—	(6,437)
Net book amount	651	257	2,197	189	3,294
Net book amount					
At 1 April 2017	651	257	2,197	189	3,294
Additions	—	748	331	—	1,079
Write off/disposals	—	—	(98)	—	(98)
Depreciation	(39)	(504)	(543)	(98)	(1,184)
Exchange differences	—	—	3	—	3
At 31 March 2018	612	501	1,890	91	3,094
At 31 March 2018 and 1 April 2018					
Cost	1,919	15,005	9,224	656	26,804
Accumulated depreciation	(1,307)	(9,407)	(6,337)	(565)	(17,616)
Impairment loss	—	(5,097)	(997)	—	(6,094)
Net book amount	612	501	1,890	91	3,094
Net book amount					
At 1 April 2018	612	501	1,890	91	3,094
Additions	—	1,001	176	—	1,177
Write off/disposals	—	—	(35)	—	(35)
Depreciation	(39)	(455)	(482)	(91)	(1,067)
Exchange differences	—	—	(2)	—	(2)
At 31 March 2019	**573**	**1,047**	**1,547**	**—**	**3,167**
At 31 March 2019					
Cost	1,919	15,820	8,722	656	27,117
Accumulated depreciation	(1,346)	(9,676)	(6,178)	(656)	(17,856)
Impairment loss	—	(5,097)	(997)	—	(6,094)
Net book amount	**573**	**1,047**	**1,547**	**—**	**3,167**

The Group's leasehold land and buildings are situated in Hong Kong.

Depreciation expense of HK$814,000 (2018: HK$882,000) was included in distribution and selling costs and HK$253,000 (2018: HK$302,000) was included in administrative expenses for the year ended 31 March 2019.

The fair value of the Group's leasehold land and buildings at 31 March 2019 was approximately HK$29,900,000 (2018: HK$29,600,000) which was arrived at on the basis of a valuation performed by BMI Appraisals Limited ("BMI Appraisals"), an independent qualified valuer. Valuation was estimated based on the property's open market value with reference to the market evidence of prices for comparable properties as at the end of reporting period.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The fair value of leasehold land and buildings is a level 3 recurring fair value measurement.

Fair value is determined by applying the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as age, time, location, floor level of property and other relevant factors.

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above property's highest and best use, which does not differ from its actual use.

15. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	HK$'000
At the beginning of the year		
Gross carrying amount	**1,840**	1,840
Accumulated depreciation	**(1,278)**	(1,246)
Net carrying amount	**562**	594
Opening net carrying amount	**562**	594
Depreciation	**(33)**	(32)
Closing net carrying amount	**529**	562
At the end of the year		
Gross carrying amount	**1,840**	1,840
Accumulated depreciation	**(1,311)**	(1,278)
Net carrying amount	**529**	562

The Group's investment properties, which are land and buildings held under a leasehold interest, are situated in Hong Kong.

The fair value of the Group's investment properties at 31 March 2019 was approximately HK$27,980,000 (2018: HK$27,680,000) which was arrived at on the basis of a valuation performed by BMI Appraisals. Valuation was estimated based on the properties' open market value with reference to the market evidence of prices for comparable properties as at the end of reporting period.

The fair value of investment properties is a level 3 recurring fair value measurement.

Fair value is determined by applying the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as age, time, location, floor level of property and other relevant factors.

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

16. AVAILABLE-FOR-SALE INVESTMENTS

	2019 HK$'000	2018 HK$'000
Unlisted equity securities, at cost less impairment	—	449
Membership licence, at cost	—	356
	—	805

The unlisted equity securities and membership licence were reclassified to investments at FVTOCI (note 17) and other asset (note 18) respectively on 1 April 2018.

17. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Unlisted equity securities	2,836	—

These investments in unlisted equity securities were reclassified from available-for-sale investments, at cost less impairment, of HK$449,000 on 1 April 2018 after the adoption of HKFRS 9 as detailed in notes 2.2(a) and (b). The fair values of these investments at 1 April 2018 and 31 March 2019 were determined by BMI Appraisals and the directors of the Company respectively. Details of the fair value measurement are set out in note 36.7.

18. OTHER ASSET

	2019 HK$'000	2018 HK$'000
Membership licence, at cost	356	—

Membership licence is carried at cost less any impairment. It represented cost of membership at The Chinese Gold and Silver Exchange Society. It was reclassified from available-for-sale investments of HK$356,000 on 1 April 2018.

19. INVENTORIES

	2019 HK$'000	2018 HK$'000
Jewellery	304,018	314,294
Gold ornament	27,431	24,745
Gold bullion	1,223	564
Watch, gift and fashion	145,066	168,805
	477,738	508,408

As at 31 March 2019, the fair value less costs to sell of gold bullion was approximately HK$1,223,000 (2018: HK$564,000).

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	2019 HK$'000	2018 HK$'000
Trade debtors	*(a)*	**7,900**	4,856
Other receivables	*(b)*	**5,181**	5,751
Deposits and prepayments		**27,997**	20,834
		41,078	31,441

Notes:

(a) Trade debtors

	2019 HK$'000	2018 HK$'000
Gross carrying amount	**9,838**	6,914
Less: Provision for impairment loss	**(1,938)**	(2,058)
Trade debtors — net	**7,900**	4,856

Trade debtors are normally due within 1 month. The management of the Group considered that the fair values of trade debtors are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The movement in provision for impairment loss is as follows:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**2,058**	2,058
Written off	**(120)**	—
At the end of the year	**1,938**	2,058

At the end of each reporting period, the Group reviews receivables for evidence of impairment on both an individual and a collective basis. As at 31 March 2019, the Group has determined trade debtors of HK$1,938,000 (2018: HK$2,058,000) as individually impaired. Based on this assessment, no additional provision for impairment loss was recognised during the year (2018: Nil). The impaired trade debtors are due from customers experiencing financial difficulties and were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade debtors, whether determined on an individual or a collective basis.

At 31 March, the ageing analysis of trade debtors, based on invoice date, was as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	**6,628**	4,801
31 — 90 days	**1,272**	55
	7,900	4,856

20. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) Trade debtors (Continued)

At 31 March 2018, the ageing analysis of trade debtors, based on due date, was as follows:

	2018 HK$'000
Neither past due nor impaired	4,801
Past due 90 days or less	55
	4,856

As at 31 March 2018, trade debtors that were neither past due nor impaired related to customers for whom there were no recent history of default.

Trade debtors that were past due but not impaired related to a number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered to be fully recoverable. The Group did not hold any material collateral in respect of trade debtors past due but not impaired.

(b) Other receivables

The management of the Group considered that the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **HK$'000**	2018 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**316**	1,116
Listed outside Hong Kong	**—**	2,761
	316	3,877

The above investments are classified as held for trading.

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

Movements in investments at FVTPL are presented within the section on operating activities as part of changes in working capital in the consolidated statement of cash flows.

Changes in fair value of investments at FVTPL are recorded in other operating income and expenses in the consolidated statement of profit or loss and other comprehensive income.

These investments are subject to financial risk exposure in terms of price risk and foreign currency risk.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2019 HK$'000	2018 HK$'000
Cash at banks and in hand	**46,111**	164,172
Cash at financial institutions	**—**	3
Short term bank deposits	**115,847**	35,407
	161,958	199,582

The cash balances at banks and financial institutions bore interest at floating rates based on daily bank deposit rates.

The effective interest rates of short term bank deposits as at 31 March 2019 ranged from 1.50% to 2.20% (2018: 0.70% to 1.47%) per annum. These deposits had a maturity ranging from 89 to 92 days (2018: 32 to 90 days) and were eligible for immediate cancellation without receiving any interest for the last deposit period.

The management of the Group considered that the fair value of the short term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in cash and cash equivalents of the Group were balances of HK$137,000 (2018: HK$279,000) denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

23. CREDITORS, DEPOSITS RECEIVED AND OTHER PAYABLES

	Note	2019 HK$'000	2018 HK$'000
Trade payables	*(a)*	**17,363**	11,501
Other payables and accruals		**7,820**	10,489
Contract liabilities	*(b)*	**2,510**	—
Deposits received and deferred income		**4,095**	6,642
		31,788	28,632

All balances are short term in nature and hence the carrying values of creditors, deposits received and other payables and accruals are considered to be a reasonable approximation of their fair values.

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

Notes:

(a) Trade payables

At 31 March, the ageing analysis of trade payables, based on invoice date, was as follows:

	2019 HK$'000	2018 HK$'000
Within 30 days	**14,628**	8,475
31 — 90 days	**149**	25
More than 90 days	**2,586**	3,001
	17,363	11,501

(b) Contract liabilities

Movements in contract liabilities are as follows:

	2019 HK$'000
Balance as at 1 April 2018	**2,256**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,126)**
Increase in contract liabilities as a result of receiving deposits from customers	**1,380**
Balance as at 31 March 2019	**2,510**

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 April 2018. The comparative information is not restated. Upon the adoption of HKFRS 15, amounts previously included as "other payables and accruals" and "deposits received and deferred income" have been reclassified to "contract liabilities" (note 2.2(c)).

The contract liabilities mainly relate to the advance consideration received from customers and the Group's customer loyalty program. The Group will recognise the expected revenue in future when such performance obligation is satisfied, which is expected to occur in the next 12 to 24 months.

The Group has applied the practical expedient to its sales contracts for gold ornament, jewellery, watch and gift retailing and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for gold ornament, jewellery, watch and gift retailing that had an original expected duration of one year or less.

24. GOLD LOAN

	2019 HK$'000	2018 HK$'000
Gold loan, unsecured, at fair value		
Repayable within one year	**22,494**	19,805

Gold loan was denominated at United States Dollars ("US$") and bore interest at fixed rate of 3.75% (2018: 4.20%) per annum, which was the effective interest rate at 31 March 2019.

Fair value of the gold loan has been determined by reference to its quoted bid price at the end of the reporting period.

Gold loan is subject to financial risk exposure in terms of price risk and foreign currency risk.

25. BANK LOANS

	2019 HK$'000	2018 HK$'000
Bank loans, unsecured	**—**	68,000

At 31 March 2018, all bank loans were denominated in HK$ and were interest-bearing at variable rates ranging from 3.25% to 4.36% per annum, which were the effective interest rates and scheduled to be repaid within one year or on demand.

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

26. PROVISION FOR LONG SERVICE PAYMENTS

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**35**	96
Provision	**33**	13
Reversal	**(15)**	(74)
At the end of the year	**53**	35

At 31 March 2018 and 2019, the balances represent the provision for entitlements of the Group's employees to long service payments on termination of their employment, which are not fully covered by the Group's provident fund schemes.

27. SHARE CAPITAL

	2019 HK$'000	2018 HK$'000
Issued and fully paid:		
913,650,465 (2018: 913,650,465) ordinary shares	**393,354**	393,354

28. RESERVES

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The capital reserve account of the Group includes negative goodwill arising on acquisitions of subsidiaries before 1 April 2001 which represented the excess of the fair value of the Group's share of the net assets acquired over the cost of the acquisitions.

29. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2019 HK$'000	2018 HK$'000
Profit/(loss) before taxation	**664**	(22,741)
Depreciation of property, plant and equipment	**1,067**	1,184
Depreciation of investment properties	**33**	32
Directly write off of deposits and other receivables	**46**	18
Dividend income	**(135)**	(365)
Fair value change of investments at FVTPL	**313**	(2,760)
Interest expense	**1,989**	3,576
Interest income	**(2,360)**	(570)
Loss on write off/disposal of property, plant and equipment	**35**	63
Provision for and write down of inventories to net realisable value	**9,146**	27,842
Provision for impairment loss of available-for-sale investments	**—**	32
Provision for long service payments	**33**	13
Reversal of provision for and write down of inventories to net realisable value	**(4,034)**	(9,605)
Reversal of provision for long service payments	**(15)**	(74)
Written off of payables	**(2,233)**	—
Operating profit/(loss) before working capital changes	**4,549**	(3,355)

29. NOTE TO THE 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 consolidated statement of cash flows as cash flows from financing activities.

	Bank loans HK$'000	Gold loan HK$'000	Interest payables HK$'000	Total HK$'000
As at 1 April 2017	78,000	18,439	960	97,399
Changes from cash flows:				
Proceeds from borrowings	559	—	—	559
Interest incurred	—	—	3,576	3,576
Interest paid	—	—	(3,577)	(3,577)
Repayment	(10,559)	—	—	(10,559)
	68,000	18,439	959	87,398
Other change:				
Change in fair value of gold loan*	—	1,366	—	1,366
As at 31 March 2018	68,000	19,805	959	88,764
As at 1 April 2018	68,000	19,805	959	88,764
Changes from cash flows:				
Proceeds from borrowings	10,000	3,041	—	13,041
Interest incurred	—	—	1,989	1,989
Interest paid	—	—	(2,941)	(2,941)
Repayment	(78,000)	—	—	(78,000)
	—	22,846	7	22,853
Other change:				
Change in fair value of gold loan*	—	(352)	—	(352)
As at 31 March 2019	**—**	**22,494**	**7**	**22,501**

Interest payables are included in creditors, deposits received and other payables presented in the 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 2 years ended 31 March 2018 and 2019 and was not recognised in profit or loss separately.

30. OPERATING LEASE COMMITMENTS

At 31 March, the total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2019			2018		
	Land and buildings HK$'000	**Other assets HK$'000**	**Total HK$'000**	Land and buildings HK$'000	Other assets HK$'000	Total HK$'000
Within one year	**54,816**	**400**	**55,216**	61,596	312	61,908
In the second to fifth years, inclusive	**18,886**	**202**	**19,088**	73,102	114	73,216
Over five years	**—**	**—**	**—**	450	—	450
	73,702	**602**	**74,304**	135,148	426	135,574

The Group leases a number of land and buildings and other assets under operating leases arrangements which run for an initial period of 3 months to 6 years (2018: 9.3 months to 6 years).

Certain leasing arrangements have been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to calculate the above commitments.

31. FUTURE OPERATING LEASE RECEIVABLES

At 31 March, the total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**1,185**	597
In the second to fifth years, inclusive	**1,129**	40
	2,314	637

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 3 years (2018: 1 to 2 years), with option to renew the lease term at the expiry date.

32. RELATED PARTY TRANSACTIONS

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

	Note	2019 HK$'000	2018 HK$'000
Operating lease rental on land and buildings paid to Stanwick	*(a)*	**11,333**	11,509
Operating lease rental on furniture and fixtures paid to Stanwick	*(a)*	**306**	306
Management fees and air-conditioning charges paid to Stanwick	*(a)*	**1,096**	1,096
Sale of goods to:	*(b)*		
Directors		**3,152**	18,312
Yeung Chi Shing		**176**	164

Notes:

(a) The operating lease rental, management fees and air-conditioning charges were paid to Stanwick for the office and shop premises occupied by the Group. 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, watch and fashion items net of sale discounts to both the directors and Yeung Chi Shing for the year. 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 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 year was as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**6,917**	6,418
Pension costs — defined contribution retirement schemes	**57**	207
	6,974	6,625

33. INFORMATION ABOUT STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**379**	602
Investments in subsidiaries		**22,023**	71,918
		22,402	72,520
Current assets			
Debtors, deposits and prepayments		**1,052**	975
Amounts due from subsidiaries		**542,094**	638,268
Cash and cash equivalents		**103,126**	167,735
		646,272	806,978
Current liabilities			
Creditors, deposits received and accruals		**2,413**	3,090
Amounts due to subsidiaries		**98,982**	161,294
Gold loan		**22,494**	19,805
Bank loans		**—**	68,000
		123,889	252,189
Net current assets		**522,383**	554,789
Net assets		**544,785**	627,309
CAPITAL AND RESERVES			
Share capital	*27*	**393,354**	393,354
Reserves	*34*	**151,431**	233,955
		544,785	627,309

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 25 June 2019 and was signed by:

Tang Yat Sun, Richard	**Fung Yuk Bun, Patrick**
Chairman	*Director*

34. RESERVES OF THE COMPANY

The movement of reserves of the Company, which represented its retained profits, is as follows:

	Retained profits HK$'000
At 1 April 2017	233,608
Surplus for the year	347
At 31 March 2018	233,955
At 1 April 2018	233,955
Loss for the year	(82,524)
At 31 March 2019	**151,431**

35. SUBSIDIARIES

Details of subsidiaries during the year ended and/or as at 31 March 2019 are as follows:

Name	Place/country of incorporation	Particulars of issued capital/registered capital	Percentage of issued capital/ registered capital held by Group	Company	Place of operation and principal activities
Evermind Limited	Hong Kong	10,000 ordinary shares of HK$10,000	80	80	Under liquidation
Grand Year Engineering Limited^	Hong Kong	1 ordinary share of HK$1	80	—	Under liquidation
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	PRC	US$1,000,000	100	100	Dormant
Impact Link Limited	Hong Kong	10,000 ordinary shares of HK$10,000	100	—	Watch wholesaling in Hong Kong
Jet Bright Trading Limited	Hong Kong	2 ordinary shares of HK$2	100	—	Investment holding in Hong Kong
Jewellery Hospital Company Limited	Hong Kong	10,000 ordinary shares of HK$10,000	100	—	Dormant
King Fook China Resources Limited	Hong Kong	2 ordinary shares of HK$20	100	100	Investment holding in Hong Kong
King Fook Gold & Jewellery Company Limited	Hong Kong	546,750 ordinary shares of HK$54,675,000	100	100	Investment holding and trading in Hong Kong
King Fook International Money Exchange (Kowloon) Limited	Hong Kong	65,000 ordinary shares of HK$6,500,000	100	—	Money exchange services in Hong Kong

35. SUBSIDIARIES (Continued)

Name	Place/country of incorporation	Particulars of issued capital/registered capital	Percentage of issued capital/ registered capital held by Group	Company	Place of operation and principal activities
King Fook Investment Company Limited	Hong Kong	2,500,000 ordinary shares of HK$2,500,000	100	100	Investment holding in Hong Kong
King Fook Jewellery Group Limited	Hong Kong	600,000 ordinary shares of HK$60,000,000	100	100	Gold ornament, jewellery, watch and gift retailing and bullion trading in Hong Kong
King Fook Jewellery Macau Limited	Macau	Macau Patacas 25,000	100	—	Dormant
King Fook Securities Company Limited^	Hong Kong	10,000,000 ordinary shares of HK$10,000,000	100	—	Under liquidation
King Shing Bullion Traders & Finance Company Limited	Hong Kong	60,000 ordinary shares of HK$6,000,000	100	—	Dormant
King Fook Jewellery (Beijing) Company Limited	PRC	US$1,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling in the PRC
King Fook Jewellery (China) Company Limited	PRC	RMB68,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling in the PRC
King Fook (Shanghai) International Trading Limited#	PRC	US$200,000	100	—	Gold ornament, jewellery and watch wholesaling in the PRC
Mario Villa Limited	Hong Kong	2,000,000 ordinary shares of HK$2,000,000	100	100	Investment trading in Hong Kong
Perfectrade Limited^	Hong Kong	20,000 ordinary shares of HK$20,000	80	—	Under liquidation
Polyview International Limited	Hong Kong	2 ordinary shares of HK$2	100	100	Investment holding and watch trading in Hong Kong
PTE Engineering Limited*	Hong Kong	10,000 ordinary shares of HK$10,000	80	—	Under liquidation

35. SUBSIDIARIES (Continued)

Name	Place/country of incorporation	Particulars of issued capital/registered capital	Percentage of issued capital/ registered capital held by Group	Company	Place of operation and principal activities
Tincati Asia Limited	Hong Kong	200 ordinary shares of HK$20,000	100	—	Dormant
Tincati (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1	100	—	Fashion retailing in Hong Kong
Trade Vantage Holdings Limited	Hong Kong	2 ordinary shares of HK$2	100	—	Investment trading in Hong Kong
Yatheng Investments Limited	Hong Kong	10,000 ordinary shares of HK$10,000	100	—	Dormant
Young's Diamond Corporation (International) Limited	Hong Kong	100,000 ordinary shares of HK$10,000,000	99.05	99.05	Diamond wholesaling in Hong Kong
Young's Diamond Factory Limited	Hong Kong	2,000 ordinary shares of US$20,000	99.05	—	Dormant
Young's Diamond Corporation (Shanghai) Limited#	PRC	US$200,000	100	100	Diamond wholesaling in the PRC

Notes:

\# The names of these subsidiaries represent management's translation of the Chinese names of these companies as no English names have been registered.

^ Subsidiaries were dissolved during the year ended 31 March 2019.

* Subsidiary was dissolved on 9 April 2019.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. The board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to financial risks. Generally, the Group utilises conservative strategies on its risk management. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are described below.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2019 HK$'000	2018 HK$'000
Non-current assets		
Available-for-sale investments		
Financial assets at cost less impairment loss	—	805
Investments at FVTOCI	2,836	—
	2,836	805
Current assets		
Investments at FVTPL	316	3,877
Financial assets at amortised cost/loans and receivables		
Trade debtors	7,900	4,856
Other receivables	5,181	5,751
Deposits	19,295	19,426
Cash and cash equivalents	161,958	199,582
	194,650	233,492
	197,486	234,297
Current liabilities		
Financial liabilities at FVTPL		
Gold loan	22,494	19,805
Financial liabilities at amortised cost		
Trade payables	17,363	11,501
Other payables and accruals	7,820	10,489
Bank loans	—	68,000
	47,677	109,795

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of operations and its investing activities.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt periodically and at the end of each reporting period to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group determines the ECL rate for its trade debtors as follows:

	As at 31 March 2019	As at 1 April 2018
Current	**0.2%**	0.2%
Past due 90 days or less	**3.2%**	3.2%

The Group has assessed that the ECLs was immaterial as at 31 March 2019 and 1 April 2018. Accordingly, no loss allowance for trade debtors was recognised as at 31 March 2019 and 1 April 2018. There is no significant change in the estimation techniques or significant assumptions made.

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

In respect of short term bank deposits and cash at banks and financial institutions balances, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

The credit risks for other receivables and deposits of the Group are considered immaterial as the counterparty have a low risk of default. The Group assessed that the ECLs for the balances are immaterial under the 12 months ECLs method. Accordingly, no loss allowance provision was recognised as at 31 March 2019 and 1 April 2018.

The Group does not hold other material collateral over the financial assets.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

Details of Group's maximum exposures to credit risk on trade debtors and other receivables refer to note 20.

The credit policies have been consistently applied by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.3 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Group's transactions are carried out in HK$. Exposures to currency exchange rates arise from the Group's investments at FVTPL, which are denominated in RMB, cash and cash equivalents, which are denominated in Swiss Franc ("CHF"), Euro ("EUR"), RMB and US$ and gold loan (note 24), which is denominated in US$.

Details of financial assets and liability denominated in foreign currencies as at 31 March, translated into HK$ equivalents at the closing rate, are as follows:

	CHF HK$'000	EUR HK$'000	RMB HK$'000	US$ HK$'000
2019				
Financial asset				
Cash and cash equivalents	**19**	**1**	**15**	**3,878**
Financial liability				
Gold loan	**—**	**—**	**—**	**(22,494)**
Net exposure	**19**	**1**	**15**	**(18,616)**
2018				
Financial assets				
Investments at FVTPL				
Listed outside Hong Kong	—	—	2,761	—
Cash and cash equivalents	303	1	66	1,199
Financial liability				
Gold loan	—	—	—	(19,805)
Net exposure	303	1	2,827	(18,606)

The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign currency risk becomes significant.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

A reasonable change in CHF, EUR, RMB and US$ rates in the next 12 months is assessed to result in an immaterial change in the Group's profit/loss after tax, retained profits and other components of capital and reserves. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exchange differences.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to changes in market interest rates through its cash at banks and financial institutions and bank borrowings at floating interest rates, which are subject to variable interest rates. The interest rates and terms of bank borrowings are disclosed in notes 24 and 25.

The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

A reasonable change in interest rates in the next 12 months is assessed to result in an immaterial change in the Group's profit/loss after tax and retained profits. Changes in interest rates have no impact on the Group's other components of capital and reserves. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

36.5 Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as investments at FVTPL and at FVTOCI. Other than unlisted securities, all of these investments are listed.

The Group's listed investments are primarily listed on the stock exchanges of Hong Kong and the PRC.

The policies to manage equity price risk have been followed by the Group since prior years and are considered to be effective.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.5 Price risk (Continued)

Equity price risk (Continued)

The following table indicates the approximate change in the Group's profit/loss after tax (and retained profits) in response to the reasonably possible changes in the stock market prices of Hong Kong and the PRC, to which the Group has significant exposure at the end of the reporting period.

	2019			2018		
	Increase/ (decrease) in security market price	**Increase/ (decrease) in profit after tax HK$'000**	**Increase/ (decrease) in retained profits HK$'000**	Increase/ (decrease) in security market price	Decrease/ (increase) in loss after tax HK$'000	Increase/ (decrease) in retained profits HK$'000
Hong Kong market	**30%**	**95**	**95**	30%	335	335
Hong Kong market	**(30%)**	**(95)**	**(95)**	(30%)	(335)	(335)
PRC market	**—**	**—**	**—**	30%	828	828
PRC market	**—**	**—**	**—**	(30%)	(828)	(828)

The sensitivity analysis above has been determined assuming that the change in equity price had occurred at the end of reporting period and had been applied to the exposure to price risk for the non-derivative financial instruments in existence at that date. The 30% increase/decrease represents management's assessment of a reasonably possible change in equity prices over the period until the next end of reporting period. The analysis was performed on the same basis for the year ended 31 March 2018.

The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exposure to fair value change.

Commodity price risk

The Group's commodity price risk arises from gold loan (note 24). Since the level of gold stocks is close to that of gold loan and they have offsetting effect on price fluctuation, the management of the Group does not expect that there will be any significant commodity price risk exposure.

The policies to manage commodity price risk have been followed by the Group since prior years and are considered to be effective.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accruals, gold loan and bank loans, and also in respect of its cash flow management.

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The management of the Group is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

At 31 March, the Group's financial liabilities have contractual maturities, which are based on contractual undiscounted cash flows, as set out below:

	On demand HK$'000	Within 6 months HK$'000	More than 6 months HK$'000	Total HK$'000	Carrying amount HK$'000
2019					
Trade payables	**2,906**	**14,457**	**—**	**17,363**	**17,363**
Other payables and accruals	**4,707**	**2,843**	**270**	**7,820**	**7,820**
Gold loan	**—**	**22,561**	**—**	**22,561**	**22,494**
	7,613	**39,861**	**270**	**47,744**	**47,677**
2018					
Trade payables	3,366	8,135	—	11,501	11,501
Other payables and accruals	7,283	3,062	144	10,489	10,489
Gold loan	—	19,943	—	19,943	19,805
Bank loans	—	68,491	—	68,491	68,000
	10,649	99,631	144	110,424	109,795

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.7 Fair value measurements

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

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2019					
Financial asset at FVTPL					
Investments at FVTPL					
— Listed equity securities	*(i)*	**316**	**—**	**—**	**316**
Financial asset at FVTOCI					
Investments at FVTOCI					
— Unlisted equity securities	*(ii)*	**—**	**—**	**2,836**	**2,836**
Financial liability at FVTPL					
Gold loan	*(i)*	**22,494**	**—**	**—**	**22,494**
2018					
Financial asset at FVTPL					
Investments at FVTPL					
— Listed equity securities	*(i)*	3,877	—	—	3,877
Financial liability at FVTPL					
Gold loan	*(i)*	19,805	—	—	19,805

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.

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).

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.7 Fair value measurements (Continued)

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 at 1 April 2018 and 31 March 2019 were determined by BMI Appraisals and the directors of the Company respectively.

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

Unlisted equity securities	**At 31 March 2019 HK$'000**	At 1 April 2018 HK$'000	At 31 March 2018 HK$'000
At the beginning of the year	**2,597**	—	—
Reclassification from available-for-sale investments to investments at FVTOCI	**—**	449	—
Remeasurement of financial assets	**—**	2,148	—
Fair value change recognised in other comprehensive income	**239**	—	—
At the end of the year	**2,836**	2,597	—

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$181,000 and HK$150,000 as at 31 March 2019 and 1 April 2018 respectively	Market approach	Price-to-book multiple ("P/B multiple")	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 31 March 2019, the fair value would have increased by HK$770,000. Had the lowest P/B multiple among the comparable been used as at 31 March 2019, the fair value would have decreased by HK$139,000.
		Discount for lack of marketability ("DLOM")	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 31 March 2019, the fair value would have increased by HK$12,000. Had the DLOM increased by 5% as at 31 March 2019, the fair value would have decreased by HK$12,000.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

36.7 Fair value measurements (Continued)

Notes: (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$2,586,000 and HK$2,378,000 as at 31 March 2019 and 1 April 2018 respectively	Market approach	Enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiple ("EV/EBITDA multiple")	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 31 March 2019, the fair value would have increased by HK$284,000. Had the lowest EV/EBITDA multiple among the comparable been used as at 31 March 2019, the fair value would have decreased by HK$284,000.
		DLOM	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 31 March 2019, the fair value would have increased by HK$170,000. Had the DLOM increased by 5% as at 31 March 2019, the fair value would have decreased by HK$170,000.

Unlisted equity securities with carrying amounts of HK$69,000 as at both 31 March 2019 and 1 April 2018 were determined with reference to the net asset value of the unlisted equity securities. The directors of the Company and BMI Appraisals respectively determined that the reported net asset value represents the fair value of the unlisted equity securities respectively.

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

37. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and

(ii) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The equity capital-to-overall financing ratio at the end of reporting period was as follows:

	2019	2018
	HK$'000	HK$'000
Equity capital		
Total capital and reserves	**633,643**	631,297
Overall financing		
Gold loan	**22,494**	19,805
Bank loans	**—**	68,000
	22,494	87,805
Equity capital-to-overall financing ratio	**28.17 : 1**	7.19 : 1

Summary of Investment Properties

Description	Lot No.	Saleable Floor Area (sq. feet)	Interest Attributable to The Group	Type	Lease Term
Unit H, 3rd Floor, Kaiser Estate 2nd Phase, Nos. 47–53 Man Yue Street & Nos. 20–28 Man Lok Street, Hunghom, Kowloon, Hong Kong	The remaining portion of section H of Kowloon Marine Lot No. 40	4,436	99.05%	C	Medium
Private Car Parking Space Nos. G10 & G33 on Ground Floor, Kaiser Estate 2nd Phase, Nos. 47–53 Man Yue Street & Nos. 20–28 Man Lok Street, Hunghom, Kowloon, Hong Kong	The remaining portion of section H of Kowloon Marine Lot No. 40	N/A	99.05%	CP	Medium

C: Commercial

CP: Carpark

N/A: Not applicable

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**687,978**	747,769	770,631	891,577	907,119
Total liabilities	**54,335**	116,472	117,580	151,807	199,531
Current assets/current liabilities (times)	**12.55**	6.38	6.52	5.82	4.49
Capital and reserves					
Capital and reserves	**633,643**	631,297	653,051	739,770	707,588
Capital and reserves per share (HK$)	**0.69**	0.69	0.71	0.81	1.08
Total assets/capital and reserves (times)	**1.09**	1.18	1.18	1.21	1.28
Profit/(loss)					
Profit/(loss) before taxation	**664**	(22,741)	(82,794)	(120,460)	(150,994)
Profit/(loss) attributable to owners	**767**	(22,737)	(85,987)	(119,172)	(149,251)
Earnings/(loss) per share (HK cents)	**0.08**	(2.49)	(9.41)	(14.93)	(22.87)
Return on average total assets	**0.1%**	(3.0%)	(10.3%)	(13.3%)	(14.6%)
Return on average capital and reserves	**0.1%**	(3.5%)	(12.3%)	(16.5%)	(19.1%)
Dividend					
Dividend paid	**—**	—	—	—	—
Dividend per share (HK cent)	**—**	—	—	—	—
Dividend paid cover (times)	**—**	—	—	—	—


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