

FOR THE 6 MONTHS
ENDED 30 SEPTEMBER 2020

INTERIM REPORT

STOCK CODE : 280



king fook holdings limited
景福集團有限公司

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Management Commentary

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 2020. 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 2020, and the condensed consolidated statement of financial position as at 30 September 2020 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 12 to 42 of this report.

INTERIM DIVIDEND

The Board of the Company has resolved not to declare an interim dividend for the year ending 31 March 2021 (for the year ended 31 March 2020: 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 2020, the Group recorded total revenue of HK\$281.4 million, representing a decrease of HK\$40.6 million or 12.6% from HK\$322.0 million for the last corresponding period. The Group recorded an unaudited consolidated profit attributable to owners of the Company of HK\$15.3 million for such period as compared to HK\$2.4 million for the same period last year. Such improvement in profit was primarily due to (i) improvement in gross profit margin; (ii) reduction in rental costs of the Group’s shops; and (iii) receipt of subsidies under the Employment Support Scheme and Subsidy Scheme for Precious Metals Trading Industry of Hong Kong Government.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review

The Group operated six retail shops in Hong Kong for the six months ended 30 September 2020. The revenue of the Group's retailing business for such period decreased by HK\$39.1 million or 12.2% to HK\$281.0 million from HK\$320.0 million for the same period last year. Such decrease was mainly caused by the adverse impact of COVID-19 in April and May this year. The Group's quarterly revenue improved from 30.4% decline in the first quarter to 3.0% growth in the second quarter year-on-year. As compared to the same period last year, despite same store sales growth for the six months ended 30 September 2020 was -13.7%, the Group's gross profit decreased only 4.4% from HK\$82.1 million to HK\$78.5 million. This is due to the improvement in gross profit margin from 25.5% to 27.9% mainly as a result of better discount control. As consumers reduced their physical shop visits due to COVID-19, the Group had developed online platform to reach out to our customers during the period. The online platform was well received by our customers and its sales contribution was satisfactory.

Outlook

The Group considers the 2nd half of this year will be full of challenges, given that the global COVID-19 pandemic is still serious, Sino-US relations are expected to remain bad and the Employment Support Scheme for local business will finish in November this year, which would weaken consumers' buying sentiment. On the other hand, once the COVID-19 pandemic calms down, social distancing can be relaxed and as soon as the travel restrictions and health quarantine measures upon arrival can be eased, the Group expects the demand for luxury products will recover. In order to capture the business opportunity in the recovery of luxury markets, the Group will continue to explore opportunities to expand its retail network with reasonable rental terms. Furthermore, the Group will keep on investing in staff, strengthening online platforms and digital marketing and continue to offer creative designs to cater for the needs of its customers.

Besides implementing various measures to enhance sales performance, the Group will continue to improve operational efficiency through rental term negotiation, inventory management and cost control.

Management Commentary (Continued)

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Review

Liquidity and Financial Resources

As at 30 September 2020, the Group's current assets and current liabilities were approximately HK\$708.3 million and HK\$110.4 million respectively. There were cash and cash equivalents of approximately HK\$241.5 million, gold loan of approximately HK\$32.3 million, and no bank loan as at that date.

Based on the total borrowings of the Group of approximately HK\$32.3 million and the equity attributable to owners of the Company of approximately HK\$647.4 million as at 30 September 2020, the overall borrowings to equity ratio was 5.0%, which was at a healthy level.

Exposure to Fluctuation in Foreign Exchange Rates

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant. No financial instrument had been used for hedging during the six months ended 30 September 2020.

Charge on Assets

As at 30 September 2020, there was no charge on the Group's assets.

Capital Expenditure

During the period, the Group had incurred capital expenditures of approximately HK\$330,000, including the costs of furniture and equipment.

Capital Commitments and Contingent Liabilities

As at 30 September 2020, there was no material capital commitment, contingent liabilities or off-balance sheet obligation.

Management Commentary (Continued)

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, 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.

DISCLOSURE OF INTERESTS

At 30 September 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 Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of directors	Number of ordinary shares held					Percentage of shareholding
	Personal	Family	Corporate	Trust	Total	
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.

Management Commentary (Continued)

DISCLOSURE OF INTERESTS (Continued)

Save as disclosed above, at 30 September 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.

SUBSTANTIAL SHAREHOLDER

At 30 September 2020, the following person (other than a director or chief executive of the Company) had interest in shares of the Company as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

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

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

Save as disclosed above, at 30 September 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 September 2020.

Management Commentary (Continued)

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 2020.

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 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 of the Company at least once every 3 years in accordance with the Articles of Association of the Company. The retiring directors shall be eligible for re-election.

Code provisions A.5.1 to A.5.4

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

Management Commentary (Continued)

CORPORATE GOVERNANCE PRACTICES (Continued)

Code provision D.1.4

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

Code provision E.1.5

In respect of code provision E.1.5 of the Code, the Company does not have a dividend policy or any pre-determined dividend distribution ratio. The Board of the Company will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Company's operating results, business plans and prospects, financial position and working capital requirements, and other factors that the Board of the Company considers relevant.

REVIEW BY AUDITOR AND AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2020 set out on pages 12 to 42 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 2020.

Management Commentary (Continued)

RE-DESIGNATION OF DIRECTOR AND CHANGES IN MEMBERSHIP OF AUDIT COMMITTEE

Mr. Wong Wei Ping, Martin (“Mr. Wong”), a non-executive director of the Company, was re-designated as an executive director of the Company with effect on 26 November 2020. On the same date, Mr. Wong resigned from membership of the Audit Committee of the Company and Mr. Ng Ming Wah, Charles, a non-executive director of the Company, was appointed a member of such committee in his place and stead.

DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE

The financial information of the Group relating to the year ended 31 March 2020 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 2020 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 unaudited interim condensed consolidated financial statements set out on pages 12 to 42 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 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

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

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 unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong, 26 November 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020

	Notes	Unaudited Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000
Revenue	5	281,390	321,971
Cost of sales		(202,888)	(239,871)
Gross profit		78,502	82,100
Other operating income		5,971	2,797
Distribution and selling costs		(45,821)	(56,613)
Administrative expenses		(19,838)	(20,229)
Other operating expenses		(114)	(3,656)
Operating profit		18,700	4,399
Finance costs	6	(3,436)	(2,025)
Profit before taxation	7	15,264	2,374
Taxation	9	—	—
Profit for the period		15,264	2,374
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		405	(514)
Item that will not be reclassified to profit or loss:			
Change in fair value of investments at fair value through other comprehensive income		(1,805)	431
Other comprehensive income for the period		(1,400)	(83)
Total comprehensive income for the period		13,864	2,291
Profit for the period attributable to:			
– Owners of the Company		15,263	2,371
– Non-controlling interests		1	3
		15,264	2,374
Total comprehensive income for the period attributable to:			
– Owners of the Company		13,863	2,288
– Non-controlling interests		1	3
		13,864	2,291
Earnings per share	11	HK cents	HK cents
– Basic and diluted		1.7	0.3

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	1,842	1,999
Right-of-use assets	13	85,314	111,164
Investment properties		995	1,031
Investments at fair value through other comprehensive income	14	1,202	3,007
Other asset	15	356	356
Deposits	16	10,426	4,309
		<u>100,135</u>	<u>121,866</u>
Current assets			
Inventories	17	436,248	471,461
Debtors, deposits and prepayments	16	30,423	29,403
Investments at fair value through profit or loss	18	165	263
Time deposit		—	1,514
Cash and cash equivalents		241,465	194,292
		<u>708,301</u>	<u>696,933</u>
Total assets		<u>808,436</u>	<u>818,799</u>
Current liabilities			
Trade payables, deposits received and other payables	19	30,528	28,817
Gold loan		32,339	31,286
Lease liabilities	13	47,526	50,507
		<u>110,393</u>	<u>110,610</u>
Net current assets		<u>597,908</u>	<u>586,323</u>
Total assets less current liabilities		<u>698,043</u>	<u>708,189</u>
Non-current liabilities			
Provision for long service payments		82	67
Lease liabilities	13	50,430	72,628
		<u>50,512</u>	<u>72,695</u>
Net assets		<u>647,531</u>	<u>635,494</u>
CAPITAL AND RESERVES			
Share capital	20	393,354	393,354
Other reserves		35,257	36,657
Retained profits		218,812	205,376
Equity attributable to owners of the Company		<u>647,423</u>	<u>635,387</u>
Non-controlling interests		<u>108</u>	<u>107</u>
Total equity		<u>647,531</u>	<u>635,494</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Equity attributable to owners of the Company						Non-controlling interests	Total
	Share capital HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Investments at fair value through other comprehensive income reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
Unaudited								
For the six months ended								
30 September 2020								
At 1 April 2020	393,354	24,753	9,346	2,558	205,376	635,387	107	635,494
2020 final dividend	—	—	—	—	(1,827)	(1,827)	—	(1,827)
Transaction with owners	—	—	—	—	(1,827)	(1,827)	—	(1,827)
Profit for the period	—	—	—	—	15,263	15,263	1	15,264
Other comprehensive income:								
Exchange differences on translation of foreign operations	—	—	405	—	—	405	—	405
Change in fair value of investments at fair value through other comprehensive income	—	—	—	(1,805)	—	(1,805)	—	(1,805)
Other comprehensive income for the period	—	—	405	(1,805)	—	(1,400)	—	(1,400)
Total comprehensive income for the period	—	—	405	(1,805)	15,263	13,863	1	13,864
At 30 September 2020	393,354	24,753	9,751	753	218,812	647,423	108	647,531
Unaudited								
For the six months ended								
30 September 2019								
At 31 March 2019 as originally presented	393,354	24,753	10,074	2,387	203,075	633,643	—	633,643
Change in accounting policy — HKFRS 16	—	—	—	—	(3,391)	(3,391)	—	(3,391)
At 1 April 2019	393,354	24,753	10,074	2,387	199,684	630,252	—	630,252
Profit for the period	—	—	—	—	2,371	2,371	3	2,374
Other comprehensive income:								
Exchange differences on translation of foreign operations	—	—	(514)	—	—	(514)	—	(514)
Change in fair value of investments at fair value through other comprehensive income	—	—	—	431	—	431	—	431
Other comprehensive income for the period	—	—	(514)	431	—	(83)	—	(83)
Total comprehensive income for the period	—	—	(514)	431	2,371	2,288	3	2,291
At 30 September 2019	393,354	24,753	9,560	2,818	202,055	632,540	3	632,543

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Notes	Unaudited Six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	21(a)	40,865	31,487
Decrease in inventories		40,464	11,493
(Increase)/decrease in debtors, deposits and prepayments		(7,431)	782
Increase/(decrease) in trade payables, deposits received and other payables		615	(1,762)
Dividends received from investments at fair value through profit or loss		6	7
Change in investments at fair value through profit or loss		—	8
Interest received		1,587	1,350
		<u>76,106</u>	<u>43,365</u>
<i>Net cash generated from operating activities</i>		-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in time deposit with maturity over 3 months		1,514	—
Deposits paid on purchase of property, plant and equipment		—	(1,670)
Dividends received from investments at fair value through other comprehensive income		—	109
Purchase of property, plant and equipment		(330)	(240)
		<u>1,184</u>	<u>(1,801)</u>
<i>Net cash generated from/(used in) investing activities</i>		-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	21(b)	(809)	—
Proceeds from gold loan		—	3,597
Repayment of gold loan		(3,697)	—
Payment of principal element of lease liabilities		(22,243)	(25,150)
Interest paid on gold loan		(628)	(386)
Payment of interest element of lease liabilities		(2,798)	(1,569)
		<u>(30,175)</u>	<u>(23,508)</u>
<i>Net cash used in financing activities</i>		-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS		47,115	18,056
Cash and cash equivalents at the beginning of the period		194,292	161,958
Effect of foreign exchange rates changes, net		58	(55)
		<u>241,465</u>	<u>179,959</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		241,465	179,959
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		49,302	37,536
Short term bank deposits with maturity within 3 months		192,163	142,423
		<u>241,465</u>	<u>179,959</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

These unaudited interim condensed consolidated financial statements for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared with the same accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 March 2020 (the “2020 Annual Financial Statements”), except for the adoption of the new or revised 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 areas where significant judgements and estimates have been made in preparing these unaudited interim condensed consolidated financial statements were the same as those that were applied to the Group’s 2020 Annual Financial Statements.

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. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 Annual Financial Statements. These unaudited interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2020 Annual Financial Statements.

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

2. CHANGES IN ACCOUNTING POLICIES

In the current period, 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 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

The adoption of these new or revised HKFRSs has no significant impact on these unaudited interim condensed consolidated financial statements.

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

For the six months ended 30 September 2020

2. CHANGES IN ACCOUNTING POLICIES (Continued)

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

Amendment to HKFRS 16 HKFRS 17	COVID-19 Related Rent Concessions ¹ Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments, HKAS 41 Agriculture and Illustrative Examples accompanying HKFRS 16 Leases ⁴
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁵

¹ Effective for annual periods beginning on or after 1 June 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 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

2. CHANGES IN ACCOUNTING POLICIES (Continued)

The Group anticipates 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 Group is currently assessing the possible impact of these new or revised HKFRSs on the Group's results and financial position in the first year of application and considers that these new or revised HKFRSs are unlikely to have a material impact to the Group's unaudited interim condensed consolidated financial statements.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Annual Financial Statements.

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.

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

For the six months ended 30 September 2020

4. SEGMENT INFORMATION (Continued)

No geographical information was presented for the six months ended 30 September 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 six months ended 30 September 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 period comprised the following:

	Unaudited Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers:		
Gold ornament, jewellery, watch and gift retailing	256,377	310,670
Bullion trading	24,609	9,385
Diamond wholesaling	404	1,916
Total revenue	<u>281,390</u>	<u>321,971</u>
Timing of revenue recognition:		
At a point in time	<u>281,390</u>	<u>321,971</u>

6. FINANCE COSTS

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Interest charges on:		
Financial liability at amortised cost		
Lease liabilities	2,798	1,569
Financial liability at fair value through profit or loss		
Gold loan	638	456
	<u> </u>	<u> </u>
	3,436	2,025
	<u> </u>	<u> </u>

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

For the six months ended 30 September 2020

7. PROFIT BEFORE TAXATION

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

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Auditors' remuneration	380	380
Cost of inventories sold, including	203,861	239,819
— provision for and write down of inventories to net realisable value	6,714	3,002
— reversal of provision for and write down of inventories to net realisable value*	(6,867)	(3,496)
Depreciation of investment properties	36	16
Depreciation of property, plant and equipment	473	587
Depreciation of right-of-use assets	22,972	25,490
Dividend income	(6)	(116)
Fair value change of investments at fair value through profit or loss	98	46
Foreign exchange differences, net	(64)	10
Government grants#	(4,063)	—
Interest income from financial assets at amortised cost	(1,285)	(1,509)
Loss on write off of property, plant and equipment	15	—
Outgoings in respect of investment properties	92	47
Provision for impairment loss on right-of-use assets	—	3,600
Provision for long service payments		
— provided against the account	26	37
— reversal of provision	(11)	(7)
Rental expenses for variable lease payments	1,154	1,861
Rental expenses on short term leases in respect of furniture and fixtures	—	135
Rental expenses on short term leases in respect of properties	308	4,341
Rental income on owned properties	(548)	(608)
Write back of payables	—	(562)

7. PROFIT BEFORE TAXATION (Continued)

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

During the period, the Group successfully applied for funding support from both Employment Support Scheme and Subsidy Scheme for Precious Metals Trading Industry under the Anti-Epidemic Fund, set up by the Hong Kong Government. The purpose of the Employment Support Scheme is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all of the funding on paying wages to their employees. For the Subsidy Scheme for Precious Metals Trading Industry, it aims to provide relief to members of The Chinese Gold and Silver Exchange Society affected by Novel Coronavirus (COVID-19). There were no unfulfilled conditions or contingencies relating to these government grants in which they were recognised during the period.

8. EMPLOYEE BENEFIT EXPENSE

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
Wages, salaries and other benefits	28,170	28,812
Pension costs — defined contribution retirement schemes	1,143	1,117
Provision for long service payments	26	37
Reversal of provision for long service payments	(11)	(7)
	<u>29,328</u>	<u>29,959</u>

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

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

For the six months ended 30 September 2020

9. TAXATION

No Hong Kong profits tax has been provided for the six months ended 30 September 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 six months ended 30 September 2019 and 2020 respectively as the Group has no estimated assessable profit.

10. DIVIDEND

	Unaudited	
	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
2020 final dividend of HK0.2 cents per ordinary share	1,827	—

At a meeting held on 26 November 2020, the Board of the Company resolved not to declare an interim dividend for the year ending 31 March 2021.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit for the period attributable to owners of the Company of HK\$15,263,000 (for the six months ended 30 September 2019: HK\$2,371,000) and the weighted average number of 913,650,465 (for the six months ended 30 September 2019: 913,650,465) ordinary shares in issue during the period.

Diluted earnings per share and basic earnings per share for each of the six months ended 30 September 2019 and 2020 respectively are the same as there were no dilutive potential ordinary shares during both periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred capital expenditures of approximately HK\$330,000 (for the six months ended 30 September 2019: HK\$240,000) which was mainly related to the purchases of leasehold improvements, and furniture and equipment.

In light of the outbreak of COVID-19 pandemic, the Group had performed an impairment assessment on property, plant and equipment and right-of-use assets in accordance with HKAS 36, *Impairment of Assets*, at the end of the reporting period. Based on the assessment, no impairment loss was recognised during the period (for the six months ended 30 September 2019: HK\$3,600,000) as the recoverable amounts of these property, plant and equipment and right-of-use assets using value-in-use calculation were higher than its carrying amounts. The recoverable amounts of these property, plant and equipment and right-of-use assets were determined by the discounted cash flows generated from the retail stores based on management budget plan covering a two-and-a-half year period and a pre-tax discount rate of 9% (at 30 September 2019: 8%).

13. LEASES

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.

Right-of-use assets

No addition to right-of-use assets had been recognised during the period (for the six months ended 30 September 2019: HK\$9,764,000). Lease of a retail store contained variable lease payment terms that are based on sales generated from the retail store pursuant to the terms and conditions as set out in the respective rental agreement and minimum annual lease payment terms that are fixed.

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

For the six months ended 30 September 2020

13. LEASES (Continued)

Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	Unaudited As at 30 September 2020		Audited As at 31 March 2020	
	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	47,526	51,281	50,507	55,505
After 1 year but within 2 years	32,031	33,819	38,152	40,817
After 2 years but within 5 years	18,399	18,727	34,476	35,496
	<u>97,956</u>	<u>103,827</u>	<u>123,135</u>	131,818
Less: Total future interest charges		<u>(5,871)</u>		<u>(8,683)</u>
Present value of lease liabilities		<u>97,956</u>		<u>123,135</u>

14. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Unlisted equity securities	1,202	3,007

The fair values of these investments at 31 March 2020 and 30 September 2020 were determined by the directors of the Company. Details of the fair value measurements are set out in note 24.

15. OTHER ASSET

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 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.

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

For the six months ended 30 September 2020

16. DEBTORS, DEPOSITS AND PREPAYMENTS

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Current		
Trade debtors	6,937	1,468
Other receivables	10,303	4,401
Deposits and prepayments	13,183	23,534
	30,423	29,403
Non-current		
Rental deposits	10,426	4,309
	40,849	33,712

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

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Within 30 days	6,257	1,383
31–90 days	632	85
More than 90 days	48	—
	6,937	1,468

17. INVENTORIES

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Jewellery	284,428	295,169
Gold ornament	32,399	34,852
Gold bullion	3,318	278
Watch and gift	116,079	141,139
Others	24	23
	436,248	471,461

As at 30 September 2020, the fair value less costs to sell of gold bullion was approximately HK\$3,318,000 (at 31 March 2020: HK\$278,000).

18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Equity securities		
Listed in Hong Kong	165	263

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.

Details of the fair value measurement are set out in note 24.

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

For the six months ended 30 September 2020

19. TRADE PAYABLES, DEPOSITS RECEIVED AND OTHER PAYABLES

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Trade payables	11,506	5,411
Other payables and accruals	10,430	6,244
Contract liabilities	2,201	2,277
Deposits received	6,391	14,885
	30,528	28,817

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

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Within 30 days	10,438	5,236
31–90 days	1,068	166
More than 90 days	—	9
	11,506	5,411

20. SHARE CAPITAL

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Issued and fully paid: 913,650,465 (at 31 March 2020: 913,650,465) ordinary shares	393,354	393,354

21. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Reconciliation of profit before taxation to operating profit before working capital changes is as follows:**

	Unaudited Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Profit before taxation	15,264	2,374
Depreciation of investment properties	36	16
Depreciation of property, plant and equipment	473	587
Depreciation of right-of-use assets	22,972	25,490
Dividend income	(6)	(116)
Fair value change of investments at fair value through profit or loss	98	46
Interest charges	3,436	2,025
Interest income	(1,285)	(1,509)
Loss on write off of property, plant and equipment	15	—
Provision for and write down of inventories to net realisable value	6,714	3,002
Provision for long service payments	26	37
Provision for impairment loss of right-of-use assets	—	3,600
Reversal of provision for and write down of inventories to net realisable value	(6,867)	(3,496)
Reversal of provision for long service payments	(11)	(7)
Write back of payables	—	(562)
Operating profit before working capital changes	40,865	31,487

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

For the six months ended 30 September 2020

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

(b) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities HK\$'000	Gold loan HK\$'000	Interest payables HK\$'000	Total HK\$'000
As at 31 March 2019 as originally presented	—	22,494	7	22,501
Change in accounting policy — HKFRS 16	68,105	—	—	68,105
As at 1 April 2019	68,105	22,494	7	90,606
Changes from cash flows:				
Proceeds from borrowings	—	3,597	—	3,597
Payment of principal element of lease liabilities	(25,150)	—	—	(25,150)
Interest paid on gold loan	—	—	(386)	(386)
Payment of interest element of lease liabilities	(1,569)	—	—	(1,569)
Interest incurred	1,569	—	456	2,025
Total changes from cash flows	(25,150)	3,597	70	(21,483)
Other changes:				
Additions [#]	9,764	—	—	9,764
Lease modification [#]	25,209	—	—	25,209
Change in fair value of gold loan [*]	—	3,312	—	3,312
Total other changes	34,973	3,312	—	38,285
As at 30 September 2019	77,928	29,403	77	107,408

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

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

	Lease liabilities HK\$'000	Gold loan HK\$'000	Interest payables HK\$'000	Total HK\$'000
As at 1 April 2020	123,135	31,286	92	154,513
Changes from cash flows:				
Repayment of gold loan	—	(3,697)	—	(3,697)
Payment of principal element of lease liabilities	(22,243)	—	—	(22,243)
Interest paid on gold loan	—	—	(628)	(628)
Payment of interest element of lease liabilities	(2,798)	—	—	(2,798)
Interest incurred	2,798	—	638	3,436
Total changes from cash flows	(22,243)	(3,697)	10	(25,930)
Other changes:				
Lease modification [#]	(2,936)	—	—	(2,936)
Change in fair value of gold loan*	—	4,750	—	4,750
Total other changes	(2,936)	4,750	—	1,814
As at 30 September 2020	97,956	32,339	102	130,397

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

For the six months ended 30 September 2020

21. NOTES TO THE CONDENSED 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 condensed 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 six months ended 30 September 2019 and 2020 and was not recognised in profit or loss separately.

22. FUTURE OPERATING LEASE RECEIVABLES

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

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Within 1 year	924	1,282
After 1 year but within 2 years	121	472
	1,045	1,754

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 3 years (at 31 March 2020: 1 to 3 years), with option to renew the lease term at expiry date.

23. RELATED PARTY TRANSACTIONS

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

		Unaudited Six months ended 30 September	
		2020	2019
<i>Notes</i>		HK\$'000	HK\$'000
Rental expenses on short term leases of properties paid to Stanwick Properties Limited	(a)	—	4,235
Rental expenses on short term lease of furniture and fixtures paid to Stanwick Properties Limited	(a)	—	114
Management fees and air-conditioning charges paid to Stanwick Properties Limited	(a)	548	548
Sale of goods to:	(b)		
Directors		46	901
YCSEL		—	15
		—————	—————

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

For the six months ended 30 September 2020

23. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) The rental expenses on short term lease, management fees and air-conditioning charges were paid to Stanwick Properties Limited (“Stanwick”) for the office and shop premises occupied by the Group. As at 30 September 2020, the Group had recognised lease liabilities and right-of-use assets of approximately HK\$11,657,000 (at 31 March 2020: HK\$17,431,000) and HK\$10,710,000 (at 31 March 2020: HK\$16,839,000) for those leases respectively. Total undiscounted rental payments under these lease agreements were approximately HK\$6,150,000 (for the six months ended 30 September 2019: HK\$5,903,000) during the period. 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. Mr. Yeung Ka Shing retired as a director by rotation on 11 September 2020. 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 period. Discounts offered to directors are available generally to customers and the value of discounts given to YCSEL is considered not material to the unaudited interim condensed consolidated financial statements.
- (c) Compensation of key management personnel

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

	Unaudited	
	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	6,127	4,295
Pension costs — defined contribution retirement schemes	88	27
	6,215	4,322

24. FAIR VALUE MEASUREMENTS

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

Notes	Unaudited As at 30 September 2020				Audited As at 31 March 2020				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
	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)	165	—	—	165	263	—	—	263
Financial asset at fair value through other comprehensive income									
Investments at fair value through other comprehensive income									
— Unlisted equity securities	(ii)	—	—	1,202	1,202	—	—	3,007	3,007
Financial liability at fair value through profit or loss									
Gold loan									
	(i)	32,339	—	—	32,339	31,286	—	—	31,286

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.

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

For the six months ended 30 September 2020

24. FAIR VALUE MEASUREMENTS (Continued)

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

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

Notes:

- (i) At the end of each reporting period, the listed equity securities and gold loan are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical asset or liability.
- (ii) At the end of each reporting period, the unlisted equity securities are measured subsequent to initial recognition at fair value, grouped into Level 3 based on the degree to which the fair value is unobservable. The fair value measurements of unlisted equity securities are determined by the directors of the Company.

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

	Unaudited As at 30 September 2020 HK\$'000	Audited As at 31 March 2020 HK\$'000
Unlisted equity securities		
At the beginning of period/year	3,007	2,836
Fair value change recognised in other comprehensive income	(1,805)	171
At the end of period/year	1,202	3,007

24. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

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\$34,000 and HK\$39,000 as at 30 September 2020 and 31 March 2020 respectively	Market approach	Price-to-book multiple ("P/B multiple")	0.22 to 1.90 (at 31 March 2020: 0.18 to 2.34)	The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies, using the average of the P/B multiple of comparable. The fair value measurement is positively correlated to the P/B multiple. Had the highest P/B multiple among the comparable been used as at 30 September 2020, the fair value would have increased by HK\$66,000. Had the lowest P/B multiple among the comparable been used as at 30 September 2020, the fair value would have decreased by HK\$23,000.
		Discount for lack of marketability ("DLOM")	24.2% (at 31 March 2020: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement is negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 30 September 2020, the fair value would have increased by HK\$2,000. Had the DLOM increased by 5% as at 30 September 2020, the fair value would have decreased by HK\$2,000.

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

For the six months ended 30 September 2020

24. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

<u>Financial assets</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range/value</u>	<u>Sensitivity of fair value to the input</u>
Unlisted equity securities with carrying amounts of HK\$1,099,000 and HK\$2,899,000 as at 30 September 2020 and 31 March 2020 respectively	Market approach	Enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiple ("EV/EBITDA multiple")	18.59 to 28.50 (at 31 March 2020: 19.19 to 30.98)	The fair values of unlisted equity securities are determined with reference to multiples of comparable listed companies, using the average of the EV/EBITDA multiple of comparable. The fair value measurement is positively correlated to the EV/EBITDA multiple. Had the highest EV/EBITDA multiple among the comparable been used as at 30 September 2020, the fair value would have increased by HK\$108,000. Had the lowest EV/EBITDA multiple among the comparable been used as at 30 September 2020, the fair value would have decreased by HK\$113,000.
		DLOM	24.2% (at 31 March 2020: 24.2%)	The fair values of unlisted equity securities are also determined with reference to DLOM. The fair value measurement is negatively correlated to the DLOM. Had the DLOM decreased by 5% as at 30 September 2020, the fair value would have increased by HK\$72,000. Had the DLOM increased by 5% as at 30 September 2020, the fair value would have decreased by HK\$72,000.

24. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

Unlisted equity securities with carrying amounts of HK\$69,000 as at both 31 March 2020 and 30 September 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.

25. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group entered into a lease agreement for the use of a new retail store at New Town Plaza with a term of 3 years. The total amounts of right-of-use assets, lease liabilities and provision for reinstatement costs recognised are approximately HK\$8,535,000, HK\$8,448,000 and HK\$87,000 respectively.

For the six months ended 30 September 2020

26. 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 26 November 2020.

By order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 26 November 2020

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. Wong Wei Ping, Martin; the non-executive director is Mr. Ng Ming Wah, Charles; 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.