



king fook holdings limited  
景福集團有限公司

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FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2021

INTERIM REPORT

STOCK CODE : 280

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# Contents

2	Management Commentary
11	Report on Review of Interim Financial Information
13	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
14	Condensed Consolidated Statement of Financial Position
15	Condensed Consolidated Statement of Changes in Equity
16	Condensed Consolidated Statement of Cash Flows
17	Notes to the Unaudited Interim Condensed Consolidated Financial Statements

# Management Commentary

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The Board of Directors (the “Board”) of King Fook Holdings Limited (the “Company”) presents this 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 2021. 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 2021, and the condensed consolidated statement of financial position as at 30 September 2021 of the Group, all of which are unaudited, along with selected explanatory notes, are set out on pages 13 to 48 of this report.

## **INTERIM DIVIDEND**

The Board of the Company has resolved the payment of an interim dividend of HK0.4 cents (for the six months ended 30 September 2020: Nil) per ordinary share, totalling HK\$3.6 million for the six months ended 30 September 2021, payable to shareholders whose names appear on the register of members of the Company on Monday, 13 December 2021. The interim dividend will be paid on Wednesday, 29 December 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed on Monday, 13 December 2021, during which day no transfer of shares will be effected.

All transfers, accompanied by the relevant share certificates, must be lodged with the Company’s share registrars, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 December 2021 in order to qualify for the interim dividend above mentioned.

# Management Commentary (Continued)

## 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 2021, the Group recorded total revenue of HK\$396.7 million, representing an increase of HK\$115.3 million or 41.0% from HK\$281.4 million for the last corresponding period. The Group achieved an unaudited consolidated profit attributable to owners of the Company of HK\$36.2 million for such period as compared to HK\$15.3 million for the same period last year. Such substantial improvement in profit was primarily due to the significant growth in revenue of the retail business of the Group as consumer sentiment improved on stabilisation of the COVID-19 situation in Hong Kong.

### Business Review

The Group opened a new store in New Town Plaza in February 2021 and operated a total of 7 retail shops in Hong Kong as at 30 September 2021. The Group's revenue and gross profit showed strong growth during such period.

The revenue of the Group's retailing business for the six months ended 30 September 2021 increased by HK\$114.3 million or 40.7% to HK\$395.3 million from HK\$281.0 million for the same period last year, exceeding levels recorded in the previous periods before the COVID-19 pandemic outbreak. With the COVID-19 situation under control, the supply of merchandises has improved and local customers stay in Hong Kong for consumption. Our retail business improved significantly and same store sales growth was 40.4% as compared to the same period last year, showing a rapid return to the pre-COVID-19 condition. In order to better serve our customers, we started to carry out several store renovation projects, include one store at Central Building on Queen's Road Central side, and set up of a new stand-alone jewellery store in Central Building on Pedder Street side in the third quarter of 2021.

# Management Commentary (Continued)

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

### **Outlook**

Currently, the COVID-19 pandemic is still hitting around the globe but the effect is becoming less adverse as in last year. Looking forward, the Group considers the pandemic will continue to affect our daily life. Along with the relaxation of social distancing measures, we believe wedding plans will resume and the demand for luxury products from local customers will continue to recover in the 2nd half of the year. In order to capture the business opportunity in the recovery of luxury markets, the Group will keep revamping our store network. The renovation for our Pacific Place store in Admiralty was completed in October 2021 and the new stand-alone jewellery shop in Central Building was opened on 13 October 2021. This new stand-alone jewellery shop highlights our high end jewellery and four overseas jewellery brands. With all store renovation projects to be completed by November 2021, we are looking forward to showing a new image and offering better shopping experience to our customers. Furthermore, the Group will keep on investing in staff development, online platforms, digital marketing, social media and creative product designs to better serve our customers.

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

### **Financial Review**

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

As at 30 September 2021, the Group's current assets and current liabilities were approximately HK\$764.9 million and HK\$138.7 million respectively. There were cash and cash equivalents and time deposits of approximately HK\$212.3 million and HK\$143.6 million respectively, gold loan of approximately HK\$37.8 million, and no bank loan as at that date.

# Management Commentary (Continued)

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

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

#### ***Liquidity and Financial Resources*** (Continued)

Based on the total borrowings of the Group of approximately HK\$37.8 million and the equity attributable to owners of the Company of approximately HK\$687.2 million as at 30 September 2021, the overall borrowings to equity ratio was 5.5%, 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 2021.

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

As at 30 September 2021, there was no charge on the Group's assets.

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

During the period, the Group had incurred capital expenditures of approximately HK\$1.8 million, including the costs of leasehold improvements, furniture and equipment.

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

The Group's capital commitments as at 30 September 2021 are set out in note 23 to the unaudited interim condensed consolidated financial statements. As at 30 September 2021, there were no contingent liabilities or off-balance sheet obligation.

# Management Commentary (Continued)

## EMPLOYEES AND EMOLUMENT POLICY

As at 30 September 2021, the Group had about 143 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 2021, 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") as 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			Total	Percentage of shareholding
	Personal	Corporate	Trust		
Mr. Tang Yat Sun, Richard	7,528,500	#31,571,400	Nil	39,099,900	4.29%
Mr. Ho Hau Hay, Hamilton	Nil	*6,657,000	Nil	6,657,000	0.73%
Dr. Fung Yuk Bun, Patrick	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.

^ Dr. Fung is deemed to be interested in these shares held by The Ng Yip Shing Trust.

# Management Commentary (Continued)

## DISCLOSURE OF INTERESTS (Continued)

Save as disclosed above, at 30 September 2021, 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 2021, the following person (other than a director or chief executive of the Company) had interest in shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

<u>Name of shareholder</u>	<u>Number of ordinary shares held</u>	<u>Nature of interest</u>	<u>Approximate percentage of total issued share capital*</u>
Yeung Chi Shing Estates Limited	554,624,457	<i>Note</i>	60.84%

\* The percentage was calculated based on 911,658,465 ordinary shares of the Company in issue as at 30 September 2021.

*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 2021, 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.

# Management Commentary (Continued)

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## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the period from 1 April 2021 to 22 April 2021, the Company repurchased a total of 550,000 ordinary shares on the Stock Exchange at the total price of HK\$177,000. Save as aforesaid, 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 2021.

## **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 2021.

## **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 2021 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.

# Management Commentary (Continued)

## **CORPORATE GOVERNANCE PRACTICES** (Continued)

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

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

### ***Code provision D.1.4***

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

### ***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.

# Management Commentary (Continued)

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

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2021 set out on pages 13 to 48 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 2021.

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

The financial information of the Group relating to the year ended 31 March 2021 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 2021 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 13 to 48 which comprise the condensed consolidated statement of financial position of King Fook Holdings Limited and its subsidiaries as of 30 September 2021 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, 24 November 2021

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

For the six months ended 30 September 2021

	Notes	Unaudited Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	5	<b>396,678</b>	281,390
Cost of sales		<b>(281,357)</b>	(198,647)
<b>Gross profit</b>		<b>115,321</b>	82,743
Other operating income		<b>1,937</b>	5,971
Distribution and selling costs		<b>(56,261)</b>	(50,062)
Administrative expenses		<b>(21,773)</b>	(19,838)
Other operating expenses		<b>(69)</b>	(114)
<b>Operating profit</b>		<b>39,155</b>	18,700
Finance costs	6	<b>(2,965)</b>	(3,436)
<b>Profit before taxation</b>	7	<b>36,190</b>	15,264
Taxation	9	—	—
<b>Profit for the period</b>		<b>36,190</b>	15,264
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>151</b>	405
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of investments at fair value through other comprehensive income		<b>(342)</b>	(1,805)
<b>Other comprehensive income for the period</b>		<b>(191)</b>	(1,400)
<b>Total comprehensive income for the period</b>		<b>35,999</b>	13,864
<b>Profit for the period attributable to:</b>			
— Owners of the Company		<b>36,188</b>	15,263
— Non-controlling interests		<b>2</b>	1
		<b>36,190</b>	15,264
<b>Total comprehensive income for the period attributable to:</b>			
— Owners of the Company		<b>35,997</b>	13,863
— Non-controlling interests		<b>2</b>	1
		<b>35,999</b>	13,864
<b>Earnings per share</b>	11	<b>HK cents</b>	HK cents
— Basic and diluted		<b>4.0</b>	1.7

# Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	Notes	Unaudited As at 30 September 2021 HK\$'000	Audited As at 31 March 2021 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	3,594	2,365
Right-of-use assets	13	79,511	74,172
Investment properties		923	959
Investments at fair value through other comprehensive income	14	887	1,229
Other asset	15	356	356
Deposits	16	21,101	13,267
		<u>106,372</u>	<u>92,348</u>
<b>Current assets</b>			
Inventories	17	387,153	415,217
Debtors, deposits and prepayments	16	21,657	16,288
Investments at fair value through profit or loss	18	160	159
Time deposits		143,600	88,127
Cash and cash equivalents		212,345	209,270
		<u>764,915</u>	<u>729,061</u>
<b>Total assets</b>		<u>871,287</u>	<u>821,409</u>
<b>Current liabilities</b>			
Trade payables, deposits received and other payables	19	49,992	35,310
Gold loan		37,791	32,714
Lease liabilities	13	50,925	43,298
		<u>138,708</u>	<u>111,322</u>
<b>Net current assets</b>		<u>626,207</u>	<u>617,739</u>
<b>Total assets less current liabilities</b>		<u>732,579</u>	<u>710,087</u>
<b>Non-current liabilities</b>			
Provision for long service payments		43	38
Lease liabilities	13	45,199	49,410
		<u>45,242</u>	<u>49,448</u>
<b>Net assets</b>		<u>687,337</u>	<u>660,639</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	20	393,354	393,354
Other reserves		35,507	35,698
Retained profits		258,372	231,485
<b>Equity attributable to owners of the Company</b>		<u>687,233</u>	<u>660,537</u>
<b>Non-controlling interests</b>		<u>104</u>	<u>102</u>
<b>Total equity</b>		<u>687,337</u>	<u>660,639</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Equity attributable to owners of the Company						Non-controlling interests	Total
	Share capital (note 20(a)) 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
<b>Unaudited</b> <b>For the six months ended</b> <b>30 September 2021</b>								
At 1 April 2021	393,354	24,753	10,165	780	231,485	660,537	102	660,639
2021 final dividend (note 10)	—	—	—	—	(9,117)	(9,117)	—	(9,117)
Repurchase of ordinary shares (note 20(b))	—	—	—	—	(184)	(184)	—	(184)
Transaction with owners	—	—	—	—	(9,301)	(9,301)	—	(9,301)
Profit for the period	—	—	—	—	36,188	36,188	2	36,190
Other comprehensive income:								
Exchange differences on translation of foreign operations	—	—	151	—	—	151	—	151
Change in fair value of investments at fair value through other comprehensive income	—	—	—	(342)	—	(342)	—	(342)
Other comprehensive income for the period	—	—	151	(342)	—	(191)	—	(191)
Total comprehensive income for the period	—	—	151	(342)	36,188	35,997	2	35,999
<b>At 30 September 2021</b>	<b>393,354</b>	<b>24,753</b>	<b>10,316</b>	<b>438</b>	<b>258,372</b>	<b>687,233</b>	<b>104</b>	<b>687,337</b>
<b>Unaudited</b> <b>For the six months ended</b> <b>30 September 2020</b>								
At 1 April 2020	393,354	24,753	9,346	2,558	205,376	635,387	107	635,494
2020 final dividend (note 10)	—	—	—	—	(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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2021

		<b>Unaudited Six months ended 30 September</b>	
	Notes	<b>2021 HK\$'000</b>	2020 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating profit before working capital changes	21(a)	65,034	40,865
Decrease in inventories		25,052	40,464
Increase in debtors, deposits and prepayments		(8,130)	(7,431)
Increase in trade payables, deposits received and other payables		5,406	615
Dividends received from investments at fair value through profit or loss		7	6
Interest received		658	1,587
		<u>88,027</u>	<u>76,106</u>
<i>Net cash generated from operating activities</i>		88,027	76,106
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Deposits paid on purchase of property, plant and equipment		(5,320)	—
Dividends received from investments at fair value through other comprehensive income		33	—
Purchase of property, plant and equipment		(1,846)	(330)
Placement of time deposits with maturity over 3 months		(213,900)	—
Release of time deposits with maturity over 3 months		158,427	1,514
		<u>(62,606)</u>	<u>1,184</u>
<i>Net cash (used in)/generated from investing activities</i>		(62,606)	1,184
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid	21(b)	—	(809)
Proceeds from gold loan		4,111	—
Repayment of gold loan		—	(3,697)
Payment of repurchase of ordinary shares		(193)	—
Payment of principal element of lease liabilities		(23,288)	(22,243)
Interest paid on gold loan		(711)	(628)
Payment of interest element of lease liabilities		(2,250)	(2,798)
		<u>(22,331)</u>	<u>(30,175)</u>
<i>Net cash used in financing activities</i>		(22,331)	(30,175)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>3,090</b>	<b>47,115</b>
Cash and cash equivalents at the beginning of the period		209,270	194,292
Effect of foreign exchange rates changes, net		(15)	58
		<u>212,345</u>	<u>241,465</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>212,345</b>	<b>241,465</b>
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		44,866	49,302
Cash at a financial institution		286	—
Short term bank deposits with maturity within 3 months		167,193	192,163
		<u>212,345</u>	<u>241,465</u>

## 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 2021 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 required under Appendix 16 to 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 2021 (the “2021 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 2021 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 2021 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 2021 Annual Financial Statements.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. BDO Limited’s report on review of interim financial information to the Board of Directors (the “Board”) is included on pages 11 to 12.

### **Change in classification of condensed consolidated statement of profit or loss and other comprehensive income**

As disclosed in the 2021 Annual Financial Statements, credit card commissions were reclassified as “distribution and selling costs” to more appropriately reflect the nature of such expense. The comparative figures have been restated to conform with the revised classification accordingly. During the six months ended 30 September 2020, the cost of sales were decreased by HK\$4,241,000 while the gross profit and distribution and selling costs were also increased by the same amount.

## 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 2021:

Amendments to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

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

For the six months ended 30 September 2021

## 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:

Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments 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 <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 3 HKFRS 17	Reference to the Conceptual Framework <sup>2</sup> Insurance Contracts <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

## **2. CHANGES IN ACCOUNTING POLICIES** (Continued)

The directors of the Company do not anticipate that the application of the new or revised HKFRSs in the future will have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

The directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

## **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 2021 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 2021

## 4. SEGMENT INFORMATION (Continued)

No geographical information was presented for the six months ended 30 September 2020 and 2021 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 the six months ended 30 September 2020 and 2021 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 components:

	Unaudited Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers:		
Gold ornament, jewellery, watch and gift retailing	374,779	256,377
Bullion trading	20,518	24,609
Diamond wholesaling	1,381	404
Total revenue	<u>396,678</u>	<u>281,390</u>
Timing of revenue recognition:		
At a point in time	<u>396,678</u>	<u>281,390</u>

**6. FINANCE COSTS**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Interest charges on:		
Financial liability at amortised cost		
Lease liabilities	<b>2,250</b>	2,798
Financial liability at fair value through profit or loss		
Gold loan	<b>715</b>	638
	<u><b>2,965</b></u>	<u>3,436</u>

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

For the six months ended 30 September 2021

## 7. PROFIT BEFORE TAXATION

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

	<b>Unaudited Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Auditors' remuneration	<b>380</b>	380
Cost of inventories sold, including	<b>281,015</b>	197,882
— provision for and write down of inventories to net realisable value	<b>7,847</b>	6,714
— reversal of provision for and write down of inventories to net realisable value*	<b>(3,705)</b>	(6,867)
Depreciation of investment properties	<b>36</b>	36
Depreciation of property, plant and equipment	<b>547</b>	473
Depreciation of right-of-use assets	<b>21,898</b>	22,972
Dividend income	<b>(40)</b>	(6)
Fair value change of investments at fair value through profit or loss	<b>(1)</b>	98
Foreign exchange differences, net	<b>(198)</b>	(64)
Government grants#	<b>—</b>	(4,063)
Interest income from financial assets at amortised cost	<b>(728)</b>	(1,285)
Interest income from rental deposits	<b>(50)</b>	—
Loss on write off of property, plant and equipment	<b>70</b>	15
Outgoings in respect of investment properties	<b>85</b>	92
Provision for long service payments		
— provided against the account	<b>10</b>	26
— reversal of provision	<b>(5)</b>	(11)
Rental expenses for variable lease payments	<b>1,222</b>	1,154
Rental expenses on short term leases in respect of furniture and fixtures	<b>1</b>	—
Rental expenses on short term leases in respect of properties	<b>94</b>	308
Rental income on owned properties	<b>(683)</b>	(548)

**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 six months ended 30 September 2020, the Group 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 was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all of the funding on paying wages to their employees. The purpose of the Subsidy Scheme for Precious Metals Trading Industry was 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 six months ended 30 September 2020.

**8. EMPLOYEE BENEFIT EXPENSE**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<u>          </u>	<u>          </u>
Wages, salaries and other benefits	<b>32,243</b>	28,170
Pension costs — defined contribution retirement schemes	<b>1,203</b>	1,143
Provision for long service payments	<b>10</b>	26
Reversal of provision for long service payments	<b>(5)</b>	(11)
	<u><b>33,451</b></u>	<u>29,328</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 2021

## 9. TAXATION

No Hong Kong profits tax has been provided for the six months ended 30 September 2020 and 2021 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 2020 and 2021 respectively as the Group has no estimated assessable profit.

## 10. DIVIDENDS

	Unaudited Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
2021 final dividend of HK1.0 cents (2020: HK0.2 cents) per ordinary share	<u>9,117</u>	<u>1,827</u>
Dividends declared after the end of the reporting period:		
2021 interim dividend of HK0.4 cents (2020: Nil) per ordinary share	<u>3,647</u>	<u>—</u>

The interim dividend is not recognised as a liability as at 30 September 2021 because it was declared after the end of the reporting period.

**11. EARNINGS PER SHARE****(a) Basic 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\$36,188,000 (for the six months ended 30 September 2020: HK\$15,263,000) and the weighted average number of 911,695,350 (for the six months ended 30 September 2020: 913,650,465) ordinary shares in issue during the period, calculated as follows:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Profit attributable to owners of the Company</b>	<b>36,188</b>	15,263

	<b>Unaudited Six months ended 30 September</b>	
	<b>2021</b>	2020
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 April	<b>912,208,465</b>	913,650,465
Effect of ordinary shares repurchased and cancelled (note)	<b>(513,115)</b>	—
Weighted average number of ordinary shares at 30 September	<b>911,695,350</b>	913,650,465

For the six months ended 30 September 2021

## 11. EARNINGS PER SHARE (Continued)

### (a) Basic earnings per share (Continued)

Note: The weighted average number of ordinary shares outstanding during the six months ended 30 September 2021 was adjusted for the effect of 550,000 ordinary shares repurchased and cancelled (note 20(b)) multiplied by a time-weighting factor.

### (b) Diluted earnings per share

Diluted earnings per share and basic earnings per share for the six months ended 30 September 2020 and 2021 respectively are the same as there were no dilutive potential ordinary shares during both periods.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group incurred capital expenditures of approximately HK\$1,846,000 (for the six months ended 30 September 2020: HK\$330,000) which was mainly related to the purchases of leasehold improvements, and furniture and equipment.

In light of the on-going 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 losses were recognised during the six months ended 30 September 2020 and 2021 respectively 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 2020: 9%).

## 13. LEASES

### **Nature of leasing activities**

The Group has obtained the right to use properties and furniture and equipment 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**

During the six months ended 30 September 2021, the Group entered into a number of lease agreements for the use of properties and furniture and equipment and therefore recognised the additions to right-of-use assets of HK\$8,712,000 (for the six months ended 30 September 2020: Nil).

The leases of retail stores contain variable lease payment terms based on the retail stores' revenue pursuant to the terms and conditions set out in the respective lease agreements 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 2021

## 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 2021		Audited As at 31 March 2021	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	50,925	54,573	43,298	46,871
After 1 year but within 2 years	39,049	40,241	38,047	39,633
After 2 years but within 5 years	6,150	6,265	11,363	11,598
	<u>96,124</u>	<u>101,079</u>	<u>92,708</u>	<u>98,102</u>
Less: Total future interest charges		<u>(4,955)</u>		<u>(5,394)</u>
Present value of lease liabilities		<u>96,124</u>		<u>92,708</u>

**14. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2021</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Unlisted equity securities	<b>887</b>	1,229
	<u>          </u>	<u>          </u>

The fair values of these investments at 31 March 2021 and 30 September 2021 were determined by the directors of the Company. Details of the fair value measurements are set out in note 25.

**15. OTHER ASSET**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2021</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Membership licence, at cost	<b>356</b>	356
	<u>          </u>	<u>          </u>

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 2021

## 16. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>Unaudited As at 30 September 2021 HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
<b>Current</b>		
Trade debtors	<b>3,848</b>	2,041
Other receivables	<b>10,035</b>	4,248
Deposits and prepayments	<b>7,774</b>	9,999
	<b>21,657</b>	16,288
<b>Non-current</b>		
Deposits paid on purchase of property, plant and equipment	<b>5,320</b>	—
Rental deposits	<b>15,781</b>	13,267
	<b>21,101</b>	13,267
	<b>42,758</b>	29,555

For the six months ended 30 September 2021

**16. DEBTORS, DEPOSITS AND PREPAYMENTS** (Continued)

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

	<b>Unaudited As at 30 September 2021 HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
Within 30 days	<b>3,389</b>	1,866
31–90 days	<b>427</b>	175
More than 90 days	<b>32</b>	—
	<b>3,848</b>	2,041

**17. INVENTORIES**

	<b>Unaudited As at 30 September 2021 HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
Jewellery	<b>255,644</b>	269,879
Gold ornament	<b>41,902</b>	36,469
Gold bullion	<b>3,197</b>	3,728
Watch and gift	<b>86,231</b>	104,991
Others	<b>179</b>	150
	<b>387,153</b>	415,217

As at 30 September 2021, the fair value less costs to sell of gold bullion was approximately HK\$3,197,000 (at 31 March 2021: HK\$3,728,000).

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

For the six months ended 30 September 2021

## 18. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2021</b> <b>HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
Equity securities		
Listed in Hong Kong	<b>160</b>	159

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 25.

## 19. TRADE PAYABLES, DEPOSITS RECEIVED AND OTHER PAYABLES

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2021</b> <b>HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
Trade payables	<b>12,678</b>	10,441
Other payables and accruals	<b>20,236</b>	11,790
Contract liabilities	<b>2,477</b>	2,089
Deposits received	<b>14,601</b>	10,990
	<b>49,992</b>	35,310

**19. TRADE PAYABLES, DEPOSITS RECEIVED AND OTHER PAYABLES**  
(Continued)

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

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2021</b> <b>HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
Within 30 days	<b>12,389</b>	10,431
31–90 days	<b>289</b>	10
	<b>12,678</b>	10,441

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

For the six months ended 30 September 2021

## 20. SHARE CAPITAL

### (a) Issued share capital

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2021</b>	2021
	<b>HK\$'000</b>	HK\$'000
Issued and fully paid:		
911,658,465 (at 31 March 2021):		
912,208,465) ordinary shares	<b>393,354</b>	393,354

	<b>Number of</b>		<b>Share capital</b>	
	<b>ordinary shares</b>			
	<b>Unaudited</b>	Audited	<b>Unaudited</b>	Audited
	<b>As at</b>	As at	<b>As at</b>	As at
	<b>30 September</b>	31 March	<b>30 September</b>	31 March
	<b>2021</b>	2021	<b>2021</b>	2021
	<b>HK\$'000</b>		<b>HK\$'000</b>	HK\$'000
Issued and fully paid:				
At the beginning of the period/year	<b>912,208,465</b>	913,650,465	<b>393,354</b>	393,354
Ordinary shares repurchased and cancelled	<b>(550,000)</b>	(1,442,000)	—	—
At the end of the period/year	<b>911,658,465</b>	912,208,465	<b>393,354</b>	393,354

**20. SHARE CAPITAL** (Continued)**(b) Repurchase of ordinary shares**

Month/year	Number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
April 2021	550,000	0.325	0.315	<b>177</b>
	<u>                    </u>			<u>                    </u>

The repurchase of ordinary shares was governed by section 257 of the Hong Kong Companies Ordinance. The total amounts incurred, including transaction costs, on the repurchased ordinary shares of HK\$184,000 were paid out of retained profits. All of the repurchased ordinary shares were cancelled before the end of the reporting period.

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

For the six months ended 30 September 2021

## 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	
	2021	2020
	HK\$'000	HK\$'000
	<u>          </u>	<u>          </u>
Profit before taxation	36,190	15,264
Depreciation of investment properties	36	36
Depreciation of property, plant and equipment	547	473
Depreciation of right-of-use assets	21,898	22,972
Dividend income	(40)	(6)
Fair value change of investments at fair value through profit or loss	(1)	98
Interest charges	2,965	3,436
Interest income	(778)	(1,285)
Loss on write off of property, plant and equipment	70	15
Provision for and write down of inventories to net realisable value	7,847	6,714
Provision for long service payments	10	26
Reversal of provision for and write down of inventories to net realisable value	(3,705)	(6,867)
Reversal of provision for long service payments	(5)	(11)
	<u>          </u>	<u>          </u>
Operating profit before working capital changes	<u>65,034</u>	<u>40,865</u>

## 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
<b>Unaudited</b>				
<b>For the six months ended</b>				
<b>30 September 2021</b>				
As at 1 April 2021	92,708	32,714	97	125,519
Changes from cash flows:				
Proceeds from gold loan	—	4,111	—	4,111
Payment of principal element of lease liabilities	(23,288)	—	—	(23,288)
Interest paid on gold loan	—	—	(711)	(711)
Payment of interest element of lease liabilities	(2,250)	—	—	(2,250)
Total changes from cash flows	(25,538)	4,111	(711)	(22,138)
Other changes:				
Additions <sup>#</sup>	8,415	—	—	8,415
Lease modifications <sup>#</sup>	18,289	—	—	18,289
Change in fair value of gold loan	—	966	—	966
Interest incurred	2,250	—	715	2,965
Total other changes	28,954	966	715	30,635
<b>As at 30 September 2021</b>	<b>96,124</b>	<b>37,791</b>	<b>101</b>	<b>134,016</b>

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

For the six months ended 30 September 2021

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

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

	<u>Lease liabilities HK\$'000</u>	<u>Gold loan HK\$'000</u>	<u>Interest payables HK\$'000</u>	<u>Total HK\$'000</u>
Unaudited For the six months ended 30 September 2020				
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)
Total changes from cash flows	<u>(25,041)</u>	<u>(3,697)</u>	<u>(628)</u>	<u>(29,366)</u>
Other changes:				
Lease modifications <sup>#</sup>	(2,936)	—	—	(2,936)
Change in fair value of gold loan	—	4,750	—	4,750
Interest incurred	2,798	—	638	3,436
Total other changes	<u>(138)</u>	<u>4,750</u>	<u>638</u>	<u>5,250</u>
As at 30 September 2020	<u>97,956</u>	<u>32,339</u>	<u>102</u>	<u>130,397</u>

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

<sup>#</sup> Non-cash transactions

**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:

	<b>Unaudited As at 30 September 2021 HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
Within 1 year	<b>859</b>	1,186
After 1 year but within 2 years	<b>177</b>	531
	<b>1,036</b>	1,717

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 2021: 1 to 3 years), with option to renew the lease term at the expiry date.

**23. CAPITAL COMMITMENTS**

Capital commitments outstanding at 30 September 2021 not provided for in the unaudited interim condensed consolidated financial statements are as follows:

	<b>Unaudited As at 30 September 2021 HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
<b>Purchase of property, plant and equipment</b>		
Contracted but not provided for	<b>2,395</b>	650

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

For the six months ended 30 September 2021

## 24. RELATED PARTY TRANSACTIONS

- (a) 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:

	Notes	Unaudited Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000
Management fees and air-conditioning charges paid to Stanwick Properties Limited	(i)	548	548
Sale of goods to directors	(ii)	302	46
Purchase of consumables from Stanwick Properties Limited	(iii)	45	—

Notes:

- (i) The Group has entered into a number of lease agreements with Stanwick Properties Limited ("Stanwick") for the use of properties relating to the Basement and Ground Floor, Mezzanine Floor, 3rd (including a flat roof), 5th, 7th, 8th, 9th and 10th Floors of King Fook Building, 30–32 Des Voeux Road Central, Hong Kong and furniture and equipment. In addition to the management fees and air-conditioning charges paid to Stanwick as disclosed, as at 30 September 2021, the Group had recognised lease liabilities and right-of-use assets of approximately HK\$20,322,000 (at 31 March 2021: HK\$5,737,000) and HK\$19,336,000 (at 31 March 2021: HK\$4,581,000) for the lease payments of those leases respectively. Total undiscounted lease payments under these lease agreements were approximately HK\$5,956,000 (for the six months ended 30 September 2020: HK\$6,150,000) during the period. Stanwick is a wholly owned subsidiary of YCSEL, the ultimate holding company of the Group. These related party transactions were entered into on normal commercial terms.
- (ii) It represents sale of gold ornament, jewellery and watch items net of sale discounts to the directors of the Company for the period. Discounts offered to directors of the Company are available generally to customers and are considered as not material to the unaudited interim condensed consolidated financial statements.
- (iii) These related party transactions were entered into on normal commercial terms.

**24. RELATED PARTY TRANSACTIONS** (Continued)**(b) Compensation of key management personnel**

The remuneration of directors of the Company (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>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Salaries, allowances and benefits in kind	<b>5,967</b>	6,127
Pension costs — defined contribution retirement schemes	<b>90</b>	88
	<u><b>6,057</b></u>	<u>6,215</u>

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

For the six months ended 30 September 2021

## 25. 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 2021				Audited As at 31 March 2021				
	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	
<b>Financial asset at fair value through profit or loss</b>									
Investments at fair value through profit or loss									
— Listed equity securities	(i)	160	—	—	160	159	—	—	159
<b>Financial asset at fair value through other comprehensive income</b>									
Investments at fair value through other comprehensive income									
— Unlisted equity securities	(ii)	—	—	887	887	—	—	1,229	1,229
<b>Financial liability at fair value through profit or loss</b>									
Gold loan									
	(i)	37,791	—	—	37,791	32,714	—	—	32,714

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.

**25. 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:

	<b>Unaudited As at 30 September 2021 HK\$'000</b>	Audited As at 31 March 2021 HK\$'000
<b>Unlisted equity securities</b>		
At the beginning of period/year	<b>1,229</b>	3,007
Fair value change recognised in other comprehensive income	<b>(342)</b>	(1,778)
At the end of period/year	<b>887</b>	1,229

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

For the six months ended 30 September 2021

## 25. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

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

<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\$54,000 as at 30 September 2021 (at 31 March 2021: HK\$62,000)	Market approach	Price-to-book multiple ("P/B multiple")	0.15 to 0.84 (at 31 March 2021: 0.22 to 1.15)	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 2021, the fair value would have increased by HK\$22,000. Had the lowest P/B multiple among the comparable been used as at 30 September 2021, the fair value would have decreased by HK\$41,000.
		Discount for lack of marketability ("DLOM")	24.2% (at 31 March 2021: 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 2021, the fair value would have increased by HK\$4,000. Had the DLOM increased by 5% as at 30 September 2021, the fair value would have decreased by HK\$4,000.

**25. FAIR VALUE MEASUREMENTS** (Continued)

Notes: (Continued)

(ii) (Continued)

<b>Financial assets</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range/value</b>	<b>Sensitivity of fair value to the input</b>
Unlisted equity securities with carrying amounts of HK\$765,000 as at 30 September 2021 (at 31 March 2021: HK\$1,099,000)	Market approach	Enterprise value-to-earnings before interest, taxes, depreciation and amortisation multiple ("EV/EBITDA multiple")	21.26 to 28.12 (at 31 March 2021: 22.42 to 24.73)	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 2021, the fair value would have increased by HK\$26,000. Had the lowest EV/EBITDA multiple among the comparable been used as at 30 September 2021, the fair value would have decreased by HK\$25,000.
		DLOM	24.2% (at 31 March 2021: 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 2021, the fair value would have increased by HK\$50,000. Had the DLOM increased by 5% as at 30 September 2021, the fair value would have decreased by HK\$50,000.

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

For the six months ended 30 September 2021

## 25. FAIR VALUE MEASUREMENTS (Continued)

Notes: (Continued)

(ii) (Continued)

Unlisted equity securities with carrying amounts of HK\$68,000 as at both 31 March 2021 and 30 September 2021 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.

## 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 24 November 2021.

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

Hong Kong, 24 November 2021

*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.*