2020

FOR THE YEAR ENDED 31ST MARCH, 2020

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 of Annual General Meeting

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 Friday, 11 September 2020 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 2020.

2. To declare a final dividend of HK0.2 cents per share for the year ended 31 March 2020.

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

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

5. 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, 24 July 2020

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 share registrar, Computershare Hong Kong Investor Services Limited (the "Share Registrar"), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong 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 Tuesday, 8 September 2020 to Friday, 11 September 2020, 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 Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 7 September 2020.

(3) In order to determine entitlement to the final dividend to be approved at the Meeting, the register of members of the Company will be closed on Thursday, 17 September 2020 during which day no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 16 September 2020.

Notes: (Continued)

(4) In view of the ongoing COVID-19 pandemic and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the Meeting to safeguard the health and safety of the attending shareholders, staff and other stakeholders:

(i) Compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at the entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.

(ii) All attendees will be required to wear surgical face masks on entry to and throughout the Meeting and to maintain a safe distance with other attendees. Please note that no masks will be provided at the meeting venue and attendees should wear their own masks.

(iii) No refreshments or drinks will be served, and there will be no corporate gift.

(iv) Any person (a) who has travelled outside Hong Kong within 14 days immediately before the Meeting; (b) is subject to quarantine or self-quarantine in relation to COVID-19; or (c) has close contact with any person under quarantine or with recent travel history shall not attend the Meeting.

(v) Seating at the Meeting venue will be arranged so as to allow for appropriate social distancing. As a result, there will be limited capacity for shareholders to attend the Meeting. The Company may limit the number of attendees at the Meeting venue as may be necessary to avoid over-crowding.

The Company would like to remind shareholders that physical attendance in person at the Meeting is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to appoint the chairman of the Meeting as their proxy to vote on the relevant resolution(s) at the Meeting instead of attending the Meeting in person, by completing and returning the proxy form in the manner mentioned in Note (1) above.

If any shareholder has any question relating to the Meeting, please contact the Share Registrar as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Email: hkinfo@computershare.com.hk
Tel: 2862 8555
Fax: 2865 0990

Subject to the development of COVID-19, the Company may implement further precautionary measures and will issue further announcement on such measures as appropriate.

Brief Biographical Details of the Directors and the Senior Management

DIRECTORS

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

Aged 67. 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 73. 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 67. A director of New World Development Company Limited, New World Hotels (Holdings) Limited and Chow Tai Fook Enterprises Limited. 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 78. 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 69. 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 56. 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 Ex-officio Advisor 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 73. 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 38. 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, controls Yeung Chi Shing Estates Limited, which is the controlling 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 56. 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. Yee Kwan Yeung

Aged 55. The General Manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in branded watch retailing. He has been with the Group for 37 years.

Ms. Fung Suk Ming, Abby

Aged 51. 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.

Chairman's Statement

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 2020 (the "Year").

REVIEW OF OPERATIONS

The Group's revenue for the Year amounted to HK$615.7 million, representing an increase of HK$63.8 million or 11.6% from HK$551.9 million of the previous year. The Group has made a consolidated profit attributable to owners of the Company for the Year of HK$5.7 million, as which compared to HK$0.8 million for last year.

The Hong Kong retail market faced severe difficult environment in the Year. The on-going trade dispute between China and the United States, the massive protests and social unrest since June 2019 and the outbreak of COVID-19 in late January 2020 have adversely affected the spending of tourists and local customers. Despite the difficult environment, the Group achieved an increase in revenue of 20.5% in the first three quarters thanks to its continued growth in sales to local high-end customers. Unfortunately, the situation worsened since the outbreak of the COVID-19 in the first quarter of 2020, causing the Group's revenue to decrease by 14.8% in the first quarter of 2020 when compared with the same period last year. The pandemic continues to affect the Group's business in the second quarter of 2020.

Looking forward, the Group believes COVID-19 will continue to challenge the luxury goods retail market in Hong Kong. Nevertheless, with its healthy financial situation and cash flow, the management remains confident that our Group will be able to overcome the challenge. To meet the challenge of the adverse market condition, the Group will continue to focus on providing exquisite, stylish and finest quality products to customers. Moreover, the Group will explore various means including on-line business platforms to improve its services. The Group has continuously taken measures to improve operation efficiency including inventory control and rental reduction.

DIVIDEND

The Board recommends payment of a final dividend of HK0.2 cents per share, totalling HK$1.8 million, in respect of the Year (2019: 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, 26 June 2020

Management Discussion and Analysis

GROUP RESULTS OVERVIEW

The results of the Group for the year ended 31 March 2020 (the "Year") and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 32 to 91.

For the Year, the Group recorded total revenue of HK$615.7 million, representing an increase of HK$63.8 million or 11.6% from HK$551.9 million of the previous year. The Group has recorded a consolidated profit attributable to owners of the Company for the Year of HK$5.7 million as compared to HK$0.8 million in last year. Such profit improvement was primarily due to an increase in revenue in the retail business of the Group during the Year mainly as a result of continued growth of sales to local high-end customers. The Group's distribution and selling costs for the Year increased by 0.4% to HK$113.1 million as compared with HK$112.7 million for the previous year, and the increase was mainly caused by the opening of a new store in Harbour City, Kowloon in November 2019. The Group's administrative expenses for the Year decreased by 7.6% to HK$37.0 million as compared with HK$40.1 million for the previous year, which was mainly attributable to the decrease in overseas travelling expense due to the outbreak of COVID-19 pandemic and decrease in legal and professional fees.

BUSINESS REVIEW

As at 31 March 2020, the Group had 7 shops in Hong Kong for retail of gold ornament, jewellery, watches, gifts and bullion trading. The revenue of the Group's retailing business for the Year increased by 11.6% to HK$613.2 million from HK$549.3 million for the previous year.

For the Year, Hong Kong was adversely affected by the on-going trade dispute between China and the United States, social unrest since June 2019 and an outbreak of COVID-19 pandemic in the fourth quarter of such year. The number of tourists dropped significantly since August 2019 and was down to almost zero in April 2020. Local consumption sentiment was negatively impacted by the outbreak of COVID-19. The Group's increase in revenue for the Year was mainly contributed by the sales growth from local high-end customers in the first three quarters of the Year. The growth in revenue for the first three quarters of the Year was 20.5% as compared to the same period last year. However, the Group's revenue declined by 14.8% in the fourth quarter of the Year due to the virus outbreak. Same store sales growth was 14.8% for the Year. In November 2019, the Group opened a new jewellery store in Harbour City, Kowloon which targeted the young customer segment. In March 2020, the Group closed down the underperformed Hong Kong Club shop to consolidate the floor areas of its retail shops on Hong Kong Island in order to counter-balance the declining demand in the luxury goods retail market.

FUTURE OUTLOOK

The Group expects the sluggish market conditions will continue and the Hong Kong luxury goods retail market will take time to recover. The Group will enhance its competitiveness by cautiously reviewing and adjusting its store locations, operating costs, and product mix so as to better address the changing needs of tourists and the local market.

The slowdown of the luxury goods retail market has already eased rental pressure to some extent and some rental reduction has happened. The management will continue launching marketing campaigns and promotional events to maintain relationship with existing customers and at the same time attract new customers.

The outbreak of COVID-19 has led the Group to speed up the development of on-line platforms to better meet customers' shopping needs. Last but not least, the Group will keep investing in our people, the best asset of the Group, to help us overcome the challenge of the adverse market condition expected in the current financial year.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2020, the Group's current assets and current liabilities were approximately HK$696.9 million and HK$110.6 million respectively. There were cash and cash equivalents of approximately HK$194.3 million, gold loan of approximately HK$31.3 million, and no bank loan as at that date.

Based on the total borrowings of the Group of approximately HK$31.3 million and the equity attributable to owners of the Company of approximately HK$635.4 million as at 31 March 2020, the overall borrowings to equity ratio was 4.9%, 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 had been used for hedging during the year.

Charge on Assets

As at 31 March 2020, there was no charge on the Group's assets.

Capital Expenditure

During the year, the Group incurred capital expenditures of approximately HK$3.4 million, including the costs of leasehold improvements, furniture and equipment.

Capital Commitments and Contingent Liabilities

As at 31 March 2020, 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 93.

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 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. Please refer to the Risk Management and Internal Control Report for detail information on the Group's internal control.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group attaches importance to balancing the needs of business development and environmental protection, and endeavours to make continuous improvements by different means such as internal training 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 will be available on the website of the Company at (http://www.irasia.com/listco/hk/kingfook/index.htm) in accordance with The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 March 2020, the Group had about 130 employees. The employees (including directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward employees based on their performance. It also provides training programs to employees to improve the standard of customer services and for their further advancement.

Report of the Directors

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 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 34 to the consolidated 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 32.

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

The Board has recommended a final dividend of HK0.2 cents (2019: Nil) per ordinary share of the Company for the year ended 31 March 2020. The proposed dividend, if approved at the forthcoming annual general meeting of the Company to be held on Friday, 11 September 2020, will be payable on Wednesday, 30 September 2020 to shareholders whose names appear on the register of members of the Company on Thursday, 17 September 2020.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 27 to the consolidated 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 35 and note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2020 amounted to HK$170,885,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 14 to the consolidated 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 93.

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	49%
— 5 largest suppliers combined	82%
Sales	
— the largest customer	3%
— 5 largest customers combined	10%

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 directors

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 6 and 7.

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. Tang Yat Sun, Richard ("Mr. Tang"), Mr. Sin Nga Yan, Benedict ("Mr. Sin"), and Mr. Yeung Ka Shing ("Mr. Yeung") will retire by rotation at the coming annual general meeting of the Company (the "AGM"). Being eligible, Mr. Tang and Mr. Sin have offered themselves for re-election. Mr. Yeung has decided not to stand for re-election. The Board has recommended the election of Mr. Ng Ming Wah, Charles ("Mr. Ng") as a director of the Company at the AGM. Details of Mr. Tang, Mr. Sin and Mr. Ng as required under rule 13.51(2) of the Listing Rules are as follows:

Mr. Tang Yat Sun, Richard, aged 67, is the Chairman and an executive director of the Company, and an executive director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is an executive director of Miramar Hotel and Investment Company, Limited and an independent non-executive director of Wheelock and Company Limited, and he retired as an independent non-executive director of Hang Seng Bank Limited with effect from 10 May 2018, all such companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He is the chairman and managing director of Richcom Company Limited and a director of various private business enterprises, an advisor of Tang Shiu Kin and Ho Tim Charitable Fund and a steward of The Hong Kong Jockey Club. Mr. Tang has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest and a corporate interest in 7,528,500 shares and 31,571,400 shares of the Company respectively within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He was 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.

DIRECTORS (Continued)

Mr. Sin Nga Yan, Benedict, aged 56, is an independent non-executive director and a member of the Audit Committee of the Company. He is a director and general manager of Myer Jewelry Manufacturer Limited. Mr. Sin is 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. He is the Ex-officio Advisor 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 and a member of the Election Committee of Hong Kong Jewelry Manufacturers' Association. Mr. Sin has no relationship with any directors, senior management or substantial or controlling shareholders of the Company, and 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 2006 and re-designated as an independent non-executive director of the Company on 29 June 2012.

Mr. Tang and Mr. Sin 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.

The remuneration of these directors are subject to the recommendation of the Remuneration Committee from time to time, and information on their remuneration for the year ended 31 March 2020 is set out in note 12 headed "Directors' and chief executive's emoluments and material interests of directors in transactions, arrangements and contracts" to the consolidated financial statements. Their directors' fees are nominal, while the remuneration of Mr. Tang is determined with reference to his contribution to the Group.

Mr. Tang and Mr. Sin 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.

Mr. Sin brings to the Board his substantial business experience in the watch and jewellery industries. He also contributes to the diversity of the Board with his qualifications and experience in law and accountancy. The Board is satisfied that Mr. Sin has the required integrity, skills and experience to continue fulfilling the role of an independent non-executive director, and considers that Mr. Sin is independent as he meets the independence guidelines set out in rule 3.13 of the Listing Rules and should be re-elected so that the Company can continue to benefit from his experiences and contribution to the diversity of the Board. Thus the Board recommends him for re-election at the AGM.

Mr. Ng Ming Wah, Charles, aged 70, will be appointed as a non-executive director of the Company and of King Fook Jewellery Group Limited, a wholly owned subsidiary of the Company, on election as a director of the Company at the AGM. Mr. Ng is an executive director of Somerley Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He is responsible for supervising and leading the execution of corporate finance projects. Mr. Ng has extensive experience in corporate finance and management and in reviewing and analysing in depth financial statements of public companies. Mr. Ng is also a non-executive director of Goldlion Holdings Limited (stock code: 533), a company listed on the Main Board of the Stock Exchange, and acts as a member of each of its audit, remuneration and nomination committees. Mr. Ng obtained a bachelor of science degree in electronic and electrical engineering from Loughborough University in England in June 1972 and a master of science degree in business studies from London Graduate School of Business Studies (London Business School) in England in July 1974. Mr. Ng is a fellow member of both the Hong Kong Securities and Investment Institute and the Hong Kong Institute of Directors.

The Company will not have any formal letter of appointment for Mr. Ng and he will not be appointed for a specific term but will be subject to retirement by rotation at the Company's annual general meetings at least once in every three years in accordance with the Articles of Association of the Company.

For the year ending 31 March 2021, Mr. Ng will receive a director's fees of HK$22,000 per annum (which is nominal), subject to the recommendation of the Remuneration Committee from time to time.

DIRECTORS (Continued)

Mr. Ng was a non-executive director of Man Wah Enterprise Company Limited ("Man Wah Enterprise") from 6 December 1994 to 27 July 1995. Man Wah Enterprise was a Hong Kong company incorporated on 24 November 1970 and was engaged in silk flower manufacturing business. On 19 September 1995, the directors of Man Wah Enterprise filed a statutory declaration with the Companies Registry pursuant to Section 228A of the then Companies Ordinance to the effect that they were of the opinion that the company could not by reason of its liabilities continue its business and that it was necessary that the company be wound up. On 13 October 1995, a petition for the winding up of Man Wah Enterprise was filed by a creditor in court. On 22 November 1995, a winding up order on Man Wah Enterprise was made by the court pursuant to the said petition. On 3 April 1996, an application was made by the liquidators to the court pursuant to Section 209A of the then Companies Ordinance to have the liquidation of Man Wah Enterprise conducted as if it were a creditors' voluntary winding up. Upon such application, an order was made by the court on 2 May 1996 that the winding up of Man Wah Enterprise should be conducted as if the winding-up were a creditors' voluntary winding-up. Man Wah Enterprise was dissolved on 24 September 1999. According to the report of the liquidator and the official receiver dated 1 May 1996, proofs of debts of a total value of approximately HK$3,300,000 had been submitted up to that date (of which approximately 65% were submitted by shareholders of Man Wah Enterprise and their associates) and the official receiver held cash in the sum of approximately HK$280,000 at that date. Mr. Ng has confirmed that there was no wrongful act on his part leading to the winding up of Man Wah Enterprise and that, as far as he was aware, no actual or potential claim had been or would be made against him as a result of such winding up. The liquidators concluded in their report in 1996 that they were of the view that this liquidation was not a matter of public concern. Mr. Ng has also confirmed that other than those matters disclosed herein, he was not involved in any matters relating to the winding up of Man Wah Enterprise.

Mr. Ng does not have:

(a) any other directorships held in listed companies in the last 3 years save as disclosed above;

(b) any relationships with any directors, senior management or substantial or controlling shareholders of the Company; and

(c) any interests in shares of the Company within the meaning of Part XV of the SFO.

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

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

DIRECTORS' INTERESTS

As at 31 March 2020, 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 directors	***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.

DIRECTORS' INTERESTS (Continued)

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

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

Save as disclosed above, as at 31 March 2020, 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 YCSEL) on 15 August 2017 and 7 August 2019 respectively in respect of premises in King Fook Building, 30–32 Des Voeux Road Central, Hong Kong. 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	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from		
	16/8/17 to 15/8/19	HK$582,800.00	HK$21,037.50
	16/8/19 to 15/8/21	HK$620,980.00	HK$21,037.50

   Mezzanine Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from		
	16/8/17 to 15/8/19	HK$50,000.00	HK$9,412.50
	16/8/19 to 15/8/21	HK$52,100.00	HK$9,412.50

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

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from		
	16/8/17 to 15/8/19	HK$53,400.00	HK$13,650.00
	16/8/19 to 15/8/21	HK$55,800.00	HK$13,650.00

DIRECTORS' INTERESTS (Continued)

1. (Continued)

5th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from		
	16/8/17 to 15/8/19	HK$51,000.00	HK$9,450.00
	16/8/19 to 15/8/21	HK$53,400.00	HK$9,450.00

7th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from		
	16/8/17 to 15/8/19	HK$51,500.00	HK$9,450.00
	16/8/19 to 15/8/21	HK$53,900.00	HK$9,450.00

8th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from		
	16/8/17 to 15/8/19	HK$51,700.00	HK$9,450.00
	16/8/19 to 15/8/21	HK$54,200.00	HK$9,450.00

9th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from		
	16/8/17 to 15/8/19	HK$51,900.00	HK$9,450.00
	16/8/19 to 15/8/21	HK$54,500.00	HK$9,450.00

10th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from		
	16/8/17 to 15/8/19	HK$52,100.00	HK$9,450.00
	16/8/19 to 15/8/21	HK$54,700.00	HK$9,450.00

2. The Company entered into 2 separate agreements 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 and 16 August 2019 respectively at the monthly fee of HK$25,480.

DIRECTORS' INTERESTS (Continued)

3. The Company entered into a licence agreement dated 7 December 1998 (the "Licence Agreement") with YCSEL 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, controls YCSEL.

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.

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 and Myer Group.

GOLD LOAN

Particulars of gold loan of the Group are set out under current liabilities in the consolidated statement of financial position and in note 25 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDER

As at 31 March 2020, 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 YCSEL while 12,936,042 shares were of its corporate interest.

Save as disclosed above, as at 31 March 2020, 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 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 2020 are set out in notes 12, 13 and 31(c) to the consolidated financial statements respectively.

BUSINESS REVIEW

Details on the 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 2020 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, 26 June 2020

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 2020 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 ("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 2020.

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 advice and services of 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 complied with rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least 3 independent non-executive directors (representing at least one-third of the Board) 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 Board held 4 board meetings and an AGM during the year ended 31 March 2020. The Board's composition and the attendances of individual directors at these meetings were as follows:

Name of directors	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	4/4	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	3/4	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 6 and 7.

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 2020 had participated in continuous professional development to develop and refresh their knowledge and skills, detailed as below:

Name of directors	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 in taking 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 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 is responsible for ensuring that good corporate governance practices and procedures are followed by the Group. The Chairman is also responsible for the strategic planning of the Group.

The Group General Manager 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 2020, 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 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.

During the year, no new director had been appointed.

BOARD DIVERSITY POLICY

The Board 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 2020, 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 2020.

Risk management and internal control

During the year ended 31 March 2020, the Company had complied with the risk management and internal control code provisions of the Code.

Details of the systems (the "Systems"), structures and policies of the Group's risk management and internal control 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 (2019: HK$760,000) and for non-audit service was approximately HK$181,000 (2019: HK$186,000).

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

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. The Audit Committee is also responsible for making recommendation in relation to the appointment, reappointment and removal of auditor, and reviews and monitors the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the auditor to ensure that appropriate recommendations are implemented.

With the assistance of the Internal Audit Department, the Audit Committee had reviewed internal control matters relating to key business of the Group during the year 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.

During the year, the Audit Committee had also reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing 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 2020 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 2020. All members attended these meetings.

COMMUNICATIONS WITH SHAREHOLDERS

The Company communicates with its shareholders through annual reports, interim reports, announcements and circulars issued by the Company from time to time. 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. Shareholders may also visit the Company's website (http://www.irasia.com/listco/hk/kingfook/index.htm) for information about the Group and its activities. All shareholders are encouraged to attend general meetings of the Company to discuss matters relating to the Group. At general meetings of the Company, the directors answer questions from the shareholders.

The Company held an AGM on 9 September 2019 (the "Meeting") at which all the Board members attended. The Meeting provided opportunities for communication between the shareholders and the Board. 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.

COMMUNICATIONS WITH SHAREHOLDERS (Continued)

Pursuant to article 72 of the Company's Articles of Association and section 566 of the 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 2020, no amendment was made to the Company's constitutional documents.

Risk Management and Internal Control Report

The Group has been continuously enhancing its risk management and internal control systems. During the year ended 31 March 2020 (the "Reporting Period"), the Group engaged an external consultant to review our risk management framework, including the risk governance structure and the risk management policy; and to facilitate, coordinate and support the risk management process. We highlight the key features of our structured risk management approach as follows:

I. RISK GOVERNANCE STRUCTURE

The Group's risk management framework is guided by the "Three Lines of Defense" model as shown below:

Board of Directors (the "Board")

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic business objectives, determining the Group's risk appetite and tolerance levels, and ensuring the Group establishes and maintains appropriate and effective risk management and internal controls systems.

The Board acknowledges its responsibility for the risk management and internal control systems and review of their effectiveness.

Audit Committee

The Audit Committee, acting on behalf of the Board, is responsible for the oversight of the Group's risk management and internal control systems. It conducts on behalf of the Board a review of the effectiveness of the Group's risk management and internal control systems covering key controls, including financial, operational, compliance and human resources controls quarterly by discussing with management the risk management and internal control systems to ensure effective systems are in place, including consideration on the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions, and their training programs and budget.

Risk Management Committee

The Risk Management Committee, comprising both financial and operational executives of the Group, is responsible for designing, implementing and monitoring the risk management and internal control systems for approval by the Board and to report to the Audit Committee and the Board on the Group's risk-related matters. Department heads are directed to implement the systems approved by the Board.

First line of defense

At the first line of defense, business units and departments of the Group, as the risk owners, are responsible for identifying, assessing, managing and monitoring risks associated with each business operation.

Second line of defense

The Risk Management Committee, as the second line of defense, is responsible for assessing relevant risks and carrying out necessary control activities, exercising appropriate supervision to ensure the effectiveness and efficiency of control over activities within and between different departments, and assessing and presenting regular reports to the Audit Committee and the Board.

The external consultant serves as the risk management coordinator of the Group, with responsibility to facilitate, coordinate and support the risk management process, update and maintain the risk management deliverables based on the results of discussions with the Risk Management Committee and risk owners, and performing testing on mitigation actions of top risks identified.

I. RISK GOVERNANCE STRUCTURE (Continued)

Third line of defense

As the third line of defense, the Internal Audit Department of the Company performs internal audit work to ensure that the first and second lines of defense are effective. It provides independent assurance to the Audit Committee and the Board on the adequacy and effectiveness of the internal controls of the Group.

II. RISK MANAGEMENT PROCESS

During the Reporting Period, the Group uses a blended top-down and bottom-up approach for identifying risks. Sources of risk, areas of impact, events and their potential consequences are identified. A risk universe has been created to ensure the entire spectrum of risks are captured. The identified risks are categorised into "Financial", "Operational", "Compliance", "Human Resources" and "Reputation" respectively.

The Group uses a 5-by-5 risk matrix to assess risks. The risk rating is scored in terms of the consequence and likelihood of occurrence. Risks are rated according to their residual risk levels. Residual risk levels refer to the scoring of risks which exist, taking into account all existing controls. The result from the risk analysis is evaluated to determine whether or not identified risks are within predefined risk appetite and tolerance levels.

Based on the risk evaluation, risks are transferred, eliminated or effectively controlled through proposed risk mitigation measures. Each proposed risk mitigation measure has a designated risk owner and an expected completion date assigned to ensure accountability for risk mitigation, which is documented in the top risk record of the Group.

III. RISK MONITORING AND REPORTING

Risk owners are responsible for aggregating their respective risks on a quarterly basis. The Risk Management Committee meets quarterly to evaluate the top risks identified and other risks that may escalate as deemed necessary and are to be defined by the respective business units or departments or risk owners. The status of top risk changes (if any) and the respective mitigation actions are reported to the Audit Committee and the Board during the quarterly meeting.

When senior management/department head/risk owner identifies risk from daily operations or changes in the business environment which potentially leads to high risk exposure, the risk will be brought to the attention of the Risk Management Committee for assessment of the potential risk exposure and evaluation whether additional measures should be in-place to mitigate the risk in a timely manner. As appropriate, the respective risk assessment and mitigation actions will be brought to the attention of the Audit Committee and the Board.

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:

- Conduct internal control self-assessment semi-annually;
- Review the departmental internal control and policies and procedures of the system 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;

INTERNAL CONTROL SYSTEM (Continued)

- Review the inside information policies and procedures periodically. Non-disclosure undertakings have been signed by all employees of the Group; and

- The Internal Audit Department and an external consultant assist to achieve the objectives of the internal control system.

INTERNAL AUDIT

The Internal Audit Department plays an important role in providing an independent appraisal and assurance to the Audit Committee (acting on behalf of the Board) that sound risk management and internal control systems are maintained. During the Reporting Period, the Internal Audit Department performed various risk assessment exercises and risk based audit assignments. Through different reports and meetings, significant risks or internal control issues were discussed and addressed to the management and the Audit Committee respectively. The significant deficiencies identified have been managed or in the progress of following up by the management. The Audit Committee and the Board are satisfied that there are adequate risk management and internal control systems in the Company.

ANNUAL CONFIRMATION

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute assurance against material misstatement or loss; to manage rather than completely eliminate the risk of failure to achieve business objectives. They play a key role in the management of risks that are significant to the fulfilment of business objectives. The Board, through the Audit Committee and with the assistance of the Company's external consultant, conducted risk management reviews of the business operations for the Reporting Period and considered these systems to be effective and adequate during the Reporting Period. The management provided a confirmation semi-annually to the Board on the effectiveness of these systems for the Reporting Period.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has a policy with regard to the principles and procedures for handling and disseminating the inside information of the Company in compliance with the requirements under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The policy regulates the handling and dissemination of inside information, which includes:

- designated reporting channel from relevant officers in possession of potential inside information informing such information to the designated persons;

- designated persons to assess the potential inside information and provide advice, and where appropriate, to bring such information to the attention of the Board to resolve on further actions complying with applicable laws and regulations; and

- restrictive access to inside information to a limited number of employees on a need-to-know basis.

Independent Auditor's Report

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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 32 to 91, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020 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(v) and 19 to the consolidated financial statements)

As at 31 March 2020, the Group had inventories of approximately HK$471,461,000 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 2020 was approximately HK$6,364,000. Management has made estimates based on certain assumptions related to obsolete and out-dated inventories.

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.

Key audit matters (Continued)

Inventory provision (Continued)

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, 26 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**615,748**	551,885
Cost of sales		**(451,188)**	(401,944)
Gross profit		**164,560**	149,941
Other operating income		**8,298**	5,848
Distribution and selling costs		**(113,089)**	(112,666)
Administrative expenses		**(37,028)**	(40,074)
Other operating expenses		**(12,117)**	(396)
Operating profit		**10,624**	2,653
Finance costs	6	**(4,825)**	(1,989)
Profit before taxation	7	**5,799**	664
Taxation	8	**—**	—
Profit for the year		**5,799**	664
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(728)**	(677)
Item that will not be reclassified to profit or loss:			
Change in fair value of investments at fair value through other comprehensive income		**171**	239
Other comprehensive income for the year		**(557)**	(438)
Total comprehensive income for the year		**5,242**	226
Profit/(loss) for the year attributable to:			
— Owners of the Company		**5,692**	767
— Non-controlling interests		**107**	(103)
		5,799	664
Total comprehensive income for the year attributable to:			
— Owners of the Company		**5,135**	329
— Non-controlling interests		**107**	(103)
		5,242	226
		HK cents	HK cents
Earnings per share	10		
— Basic and diluted		**0.62**	0.08

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	As at 31 March 2020 HK$'000	As at 31 March 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,999**	3,167
Right-of-use assets	15	**111,164**	—
Investment properties	16	**1,031**	529
Investments at fair value through other comprehensive income	17	**3,007**	2,836
Other asset	18	**356**	356
Deposits	20	**4,309**	—
		121,866	6,888
Current assets			
Inventories	19	**471,461**	477,738
Debtors, deposits and prepayments	20	**29,403**	41,078
Investments at fair value through profit or loss	21	**263**	316
Time deposit	22	**1,514**	—
Cash and cash equivalents	23	**194,292**	161,958
		696,933	681,090
Total assets		**818,799**	687,978
Current liabilities			
Trade payables, deposits received and other payables	24	**28,817**	31,788
Gold loan	25	**31,286**	22,494
Lease liabilities	15	**50,507**	—
		110,610	54,282
Net current assets		**586,323**	626,808
Total assets less current liabilities		**708,189**	633,696
Non-current liabilities			
Provision for long service payments	26	**67**	53
Lease liabilities	15	**72,628**	—
		72,695	53
Net assets		**635,494**	633,643

Consolidated Statement of Financial Position (Continued)

As at 31 March 2020

	Notes	As at 31 March 2020 HK$'000	As at 31 March 2019 HK$'000
CAPITAL AND RESERVES			
Share capital	*27*	**393,354**	393,354
Other reserves	*28*	**36,657**	37,214
Retained profits	*28*	**205,376**	203,075
Equity attributable to owners of the Company		**635,387**	633,643
Non-controlling interests		**107**	—
Total equity		**635,494**	633,643

The consolidated financial statements on pages 32 to 91 were approved and authorised for issue by the Board of Directors on 26 June 2020 and were signed by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	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 31 March 2018 as originally presented	393,354	24,753	10,751	—	202,336	631,194	103	631,297
Change in accounting policy — HKFRS 9 and HKFRS 15	—	—	—	2,148	(28)	2,120	—	2,120
At 1 April 2018	393,354	24,753	10,751	2,148	202,308	633,314	103	633,417
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
At 31 March 2019 as originally presented	**393,354**	**24,753**	**10,074**	**2,387**	**203,075**	**633,643**	**—**	**633,643**
Change in accounting policy — HKFRS 16 (note 2.2)	**—**	**—**	**—**	**—**	**(3,391)**	**(3,391)**	**—**	**(3,391)**
At 1 April 2019	**393,354**	**24,753**	**10,074**	**2,387**	**199,684**	**630,252**	**—**	**630,252**
Profit for the year	**—**	**—**	**—**	**—**	**5,692**	**5,692**	**107**	**5,799**
Other comprehensive income:								
Exchange differences on translation of foreign operations	**—**	**—**	**(728)**	**—**	**—**	**(728)**	**—**	**(728)**
Change in fair value of investments at fair value through other comprehensive income	**—**	**—**	**—**	**171**	**—**	**171**	**—**	**171**
Other comprehensive income for the year	**—**	**—**	**(728)**	**171**	**—**	**(557)**	**—**	**(557)**
Total comprehensive income for the year	**—**	**—**	**(728)**	**171**	**5,692**	**5,135**	**107**	**5,242**
At 31 March 2020	**393,354**	**24,753**	**9,346**	**2,558**	**205,376**	**635,387**	**107**	**635,494**

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	*29(a)*	**70,380**	4,549
Decrease in inventories		**12,689**	24,616
Decrease/(increase) in debtors, deposits and prepayments		**8,145**	(9,455)
(Decrease)/increase in trade payables, deposits received and other payables		**(55)**	6,268
Dividends received from investments at fair value through profit or loss		**7**	119
Change in investments at fair value through profit or loss		**8**	3,262
Interest received		**3,045**	2,114
Net cash generated from operating activities		**94,219**	31,473
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from investments at fair value through other comprehensive income		**109**	16
Purchase of property, plant and equipment		**(3,415)**	(1,177)
Increase in time deposit with maturity over 3 months		**(1,514)**	—
Net cash used in investing activities		**(4,820)**	(1,161)
CASH FLOWS FROM FINANCING ACTIVITIES	*29(b)*		
Proceeds from bank and gold loans		**7,384**	13,041
Repayment of bank and gold loans		**(3,477)**	(78,000)
Payment of principal element of lease liabilities		**(56,087)**	—
Interest paid on bank and gold loans		**(879)**	(2,941)
Payment of interest element of lease liabilities		**(3,861)**	—
Net cash used in financing activities		**(56,920)**	(67,900)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**32,479**	(37,588)
Cash and cash equivalents at the beginning of the year		**161,958**	199,582
Effect of foreign exchange rates changes, net		**(145)**	(36)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**194,292**	161,958
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**32,062**	46,111
Short term bank deposits with maturity within 3 months		**162,230**	115,847
		194,292	161,958

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 ("YCSEL"), 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 34.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 32 to 91 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable 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.

2.2 Adoption of new or revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2019:

Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs
HKFRS 16	Leases
HK (IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments

The impact of the adoption of HKFRS 16, *Leases* ("HKFRS 16"), has been summarised below. The other new or revised HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from 1 April 2019, where they are different to those applied in prior periods.

(a) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17, *Leases* ("HKAS 17"), HK (IFRIC) – Interpretation 4, *Determining whether an Arrangement contains a Lease* ("HK (IFRIC) – Int 4"), HK (SIC) – Interpretation 15, *Operating Leases-Incentives*, and HK (SIC) – Interpretation 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (b) to (e) below.

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

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

Consolidated statement of financial position as at 1 April 2019

	HK$'000
Right-of-use assets	65,088
Property, plant and equipment*	(573)
Lease liabilities (non-current)	19,865
Lease liabilities (current)	48,240
Other payables and accruals	(199)
Retained profits	(3,391)

* On 1 April 2019, owned leasehold land and buildings with net book value amounting to approximately HK$573,000 were reclassified as right-of-use assets upon the initial application of HKFRS 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

(a) *Impact of the adoption of HKFRS 16* (Continued)

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

Reconciliation of operating lease commitments to lease liabilities

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

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

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

	As at 31 March 2020 HK$'000	As at 1 April 2019 HK$'000
Properties leased under tenancy agreements	**110,173**	64,370
Owned leasehold land and buildings	**—**	573
Furniture and fixtures	**991**	145
	111,164	65,088

(b) *The new definition of a lease*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

(c) Accounting as a lessee

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

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

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

Right-of-use assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

(c) Accounting as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9, *Financial Instruments* ("HKFRS 9"), and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

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

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

(d) Accounting as a lessor

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

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use assets arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements in this regard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Adoption of new or revised HKFRSs (Continued)

(e) Transition

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

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

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

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

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

Refundable rental deposits

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. There is no material adjustment to the fair value of the Group's rental deposits paid at initial recognition.

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[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	COVID-19 Related Rent Concessions[4]
HKFRS 17	Insurance Contracts[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continued to be permitted
4 Effective for annual periods beginning on or after 1 June 2020

Amendment to HKFRS 16: *COVID-19 Related Rent Concessions*

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Coronavirus Disease 2019 ("COVID-19") pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The directors of the Company has not early applied this practical expedient to account for the rent concessions occurring during the year.

The directors of the Company anticipate that all of the relevant 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 directors of the Company consider that these new standards and amendments to standards are unlikely to have a material impact to the Group's consolidated financial statements.

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

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 (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 charge 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, *Revenue from Contracts with Customers*.

(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 refunded 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) 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.

2.8 Contract assets and liabilities

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

2.9 Borrowing costs

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

2.10 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.

Depreciation 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 and buildings	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 vehicle	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.

2.11 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of non-financial assets

Property, plant and equipment, investment properties, right-of-use assets 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 are 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.

2.13 Leases (accounting policies applied from 1 April 2019)

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

Right-of-use assets

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

Right-of-use assets are depreciated on a straight line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (accounting policies applied from 1 April 2019) (Continued)

Right-of-use assets (Continued)

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

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

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

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

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

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Leases (accounting policies applied from 1 April 2019) (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets and (ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. 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 on the straight line basis over the lease term.

When the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

2.14 Leases (accounting policies applied until 31 March 2019)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (accounting policies applied until 31 March 2019) (Continued)

(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

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments (Continued)

(i) Financial assets (Continued)

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.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade debtors and 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 end of the reporting period; or (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 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 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 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 (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 are subsequently measured at amortised cost, using the effective interest method. The related interest charge 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments (Continued)

(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 charge 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 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and 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.

2.19 Share capital

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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.

2.21 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 the 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)

2.22 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.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

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 35.7. 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 and right-of-use assets

The Group assesses impairment at the end of each reporting period by evaluating conditions that may lead to impairment of property, plant and equipment and right-of-use assets. Where an impairment condition exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from actual 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. For the details information in relation to the impairment of property, plant and equipment and right-of-use assets, refer to note 14.

(iv) Incremental borrowing rate of leases

The Group applies incremental borrowing rate as the discount rate of lease liabilities, which require financing spread adjustments and lease specific adjustments based on the relevant market rates. The assessments of the adjustments in determining the discount rates involved management's judgement, which may significantly affect the amount of lease liabilities and right-of-use assets.

(v) 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 the reporting period to ensure inventory is stated at the lower of cost and net realisable value. During the year, the provision for and write down of inventories of approximately HK$6,364,000 (2019: HK$9,146,000) was recognised to profit or loss.

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 for the years ended 31 March 2019 and 2020 respectively as more than 90% of the Group's revenue was 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 2019 and 2020 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:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customer:		
Gold ornament, jewellery, watch and gift retailing	**592,243**	539,181
Bullion trading	**20,967**	10,078
Diamond wholesaling	**2,538**	2,551
Others	**—**	75
Total revenue	**615,748**	551,885
Timing of revenue recognition:		
At a point in time	**615,748**	551,885

6. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest charges on:		
Financial liabilities at amortised cost		
Bank loans	**—**	1,174
Lease liabilities	**3,861**	—
Financial liability at fair value through profit or loss		
Gold loan	**964**	815
	4,825	1,989

7. PROFIT BEFORE TAXATION

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

	2020 HK$'000	2019 HK$'000
Auditors' remuneration	**777**	779
Cost of inventories sold, including	**452,903**	408,766
— provision for and write down of inventories to net realisable value	**6,364**	9,146
— reversal of provision for and write down of inventories to net realisable value*	**(8,467)**	(4,034)
Depreciation of investment properties	**42**	33
Depreciation of property, plant and equipment	**1,429**	1,067
Depreciation of right-of-use assets	**55,050**	—
Directly write off of deposits and other receivables	**—**	46
Dividend income	**(116)**	(135)
Expenses for liquidation of subsidiaries	**—**	2
Fair value change of investments at fair value through profit or loss	**48**	313
Foreign exchange differences, net	**(227)**	(79)
Government grants	**(560)**	—
Interest income from financial assets at amortised cost	**(3,278)**	(2,360)
Loss on write off/disposal of property, plant and equipment	**160**	35
Loss on a lease modification	**2,039**	—
Operating lease charges in respect of furniture and fixtures	**—**	598
Operating lease charges in respect of properties	**—**	65,314
Outgoings in respect of investment properties	**143**	95
Provision for impairment loss on property, plant and equipment	**2,419**	—
Provision for impairment loss on right-of-use assets	**7,452**	—
Provision for long service payments		
— provided against the account	**37**	33
— reversal of provision	**(23)**	(15)
Rental expenses for variable lease payments	**4,345**	—
Rental expenses on short term lease in respect of furniture and fixtures	**135**	—
Rental expenses on short term lease in respect of properties	**4,445**	—
Rental income on owned properties	**(1,264)**	(997)
Write back of payables	**(2,840)**	(2,233)

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

8. TAXATION

No Hong Kong profits tax has been provided for the years ended 31 March 2019 and 2020 respectively as the Group has sufficient tax loss brought forward to set off against the estimated assessable profit.

No overseas profits tax has been provided for the years ended 31 March 2019 and 2020 respectively as the Group has no estimated assessable profit.

8. TAXATION (Continued)

Reconciliation between accounting profit and taxation charge at applicable tax rates is as follows:

	2020 HK$'000	2019 HK$'000
Profit before taxation	**5,799**	664
Tax on profit before taxation, calculated at the rates applicable to profit in the relevant tax jurisdictions	**824**	(52)
Tax effect of non-taxable income	**(152)**	(874)
Tax effect of non-deductible expenses	**1,564**	155
Temporary differences not recognised	**(322)**	(278)
Tax losses not recognised	**5,566**	3,432
Tax effect of prior year's unrecognised tax losses utilised this year	**(7,480)**	(2,383)
Taxation charge	**—**	—

The Group has tax losses arising in Hong Kong of HK$547,710,000 (2019: HK$559,920,000) that are available indefinitely and tax losses arising in the PRC of HK$9,501,000 (2019: HK$25,480,000) 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 2020, no deferred tax has been provided in the consolidated statement of profit or loss and other comprehensive income as there were no material temporary differences (2019: Nil).

9. DIVIDEND

At a meeting held on 26 June 2020, the directors of the Company recommended a final dividend of HK0.2 cents per ordinary share for the year ended 31 March 2020. The proposed dividends are not reflected as dividend payables as at 31 March 2020 in these consolidated financial statements.

No dividend was paid or proposed for the year ended 31 March 2019.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit for the year attributable to owners of the Company of HK$5,692,000 (2019: HK$767,000) and the weighted average number of 913,650,465 (2019: 913,650,465) ordinary shares in issue during the year.

Diluted earnings per share and basic earnings per share for each of the 2 years ended 31 March 2019 and 2020 respectively are the same as there were no dilutive potential ordinary shares during both years.

11. EMPLOYEE BENEFIT EXPENSE

	2020 HK$'000	2019 HK$'000
Wages, salaries and other benefits	**51,635**	50,067
Pension costs — defined contribution retirement schemes	**2,245**	2,250
Provision for long service payments (note 26)	**37**	33
Reversal of provision for long service payments (note 26)	**(23)**	(15)
	53,894	52,335

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
2020				
Executive directors				
Mr. Tang Yat Sun, Richard	**74**	**1,913**	**—**	**1,987**
Dr. Fung Yuk Bun, Patrick	**74**	**25**	**—**	**99**
Mr. Yeung Ka Shing	**72**	**25**	**4**	**101**
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	**283**	**—**	**—**	**283**
Chief executive				
Ms. Sum Mei Lin	**—**	**2,366**	**18**	**2,384**
	750	**4,329**	**22**	**5,101**
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)

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 (2019: Nil).

None of the other directors/chief executive has waived or agreed to waive any emoluments for the year ended 31 March 2020 (2019: Nil).

In August 2019, the Company entered into a contract with Stanwick Properties Limited ("Stanwick") which is a wholly owned subsidiary of YCSEL 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 YCSEL 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), is the son of Mr. Yeung Bing Kwong, Kenneth, who together with other members of his family, controls YCSEL.

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 (2019: 1 director and 1 chief executive) whose emoluments are reflected in the analysis as presented in note 12. The emoluments of the remaining 3 (2019: 3) highest paid individuals are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,374**	3,603
Pension costs — defined contribution retirement schemes	**152**	135
	4,526	3,738

The emoluments of the remaining 3 (2019: 3) highest paid individuals, fell within the following emolument bands:

	Number of individuals	
	2020	2019
HK$1,000,001 — HK$1,500,000	**1**	2
HK$1,500,001 — HK$2,000,000	**2**	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 (2019: Nil).

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

	Number of individuals	
	2020	2019
Nil — HK$500,000	**—**	1
HK$500,001 — HK$1,000,000	**1**	2
HK$1,000,001 — HK$1,500,000	**1**	—
HK$1,500,001 — HK$2,000,000	**1**	—

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery, furniture and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 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 and 1 April 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
Net book amount					
At 31 March 2019 as originally presented	573	1,047	1,547	—	3,167
Change in accounting policy (note 2.2)	(573)	—	—	—	(573)
At 1 April 2019	—	1,047	1,547	—	2,594
Additions	—	2,644	771	—	3,415
Write off/disposals	—	(147)	(13)	—	(160)
Depreciation	—	(979)	(450)	—	(1,429)
Impairment loss	—	(2,220)	(199)	—	(2,419)
Exchange differences	—	—	(2)	—	(2)
At 31 March 2020	**—**	**345**	**1,654**	**—**	**1,999**
At 31 March 2020					
Cost	—	17,291	9,209	656	27,156
Accumulated depreciation	—	(9,681)	(6,404)	(656)	(16,741)
Impairment loss	—	(7,265)	(1,151)	—	(8,416)
Net book amount	**—**	**345**	**1,654**	**—**	**1,999**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Depreciation expense of HK$1,255,000 (2019: HK$814,000) was included in distribution and selling costs and HK$174,000 (2019: HK$253,000) was included in administrative expenses for the year ended 31 March 2020.

The fair value of the Group's leasehold land and buildings at 31 March 2019 was approximately HK$29,900,000 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.

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.

On 1 April 2019, the Group's leasehold land and buildings were reclassified as right-of-use assets upon the initial application of HKFRS 16 (note 15).

The outbreak of Novel Coronavirus has adversely affected the Group's business and the Hong Kong luxury goods retail market during the year and yet to recover. The Group performed an impairment assessment on property, plant and equipment and right-of-use assets (note 15) in accordance with HKAS 36, *Impairment of Assets*. Based on the assessment, impairment losses on property, plant and equipment of HK$2,419,000 and right-of-use assets of HK$7,452,000 (note 15) were recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020 (2019: Nil). The impairment provision was made against a new lease agreement which was entered into during the year. The recoverable amounts of these property, plant and equipment and right-of-use assets using value-in-use calculation were determined by the discounted cash flows generated from the retail store based on the management budget plan covering a three-year period and a pre-tax discount rate of 9%.

15. LEASES

HKFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see note 2.2(e). The accounting policies applied subsequent to the date of initial application, 1 April 2019, as disclosed in note 2.13.

Nature of leasing activities

The Group has obtained the right to use properties and furniture and fixtures as its office premises and retail stores under non-cancellable operating lease agreements, which comprise only fixed payments and variable payments that are based on sales over the lease terms.

Variable lease payments

Lease of a retail store includes fixed lease payments and variable lease payments that are based on 12% monthly sales and such payments are settled monthly. The payment terms are common in the retail stores where the Group operates. The amounts of fixed and variable lease payments paid to a relevant lessor for the year ended 31 March 2020 were:

	For the year ended 31 March 2020			
	Number of store	**Fixed payments HK$'000**	**Variable payments HK$'000**	**Total payments HK$'000**
Retail store with variable payments	**1**	**7,247**	**4,345**	**11,592**

The overall financial effect of using variable payment terms is that higher rental costs are incurred by store with higher sales. Variable lease payments are expected to continue to represent a similar proportion of store sales in future years.

Right-of-use assets

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 (note 2.2(a)) is as follows:

	As at 31 March 2020 HK$'000	As at 1 April 2019 HK$'000
Properties leased under tenancy agreements	**110,173**	64,370
Owned leasehold land and buildings	**—**	573
Furniture and fixtures	**991**	145
	111,164	65,088

During the year, additions of right-of-use assets of HK$9,764,000 represented the capitalised lease payments payable under new tenancy agreements.

15. **LEASES** (Continued)

Right-of-use assets (Continued)

Movement of right-of-use assets during the year:

	Properties leased under tenancy agreements HK$'000	Owned leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Total HK$'000
As at 1 April 2019 (note 2.2(a))	64,370	573	145	65,088
Additions	9,764	—	—	9,764
Depreciation	(54,774)	(29)	(247)	(55,050)
Impairment loss (note 14)	(7,452)	—	—	(7,452)
Transfer to investment properties (note 16)	—	(544)	—	(544)
Lease modifications	98,265	—	1,093	99,358
As at 31 March 2020	**110,173**	**—**	**991**	**111,164**

Lease liabilities

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

	As at 31 March 2020		As at 1 April 2019	
	Present value of the minimum lease payments HK$'000	**Total minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	**50,507**	**55,505**	48,240	50,688
After 1 year but within 2 years	**38,152**	**40,817**	14,892	14,703
After 2 years but within 5 years	**34,476**	**35,496**	4,973	4,384
	123,135	**131,818**	68,105	69,775
Less: Total future interest charges		**(8,683)**		(1,670)
Present value of lease liabilities		**123,135**		68,105

15. LEASES (Continued)

Lease liabilities (Continued)

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (note 2.2(e)).

The present value of future lease payments are analysed as follows:

	As at 31 March 2020	As at 1 April 2019 (note 2.2(a))
	HK$'000	HK$'000
Current liabilities	**50,507**	48,240
Non-current liabilities	**72,628**	19,865
	123,135	68,105

16. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	HK$'000
At the beginning of the year		
Gross carrying amount	**1,840**	1,840
Accumulated depreciation	**(1,311)**	(1,278)
Net carrying amount	**529**	562
Opening net carrying amount	**529**	562
Transfer from right-of-use assets (note 15)	**544**	—
Depreciation	**(42)**	(33)
Closing net carrying amount	**1,031**	529
At the end of the year		
Gross carrying amount	**3,759**	1,840
Accumulated depreciation	**(2,728)**	(1,311)
Net carrying amount	**1,031**	529

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

During the year ended 31 March 2020, the Group reclassified its owner-occupied leasehold land and buildings in Hong Kong with net carrying amount of approximately HK$544,000 from right-of-use assets to investment property.

The fair value of the Group's investment properties after considering the reclassification from right-of-use assets at 31 March 2020, was approximately HK$54,620,000 (2019: HK$27,980,000) 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.

16. INVESTMENT PROPERTIES (Continued)

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.

17. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 **HK$'000**	2019 HK$'000
Unlisted equity securities	**3,007**	2,836

The fair values of these investments at 31 March 2019 and 2020 were determined by the directors of the Company. Details of the fair value measurement are set out in note 35.7.

18. OTHER ASSET

	2020 **HK$'000**	2019 HK$'000
Membership licence, at cost	**356**	356

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

19. INVENTORIES

	2020 **HK$'000**	2019 HK$'000
Jewellery	**295,169**	304,018
Gold ornament	**34,852**	27,431
Gold bullion	**278**	1,223
Watch and gift	**141,139**	145,066
Others	**23**	—
	471,461	477,738

As at 31 March 2020, the fair value less costs to sell of gold bullion was approximately HK$278,000 (2019: HK$1,223,000).

20. DEBTORS, DEPOSITS AND PREPAYMENTS

	Notes	2020 HK$'000	2019 HK$'000
Current			
Trade debtors	*(a)*	**1,468**	7,900
Other receivables	*(b)*	**4,401**	5,181
Deposits and prepayments		**23,534**	27,997
		29,403	41,078
Non-current			
Rental deposits		**4,309**	—
		33,712	41,078

Notes:

(a) Trade debtors

	2020 HK$'000	2019 HK$'000
Gross carrying amount	**1,468**	9,838
Less: Provision for impairment loss	**—**	(1,938)
Trade debtors — net	**1,468**	7,900

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 at 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:

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**1,938**	2,058
Written off	**(1,938)**	(120)
At the end of the year	**—**	1,938

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 2020, the Group has determined that none of the trade debtors were individually impaired (2019: HK$1,938,000). Based on this assessment, no loss allowance for ECLs was recognised during the year (2019: 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.

20. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) Trade debtors (Continued)

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

	2020	2019
	HK$'000	HK$'000
Within 30 days	**1,383**	6,628
31 – 90 days	**85**	1,272
	1,468	7,900

(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 at inception.

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	HK$'000
Equity securities		
Listed in Hong Kong	**263**	316

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 of 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.

22. TIME DEPOSIT

	2020	2019
	HK$'000	HK$'000
Time deposit with original maturity over 3 months	**1,514**	—

The effective interest rate on the time deposit with original maturity over 3 months was 1.90% (2019: Nil) per annum. This deposit has a maturity period of 185 days.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2020 HK$'000	2019 HK$'000
Cash at banks and in hand	**32,062**	46,111
Short term bank deposits	**162,230**	115,847
	194,292	161,958

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

The effective interest rates of short term bank deposits as at 31 March 2020 ranged from 1.95% to 2.38% (2019: 1.50% to 2.20%) per annum. These deposits had original maturity period with 3 months (2019: 3 months) 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 at inception.

Included in cash and cash equivalents of the Group were balances of HK$2,130,000 (2019: HK$137,000) 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.

24. TRADE PAYABLES, DEPOSITS RECEIVED AND OTHER PAYABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade payables	*(a)*	**5,411**	17,363
Other payables and accruals		**6,244**	7,820
Contract liabilities	*(b)*	**2,277**	2,510
Deposits received		**14,885**	4,095
		28,817	31,788

Trade payables, other payables and accruals are short term in nature and hence their carrying values are considered to be a reasonable approximation of their fair values.

24. TRADE PAYABLES, 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:

	2020	2019
	HK$'000	HK$'000
Within 30 days	**5,236**	14,628
31 – 90 days	**166**	149
More than 90 days	**9**	2,586
	5,411	17,363

(b) Contract liabilities

Movements in contract liabilities are as follows:

	2020	2019
	HK$'000	HK$'000
At the beginning of the year	**2,510**	2,256
Decrease as a result of recognising revenue during the year	**(1,335)**	(1,126)
Increase as a result of receiving deposits from customers	**1,102**	1,380
At the end of the year	**2,277**	2,510

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.

25. GOLD LOAN

	2020	2019
	HK$'000	HK$'000
Gold loan, unsecured, at fair value		
Repayable within one year	**31,286**	22,494

Gold loan was denominated at United States Dollars ("US$") and bore interest at fixed rate ranged from 4.00% to 4.03% (2019: 3.75%) per annum, which was the effective interest rate at 31 March 2020.

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

Corporate guarantees are given by the Company for the Group's banking facilities, including the gold loan.

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

26. PROVISION FOR LONG SERVICE PAYMENTS

	2020 HK$'000	2019 HK$'000
At the beginning of the year	**53**	35
Provision	**37**	33
Reversal	**(23)**	(15)
At the end of the year	**67**	53

At 31 March 2019 and 2020, 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

	2020 HK$'000	2019 HK$'000
Issued and fully paid:		
913,650,465 (2019: 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. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2020 HK$'000	2019 HK$'000
Profit before taxation	**5,799**	664
Depreciation of investment properties	**42**	33
Depreciation of property, plant and equipment	**1,429**	1,067
Depreciation of right-of-use assets	**55,050**	—
Directly write off of deposits and other receivables	**—**	46
Dividend income	**(116)**	(135)
Fair value change of investments at fair value through profit or loss	**48**	313
Government grants	**(560)**	—
Interest charges	**4,825**	1,989
Interest income	**(3,278)**	(2,360)
Loss on write off/disposal of property, plant and equipment	**160**	35
Loss on a lease modification	**2,039**	—
Provision for and write down of inventories to net realisable value	**6,364**	9,146
Provision for impairment loss of property, plant and equipment	**2,419**	—
Provision for impairment loss of right-of-use assets	**7,452**	—
Provision for long service payments	**37**	33
Reversal of provision for and write down of inventories to net realisable value	**(8,467)**	(4,034)
Reversal of provision for long service payments	**(23)**	(15)
Write back of payables	**(2,840)**	(2,233)
Operating profit before working capital changes	**70,380**	4,549

29. NOTES 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.

	Lease liabilities HK$'000	Bank loans HK$'000	Gold loan HK$'000	Interest payables HK$'000	Total HK$'000
As at 1 April 2018	—	68,000	19,805	959	88,764
Changes from cash flows:					
Proceeds from borrowings	—	10,000	3,041	—	13,041
Repayment of bank loans	—	(78,000)	—	—	(78,000)
Interest paid on bank and gold loans	—	—	—	(2,941)	(2,941)
Interest incurred	—	—	—	1,989	1,989
Total changes from cash flows	—	(68,000)	3,041	(952)	(65,911)
Other change:					
Change in fair value of gold loan*	—	—	(352)	—	(352)
As at 31 March 2019	—	—	22,494	7	22,501
As at 31 March 2019 as originally presented	—	—	22,494	7	22,501
Change in accounting policy (note 2.2)	68,105	—	—	—	68,105
As at 1 April 2019	68,105	—	22,494	7	90,606
Changes from cash flows:					
Proceeds from borrowings	—	—	7,384	—	7,384
Repayment of gold loan	—	—	(3,477)	—	(3,477)
Payment of principal element of lease liabilities	(56,087)	—	—	—	(56,087)
Interest paid on gold loan	—	—	—	(879)	(879)
Payment of interest element of lease liabilities	(3,861)	—	—	—	(3,861)
Interest incurred	3,861	—	—	964	4,825
Total changes from cash flows	(56,087)	—	3,907	85	(52,095)
Other changes:					
Additions#	9,764	—	—	—	9,764
Lease modification#	101,353	—	—	—	101,353
Change in fair value of gold loan*	—	—	4,885	—	4,885
Total other changes	111,117	—	4,885	—	116,002
As at 31 March 2020	**123,135**	**—**	**31,286**	**92**	**154,513**

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

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

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

\# Non-cash transactions

* 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 2019 and 2020 and was not recognised in profit or loss separately.

30. FUTURE OPERATING LEASE RECEIVABLES

At 31 March, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases in respect of investment properties are as follows:

	2020	2019
	HK$'000	HK$'000
Within 1 year	**1,282**	1,185
After 1 year but within 2 years	**472**	936
After 2 years but within 3 years	**—**	193
	1,754	2,314

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

31. 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:

	Notes	2020 HK$'000	2019 HK$'000
Rental expenses on short term leases of properties paid to Stanwick	*(a)*	**4,235**	—
Operating lease rental of properties paid to Stanwick	*(a)*	**—**	11,333
Rental expenses on short term lease of furniture and fixtures paid to Stanwick	*(a)*	**114**	—
Operating lease rental of furniture and fixtures paid to Stanwick	*(a)*	**—**	306
Management fees and air-conditioning charges paid to Stanwick	*(a)*	**1,096**	1,096
Sale of goods to:	*(b)*		
Directors		**1,365**	3,152
YCSEL		**109**	176

Notes:

(a) The rental expenses on short term lease/operating lease rental, management fees and air-conditioning charges were paid to Stanwick for the office and shop premises occupied by the Group. Since 1 April 2019, the leases with Stanwick were accounted for under HKFRS 16. As at 31 March 2020, the Group had recognised lease liabilities and right-of-use assets of approximately HK$17,431,000 and HK$16,839,000 for those leases respectively. Total undiscounted rental payments under these lease agreements were approximately HK$12,053,000 for the year ended 31 March 2020. Details of the leases were set out in the announcement of the Group dated 7 August 2019. Stanwick is a wholly owned subsidiary of YCSEL, 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 together with other members of his family, controls YCSEL. These related party transactions were entered into on normal commercial terms.

(b) It represents sale of gold ornament, jewellery and watch items net of sale discounts to both the directors and YCSEL for the year. Discounts offered to directors is available generally to customers and the value of discounts given to YCSEL 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:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	**8,636**	6,917
Pension costs — defined contribution retirement schemes	**173**	57
	8,809	6,974

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 March 2020 HK$'000	As at 31 March 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**538**	379
Right-of-use assets		**4,150**	—
Investments in subsidiaries		**22,023**	22,023
		26,711	22,402
Current assets			
Debtors, deposits and prepayments		**1,220**	1,052
Amounts due from subsidiaries		**483,795**	542,094
Cash and cash equivalents		**117,593**	103,126
		602,608	646,272
Current liabilities			
Creditors, deposits received and accruals		**2,265**	2,413
Amounts due to subsidiaries		**58,474**	98,982
Gold loan		**—**	22,494
Lease liabilities		**2,359**	—
		63,098	123,889
Net current assets		**539,510**	522,383
Non-current liability			
Lease liabilities		**1,982**	—
Net assets		**564,239**	544,785
CAPITAL AND RESERVES			
Share capital	*27*	**393,354**	393,354
Retained profits	*33*	**170,885**	151,431
		564,239	544,785

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 26 June 2020 and was signed by:

Tang Yat Sun, Richard
Chairman

Fung Yuk Bun, Patrick
Director

33. RETAINED PROFITS OF THE COMPANY

The movement of retained profits of the Company is as follows:

	HK$'000
At 1 April 2018	233,955
Loss for the year	(82,524)
At 31 March 2019	151,431
At 1 April 2019	151,431
Surplus for the year	19,454
At 31 March 2020	**170,885**

34. SUBSIDIARIES

Details of subsidiaries during the year ended and/or as at 31 March 2020 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
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	—	Dormant
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

34. 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 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
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	—	Dissolved
Tincati Asia Limited	Hong Kong	200 ordinary shares of HK$20,000	100	—	Dormant
Tincati (Hong Kong) Limited	Hong Kong	1,362,622 ordinary shares of HK$1,362,622	100	—	Dormant
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.

^ Subsidiary was dissolved during the year ended 31 March 2020.

* Subsidiaries are wholly foreign owned enterprises in the PRC.

35. 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.

35.1 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:

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investments at fair value through other comprehensive income	**3,007**	2,836
Financial assets at amortised cost		
Deposits	**4,309**	—
	7,316	2,836
Current assets		
Investments at fair value through profit or loss	**263**	316
Financial assets at amortised cost		
Trade debtors	**1,468**	7,900
Other receivables	**4,401**	5,181
Deposits	**16,159**	19,295
Time deposit	**1,514**	—
Cash and cash equivalents	**194,292**	161,958
	218,097	194,650
	225,413	197,486
Non-current liability		
Financial liabilities at amortised cost		
Lease liabilities	**72,628**	—
Current liabilities		
Financial liabilities at fair value through profit or loss		
Gold loan	**31,286**	22,494
Financial liabilities at amortised cost		
Trade payables	**5,411**	17,363
Other payables and accruals	**6,205**	7,820
Lease liabilities	**50,507**	—
	93,409	47,677
	166,037	47,677

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

35.2 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 expected loss rate for its trade debtors as follows:

	2020	2019
Current	**0.4%**	0.2%
Past due 90 days or less	**3.2%**	3.2%

The Group has assessed that the loss allowance of ECLs was immaterial as at 31 March 2019 and 2020. Accordingly, no loss allowance for trade debtors was recognised as at 31 March 2019 and 2020. There is no significant change in the estimation techniques or significant assumptions made.

Expected loss rate is 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 bank deposits and cash at banks balances, the credit risk is limited because majority of the deposits are placed with reputable banks.

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 loss allowance of 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 2020.

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.

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

35.2 Credit risk (Continued)

Details of Group's maximum exposures to credit risk on trade debtors, other receivables and deposits 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.

35.3 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$. Exposures to currency exchange rates arise from the Group's cash and cash equivalents, which are denominated in Swiss Franc ("CHF"), Euro ("EUR"), RMB and US$ and gold loan (note 25), which is denominated in US$.

Details of financial asset 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
2020				
Financial asset				
Cash and cash equivalents	**2,351**	**40**	**14**	**6,975**
Financial liability				
Gold loan	**—**	**—**	**—**	**(31,286)**
Net exposure	**2,351**	**40**	**14**	**(24,311)**
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)

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 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.

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

35.4 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 at floating interest rates and gold loan at fixed interest rates. Gold loan issued at fixed interest rates exposes the Group to fair value interest risk. The interest rates and terms of gold loan are disclosed in note 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 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 charge.

35.5 Price risk

Price risk relates to the risk that the fair values or future cash flows of financial instruments 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 Exchange. The policies to manage equity price risk have been followed by the Group since prior years and are considered to be effective.

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

	2020			2019		
	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	Increase/ (decrease) in profit after tax HK$'000	Increase/ (decrease) in retained profits HK$'000
Hong Kong market	**30%**	**79**	**79**	30%	95	95
Hong Kong market	**(30%)**	**(79)**	**(79)**	(30%)	(95)	(95)

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 2019.

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

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

35.5 Price risk (Continued)

Commodity price risk

The Group's commodity price risk arises from gold loan (note 25). 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.

35.6 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 lease liabilities, 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
2020					
Trade payables	**246**	**5,165**	**—**	**5,411**	**5,411**
Other payables and accruals	**2,975**	**3,122**	**108**	**6,205**	**6,205**
Gold loan	**—**	**31,303**	**—**	**31,303**	**31,286**
Lease liabilities	**—**	**28,018**	**103,800**	**131,818**	**123,135**
	3,221	**67,608**	**103,908**	**174,737**	**166,037**
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

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

35.7 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:

		2020				2019			
		Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	Notes	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial asset at fair value through profit or loss									
Investments at fair value through profit or loss									
— Listed equity securities	*(i)*	**263**	**—**	**—**	**263**	316	—	—	316
Financial asset at fair value through other comprehensive income									
Investments at fair value through other comprehensive income									
— Unlisted equity securities	*(ii)*	**—**	**—**	**3,007**	**3,007**	—	—	2,836	2,836
Financial liability at fair value through profit or loss									
Gold loan	*(i)*	**31,286**	**—**	**—**	**31,286**	22,494	—	—	22,494

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

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).

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

35.7 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 are determined by the directors of the Company.

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

Unlisted equity securities	**2020** **HK$'000**	2019 HK$'000
At the beginning of the year	**2,836**	2,597
Fair value change recognised in other comprehensive income	**171**	239
At the end of the year	**3,007**	2,836

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

Financial assets	**Valuation technique**	**Significant unobservable inputs**	**Range/value**	**Sensitivity of fair value to the input**
Unlisted equity securities with carrying amounts of HK$39,000 and HK$181,000 as at 31 March 2020 and 31 March 2019 respectively	Market approach	Price-to-book multiple ("P/B multiple")	0.18 to 2.34 (2019: 0.50 to 11.47)	The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies, using the average of the P/B multiple of comparable. The fair value measurement is positively correlated to the P/B multiple. Had the highest P/B multiple among the comparable been used as at 31 March 2020, the fair value would have increased by HK$86,000. Had the lowest P/B multiple among the comparable been used as at 31 March 2020, the fair value would have decreased by HK$29,000.
		Discount for lack of marketability ("DLOM")	24.2% (2019: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement is negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 31 March 2020, the fair value would have increased by HK$3,000. Had the DLOM increased by 5% as at 31 March 2020, the fair value would have decreased by HK$3,000.

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

35.7 Fair value measurements (Continued)

Notes: (Continued)

(ii) (Continued)

Financial assets	Valuation technique	Significant unobservable inputs	Range/value	Sensitivity of fair value to the input
Unlisted equity securities with carrying amounts of HK$2,899,000 and HK$2,586,000 as at 31 March 2020 and 31 March 2019 respectively	Market approach	Enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiple (“EV/EBITDA multiple”)	19.19 to 30.98 (2019: 18.75 to 24.74)	The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies, using the average of the EV/EBITDA multiple of comparable. The fair value measurement is positively correlated to the EV/EBITDA multiple. Had the highest EV/EBITDA multiple among the comparable been used as at 31 March 2020, the fair value would have increased by HK$561,000. Had the lowest EV/EBITDA multiple among the comparable been used as at 31 March 2020, the fair value would have decreased by HK$557,000.
		DLOM	24.2% (2019: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement is negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 31 March 2020, the fair value would have increased by HK$191,000. Had the DLOM increased by 5% as at 31 March 2020, the fair value would have decreased by HK$191,000.

Unlisted equity securities with carrying amounts of HK$69,000 as at both 31 March 2019 and 2020 are determined with reference to the net asset value of the unlisted equity securities. The directors of the Company determined that the reported net asset value represents the fair value of the unlisted equity securities.

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

36. 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:

	2020	2019
	HK$'000	HK$'000
Equity capital		
Total capital and reserves	**635,494**	633,643
Overall financing		
Gold loan	**31,286**	22,494
Equity capital-to-overall financing ratio	**20.31 : 1**	28.17 : 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
Unit K, 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	5,316	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

Five Year Financial Summary

	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**818,799**	687,978	747,769	770,631	891,577
Total liabilities	**183,305**	54,335	116,472	117,580	151,807
Current assets/current liabilities (times)	**6.30**	12.55	6.38	6.52	5.82
Capital and reserves					
Capital and reserves	**635,494**	633,643	631,297	653,051	739,770
Capital and reserves per share (HK$)	**0.70**	0.69	0.69	0.71	0.81
Total assets/capital and reserves (times)	**1.29**	1.09	1.18	1.18	1.21
Profit/(loss)					
Profit/(loss) before taxation	**5,799**	664	(22,741)	(82,794)	(120,460)
Profit/(loss) attributable to owners	**5,692**	767	(22,737)	(85,987)	(119,172)
Earnings/(loss) per share (HK cents)	**0.62**	0.08	(2.49)	(9.41)	(14.93)
Return on average total assets	**0.8%**	0.1%	(3.0%)	(10.3%)	(13.3%)
Return on average capital and reserves	**0.9%**	0.1%	(3.5%)	(12.3%)	(16.5%)
Dividend					
Dividend declared	**1,827**	—	—	—	—
Dividend per share (HK cents)	**0.20**	—	—	—	—
Dividend payout ratio	**32.1%**	—	—	—	—


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