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 2019

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$219.3 million for the year ended 31 March 2019, representing a decrease of approximately 49.4% as compared with the same for the year ended 31 March 2018.
- Gross profit was approximately HK$27.4 million for the year ended 31 March 2019, representing a decrease of approximately 65.1% as compared with the same for the year ended 31 March 2018.
- Gross profit margin decreased to 12.5% from 18.1% in the last financial year.
- Loss attributable to the equity holders of the Company was approximately HK$17.1 million for the year ended 31 March 2019, compared to the loss attributable to the equity holders of the Company of approximately HK$37.3 million for the year ended 31 March 2018.
- Basic loss per share amounted to approximately HK$0.10 for the year ended 31 March 2019, compared to the basic loss per share of approximately HK$0.22 for the year ended 31 March 2018.
- The Board does not recommend the payment of final dividend for the year ended 31 March 2019.

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 2019 together with the corresponding figures for the prior year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	*4*	**219,286**	433,666
Cost of sales	*7*	**(191,839)**	(355,041)
Gross profit		**27,447**	78,625
Other income	*4*	**599**	2,660
Selling expenses	*7*	**(21,362)**	(31,826)
Administrative expenses	*7*	**(49,818)**	(61,610)
Other gains/(losses), net	*5*	**28,752**	(12,578)
		(14,382)	(24,729)
Finance costs	*6*	**(1,034)**	(8,714)
Share of loss of a joint venture		**(27)**	(140)
LOSS BEFORE TAX		**(15,443)**	(33,583)
Income tax expense	*8*	**(1,693)**	(3,714)
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(17,136)**	(37,297)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
— Basic and diluted	*10*	**HK$(0.10)**	HK$(0.22)
OTHER COMPREHENSIVE (LOSS)/INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS, NET OF TAX			
Change in fair value of an available-for-sale investment		**–**	491
Exchange differences on translation of foreign operations		**(4,129)**	18,352
Realisation of exchange fluctuation reserve upon disposal/deregistration of a subsidiary		**–**	1,020
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(4,129)**	19,863
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(21,265)**	(17,434)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

		As at 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,372**	27,460
Investment in a joint venture		**113**	140
Other non-current assets		**–**	454
Available-for-sale investment		**–**	15,674
Financial asset at fair value through profit or loss	*11*	**16,189**	–
Total non-current assets		**20,674**	43,728
CURRENT ASSETS			
Inventories	*12*	**31,088**	49,659
Trade receivables	*13*	**51,569**	67,934
Prepayments, deposits and other receivables		**3,730**	7,741
Tax recoverable		**–**	1,158
Cash and bank balances		**270,808**	230,489
Total current assets		**357,195**	356,981
Total assets		**377,869**	400,709
CURRENT LIABILITIES			
Trade and other payables	*14*	**28,515**	28,034
Contract liabilities	*4*	**1,598**	–
Obligations under finance leases		**–**	560
Tax payable		**245**	–
Total current liabilities		**30,358**	28,594
NON-CURRENT LIABILITIES			
Obligations under finance leases		**–**	1,417
Deferred tax liabilities		**–**	1,922
Total non-current liabilities		**–**	3,339
Total liabilities		**30,358**	31,933
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*15*	**863**	863
Reserves		**346,648**	367,913
Total equity		**347,511**	368,776
Total equity and liabilities		**377,869**	400,709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 March 2019

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 ended 31 March 2019, 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 immediate holding company of the Company is HNA Aviation Investment Holding Company Ltd., which was incorporated in the Cayman Islands. The ultimate controlling company is HNA Group Co., Ltd., which was incorporated in Hainan Province, the People's Republic of China ("PRC").

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").

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with last year except for the changes listed in Note 2.2.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost basis, except for financial asset at fair value through profit or loss and available-for-sale investment measured at fair value.

2.2 Changes in accounting policies and disclosures

(a) New standards and interpretations already adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

		Effective for annual periods beginning on or after
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Insurance contracts	1 January 2018
HKFRS 9	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 40 (Amendments)	Transfers of investment property	1 January 2018
Annual Improvements 2014–2016 Cycle		1 January 2018

Except for the HKFRS 9 and HKFRS 15, the impacts of which are described below, the other newly adopted standards or amendments listed above did not have significant impact on the Group's consolidated financial statements.

Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15 with a date of transition of 1 April 2018. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments — Disclosures". HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS 11 "Construction Contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs.

(i) HKFRS 9 Financial Instruments — Impact of adoption

The Group's financial assets include cash and cash equivalents, restricted cash, trade and other receivables and available-for-sale investment as at 31 March 2018. The Group used modified retrospective approach while adopting HKFRS 9 without restating any comparative information. The reclassification and adjustments arising from the new standard are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. Available-for-sale investment of approximately HK$15,674,000 was reclassified to financial assets at fair value through profit or loss ("FVPL") as at 1 April 2018. They do not meet the criteria to be classified as amortised cost in accordance with HKFRS 9, because their cash flows do not represent solely payment principal and interest. Accumulated fair value loss of approximately HK$2,539,000 was transferred from available-for-sale investment reserve to retained earnings on 1 April 2018.

The Group's financial assets are subject to HKFRS 9's new expected credit loss model.

Impairment on trade receivables for sales of products is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The Group has revised its impairment methodology under HKFRS 9.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group referred to the experience of historical credit losses, integrated with the current situation and the forecast of the future economic situation, and prepared the model which refers to the days past due and the expected credit loss rate during lifetime, in order to assess the expected credit loss. Based on management assessment, the impact of the change in impairment methodology for the current and prior year is insignificant.

While cash and cash equivalents and other receivables at amortised cost are also subject to the impairment requirements of HKFRS 9, no significant impairment loss was identified.

(ii) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group used modified retrospective approach while adopting HKFRS 15 without restating any comparative information. The reclassification and adjustments arising from the new standard are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. The prepayments received from customers of approximately HK$5,472,000 as at 31 March 2018 was reclassified from other payable to contract liabilities as at 1 April 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods to the customer. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract;

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group's revenue is mainly from sales of goods. The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to customers at a point in time.

The impact of the initial adoption of HKFRS 15 on the Group's revenue recognition for the current and prior year is insignificant, except for the reclassification of prepayments received from customers to contract liabilities.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
Annual Improvements 2015-2017 Cycle		1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. Based on management's preliminary assessment, management does not expect the adoption should have material impact to the Group.

HKFRS 16, Leases

Nature of change

HKFRS 16 was issued in January 2016 and will be mandatory for financial year commencing on or after 1 January 2019. It will result in almost all leases being recognised on the lessee's balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16.

As at 31 March 2019, The Group's future aggregate minimum lease payments under non-cancellable operating leases is approximately HK$241,000, which is less than one year. Management does not expect the initial adoption of HKFRS 16 should have material impact to the Group.

3. SEGMENT INFORMATION

(a) Operating segment

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.

(b) Geographical segment

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

(i) Revenue from external customers

	2019 ***HK$'000***	2018 *HK$'000*
Mainland China	**80,777**	103,113
Russia	**60,003**	105,250
Asia (other than Mainland China)	**46,998**	26,836
Europe (other than Russia)	**17,662**	35,679
Americas	**13,824**	159,540
Other countries	**22**	3,248
	219,286	433,666

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

(ii) Non-current assets excluding FVPL and available-for-sale investment

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**3,239**	23,030
Mainland China	**1,246**	5,024
	4,485	28,054

The Company is domiciled in the Cayman Islands while the Group operates its business in Hong Kong and Mainland China. During the year ended 31 March 2019, no revenue was generated from any customer in the Cayman Islands and no assets were located in the Cayman Islands.

(c) 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:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**55,914**	81,412
Customer B	**51,933**	72,461
Customer C	**36,833**	*
Customer D	**33,986**	*
Customer E	*****	79,471
Total	**178,666**	233,344

* Less than 10% of revenue

4. REVENUE AND OTHER INCOME

Revenue represents the net amounts received and receivable arising from sales of jewellery products, sales of precious metals and other raw jewellery materials and provision of service during the year.

	2019	2018
	HK$'000	*HK$'000*
Revenue recognised at a point in time		
— Sales of jewellery products*	**184,232**	424,452
— Sales of precious metals and other raw jewellery materials	**34,665**	–
Revenue recognised over time		
— Service revenue	**389**	9,214
	219,286	433,666

* Among the sales of jewellery products, approximately HK$522,000 (2018: HK$615,000) are sold to a related party.

The Group has recognised the following liabilities related to contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
Contract liabilities	**1,598**	–*

* The prepayments received from customers of approximately HK$5,472,000 as at 31 March 2018 was reclassified from other payable to contract liabilities as at 1 April 2018.

(i) Significant changes in contract liabilities

Contract liabilities for sales of jewellery products have decreased by HK$3,974,000, mainly due to the downsize of operation.

(ii) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2019
	HK$'000
Revenue recognised that was included in the contract liabilities at the beginning of the year:	
Sales of jewellery products	**3,974**

An analysis of other income is as follows:

	2019	2018
	HK$'000	*HK$'000*
Government grants*	**166**	534
Interest income from bank deposits	**96**	1,236
Others	**337**	890
	599	2,660

* 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 GAINS/(LOSSES), NET

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

	2019 *HK$'000*	2018 *HK$'000*
Gains on disposal of properties in Hong Kong, net*	**33,120**	–
Losses on disposal of property, plant and equipment, net	**(3,395)**	(1,063)
Foreign exchange differences, net	**989**	(2,492)
Fair value gains on financial assets at fair value through profit or loss	**515**	–
Gains on disposal of a subsidiary	**259**	12,992
Realisation of exchange fluctuation reserve upon disposal or deregistration of a subsidiary	**–**	(1,020)
Impairment loss on property, plant and equipment	**(2,716)**	–
Employment termination expense	**(473)**	(19,508)
Losses on disposal of raw materials, net	**–**	(1,487)
Others	**453**	–
	28,752	(12,578)

* In November 2018, the Group entered into a sale and purchase agreement with an independent third party to dispose properties in the Hong Kong. The property comprised of industrial buildings, leasehold lands and ancillary facilities. The consideration in relation to the disposal was approximately HK$48,000,000, and the Group recognised disposal gains of approximately HK$33,120,000 included in "Gains/(losses) on disposal of property, plant and equipment, net", as described below:

	2019 *HK$'000*
Consideration	**48,000**
Buildings and leasehold lands	**(11,508)**
Leasehold improvement	**(2,660)**
Related expenses	**(712)**
Gains on disposal of properties in Hong Kong, net	**33,120**

6. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Interest on factoring of trade receivables	**821**	1,051
Interest on finance leases	**213**	257
Interest on other borrowings	**–**	7,045
Interest on bank borrowings	**–**	361
	1,034	8,714

7. TOTAL COST OF SALES, SELLING EXPENSES AND ADMINISTRATION EXPENSES BY NATURE

	2019 *HK$'000*	2018 *HK$'000*
Employee benefits (including directors' remuneration)	**27,330**	71,824
Salaries and other benefits	**25,575**	64,170
Pension scheme contributions	**1,755**	7,654
Cost of inventories sold	**174,735**	299,750
Subcontracting charges	**10,065**	11,249
Professional service fees	**9,241**	10,909
Commission fees	**7,656**	6,851
Depreciation	**5,791**	8,191
Advertising and promotion fees	**3,084**	2,407
Minimum lease payments under operating leases	**3,052**	2,051
Auditors' remuneration	**1,943**	2,189
Auditors of the Company	**1,743**	1,719
Other Auditors	**200**	470
Allowance for doubtful debts, net	**–**	782
Amortisation of prepaid land lease payments	**–**	221
Write-back of inventories to net realisable value	**(3,198)**	(168)
Other operating expenses	**23,320**	32,221
Total cost of sales, selling expenses and administration expenses	**263,019**	448,477

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.

	2019 *HK$'000*	2018 *HK$'000*
Current — Hong Kong		
Charge for the year	**–**	491
Under/(over) provision in prior year	**7**	(35)
Current — Mainland China		
Charge for the year	**1,736**	1,135
Withholding	**1,872**	437
Deferred	**(1,922)**	1,686
Total tax charge for the year	**1,693**	3,714

(i) Cayman Island and British Virgin Islands corporate income tax

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

The Company's subsidiaries incorporated in British Virgin Islands ("BVI") are not subject to any taxation in the BVI.

(ii) Hong Kong profits tax

The Company's subsidiaries established in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% (2018: 16.5%).

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended 31 March 2019 and 2018.

(iv) 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. Deferred tax liability recognised for withholding taxes on the unremitted earnings of the Group's subsidiaries established in Mainland China amounted to approximately HK$1,872,000 as at 31 March 2018 has been paid during the year ended 31 March 2019. As at 31 March 2019, 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$4,391,000 (2018: approximately HK$2,149,000).

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:

	2019 ***HK$'000***	2018 *HK$'000*
Loss before tax	**(15,443)**	(33,583)
Tax at the statutory tax rate of 16.5%	**(2,548)**	(5,541)
Different tax rates for specific provinces or enacted by local authority	**2,680**	587
Income not subject to tax	**(5,804)**	(2,911)
Expenses not deductible for tax	**613**	178
Tax losses not recognised	**4,504**	7,784
Effect of tax impact of apportionment under a 50:50 basis	**3,573**	1,290
Utilisation of temporary differences previously not recognised	**–**	(397)
Utilisation of tax losses previously not recognised	**(2,251)**	–
Tax effect of temporary differences not recognised	**919**	88
PRC withholding tax for dividend	**–**	2,309
Tax effect of income for a subsidiary disposed	**–**	492
Others	**7**	(165)
	1,693	3,714

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: 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$17,136,000 (2018: HK$37,297,000), and the weighted average number of ordinary shares of 172,600,000 (2018: 171,016,393) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

	2019	2018
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation *(HK$'000)*	**17,136**	37,297
Number of Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**172,600,000**	171,016,393
Loss per share	**HK$0.10**	HK$0.22

11. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019
	HK$'000
Life insurance policy, at fair value	**16,189**

Movements of FVPL are analysed as following:

	2019
	HK$'000
At the beginning of the year	**–**
Adjustment on adoption of HKFRS 9	**15,674**
Change in fair value	**515**
At the end of the year	**16,189**

Under the life insurance policy (the "Policy"), the beneficiary and policy holder is KTL Jewellery Trading Limited 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 ended 31 March 2019, the gains in respect of the change in fair value of the Group's FVPL recognised in other gains/(losses), net amounted to approximately HK$515,000.

The net carrying amount of the Group's available-for-sale investment as at 31 March 2018 (which was reclassified as FVPL as at 1 April 2018) was pledged to secure the bank borrowings of the Group and the pledge was released in May 2018.

12. INVENTORIES

	2019 *HK$'000*	2018 *HK$'000*
Raw materials	**27,886**	25,323
Finished goods	**3,143**	18,029
Work in progress	**59**	6,307
	31,088	49,659

The reversal of write-down of inventories to net realisable value of approximately HK$3,198,000 (2018: HK$168,000) for the year ended 31 March 2019 is included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

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 during the year ended 31 March 2019.

13. TRADE RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables	**67,718**	84,083
Less: Allowance for doubtful debts	**(16,149)**	(16,149)
	51,569	67,934

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. 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:

	2019 *HK$'000*	2018 *HK$'000*
Within 1 month	**4,592**	11,613
1 to 2 months	**7,602**	11,435
2 to 3 months	**22,033**	27,657
Over 3 months	**17,342**	17,229
	51,569	67,934

As at 31 March 2018, individually significant receivables have been separately assessed for impairment. Allowance was set up against impaired receivables arising from credit default of several customers who are in financial difficulties.

Beginning from 1 April 2018, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The movements in the allowance for doubtful debts are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of the year	**16,149**	15,199
Allowance for doubtful debts	**–**	782
Exchange realignment	**–**	168
At the end of the year	**16,149**	16,149

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:

	2019	2018
	HK$'000	*HK$'000*
Neither past due nor impaired	**45,663**	57,399
Past due but not impaired		
Less than 61 days past due	**5,798**	10,445
61 days to 120 days past due	**25**	3
Over 120 days past due	**83**	87
	51,569	67,934

Trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default.

As at 31 March 2019, included in the Group's trade receivables are an amount due from the Group's joint venture of approximately HK$224,000 (as at 31 March 2018: HK$152,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

14. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**9,324**	5,236
Other payables:		
Salaries and bonus payables	**7,734**	3,449
Commission fee payables	**5,559**	4,935
Auditor's remuneration	**1,929**	1,913
Prepayments from customers	**–**	5,472
Others	**3,969**	7,029
	28,515	28,034

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**2,020**	3,624
1 to 2 months	**1,666**	112
2 to 3 months	**1,740**	53
Over 3 months	**3,898**	1,447
	9,324	5,236

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 time frame.

15. SHARE CAPITAL, SHARE PREMIUM AND WARRANT RESERVE

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2018: 2,000,000,000) ordinary shares at par value of HK$0.005 (2018: HK$0.005)	**10,000**	10,000
Issued and fully paid:		
172,600,000 (2018: 172,000,000) ordinary shares at par value of HK$0.005 (2018: HK$0.005)	**863**	863

On 16 May 2017, 12,600,000 ordinary shares at par value of HK$0.005 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 the Company's issued share capital, share premium and warrant reserve is as follows:

	Number of shares in issue	**Share capital**	**Share premium**	**Warrant reserve**	**Total**
		HK$'000	***HK$'000***	***HK$'000*** *(Note a)*	***HK$'000***
Authorised:					
As at 31 March 2018 and 31 March 2019	**2,000,000,000**	**10,000**	**–**	**–**	**10,000**
Issued and fully paid:					
As at 31 March 2018 and 31 March 2019	**172,600,000**	**863**	**122,787**	**2,470**	**126,120**

Notes:

(a) Pursuant to the Placing Agreement, the Company agreed to issue 12,600,000 unlisted warrants at an issue price of HK$0.20 per warrant at 14 August 2017. Each warrant entitled holder to subscribe for one ordinary share of HK$0.005 each at an initial subscription price of HK$7.00 per share.

The warrant holder 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 do not vary with changes in their fair value. The 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.

As at 31 March 2019, no warrant has been exercised.

16. 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 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**241**	2,277
In the second to fifth years, inclusive	**–**	5,361
	241	7,638

17. COMMITMENTS

At 31 March 2019, apart from to the operating lease commitments detailed in Note 16, the Group had no capital commitments as at the end of the reporting period.

18. EVENT AFTER THE REPORTING PERIOD

There were no material subsequent events during the period from 31 March 2019 to the approval date of these consolidated financial statements by the board of directors on 11 June 2019.

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, the People's Republic of China ("PRC"), Russia, other European countries 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 year ended 31 March 2019 under review, global economic growth appeared 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 escalated trade conflicts between the PRC and the U.S., Britain's planned exit for the E.U. as well as rising political and social tensions in different geographies all weighted on the risk sentiment and marked the arrival of an unstable era for the world order. Against this backdrop, practitioners in the jewellery trade continued to experience a challenging operating environment. Time was not easy for consumers as well, as reflected in the depressing effect of eroding confidence and purchasing power in the light of overall slow wage growth.

As the world's second largest economy and the Group's largest market, the PRC maintained a stable yet slower economic growth even though the trade war between the country and the U.S. was dampening the business sentiment. More measures were expected to be introduced to rein in property and debt risks. These inevitably sapped consumer confidence and spending to a considerable extent. For the year ended 31 March 2019, revenue generated from sales to the PRC market stood at approximately HK$80.8 million, down 21.7% from the same last year. Coupled with the negative performance was the significant changes in consumer expectations that prevailed in the market. The strong aspiration for exclusivity and individuality among new, more modern Chinese consumers continued to put traditional fine jewellery under much pressure.

In Russia, the jewellery industry confronted the challenges of a weak economy, with overall retail sales figures trending downward. Notwithstanding the Russian economy was on a path of modest growth during the year ended 31 March 2019 buoyed by stronger oil and commodity prices, the present trend troubling the traditional fine jewellery industry is not likely to get fully reversed unless confidence among Russia's companies improves dramatically as a whole and middle class incomes rise. Revenue generated from sales to the Russian market recorded a decline of 43.0% to approximately HK$60.0 million.

In the U.S., consumers were also concerned about the ongoing trade battle with the PRC in the context of a slowing global economy. Prices at retail rose as fueled by increasing tariffs on Chinese imports, hitting consumers in their pocketbooks. Conscious spending overshadowed the pick-up in economic activity and put a chill on businesses' confidence. Additionally, a fundamental shift in purchase habits among the Americans could be seen 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$13.8 million for the year ended 31 March 2019, representing a drop of approximately 91.3%.

In the face of the ever-changing market landscape, the Group spared no effort to apply stringent controls over capital expenditures. During the year ended 31 March 2019, the Group's administrative expenses were successfully reduced by 19.1% to approximately HK$49.8 million compared to the prior financial year, while selling expenses also decreased by 32.9% to approximately HK$21.4 million from a year ago.

Building presence in ancillary business line

Since 2018, the Group has set its foot into sales of precious metal and other raw jewellery materials to better cater for needs of different customers. These ancillary products come with lower average gross profit margin. Sales generated from such products amounted to approximately 15.8% of the Group's total sales for the year ended 31 March 2019.

Prospects

Looking ahead, the global economy is expected to hit by higher uncertainty with continued political, economic and trade tensions presenting on a number of fronts. The Group reckons that the global economy will continue to experience stages of adjustments and is cautiously prudent about the outlook for the second half of 2019.

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 would revive slowly in the months to come only if the economic situation of the country as a whole normalises.

The U.S. economy has expanded at a moderate pace amid mounting uncertainty around President Trump's trade policies, while challenges stemmed from trade-related setbacks and the unfinished deleveraging campaign to curb excess credit might cast a shadow over the PRC's economic growth.

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	
	2019	2018
Revenue *(HK$'000)*	**219,286**	433,666
Gross profit *(HK$'000)*	**27,447**	78,625
Gross profit margin *(%)*	**12.5**	18.1
Loss attributable to the equity holders of the Company *(HK$'000)*	**(17,136)**	(37,297)

Revenue

The Group's revenue for the year ended 31 March 2019 was approximately HK$219.3 million, representing a decrease of approximately HK$214.4 million or 49.4% compared with the year ended 31 March 2018. The decrease in the Group's revenue was primarily due to (i) a significant decrease in sales in Americas of approximately HK$145.7 million primarily due to a weaker-than-expected market condition under a turnaround in consumer interest in fine jewellery; (ii) decrease in sales in Europe and Russia of approximately HK$18.0 million and approximately HK$45.2 million, respectively, mainly attributable to the sluggish European economy during the year under review; (iii) a decrease in sales in the PRC of approximately HK$22.3 million; and (iv) an increase in sales in other regions of approximately HK$17.0 million.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2019 was approximately HK$27.4 million, representing a decrease of approximately HK$51.2 million or 65.1% compared with the year ended 31 March 2018. Gross profit margin decreased to approximately 12.5% from approximately 18.1%, 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$10.5 million or 32.9%, to approximately HK$21.4 million for the year ended 31 March 2019 from approximately HK$31.8 million for the year ended 31 March 2018. The decrease was primarily attributable to a decrease in staff costs of approximately HK$10.3 million due to the result of the business operation and resources allocation process.

Administrative expenses

The Group's administrative expenses decreased by approximately HK$11.8 million or 19.1%, to approximately HK$49.8 million for the year ended 31 March 2019 from approximately HK$61.6 million for the year ended 31 March 2018. The decrease was primarily due to the combined effects of (i) the decrease in staff costs by approximately HK$5.6 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$2.4 million mainly attributable to the stringent controls over capital expenditures during the year ended 31 March 2019; (iii) the decline in professional service fee by approximately HK$1.7 million; and (iv) the decline in office, utility and sundry expenses by approximately HK$1.5 million which were mainly attributable to strengthening cost controls in business operation.

Finance costs

The Group's finance costs decreased by approximately HK$7.7 million or 88.1%, to approximately HK$1.0 million for the year ended 31 March 2019 from approximately HK$8.7 million for the year ended 31 March 2018. The decrease was primarily a result of the decrease in average borrowing balance for the year ended 31 March 2019 compared with 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$17.1 million for the year ended 31 March 2019, compared to a loss of approximately HK$37.3 million for the year ended 31 March 2018. The loss was mainly attributable to a decline in the Group's revenue by approximately 49.4% and gross profit by approximately 65.1% for the year ended 31 March 2019 as compared to the year ended 31 March 2018. The decline in revenue was primarily attributable to a significant slowdown of sales in the Americas, Russia and the PRC markets, the decrease of which were approximately HK$145.7 million, HK$45.2 million and HK$22.3 million, respectively, for the year ended 31 March 2019 as compared to the year ended 31 March 2018, primarily attributable to global economic uncertainty and weaker-than-expected demand in the Americas markets.

Property, plant and equipment

The net carrying amount as at 31 March 2019 was approximately HK$4.4 million, representing a decrease of approximately HK$23.1 million from that of 2018. This was mainly due to: (i) the Group's disposal of property in the Hong Kong amounted to approximately HK$14.2 million; (ii) normal depreciation amounted to approximately HK$5.8 million; and (iii) impairment amounted to approximately HK$2.7 million.

Trade receivables

There was a decrease in trade receivables as at 31 March 2019 of approximately HK$16.4 million as compared with 31 March 2018, which was mainly due to the decrease of revenue.

Liquidity and financial resources

As at 31 March 2019, the Group had current assets of approximately HK$357.2 million (2018: approximately HK$357.0 million) which comprised cash and bank balances of approximately HK$270.8 million (2018: approximately HK$230.5 million). As at 31 March 2019, the Group had no non-current liabilities (2018: approximately HK$3.3 million), the current liabilities amounted to approximately HK$30.4 million (2018: approximately HK$28.6 million), consisting mainly of payables arising in the normal course of operation. Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 11.8 at 31 March 2019 (2018: approximately 12.5).

Gearing ratio

The gearing ratio of the Group as at 31 March 2019 was not applicable as the Group has no borrowing and has a net cash position.

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 2019, 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 2019. 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 2019 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$16,000 for the year ended 31 March 2019 (2018: loss for the year attributable to the equity holders of the Company would have increased/decreased by approximately HK$32,000).

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

There has been no change in the capital structure of the Company during the year ended 31 March 2019. As at 31 March 2019, the capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 31 March 2019 and 31 March 2018, the Group has no capital commitments.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2019.

No dividend has been paid or declared by the Company during the year ended 31 March 2019.

Information on employees

As at 31 March 2019, the Group had 40 employees (2018: 81), including the executive Directors. Total staff costs (including the Directors' emoluments) were approximately HK$27.8 million, as compared with approximately HK$91.3 million for the year ended 31 March 2018. 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 2019, 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 2019.

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 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges of assets

As at 31 March 2019, the Group had no borrowing.

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

During the year ended 31 March 2019, 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 2019, the register of members will be closed from 26 July 2019 to 31 July 2019, 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 2019.

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 2019, the Company had complied with all provisions of the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Director of the Company. Having made specific enquiries to all the Directors, the Directors confirmed that they had complied with the required standard as set out in the Model Code during the year ended 31 March 2019.

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 2019 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 2019.

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 2019 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 2019 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, 11 June 2019

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.