



king fook holdings limited  
景福集團有限公司

Stock Code: 280



for the 6 months ended 30 September 2017  
Interim Report

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# Management Commentary

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The Board of Directors (the “Board”) of King Fook Holdings Limited (the “Company”) presents their report together with the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2017. The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 September 2017, and the condensed consolidated statement of financial position as at 30 September 2017 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 12 to 34 of this report.

## **INTERIM DIVIDEND**

The Board of the Company has resolved not to declare an interim dividend for the year ending 31 March 2018 (for the year ended 31 March 2017: Nil) to shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Group Results Overview**

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

For the six months ended 30 September 2017, the Group recorded total revenue of approximately HK\$225.3 million, representing an increase of approximately HK\$22.8 million or 11.3% from approximately HK\$202.5 million of the last corresponding period. The unaudited consolidated loss attributable to the owners of the Company for the period under review reduced by approximately HK\$39.6 million or 73.1% to approximately HK\$14.6 million from approximately HK\$54.2 million of the same period last year. Such decrease in loss was primarily due to improvement in the retail business of the Group and decrease in rental expenses during such period.

# Management Commentary (Continued)

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review

The Group operated six retail shops as at 30 September 2017. Despite the Group has one shop less than in the previous period, both revenue and gross profit margin achieved a double-digit growth during the period under review. The revenue of the Group's retailing business for the six months ended 30 September 2017 increased by approximately HK\$25.8 million or 13.3% to approximately HK\$220.0 million from approximately HK\$194.2 million of the same period last year. Such increase was mainly contributed by the 84.5% growth on sales of jewellery products. Same shop sales growth was 33.5% as compared to the same period last year mainly due to the improvement in the business environment of the luxury goods retail market in Hong Kong in the third quarter of 2017 and our sales development activities implemented in the period under review.

### Outlook

Looking forward, the retail sector of Hong Kong is expected to benefit from the improving economic environment factors such as low unemployment rate and improving consumer sentiment in Hong Kong. The Group will closely monitor the market trends and look for opportunities to expand our shop network, and will continue to bring in creativity in our service and product offer.

The Group will keep on launching quality and exquisite King Fook jewellery products by leveraging on our solid foundation and reputation, and will enhance our competitiveness by optimising our product mix so as to meet the changing needs of customers. The Group will also continue to maintain good relationship with existing customers and to attract new customers by launching various marketing activities and promotional events.

Besides adopting the above strategies to improve our sales, the Group will strive to enhance productivity and reduce expenditure in various operational aspects, including the on-going negotiations with landlords on rent reduction; stringent control on inventory management and streamlining the operations in order to enhance efficiency.

# Management Commentary (Continued)

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **Financial Review**

#### ***Liquidity and Financial Resources***

As at 30 September 2017, the Group's current assets and current liabilities were approximately HK\$755.4 million and HK\$121.1 million respectively. There were cash and cash equivalents of approximately HK\$134.4 million, bank loans of approximately HK\$78.0 million and gold loan of approximately HK\$19.0 million.

Based on the total borrowings of the Group of approximately HK\$97.0 million and the equity attributable to the owners of the Company of approximately HK\$638.8 million as at 30 September 2017, the overall borrowings to equity ratio was 15.2%, which was at a healthy level.

#### ***Exposure to Fluctuation in Exchange Rates***

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

#### ***Charge on Assets***

As at 30 September 2017, there was no charge on the Group's assets.

#### ***Capital Expenditure***

During the period under review, the Group incurred capital expenditures of approximately HK\$0.8 million, including the costs of leasehold improvements, furniture and equipment.

# Management Commentary (Continued)

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **Financial Review** (Continued)

#### ***Capital Commitments and Contingent Liabilities***

As at 30 September 2017, there were no material capital commitments, contingent liabilities or off-balance sheet obligation.

#### ***Subsequent Event***

On 1 November 2017, the Group disposed of 1.1 million shares of China Life Insurance Company Limited, at a total value of approximately HK\$29.0 million on market through The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The proceeds of such transaction will be used as additional working capital of the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2017, the Group had about 132 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.

# Management Commentary (Continued)

## DISCLOSURE OF INTERESTS

At 30 September 2017, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register maintained by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

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

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

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

Save as disclosed above, at 30 September 2017, 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.

# Management Commentary (Continued)

## SUBSTANTIAL SHAREHOLDER

At 30 September 2017, the following person (other than a director or chief executive of the Company) had interest in the shares of the Company as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

<u>Name of shareholder</u>	<u>Number of ordinary shares held</u>	<u>Nature of interest</u>	<u>Percentage of shareholding</u>
Yeung Chi Shing Estates Limited	547,539,057	Note	59.93%

Note: 534,603,015 shares were beneficially owned by Yeung Chi Shing Estates Limited while 12,936,042 shares were of its corporate interest.

Save as disclosed above, at 30 September 2017, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2017.

## MODEL CODE

The Company has adopted a code of conduct regarding directors' securities transactions on the terms of the Model Code. Having made specific enquiry of all the directors of the Company, all of them had complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the six months ended 30 September 2017.

# Management Commentary (Continued)

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## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions of the Corporate Governance Code (the “Code”) set out in appendix 14 to the Listing Rules throughout the six months ended 30 September 2017 except the deviations as explained below:

### **Code provision A.4.1**

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

### **Code provisions A.5.1 to A.5.4**

In respect of code provisions A.5.1 to A.5.4 of the Code, the Company has not established a nomination committee. In view of the current structure of the Board of the Company and the business operations of the Group, the Board 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.

# Management Commentary (Continued)

## **REVIEW BY AUDITOR AND AUDIT COMMITTEE**

The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 September 2017 set out on pages 12 to 34 have been reviewed by BDO Limited, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its system of risk management and internal control and financial reporting matters and these unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017.

## **DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

The financial information of the Group relating to the year ended 31 March 2017 included in this report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

# Report on Review of Interim Financial Information



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## **TO THE BOARD OF DIRECTORS OF KING FOOK HOLDINGS LIMITED**

*(incorporated in Hong Kong with limited liability)*

### **Introduction**

We have reviewed the interim condensed consolidated financial statements set out on pages 12 to 34 which comprise the condensed consolidated statement of financial position of King Fook Holdings Limited and its subsidiaries (collectively referred to as the "Group") as of 30 September 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

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

BDO Limited

香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

## **Scope of Review**

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

## **Conclusion**

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

## **BDO Limited**

*Certified Public Accountants*

Leung Tze Wai

Practising Certificate Number P06158

Hong Kong, 24 November 2017

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2017

	Notes	Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000
<b>Revenue</b>	4	<b>225,299</b>	202,510
Cost of sales		<b>(164,578)</b>	(153,775)
<b>Gross profit</b>		<b>60,721</b>	48,735
Other operating income		<b>917</b>	3,303
Distribution and selling costs		<b>(56,639)</b>	(82,023)
Administrative expenses		<b>(16,950)</b>	(20,731)
Other operating expenses		<b>(773)</b>	(254)
<b>Operating loss</b>		<b>(12,724)</b>	(50,970)
Finance costs	5	<b>(1,851)</b>	(1,832)
<b>Loss before taxation</b>	6	<b>(14,575)</b>	(52,802)
Taxation	8	<b>—</b>	(1,436)
<b>Loss for the period</b>		<b>(14,575)</b>	(54,238)
<b>Other comprehensive income, after tax, items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations		<b>407</b>	(363)
<b>Total comprehensive income for the period</b>		<b>(14,168)</b>	(54,601)
<b>Loss for the period attributable to:</b>			
— Owners of the Company		<b>(14,573)</b>	(54,235)
— Non-controlling interests		<b>(2)</b>	(3)
		<b>(14,575)</b>	(54,238)
<b>Total comprehensive income for the period attributable to:</b>			
— Owners of the Company		<b>(14,166)</b>	(54,598)
— Non-controlling interests		<b>(2)</b>	(3)
		<b>(14,168)</b>	(54,601)
<b>Loss per share</b>	10	<b>HK cent</b>	HK cent
— Basic and diluted		<b>(1.6)</b>	(5.9)

# Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	Unaudited As at 30 September 2017 HK\$'000	Audited As at 31 March 2017 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	3,273	3,294
Investment properties		578	594
Available-for-sale investments	12	837	837
		<u>4,688</u>	<u>4,725</u>
<b>Current assets</b>			
Inventories		554,624	587,871
Debtors, deposits and prepayments	13	36,929	40,215
Investments at fair value through profit or loss	14	29,428	30,662
Cash and cash equivalents		134,393	107,158
		<u>755,374</u>	<u>765,906</u>
<b>Total assets</b>		<u>760,062</u>	<u>770,631</u>
<b>Current liabilities</b>			
Creditors, deposits received, accruals and deferred income	15	24,134	21,045
Gold loan		19,004	18,439
Bank loans	16	78,000	78,000
		<u>121,138</u>	<u>117,484</u>
<b>Net current assets</b>		<u>634,236</u>	<u>648,422</u>
<b>Total assets less current liabilities</b>		<u>638,924</u>	<u>653,147</u>
<b>Non-current liability</b>			
Provision for long service payments		41	96
<b>Net assets</b>		<u>638,883</u>	<u>653,051</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	393,354	393,354
Other reserves		34,924	34,517
Retained profits		210,500	225,073
<b>Equity attributable to the owners of the Company</b>		<u>638,778</u>	<u>652,944</u>
<b>Non-controlling interests</b>		<u>105</u>	<u>107</u>
<b>Total equity</b>		<u>638,883</u>	<u>653,051</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Equity attributable to the owners of the Company					Non- controlling interests	Total
	Share capital	Capital reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Unaudited</b>							
<b>For the six months ended 30 September 2017</b>							
At 1 April 2017	393,354	24,753	9,764	225,073	652,944	107	653,051
Loss for the period	—	—	—	(14,573)	(14,573)	(2)	(14,575)
Other comprehensive income:							
Exchange differences on translation of foreign operations	—	—	407	—	407	—	407
Total comprehensive income for the period	—	—	407	(14,573)	(14,166)	(2)	(14,168)
<b>At 30 September 2017</b>	<b>393,354</b>	<b>24,753</b>	<b>10,171</b>	<b>210,500</b>	<b>638,778</b>	<b>105</b>	<b>638,883</b>
<b>Unaudited</b>							
<b>For the six months ended 30 September 2016</b>							
At 1 April 2016	393,354	24,753	10,491	311,060	739,658	112	739,770
Loss for the period	—	—	—	(54,235)	(54,235)	(3)	(54,238)
Other comprehensive income:							
Exchange differences on translation of foreign operations	—	—	(363)	—	(363)	—	(363)
Total comprehensive income for the period	—	—	(363)	(54,235)	(54,598)	(3)	(54,601)
At 30 September 2016	393,354	24,753	10,128	256,825	685,060	109	685,169

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Notes	Unaudited Six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating loss before working capital changes	18	(2,734)	(49,314)
Decrease in inventories		25,101	76,406
Decrease/(increase) in debtors, deposits and prepayments		3,294	(3,707)
Increase in creditors, deposits received, accruals and deferred income		3,069	21
Dividends received from investments at fair value through profit or loss		297	513
Change in investments at fair value through profit or loss		530	(474)
Interest received		214	98
Overseas tax paid		—	(7)
Long service payments paid		—	(20)
<i>Net cash generated from operating activities</i>		<b>29,771</b>	23,516
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment		35	690
Purchase of property, plant and equipment		(766)	(885)
Net proceeds on disposal of a subsidiary		—	987
<i>Net cash (used in)/generated from investing activities</i>		<b>(731)</b>	792
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(1,835)	(1,714)
Proceeds from bank loan		559	—
Repayment of bank loans		(559)	(21,000)
<i>Net cash used in financing activities</i>		<b>(1,835)</b>	(22,714)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>27,205</b>	1,594
Cash and cash equivalents at the beginning of the period		107,158	105,101
Effect of foreign exchange rates changes, net		30	(72)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
		<b>134,393</b>	106,623

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

King Fook Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. Its registered office is located at 9th Floor, King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The directors of the Company consider the ultimate holding company to be Yeung Chi Shing Estates Limited (“Yeung Chi Shing”), a company incorporated in Hong Kong.

These unaudited interim condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared in accordance with the same accounting policies adopted in the annual consolidated financial statements for the year ended 31 March 2017, except for the adoption of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) as disclosed in note 2.

The preparation of unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual consolidated financial statements for the year ended 31 March 2017.

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION (Continued)

These unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These unaudited interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. These unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2017.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. BDO Limited’s report on review of interim financial information to the Board of Directors (the “Board”) is included on pages 10 to 11.

## 2. ADOPTION OF AMENDMENTS TO HKFRSs

In the current period, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

### **Amendments to HKAS 7: *Disclosure Initiative***

Amendments to HKAS 7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosures to be provided in the Group’s annual financial statements. The Group is not required to provide the additional disclosures in these unaudited interim condensed consolidated financial statements.

## 2. ADOPTION OF AMENDMENTS TO HKFRSs (Continued)

### ***Amendments to HKAS 12: Recognition of Deferred Tax Assets for Unrealised Losses***

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situation. The amendments clarify that an entity, when assessing whether taxable profit will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

## 3. 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. The Group has identified the following operating segments:

### 3. SEGMENT INFORMATION (Continued)

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the People's Republic of China
- (iii) Provision of travel related products and services (the subsidiary operated this business was disposed of in the prior period)

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. Since (ii) and (iii) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated with (i) because they have similar economic characteristics and (iii) is reported under "All others" in the prior period. Reportable segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) All others

After the disposal of (iii), the Group's top management determined that the Group has only one single reportable segment which is (a) retailing, bullion trading and diamond wholesaling. Accordingly, no separate segment of analysis is presented.

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

For the six months ended 30 September 2017, no revenue from a single customer accounted for 10% or more of the total revenue of the Group (for the six months ended 30 September 2016: Nil).

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

## 4. REVENUE

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

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Gold ornament, jewellery, watch and gift retailing	219,979	194,228
Bullion trading	4,926	6,847
Diamond wholesaling	300	704
Others	94	731
Total revenue	<u>225,299</u>	<u>202,510</u>

## 5. FINANCE COSTS

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Interest charges on:		
Financial liability at amortised cost:		
Bank loans	1,446	1,440
Financial liability at fair value through profit or loss:		
Gold loan	405	392
	<u>1,851</u>	<u>1,832</u>

**6. LOSS BEFORE TAXATION**

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

	<b>Unaudited Six months ended 30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Auditors' remuneration	<b>354</b>	357
Cost of inventories sold, including	<b>168,666</b>	156,558
— provision for and write down of inventories to net realisable value	<b>13,826</b>	5,873
— reversal of provision for and write down of inventories to net realisable value*	<b>(4,743)</b>	(2,107)
Depreciation of property, plant and equipment	<b>692</b>	774
Depreciation of investment properties	<b>16</b>	16
Directly write off of other receivables	<b>—</b>	8
Dividend income	<b>(297)</b>	(513)
Fair value change of investments at fair value through profit or loss	<b>704</b>	(1,224)
Foreign exchange differences, net	<b>8</b>	165
Gain on disposal of a subsidiary	<b>—</b>	(1,128)
Interest income from financial assets at amortised cost	<b>(214)</b>	(98)
Loss on write off/disposal of property, plant and equipment	<b>61</b>	33
Operating lease charges in respect of properties	<b>33,917</b>	54,735
Operating lease charges in respect of furniture and fixtures	<b>296</b>	297
Outgoings in respect of investment properties	<b>42</b>	42
Provision for impairment loss of debtors	<b>—</b>	48
Rental income on owned properties	<b>(399)</b>	(330)

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

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

## 7. EMPLOYEE BENEFIT EXPENSE

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Wages, salaries and other benefits	23,296	26,413
Pension costs — defined contribution retirement schemes	1,112	1,351
Reversal of provision for long service payments	(55)	(26)
	<u>24,353</u>	<u>27,738</u>

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

## 8. TAXATION

No Hong Kong profits tax and overseas profits tax has been provided as the Group has no estimated assessable profit for the period (for the six months ended 30 September 2016: Nil).

The amount of taxation charged to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Unaudited Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Deferred tax		
— Hong Kong		
Current period	—	1,436
Taxation charge	—	1,436

**9. DIVIDEND**

At a meeting held on 24 November 2017, the Board of the Company resolved not to declare an interim dividend for the year ending 31 March 2018 (for the year ended 31 March 2017: Nil).

**10. LOSS PER SHARE**

The calculation of basic loss per share is based on the consolidated loss attributable to the owners of the Company of HK\$14,573,000 (for the six months ended 30 September 2016: HK\$54,235,000) and the weighted average number of 913,650,465 (for the six months ended 30 September 2016: 913,650,465) ordinary shares in issue during the period.

Diluted loss per share and basic loss per share for each of the six months ended 30 September 2016 and 2017 respectively are the same as there were no dilutive potential ordinary shares during both periods.

**11. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group incurred capital expenditures of approximately HK\$766,000 (for the six months ended 30 September 2016: HK\$885,000) which mainly related to the purchases of leasehold improvements, and furniture and equipment.

**12. AVAILABLE-FOR-SALE INVESTMENTS**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2017</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<u>                    </u>	<u>                    </u>
Unlisted equity securities, at cost less impairment	<b>481</b>	481
Membership licence, at cost	<b>356</b>	356
	<u>                    </u>	<u>                    </u>
	<b>837</b>	837
	<u>                    </u>	<u>                    </u>

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

## 13. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2017</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Trade debtors	5,110	3,373
Other receivables	8,929	4,632
Deposits and prepayments	<u>22,890</u>	<u>32,210</u>
	<u><b>36,929</b></u>	<u><b>40,215</b></u>

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2017</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Within 30 days	4,846	3,353
31 — 90 days	<u>264</u>	<u>20</u>
	<u><b>5,110</b></u>	<u><b>3,373</b></u>

**14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2017</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Equity securities, at fair value		
Listed in Hong Kong	<b>26,710</b>	27,363
Listed outside Hong Kong	<b>2,718</b>	3,299
	<u>          </u>	<u>          </u>
	<b>29,428</b>	30,662
	<u>          </u>	<u>          </u>

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 the reporting period.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

## 15. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2017</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Trade payables	<b>7,793</b>	5,719
Other payables and accruals	<b>8,789</b>	7,661
Deposits received and deferred income	<b>7,552</b>	7,665
	<u>          </u>	<u>          </u>
	<b>24,134</b>	21,045
	<u>          </u>	<u>          </u>

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

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2017</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Within 30 days	<b>4,758</b>	2,810
31 — 90 days	<b>150</b>	276
More than 90 days	<b>2,885</b>	2,633
	<u>          </u>	<u>          </u>
	<b>7,793</b>	5,719
	<u>          </u>	<u>          </u>

**16. BANK LOANS**

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2017</b> <b>HK\$'000</b>	Audited As at 31 March 2017 HK\$'000
Bank loans, unsecured	<b>78,000</b>	78,000

At the end of the reporting period, the bank loans are interest-bearing at variable rates ranging from 3.23% to 4.01% (at 31 March 2017: 3.19% to 4.27%) per annum, which were the effective interest rates and scheduled to be repaid within one year or on demand.

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

**17. SHARE CAPITAL**

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2017</b> <b>HK\$'000</b>	Audited As at 31 March 2017 HK\$'000
Issued and fully paid:		
913,650,465 (at 31 March 2017: 913,650,465) ordinary shares	<b>393,354</b>	393,354

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

## 18. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to operating loss before working capital changes is as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<u>                    </u>	<u>                    </u>
Loss before taxation	<b>(14,575)</b>	(52,802)
Depreciation of property, plant and equipment	<b>692</b>	774
Depreciation of investment properties	<b>16</b>	16
Directly write off of other receivables	<b>—</b>	8
Dividend income	<b>(297)</b>	(513)
Fair value change of investments at fair value through profit or loss	<b>704</b>	(1,224)
Gain on disposal of a subsidiary	<b>—</b>	(1,128)
Interest expenses	<b>1,851</b>	1,832
Interest income	<b>(214)</b>	(98)
Loss on write off/disposal of property, plant and equipment	<b>61</b>	33
Provision for and write down of inventories to net realisable value	<b>13,826</b>	5,873
Provision for impairment loss of debtors	<b>—</b>	48
Reversal of provision for and write down of inventories to net realisable value	<b>(4,743)</b>	(2,107)
Reversal of provision for long service payments	<b>(55)</b>	(26)
	<u>                    </u>	<u>                    </u>
Operating loss before working capital changes	<b>(2,734)</b>	(49,314)
	<u>                    </u>	<u>                    </u>

**19. OPERATING LEASE COMMITMENTS****(a) Future operating lease payables**

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

	Unaudited As at 30 September 2017			Audited As at 31 March 2017		
	Land and buildings	Other assets	Total	Land and buildings	Other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	57,968	306	58,274	55,634	120	55,754
In the second to fifth years, inclusive	81,469	267	81,736	84,837	—	84,837
Over five years	1,350	—	1,350	—	—	—
	<b>140,787</b>	<b>573</b>	<b>141,360</b>	<b>140,471</b>	<b>120</b>	<b>140,591</b>

The Group leases a number of land and buildings and other assets under operating leases arrangements which run for an initial period of 9.3 months to 6 years (at 31 March 2017: 1 to 3 years).

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

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

## 19. OPERATING LEASE COMMITMENTS (Continued)

### (b) Future operating lease receivables

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

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2017</b> <b>HK\$'000</b>	Audited As at 31 March 2017 HK\$'000
Within one year	<b>773</b>	771
In the second to fifth years, inclusive	<b>180</b>	540
	<b>953</b>	1,311

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 2 years (at 31 March 2017: 1 to 2 years).

**20. RELATED PARTY TRANSACTIONS**

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

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2017</b>	2016
<i>Notes</i>		<b>HK\$'000</b>	HK\$'000
		<u>          </u>	<u>          </u>
Operating lease rental on land and buildings paid to:			
Stanwick Properties Limited	(a)	<b>5,843</b>	5,903
Fabrigo (Mfg) Limited	(b)	—	90
Operating lease rental on furniture and fixtures paid to			
Stanwick Properties Limited	(a)	<b>153</b>	153
Management fees and air-conditioning charges paid to Stanwick Properties Limited	(a)	<b>548</b>	548
Sale of goods to:	(c)		
Directors		<b>17,155</b>	523
Yeung Chi Shing		<b>50</b>	13
		<u>          </u>	<u>          </u>

*Notes:*

- (a) The operating lease rental, management fees and air-conditioning charges were paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group. Stanwick is a wholly owned subsidiary of Yeung Chi Shing, the ultimate holding company of the Group. Mr. Yeung Ka Shing, an executive director, is the son of Mr. Yeung Bing Kwong, Kenneth, who is a director of Yeung Chi Shing. These related party transactions were entered into on normal commercial terms.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

## 20. RELATED PARTY TRANSACTIONS (Continued)

Notes: (Continued)

- (b) The operating lease rental was paid to Fabrico (Mfg) Limited (“Fabrico”) for the premises occupied by the Group. Fabrico is a wholly owned subsidiary of Yeung Chi Shing (note (a)). This related party transaction was entered into on normal commercial terms.
- (c) It represents sale of gold ornament, jewellery, watch and fashion items net of sale discounts to both the directors and Yeung Chi Shing for the period. Discounts offered to directors is available generally to customers and the value of discounts given to Yeung Chi Shing is considered as not material to the unaudited interim condensed consolidated financial statements.
- (d) Compensation of key management personnel

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Salaries, allowances and benefits in kind	<b>2,805</b>	2,827
Pension costs — defined contribution retirement schemes	<b>111</b>	129
	<b>2,916</b>	2,956

**21. FAIR VALUE MEASUREMENTS**

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

	<b>Unaudited As at 30 September 2017 HK\$'000</b>	Audited As at 31 March 2017 HK\$'000
<b>Financial asset at fair value through profit or loss</b>		
Investments at fair value through profit or loss	<b>29,428</b>	30,662
<b>Financial liability at fair value through profit or loss</b>		
Gold loan	<b>19,004</b>	18,439

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

- Level 1: quoted prices (unadjusted) in active markets for identical asset or liability;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

## 21. FAIR VALUE MEASUREMENTS (Continued)

At the end of each reporting period, the investments at fair value through profit or loss 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.

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

## 22. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 November 2017, the Group disposed of an investment at fair value through profit or loss with carrying amount of HK\$25,520,000 at the end of the reporting period, to independent purchasers on-market through the Stock Exchange at the total consideration of HK\$28,985,000. Details of the disposal are disclosed in the Company's announcement dated 8 November 2017.

## 23. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 24 November 2017.

By order of the Board  
**Tang Yat Sun, Richard**  
Chairman

Hong Kong, 24 November 2017

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