HIFOOD GROUP HOLDINGS CO., LIMITED
海福德集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 442)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$433.7 million for the year ended 31 March 2018, representing a decrease of approximately 20.8% as compared with the same for the year ended 31 March 2017.
- Gross profit was approximately HK$78.6 million for the year ended 31 March 2018, representing a decrease of approximately 26.4% as compared with the same for the year ended 31 March 2017.
- Gross profit margin decreased to 18.1% from 19.5% in the last financial year.
- Loss attributable to the equity holders of the Company was approximately HK$37.3 million for the year ended 31 March 2018, compared to the loss attributable to the equity holders of the Company of approximately HK$9.2 million for the year ended 31 March 2017.
- Basic loss per share amounted to approximately HK$0.22 for the year ended 31 March 2018, compared to the basic loss per share of approximately HK$0.06 for the year ended 31 March 2017.
- The Board does not recommend the payment of final dividend for the year ended 31 March 2018.

The board (the "Board") of directors (the "Directors") of Hifood Group Holdings Co., Limited (the "Company") presents the consolidated financial results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018 together with the corresponding figures for the prior year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	4	**433,666**	547,623
Cost of sales		**(355,041)**	(440,824)
Gross profit		**78,625**	106,799
Other income	4	**2,660**	2,890
Selling expenses		**(31,826)**	(42,608)
Administrative expenses		**(61,610)**	(70,997)
Other (losses)/gains, net	5	**(12,518)**	3,926
		(24,729)	10
Finance costs	6	**(8,714)**	(6,153)
Share of loss of a joint venture		**(140)**	(27)
LOSS BEFORE TAX	7	**(33,583)**	(6,170)
Income tax expense	8	**(3,714)**	(2,984)
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(37,297)**	(9,154)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:	10		
— Basic and diluted		**HK$(0.22)**	HK$(0.06)
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS, NET OF TAX			
Change in fair value of an available-for-sale investment		**491**	520
Exchange differences on translation of foreign operations		**18,352**	(16,659)
Realisation of exchange fluctuation reserve upon disposal/ deregistration of a subsidiary		**1,020**	(6,056)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**19,863**	(22,195)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(17,434)**	(31,349)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**27,460**	171,871
Prepaid land lease payments		**–**	13,271
Prepayments for construction in progress		**–**	267
Investment in a joint venture		**140**	367
Other non-current assets		**454**	–
Available-for-sale investment	*11*	**15,674**	15,015
Total non-current assets		**43,728**	200,791
CURRENT ASSETS			
Inventories	*12*	**49,659**	109,590
Trade receivables	*13*	**67,934**	176,125
Prepayments, deposits and other receivables		**7,741**	23,561
Tax recoverable		**1,158**	1,901
Prepaid land lease payments		**–**	389
Pledged bank deposits		**–**	55,495
Cash and bank balances		**230,489**	152,090
Total current assets		**356,981**	519,151
Total assets		**400,709**	719,942
CURRENT LIABILITIES			
Trade and other payables	*14*	**28,034**	160,304
Interest-bearing bank and other borrowings	*15*	**–**	232,438
Obligations under finance leases		**560**	1,580
Total current liabilities		**28,594**	394,322
NON-CURRENT LIABILITIES			
Obligations under finance leases		**1,417**	4,120
Deferred tax liabilities		**1,922**	236
Total non-current liabilities		**3,339**	4,356
Total liabilities		**31,933**	398,678
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*17*	**863**	800
Reserves		**367,913**	320,464
Total equity		**368,776**	321,264
Total equity and liabilities		**400,709**	719,942

NOTES TO FINANCIAL STATEMENTS

31 March 2018

1. CORPORATE AND GROUP INFORMATION

Hifood Group Holdings Co., Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 6 June 2014. The registered office of the Company is located at Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company was formerly known as KTL International Holdings Group Limited and the name of the Company was changed to its current name on 24 October 2017.

During the year, the Company and its subsidiaries (collectively the "Group") were principally involved in the manufacture and sale of jewellery and related products.

In the opinion of the directors, the holding company of the Company is HNA Aviation Investment Holding Company Ltd., which was incorporated in Cayman Islands. The ultimate controlling company is HNA Group Co., Ltd.

The Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 March 2015 (the "Listing).

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investment which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New standards and interpretations already adopted

The following new and amended standards have been adopted since the financial year beginning 1 January 2017:

HKAS 7 (Amendments) "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) Standards, amendments and interpretations to existing standards effective in 2017 but not relevant to the Group.

		Effective for annual periods beginning on or after
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued and been effective for the financial year beginning on 1 January 2018 and after, and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018 or when the entity first applies HKFRS 9
HKFRS 9 (Amendments)	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the full impact of other new standards, new interpretations and amendments to standards and interpretations.

(d) HKFRS 9, Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the preliminary assessment result, the Group will expect increase in expected credit losses, but does not expect to material change to the loss allowance for trade debtors and other receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules use modified retrospective approach from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(e) HKFRS 15, Revenues from Contracts with Customers

Nature of change

The HKICPA issued HKFRS 15 as a new standard for the recognition of revenue to replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Based on the preliminary assessment result, the Group does not expect any material impact on the adoption of new HKFRS 15.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

3. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in the manufacture and sale of jewellery products. Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, who have been identified as the executive Directors of the Company. Information reported to the Group's chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one reportable operating segment, i.e. manufacture and sale of jewellery products, and no further analysis thereof is presented.

Geographical information

Information about the Group's revenue by geographical locations is presented based on the area or country in which the external customer is operated.

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Americas	**159,540**	301,320
Russia	**105,250**	59,324
Mainland China	**103,113**	93,488
Europe (other than Russia)	**35,679**	64,495
Middle East	**–**	2,765
Other countries	**30,084**	26,231
	433,666	547,623

Information about the Group's non-current assets, excluding an available-for-sale investment, is presented based on the locations of the assets.

(b) Non-current assets excluding an available-for-sale investment

	2018	2017
	HK$'000	*HK$'000*
Mainland China	**5,024**	164,813
Hong Kong	**23,030**	20,963
	28,054	185,776

The Company is domiciled in the Cayman Islands while the Group operates its business in Hong Kong and Mainland China. During the year, no revenue was generated from any customer in the Cayman Islands and no assets were located in the Cayman Islands.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year, including sales to a group of entities which are known to be under common control with that customer, is as set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**79,471**	163,729
Customer B	**72,461**	62,107
Customer C	**81,412**	42,608*

* Less than 10% of revenue

4. REVENUE AND OTHER INCOME

Revenue represents the net amounts received and receivable arising from sale of jewellery products during the year.

	2018	2017
	HK$'000	*HK$'000*
Sale of jewellery products*	**424,452**	547,623
Service revenue	**9,214**	–
	433,666	547,623

* Among the sales of jewellery products, approximately HK$615,000 (2017: approximately HK$871,000) are sold to a related party.

An analysis of other income is as follows:

	2018	2017
	HK$'000	*HK$'000*
Interest income from bank deposits	**1,236**	1,389
Government grants*	**534**	811
Others	**890**	690
	2,660	2,890

* Government grants were received by certain subsidiaries of the Company in Mainland China as compensation for expenses already incurred. There are no unfulfilled conditions or contingencies in relation to the grants.

5. OTHER (LOSSES)/GAINS, NET

An analysis of other (losses)/gains, net, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Realisation of exchange fluctuation reserve upon disposal or deregistration of a subsidiary	**(1,020)**	6,056
Gain on disposal of a subsidiary *(Note 16)*	**12,992**	–
Employment termination expense	**(19,508)**	–
(Losses)/gains on disposal of items of property, plant and equipment, net*	**(1,063)**	287
Disposal of loose diamonds, net	**(1,487)**	–
Net realised gains on trading securities	**–**	54
Foreign exchange differences, net	**(2,492)**	(2,471)
	(12,578)	3,926

* In July 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of a property in the Mainland China. The property comprised of in-construction industrial buildings, ancillary facilities and a land parcel for industrial use. The consideration in relation to the disposal is approximately HK$154,513,000. The Group recognised a disposal gain of approximately HK$4,409,000 included in "gains/losses on disposal of items of property, plant and equipment, net," as described below:

	2018
	HK$'000
Consideration	154,513
Construction in progress	(124,671)
Prepaid land lease payments	(11,190)
Related taxes	(14,243)
Gains on disposal, net of taxes	4,409

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on other borrowings	**7,045**	542
Interest on factoring of trade receivables	**1,051**	1,447
Interest on bank borrowings	**361**	3,937
Interest on finance leases	**257**	227
	8,714	6,153

7. COST OF SALES, SELLING EXPENSE, ADMINISTRATION EXPENSE AND OTHER LOSSES/(GAINS) BY NATURE

	2018	2017
	HK$'000	*HK$'000*
Employee benefits (including Directors' remuneration)	**91,332**	116,985
Salaries and other benefits	**64,170**	109,368
Employment termination expenses	**19,508**	–
Pension scheme contributions	**7,654**	7,617
Cost of inventories sold	**299,750**	369,709
Subcontracting charges	**11,249**	5,798
Professional service fees	**10,909**	8,864
Depreciation	**8,191**	10,538
Commission fees	**6,851**	4,172
Foreign exchange differences, net	**2,492**	2,471
Advertising and exhibition expenses	**2,407**	5,600
Auditors' remuneration	**2,189**	1,205
Auditors of the Company	**1,719**	1,150
Other Auditors	**470**	55
Minimum lease payments under operating leases	**2,051**	1,312
Disposal of loose diamonds, net	**1,487**	–
Losses/(gains) on disposal of items of property, plant and equipment, net	**1,063**	(287)
Realisation of exchange fluctuation reserve upon disposal or deregistration of a subsidiary	**1,020**	(6,056)
Allowance for doubtful debts, net	**782**	–
Amortisation of prepaid land lease payments	**221**	399
Net realised gains on trading securities	**–**	(54)
Write-back of inventories to net realisable value	**(168)**	(1,486)
Gains on disposal of a subsidiary	**(12,992)**	–
Other operating expenses	**32,221**	31,279
Total cost of sales, selling expenses, administration expenses and other losses/(gains), net	**461,055**	550,503

8. INCOME TAX EXPENSE

The profit tax of the Group has been provided at the applicable tax rates on estimated assessable profits arising in Hong Kong and Mainland China during the year.

	2018	2017
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**928**	49
(Over)/under provision in prior year	**(35)**	1
Current — Mainland China		
Charge for the year	**1,135**	2,923
Deferred	**1,686**	11
Total tax charge for the year	**3,714**	2,984

(i) PRC corporate income tax ("CIT")

The Company is not subject to any taxation in the Cayman Islands.

The BVI subsidiaries are not subject to any taxation in the British Virgin Islands.

Hong Kong subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% (2017: 16.5%).

PRC subsidiaries is subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2017: 25%).

(ii) PRC withholding income tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. As at 31 March 2018, deferred tax liability of approximately HK$1,872,000 has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (31 March 2017: nil). The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised amounted to approximately HK$2,149,000 (2017: approximately HK$49,196,000) as at 31 March 2018.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(33,583)**	(6,170)
Tax at the statutory tax rate of 16.5%	**(5,541)**	(1,018)
Different tax rates for specific provinces or enacted by local authority	**587**	1,901
Income not subject to tax	**(2,911)**	(1,069)
Expenses not deductible for tax	**178**	933
Tax losses not recognised	**7,784**	1,650
Effect of tax impact of apportionment under a 50:50 basis	**1,290**	440
Utilisation of temporary differences previously not recognised	**(397)**	(63)
Tax effect of temporary differences not recognised	**88**	160
PRC withholding tax for dividend	**2,309**	–
Tax effect of income for a subsidiary disposed	**492**	–
Others	**(165)**	50
	3,714	2,984

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

10. LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$37,297,000 (2017: approximately HK$9,154,000), and the weighted average number of ordinary shares of 171,016,393 (2017: 160,000,000) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2018 and 2017.

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	**37,297**	9,154

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**171,016,393**	160,000,000

11. AVAILABLE-FOR-SALE INVESTMENT

	2018	2017
	HK$'000	*HK$'000*
Life insurance policy, at fair value	**15,674**	15,015

Under the life insurance policy (the "Policy"), the beneficiary and policy holder is the Group and the total insured sum is approximately US$6,500,000 (approximately HK$50,375,000). The Group paid an upfront premium for the Policy of approximately US$2,325,000 (approximately HK$18,020,000) and may surrender any time by filing a written request and receive cash based on the surrender value of the Policy at the date of withdrawal, which is calculated by the insurer. In the opinion of the Directors, the surrender value of the Policy provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy.

During the year, the gain in respect of the change in fair value of the Group's available-for-sale investment recognised in other comprehensive loss amounted to approximately HK$491,000 (2017: gain of approximately HK$520,000). There was no reclassification from other comprehensive loss to profit or loss during the year.

The net carrying amount of the Group's available for sale investment that was pledged to secure the bank borrowings of the Group is summarised in Note 15.

12. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**25,323**	36,692
Work in progress	**6,307**	39,893
Finished goods	**18,029**	33,005
	49,659	109,590

The write-down and reversal of write-down of inventories to net realisable value of approximately HK$5,750,000 and HK$5,918,000, respectively, (2017: write-down and reversal of write-down of approximately HK$5,906,000 and HK$7,392,000, respectively) for the year is included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income. The movements in the write-down of inventories to net realisable value are as follows:

	2018	2017
	HK$'000	*HK$'000*
At beginning of the year	**5,892**	7,493
Write-down of inventories to net realisable value	**5,750**	5,906
Reversal of write-down of inventories to net realisable value	**(5,918)**	(7,392)
Exchange realignment	**62**	(115)
At the end of the year	**5,786**	5,892

The reversal of write-down of inventories to net realisable value made during the year was mainly due to sales and utilisation of obsolete raw materials, and sample products sold higher than the previously written-down value on an exhibition held by the subsidiaries of the Group during the year ended 31 March 2018.

13. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**84,083**	191,324
Less: Allowance for doubtful debts	**(16,149)**	(15,199)
	67,934	176,125

The Group's trading terms with its customers are mainly on credit, except for new customers. Before accepting any new customer, the Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limits by customer. The credit period is generally for a period of 60 to 120 days for major customers. Each customer has a credit limit. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**11,613**	43,508
1 to 2 months	**11,435**	32,742
2 to 3 months	**27,657**	45,505
Over 3 months	**17,229**	54,370
	67,934	176,125

Trade receivables of approximately HK$16,149,000 (As at 31 March 2017: approximately HK$15,199,000) were individually determined to be impaired as at 31 March 2018. The individually impaired trade receivables relate to customers that were in unexpected financial difficulties and it is assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances. The movements in the allowance for doubtful debts are as follows:

	2018	2017
	HK$'000	*HK$'000*
At beginning of the year	**15,199**	15,173
Allowance for doubtful debts	**782**	–
Exchange realignment	**168**	26
At the end of the year	**16,149**	15,199

The ageing analysis of trade receivables at the end of the reporting period that are not individually nor collectively considered to be impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**57,399**	124,818
Past due but not impaired		
Less than 61 days past due	**10,445**	47,837
61 days to 120 days past due	**3**	2,780
Over 120 days past due	**87**	690
	67,934	176,125

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As at 31 March 2018, included in the Group's trade receivables are an amount due from the Group's joint venture of approximately HK$152,000 (as at 31 March 2017: approximately HK$243,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

The net carrying amounts of the Group trade receivables that were pledged to secure the banking facilities and the bank borrowings is summarised in Note 15.

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**5,236**	81,258
Other payables:		
Commission fee payables	**4,935**	2,326
Salaries and bonus payables	**3,449**	12,727
Accrued auditor's remuneration	**1,913**	1,204
Others	**12,501**	62,789
	28,034	160,304

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**3,624**	31,853
1 to 2 months	**112**	19,920
2 to 3 months	**53**	8,496
Over 3 months	**1,447**	20,989
	5,236	81,258

The trade payables are non-interest-bearing and the credit period of purchases ranges from 30 to 180 days. Other payables are non-interest-bearing and have an average term of 1 to 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018		2017	
	Effective contractual interest rate	**Amount**	Effective contractual interest rate	Amount
	(%)	***HK$'000***	*(%)*	*HK$'000*
Current:				
Bank loans — secured	**1.50–4.94**	**–**	1.56–3.28	132,438
Other borrowings	**6.00–12.00**	**–**	6.00	100,000
Maturity profile:				
On demand		**–**		232,438

All the borrowings as at 31 March 2017 were repaid in full during the year 2018. As at 31 March 2018, the Group had no borrowings.

(a) The Group's bank borrowings as at the end of the reporting period are secured by:

	Note	**As at 31 March 2018** *HK$'000*	As at 31 March 2017 *HK$'000*
Current assets			
Restricted cash	*13*	**–**	55,495
Trade receivables	*13*	**–**	69,162
Total current assets pledged as security for borrowing		**–**	124,657
Non-current assets			
Buildings		**2,253**	17,350
Leasehold land		**9,559**	9,886
Prepaid land lease payments		**–**	2,806
Available-for-sale investment		**15,674**	15,015
Total non-current assets pledged as security for borrowing		**27,486**	45,057
Total assets pledged as security for borrowing		**27,486**	169,714

The Group's bank borrowings as at the end of the reporting period are secured by corporate guarantees provided by certain subsidiaries of the Company (31 March 2017: by the Company and certain subsidiaries at the Company).

Above pledges as at 31 March 2018 were released in May 2018.

(b) The Group's other borrowings as at the end of the reporting period are secured by:

	Note	**As at 31 March 2018** *HK$'000*	As at 31 March 2017 *HK$'000*
Current assets			
Trade receivables	*13*	**–**	142,311

(c) The bank and other borrowings and overdraft were denominated in the following currencies:

	2018 *HKD'000*	2017 *HKD'000*
HK$	**–**	145,769
US$	**–**	86,669
	–	232,438

16. DISPOSAL OF A SUBSIDIARY AND CERTAIN LEASEHOLD IMPROVEMENTS

On 15 August 2017, the Group entered into a sale and purchase agreement with a third party, to sell 100% equity interest in Guangzhou Dihe Jewellery Limited ("Dihe"), at a cash consideration of HK$35 million. The transaction was consummated on 29 August 2017. The Group recognised a gain of this transaction in the consolidated statement of profit or loss and other comprehensive income, representing the excess of consideration over the book value of Dihe's net assets.

Financial information relating to the subsidiary for the period to the date of disposal is set out below:

	28 August 2017 *HK$'000*
Consideration received:	
Cash	35,000
Total disposal consideration	35,000
Carrying amount of net assets sold	(22,008)
Gain on disposal before income tax and reclassification of foreign currency translation reserve	12,992
Reclassification of foreign currency translation reserve	(1,020)
Income tax expense on gain	(492)
Gain on disposal after income tax	11,480

The carrying amounts of assets and liabilities as at the date of disposal were:

	HK$'000
Property, plant and equipment	19,677
Prepaid lease-land payments	2,819
Deposits, prepayment and other receivables	607
Bank balances and cash	1,161
Total assets	24,264
Other payables	(2,256)
Total liabilities	(2,256)
Net assets	22,008

Proceeds from disposal of a subsidiary

Cash consideration	35,000
Less: cash balance on subsidiary disposed	(1,161)
Net proceeds from disposal of a subsidiary	33,839

In addition, as part of the disposal of the subsidiary, the Group also disposed of certain leasehold improvements attached to this building. Such leasehold improvement was owned by another subsidiary of the Group with net book value of approximately HK$5,643,000. No consideration was paid by the third party for these assets.

17. SHARE CAPITAL, SHARE PREMIUM AND WARRANT RESERVE

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2017: 2,000,000,000) ordinary shares of HK$0.005 each (2017: HK$0.005 each)	**10,000**	10,000
Issued and fully paid:		
172,600,000 (2017: 160,000,000) ordinary shares of HK$0.005 each (2017: HK$0.005 each)	**863**	800

On 16 May 2017, 12,600,000 ordinary shares of HK$0.005 each were allotted and issued at a price of HK$5.06 per share under the placing agreement for the net proceeds, after deducting the placing fee, stamp duty and other related expenses payable by the Company, of approximately HK$62,476,000.

A summary of movements in the Company's issued share capital, share premium and warrant reserve as follows:

	Note	**Number of shares in issue**	**Share capital** ***HK$'000***	**Share premium** ***HK$'000***	**Warrant reserve** ***HK$'000***	**Total** ***HK$'000***
Authorised:						
As at 31 March 2017 and 31 March 2018		**2,000,000,000**	**10,000**	**–**	**–**	**10,000**
Issued and fully paid:						
As at 31 March 2017		**160,000,000**	**800**	**60,374**	**–**	**61,174**
The placement of shares		**12,600,000**	**63**	**62,413**	**–**	**62,476**
Issue of unlisted warrants	*(a)*	**–**	**–**	**–**	**2,470**	**2,470**
As at 31 March 2018		**172,600,000**	**863**	**122,787**	**2,470**	**126,120**

Note:

(a) Pursuant to the Placing Agreement, the Company agreed to issue 12,600,000 unlisted warrants (the "Warrants") at an issue price of HK$0.20 per Warrant. Each Warrant entitled the Placees to subscribe for one ordinary share of HK$0.005 each at an initial subscription price of HK$7.00 per share (the "Warrant Shares").

The holders of warrants can subscribe for same number of ordinary shares at any time within two years commencing from the date of the issue of warrants. The number of shares and the subscription price of the shares to be issued does not vary with changes in their fair value. Warrants are recognised initially at proceeds as a whole in equity. The transaction cost that is directly attributed to the issue of the warrants is recognised net of proceeds in equity.

18. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its premises and office equipment under operating lease arrangements. The leases are negotiated for terms ranging from one to five years with fixed monthly rentals.

At 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**2,277**	4,004
In the second to fifth years, inclusive	**5,361**	1,856
	7,638	5,860

19. COMMITMENTS

At 31 March 2018, apart from to the operating lease commitments detailed in Note 18, the Group had no capital commitments as at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Construction in progress	**–**	2,587

20. EVENT AFTER THE REPORTING PERIOD

No subsequent event occurred before the report issued.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Being an integrated fine jewellery provider and an original design manufacturer with a well-established operating history in Hong Kong, the Group is primarily engaged in designing, manufacturing and exporting fine jewelleries to jewellery wholesalers and retailers mainly in the Americas, Russia, other European countries and increasingly so in recent years in the People's Republic of China ("PRC") and the Middle East. The Group has been offering a wide range of fine jewellery products in karat gold encompassing rings, earrings, pendants, necklaces, bracelets, bangles, cufflinks, brooches and anklets that are generally targeted at the mass to middle segment, the lowest among the three tiers of the fine jewellery market segments in terms of retail prices. The Group's customers are mainly wholesalers and retailers of jewellery products.

During the financial year of 2017/2018 under review, global economic growth finally appears to be coming back on track. However, with the baseline outlook strengthening, a full recovery was still a work in process. Market volatility brought about by the Brexit and the new Trump Administration in the U.S., escalating tensions in North Korea as well as a trade disputes between the PRC and the U.S. all weighted on the risk sentiment. Against this backdrop, practitioners in the jewellery trade continued to experience a challenging operating environment. Times was not easy for consumers as well, as reflected in the depressing effect of eroding confidence and purchasing power on overall slow wage growth.

Consumption habits among the Americans also changed when it comes to luxury, with fine jewelleries losing their share of spending. In this connection, revenue arising from sales to the Americas market lowered to approximately HK$159.5 million for the year ended 31 March 2018, representing a drop of approximately 47.1%.

As the world's second largest economy and the Group's third largest market, the PRC maintained a stable economic growth as the Beijing government sought to rein in property and debt risks. For the year ended 31 March 2018, revenue generated from sales to the PRC market stood at approximately HK$103.1 million, up 10.3% from the same period last year. In spite of the positive performance, the market has been undergoing major changes in terms of consumer expectations. New, more modern Chinese consumers have exhibited strong aspiration for exclusivity and individuality, which would put traditional fine jewellery under increasing pressure going forward.

In Russia, the jewellery industry confronted the challenges of a weak economy, with overall retail sales figures trending downward. Even though the Russian economy grew faster than expected during the financial year of 2017/2018 on the back of a rebound in oil and commodity prices, the present trend troubling the industry is not likely to get reversed unless the economic situation improves significantly as a whole and middle class incomes rise. Having said that, thanks to the efforts of our sales and marketing teams, revenue generated from sales to the Russian market recorded an increase of 77.4% to approximately HK$105.3 million from a year ago upon securing a number of one-off orders from customers.

In the face of the ever-changing market landscape, the Group spared no effort to apply stringent controls over capital expenditures. During the financial year of 2017/2018, the Group's administrative expenses were successfully reduced by 13.2% to approximately HK$61.6 million compared to the prior financial year, while selling expenses also decreased by 25.3% to approximately HK$31.8 million from a year ago.

Building presence in ancillary business line

The Group has set its foot into trading of watches, silver jewelleries and non-precious metal jewelleries since 2014 to better cater for needs of different customers. These ancillary products come with significantly lower average selling prices and lower gross profit margin. Sales generated from these non-fine gold jewelleries products amounted to approximately 1.8% of the Group's total sales for the year ended 31 March 2018, compared with 3.0% a year ago.

During the year, the Group has engaged in processing services using the excess production capacities in order to enhance management resources and cost efficiency. Subcontracting income generated from such processing services amounted to approximately HK$9.2 million, representing approximately 2.1% of total sales for the year ended 31 March 2018, compared with nil a year ago.

Both sales from trading and the subcontracting income did not have a material impact on the Group's overall gross profit margin during the year. However, the overall average wholesale price of the Group's products decreased since the commencement of such businesses.

Prospects

Looking ahead, the global economy is picking up its speed with upswing in economic activity strengthening. Nonetheless, continued political and economic uncertainties remain on a number of fronts. Trade tensions between the U.S. and the PRC, as well as potential military conflicts in North Korea and the Middle East could derail the global economic recovery. The Group expects that the global economy will continue to make stages of adjustments and is cautiously prudent about the outlook in the months to come.

In Russia, even though the country's economic prospects have improved, retail consumption is still adjusting to lower disposable real incomes. Russians are spending less. The Russian jewellery market can only revive slowly in 2018 only if the economic situation of the country as a whole normalises.

The U.S. economy has expanded at a moderate pace amid uncertainty around President Trump's policies, while capital controls and continuous anti-corruption drives might cast a shadow over the PRC's steady growth of its economy.

Additionally, shifts in the demographics and mindset of millennials' attitude and purchase motivations have brought forth profound changes to the jewellery market. Their shifting preferences, loose brand loyalties and urge for self-expression have made the industry more competitive than ever before.

The management of the Group will improve operating efficiency by streamlining business operations and optimising internal resources in order to meet the challenge of market adversity should they arise when advancing ahead.

FINANCIAL REVIEW

	For the year ended 31 March 2018	2017
Revenue *(HK$'000)*	**433,666**	547,623
Gross profit *(HK$'000)*	**78,625**	106,799
Gross profit margin *(%)*	**18.1**	19.5
Loss attributable to the equity holders of the Company *(HK$'000)*	**(37,297)**	(9,154)

Revenue

The Group's revenue for the year ended 31 March 2018 was approximately HK$433.7 million, representing a decrease of approximately HK$114.0 million or 20.8% over the corresponding period in 2017. The decrease in the Group's revenue was primarily due to (i) a significant decrease in sales in Americas of approximately HK$141.8 million primarily due to a weaker-than-expected market condition under a turnaround in consumer interest in fine jewellery; (ii) a decrease in sales in Europe (other than Russia) of approximately HK$28.8 million mainly attributable to the sluggish European economy during the year under review; and (iii) a decrease in sales in the Middle East of approximately HK$2.8 million due to cessation of business in the market, which was partially offset by (iv) an increase in sales in Russia of approximately HK$45.9million boosted by the efforts made by the sales and marketing team and several standalone orders, and (v) an increase in sales in the PRC of approximately HK$9.6 million.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2018 was approximately HK$78.6 million, representing a decrease of approximately HK$28.2 million or 26.4% over the corresponding period in 2017. Gross profit margin decreased to approximately 18.1% from approximately 19.5%, which was mainly due to a larger proportion of sales of simple design with lower pricing to the Russian market.

Selling expenses

The Group's selling expenses decreased by approximately HK$10.8 million or 25.3%, to approximately HK$31.8 million for the year ended 31 March 2018 from approximately HK$42.6 million for the year ended 31 March 2017. The decrease was primarily attributable to (i) a decrease in staff costs of approximately HK$10.7 million due to the result of the business operation and resources allocation process; (ii) the Group's implementation of stringent cost control measures on advertising and promotion which declined by approximately HK$3.2 million; which was partially offset by (iii) an increase in sales commission of approximately HK$2.7 million as a reward for expanding new customer base and exploring new markets.

Administrative expenses

The Group's administrative expenses decreased by approximately HK$9.4 million or 13.2%, to approximately HK$61.6 million for the year ended 31 March 2018 from approximately HK$71.0 million for the year ended 31 March 2017. The decrease was primarily due to the combined effects of (i) the decrease in staff costs by approximately HK$10.5 million as a result of the Group's continuous implementation of rigorous cost control by further streamlining operations and rationalising overheads; (ii) decrease in depreciation and amortisation by approximately HK$2.5 million mainly attributable to the stringent controls over capital expenditures during the year ended 31 March 2018; (iii) the decline in office, utility and sundry expenses by approximately HK$1.5 million which were mainly attributed by strengthening cost controls in business operation; and it was partially offset by (iv) the increase in professional service fees of approximately HK$2.1 million for the year ended 31 March 2018.

Finance costs

The Group's finance costs increased by approximately HK$2.6 million or 41.6%, to approximately HK$8.7 million for the year ended 31 March 2018 from approximately HK$6.2 million for the year ended 31 March 2017. The increase was primarily a result of the increase in interest-bearing other borrowings at a higher borrowing rate during the year ended 31 March 2018.

Loss attributable to the equity holders of the Company

The Group recorded a loss attributable to the equity holders of the Company of approximately HK$37.3 million for the year ended 31 March 2018, compared to a loss of approximately HK$9.2 million for the corresponding period in 2017. The loss was mainly attributable to a decline in the Group's revenue by approximately 20.8% and gross profit by approximately 26.4% for the year ended 31 March 2018 as compared to the corresponding period in 2017. The decline in revenue was primarily attributable to a significant slowdown of sales in the Americas and Europe (other than Russia) markets, the decrease of which were approximately HK$141.8 million and HK$28.8 million, respectively, for the year ended 31 March 2018 as compared to the corresponding period in 2017, primarily attributable to global economic uncertainty and weaker-than-expected demand in the Americas and Europe (other than Russia) markets.

Property, plant and equipment

The net carrying amount as at 31 March 2018 was approximately HK$27.5 million, representing a decrease of approximately HK$144.4 million from that of 2017. This was mainly due to: (i) the Group's disposal of property, plant and equipment and a subsidiary in the PRC amounted to approximately HK$150.1 million; and offset by (ii) exchange realignment of approximately HK$6.8 million upon translation of RMB denominated assets into Hong Kong dollar.

Trade receivables

There was a decrease in trade receivables as at 31 March 2018 of approximately HK$108.2 million as compared with 31 March 2017, which was mainly due to the trade receivables that were neither past due or impaired, past due but not impaired less than 61 days past due, 61 to 120 days past due and over 120 days past due decreased by approximately HK$67.4 million, HK$37.4 million, HK$2.8 million and HK$0.6 million, respectively, as at 31 March 2018 as compared with 31 March 2017.

Interest-bearing bank and other borrowings

The Group had no interest-bearing bank borrowings as at 31 March 2018 (2017: approximately HK$132.4 million). The Group has repaid all the bank borrowings as at 31 March 2018.

The Group had no interest-bearing other borrowings as at 31 March 2018 (2017: approximately HK$100.0 million). The Group has repaid all other borrowings as at 31 March 2018.

No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Liquidity and financial resources

As at 31 March 2018, the Group had current assets of approximately HK$357.0 million (2017: approximately HK$519.2 million) which comprised cash and bank balances of approximately HK$230.5 million (2017: approximately HK$152.1 million). As at 31 March 2018, the Group had non-current liabilities of approximately HK$3.3 million (2017: approximately HK$4.4 million), and its current liabilities amounted to approximately HK$28.6 million (2017: approximately HK$394.3 million), consisting mainly of payables arising in the normal course of operation and bank borrowings for trade financing. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 12.5 at 31 March 2018 (2017: approximately 1.3).

Gearing ratio

The gearing ratio of the Group as at 31 March 2018 was not applicable as cash and bank balances exceeded interest-bearing bank and other borrowings and obligations under finance leases.

The gearing ratio of the Group, calculated as net debt (being interest-bearing bank and other borrowings and obligations under finance lease less cash and bank balances) divided by the total equity plus net debt, was approximately 21.1% as at 31 March 2017.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by buying credit insurance on certain customers' receivables, performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

BUSINESS STRATEGIES OF THE GROUP

With continued political, economic and market uncertainties, the existing business of the Group in manufacturing and sale of jewellery products has seen a decrease in both revenue and gross profit. In the light of the operations and financial position of the Group, the Group intends to explore other possible business opportunities both locally and abroad while staying on with its jewellery business.

The Group reckons that the food and beverage industry has proved more resistant to impacts of changes in the macroeconomic environment and offered good growth potential. Furthermore, the "One Belt, One Road" initiative as proposed by the Chinese government is expected to boost demand for an array of sectors in the region, which will also benefit the development of the food and beverage businesses at large. The Group therefore considers that possible business expansions to food and beverage industry can enable it to better utilise its resources, mitigate the risks involved in its existing business of manufacturing and sale of jewellery products, and maximise investment returns for its shareholders.

Moreover, the management team members of the Group have seasoned experience and involvement in the food and beverage industry with all of them holding senior positions in HNA Catering Holdings Co., Ltd. As such, the Group considers that it possesses essential know-how and expertise to enable its expansion into the food and beverage industry, which is expected to help drive revenue for the Group.

Concurrently, the Group remains committed to maintaining its status as a top fine jewellery manufacturer and exporter in Hong Kong by strengthening its sales and marketing force, solidifying its presence in existing markets and reinforcing market recognition of its brand name globally.

In the U.S., the Group continues to explore opportunities where the Group believes would benefit from the integrated services it offers, providing a wider range of styles and designs tailored for the market and adjusting its production resources and capacity to better cater for the product lead time, consumer preferences and festive shopping practices. In the PRC, the Group will draw strength on its established corporate brand name and proven design capabilities to increase resources in a bid to attract jewellery wholesalers or chain stores which focus on the said market. The Group will focus its sales and marketing resources on promoting its brand and products, participating in selected trade exhibitions in the PRC, and allocating sufficient design and product development resources to offer a wider range of designs that are favourable to the Chinese consumers.

The Group believes its abilities to create new product designs and develop innovative production techniques in response to market trends and customers' preferences contribute to the success of its products. The Group has been offering customers with a diverse range of products with appealing designs at affordable prices, made with assorted kinds of precious metals, diamonds and gem stones with various specifications in a bid to cater for a broad bandwidth of market demand. The Group is also positive with the food and beverage industry vibe. Backed by the "One Belt, One Road" initiative, the Group is devoted to expanding into the new market that will provide the Group with strong momentum for future growth.

Foreign exchange exposure

For the year ended 31 March 2018, the Group had monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade receivables, other receivables, available-for-sale investment, cash and bank balances and trade and other payables and interest-bearing bank and other borrowings. Consequently the Group had foreign exchange risk exposure from translation of amount denominated in foreign currencies as at 31 March 2018. Since HK$ is pegged to US$, the Group does not expect any significant movements in HK$/US$ exchange rate. The Group is exposed to foreign exchange risk primarily with respect to RMB. If HK$ as at 31 March 2018 had strengthened/weakened by 5% against RMB with all other variables held constant, the loss for the year attributable to the equity holders of the Company would have been decreased/increased by approximately HK$32,000 for the year ended 31 March 2018 (2017: loss for the year attributable to the equity holders of the Company would have increased/decreased by approximately HK$2.0 million).

The Group does not engage in any derivatives activities and does not commit to any financial instruments to hedge its exposure to foreign currency risk.

Capital structure

On 5 May 2017, the Company entered into the placing agreement (the "Placing Agreement") with First Shanghai Securities Limited (the "Placing Agent"), pursuant to which (i) the Placing Agent agreed to procure not less than six placees (the "Placees") to subscribe 12,600,000 new shares of the Company (the "Placing Shares") at the placing price of HK$5.06 per share; and (ii) the Company agreed to issue, and the Placing Agent agreed to procure each Placee who subscribed for any Placing Shares to subscribe such number of warrants as equal to such number of Placing Shares. On 16 May 2017, the Company completed placing of the Placing Shares. The Placing Shares were allotted and issued to not less than six placees at the price of HK$5.06 per share, representing approximately 7.30% of the issued shares of the Company. Please refer to the announcements of the Company dated 7 May 2017, 16 May 2017 and 10 August 2017, and the circular of the Company dated 26 July 2017 for further details.

The net proceeds from the placing, after deducting the placing fee, stamp duty and other related expenses payable by the Company, is approximately HK$62,475,000, which is intended to be used by the Company as general working capital of the Group. As at 31 March 2018, no proceeds have been utilised and the net proceeds remain available for the intended use.

Unlisted warrants

Pursuant to the Placing Agreement, the Company agreed to issue 12,600,000 unlisted warrants (the "Warrants") at an issue price of HK$0.20 per Warrant. Each Warrant entitled the Placees to subscribe for one ordinary share of HK$0.005 each at an initial subscription price of HK$7.00 per share (the "Warrant Shares") at any time within two years commencing from the date of issue of Warrants. For further information, please refer to the circular of the Company dated 26 July 2017.

Following obtaining the Shareholders' approval of the issue of the Warrants and the Warrant Shares at the extraordinary general meeting held on 10 August 2017, completion of the issue of the Warrants took place on 15 August 2017. Warrants of an aggregate amount of approximately HK$2.5 million have been issued to the Placees at the Issue Price of HK$0.20 per Warrant. The Warrants entitle the Placee to subscribe for the Warrant Shares at the initial subscription price of HK$7.00 each for a period of two years commencing from the date of issue of the Warrants.

Save as disclosed above, there has been no change in the capital structure of the Company during the year ended 31 March 2018. As at 31 March 2018, the capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 31 March 2018, capital commitments of the Group amounted to approximately nil (2017: approximately HK$2.6 million).

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2018.

No dividend has been paid or declared by the Company during the year ended 31 March 2018.

Information on employees

As at 31 March 2018, the Group had 81 employees (2017: 534), including the executive Directors. Total staff costs (including the Directors' emoluments) were approximately HK$91.3 million, as compared with approximately HK$117.0 million for the year ended 31 March 2017. Remuneration is determined with reference to market conditions and individual employees' performance, qualification and experience.

Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the Group's performance as well as assessment of individual performance. Since the adoption of the share option scheme on 10 February 2015 and up to 31 March 2018, no options have been granted by the Company.

The Directors believe that the salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Share option scheme

The Company has adopted the share option scheme on 10 February 2015 (the "Scheme") under which certain selected classes of participants (including, among others, Directors and full-time employees) may be granted options to subscribe for the shares. Unless otherwise cancelled or amended, the scheme will remain in force for 10 years from that date. No share option had ever been granted under the Scheme since its adoption, up to 31 March 2018.

Significant investments held

The Group did not hold any significant investment in equity interest in any other company.

Future plans for material investments and capital assets

The Group did not have other plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the year ended 31 March 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges of assets

As at 31 March 2018, the Group's bank borrowings are secured by its assets as below:

(i) mortgages over the Group's leasehold land, which had a net carrying amount of approximately HK$9.6 million and approximately HK$9.9 million, respectively, as at 31 March 2018 and 31 March 2017;

(ii) mortgages over the Group's buildings, which had a net carrying amount of approximately HK$2.3 million and approximately HK$17.4 million, respectively, as at 31 March 2018 and 31 March 2017;

(iii) mortgages over the Group's prepaid land lease payments, which had a net carrying amount of nil and approximately HK$2.8 million, respectively, as at 31 March 2018 and 31 March 2017;

(iv) a pledge of the Group's bank deposits of nil and approximately HK$55.5 million, respectively, as at 31 March 2018 and 31 March 2017;

(v) the pledge of the Group's available-for-sale investment amounting to approximately HK$15.7 million as at 31 March 2018 (at 31 March 2017: approximately HK$15.0 million);

(vi) the pledge of the Group's trade receivables of nil as at 31 March 2018 (at 31 March 2017: approximately HK$69.2 million); and

(vii) corporate guarantees provided by certain subsidiaries of the Company (2017: by the Company and certain subsidiaries of the Company).

As at 31 March 2018, the Group's other borrowings secured by the pledge of the Group's trade receivables was nil as at 31 March 2018 (2017: approximately HK$142.3 million).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2018 (2017: nil).

Restoration of public float of the Company

As disclosed in the announcement dated 17 February 2017 jointly issued by the Company and HNA Aviation Investment Holding Company Ltd., the number of Shares held by the public fell below the minimum public float requirement of 25% as set out under Rule 8.08(1)(a) of the Listing Rules.

Immediately after completion of the Placing and as at 16 May 2017, 43,227,506 Shares, representing approximately 25.04% of the entire issued Shares of the Company, will be held by the public (within the meaning of the Listing Rules). As such, the minimum public float requirement of 25% as set out under Rule 8.08(1)(a) of the Listing Rules has been fulfilled.

Change of company names and stock short names

On 19 October 2017, a special resolution in relation to the Change of Company Name was proposed and duly passed at the extraordinary general meeting of the Company to approve the change of the English name of the Company from "KTL International Holdings Group Limited" to "Hifood Group Holdings Co., Limited" and the adoption of "海福德集團控股有限公司" as the dual foreign name in Chinese of the Company. The stock short names of the Company for trading in the Shares on the Stock Exchange has been changed from "KTL INT'L" to "HIFOOD GROUP" in English and "海福德集團" in Chinese since 23 November 2017. The Company ceased to use its logo with effect from 20 November 2017. Please refer to the announcements of the Company dated 20 November 2017, 25 September 2017 and the circular dated 27 September 2017 relating to the change of company names and stock short names.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on 31 July 2018, the register of members will be closed from 26 July 2018 to 31 July 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 25 July 2018.

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the year ended 31 March 2018, the Company had complied with all provisions of the Code Provisions.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all the Directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors from the listing date and up to 31 March 2018.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Chan Chi Kuen (Chairman of the Audit Committee), Mr. Ting Tit Cheung and Mr. Lo Chun Pong. The Company's annual results for the year ended 31 March 2018 have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements have been complied with by the Company and that adequate disclosures have been made.

The Audit Committee has met the external auditors of the Company, PricewaterhouseCoopers, and reviewed the Group's results for the year ended 31 March 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Company's independent auditors, PricewaterhouseCoopers to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming annual general meeting, will be despatched to the shareholders of the Company in due course.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

The results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.ktl.com.hk. The annual report of the Company for the year ended 31 March 2018 containing all information required by the Listing Rules will be dispatched to shareholders and published on above websites in due course.

By order of the Board
Hifood Group Holdings Co., Limited
Nang Qi
Chairman

Hong Kong, 12 June 2018

As at the date of this announcement, the executive Directors are Mr. Nang Qi, Mr. Chen Peiliang, and Mr. Xue Qiang; and the independent non-executive Directors are Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong.