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 2020

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$154.0 million for the year ended 31 March 2020, representing a decrease of approximately 29.8% as compared with the same for the year ended 31 March 2019.
- Gross profit was approximately HK$8.9 million for the year ended 31 March 2020, representing a decrease of approximately 67.6% as compared with the same for the year ended 31 March 2019.
- Gross profit margin decreased to 5.8% from 12.5% in the last financial year.
- Loss attributable to the equity holders of the Company was approximately HK$67.7 million for the year ended 31 March 2020, compared to the loss attributable to the equity holders of the Company of approximately HK$17.1 million for the year ended 31 March 2019.
- Basic loss per share amounted to approximately HK$0.39 for the year ended 31 March 2020, compared to the basic loss per share of approximately HK$0.10 for the year ended 31 March 2019.
- The Board does not recommend the payment of final dividend for the year ended 31 March 2020.

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 2020 together with the corresponding figures for the prior year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS

Year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	4	**154,038**	219,286
Cost of sales	8	**(145,153)**	(191,839)
Gross profit		**8,885**	27,447
Other income	5	**356**	599
Selling expenses	8	**(4,283)**	(21,362)
Administrative expenses	8	**(25,269)**	(49,818)
Net impairment losses on financial assets		**(2,614)**	–
Other (losses)/gains, net	6	**(43,462)**	28,752
Finance costs	7	**(941)**	(1,034)
Share of loss of a joint venture		**(8)**	(27)
LOSS BEFORE TAX		**(67,336)**	(15,443)
Income tax expense	9	**(358)**	(1,693)
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(67,694)**	(17,136)
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:			
— Basic and diluted	11	**HK$(0.39)**	HK$(0.10)
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS, NET OF TAX			
Exchange differences on translation of foreign operations		**(1,511)**	(4,129)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,511)**	(4,129)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**(69,205)**	(21,265)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,721**	4,372
Right-of-use assets	*12*	**1,009**	–
Investment in a joint venture		**105**	113
Financial assets at fair value through profit or loss	*13*	**16,720**	16,189
Total non-current assets		**22,555**	20,674
CURRENT ASSETS			
Inventories	*14*	**18,664**	31,088
Trade receivables	*15*	**78,910**	51,569
Prepayments, deposits and other receivables		**9,222**	3,730
Financial assets at fair value through profit or loss	*13*	**152,201**	–
Cash and bank balances		**27,915**	270,808
Total current assets		**286,912**	357,195
Total assets		**309,467**	377,869
CURRENT LIABILITIES			
Trade and other payables	*16*	**19,725**	28,515
Contract liabilities	*4*	**–**	1,598
Borrowings	*17*	**9,924**	–
Lease liabilities	*12*	**254**	–
Tax payable		**145**	245
Total current liabilities		**30,048**	30,358
NON-CURRENT LIABILITIES			
Lease liabilities	*12*	**814**	–
Deferred tax liabilities		**299**	–
Total non-current liabilities		**1,113**	–
Total liabilities		**31,161**	30,358
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	*18*	**863**	863
Reserves		**277,443**	346,648
Total equity		**278,306**	347,511
Total equity and liabilities		**309,467**	377,869

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 2020, the Company and its subsidiaries (collectively the "Group") were principally involved in the manufacture and sale of jewellery products, sale of precious metals and other raw jewellery materials and luxury watches.

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").

Pursuant to a Deed of Appointment of Receivers dated 26 February 2020, Messrs. Lai Kar Yan (Derek) and Ho Kwok Leung Glen of Deloitte Touche Tohmatsu were appointed as joint and several receivers over the 129,372,494 ordinary shares held by HNA Aviation Investment Holding Company Ltd. in the Company, representing approximately 74.96% of the entire issued share capital of the Company (the "Receivership"). For details of the Receivership and the relevant updates, please refer to the Company's announcements dated 13 March 2020, 15 April 2020, 15 May 2020 and 15 June 2020.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and financial liabilities are measured at fair value.

(iii) New standards and interpretations already adopted

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- *HKFRS 16 Leases*
- *Prepayment Features with Negative Compensation — Amendments to HKFRS 9*
- *Long-term Interests in Associates and Joint Ventures — Amendments to HKAS 28*
- *Annual Improvements to HKFRS Standards 2015–2017 Cycle*
- *Plan Amendment, Curtailment or Settlement — Amendments to HKAS 19*
- *Interpretation 23 Uncertainty over Income Tax Treatments*

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

The following new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 *Leases* on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 *Leases* retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 April 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at 1 April 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	As at 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	241
Discounted using the lessee's incremental borrowing rate of at the date of initial application	235
Less: short-term leases not recognised as a liability	(235)
Lease liability recognised as at 1 April 2019	–

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

(iv) Adjustments recognised in the consolidated statement of financial position on 1 April 2019

As the Group used the practical expedients of short-term leases, there was no financial impact as a result of the change in accounting policy.

3. SEGMENT INFORMATION

(1) Operating segment

The Group is primarily engaged in the manufacture and sale of jewellery products, sale of precious metals and other raw jewellery materials and luxury watches. The 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.

(2) 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.

(a) Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**103,002**	46,392
Mainland China	**19,669**	80,777
Europe (including Russia)	**17,508**	77,665
Americas	**12,173**	13,824
Other countries	**1,686**	628
	154,038	219,286

Information about the Group's non-current assets, excluding financial assets at FVPL, is presented based on the locations of the assets.

(b) Non-current assets excluding financial assets at FVPL

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**4,377**	3,239
Mainland China	**1,458**	1,246
	5,835	4,485

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 2020, no revenue was generated from any customer in the Cayman Islands and no assets were located in the Cayman Islands.

(3) 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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**102,930**	*
Customer B	**19,663**	*
Customer C	**18,790**	55,914
Customer D	*	51,933
Customer E	*	36,833
Customer F	*	33,986
Total	**141,383**	178,666

* Less than 10% of revenue

4. REVENUE

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

	2020	2019
	HK$'000	*HK$'000*
Revenue recognised at a point in time		
— Sales of precious metals and other raw jewellery materials	**101,489**	34,665
— Sales of jewellery products*	**46,867**	184,232
— Sales of luxury watches	**5,682**	–
Revenue recognised over time		
— Service revenue	**–**	389
	154,038	219,286

* Among the sales of jewellery products, approximately HK$71,000 (2019: HK$522,000) are sold to a related party.

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

	2020	2019
	HK$'000	*HK$'000*
Contract liabilities	**–**	1,598

(1) Significant changes in contract liabilities

Contract liabilities for sales of jewellery products have decreased by HK$1,598,000, mainly due to the disposal of one of the Company's subsidiaries.

(2) 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:

	2020	2019
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities at the beginning of the year:		
Sales of jewellery products during the year:	**100**	3,974

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Government grants*	**200**	166
Interest income from bank deposits	**72**	96
Others	**84**	337
	356	599

* 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.

6. OTHER (LOSSES)/GAINS, NET

		2020	2019
	Note	***HK$'000***	*HK$'000*
Fair value (losses)/gains on financial assets at FVPL	*13(ii)*	**(45,321)**	515
Transaction cost for financial assets at FVPL		**(710)**	–
Gains on disposal of subsidiaries		**2,285**	259
Gains/(losses) on disposal of other property, plant and equipment, net		**786**	(3,395)
Foreign exchange differences, net		**(502)**	989
Gains on disposal of properties in Hong Kong, net		**–**	33,120
Impairment loss on property, plant and equipment		**–**	(2,716)
Employment termination expense		**–**	(473)
Others		**–**	453
		(43,462)	28,752

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on other borrowings	**764**	–
Interest on factoring of trade receivables	**101**	821
Interest on lease liabilities	**76**	–
Interest on finance leases	**–**	213
	941	1,034

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

		2020	2019
	Note	***HK$'000***	*HK$'000*
Cost of inventories sold		**134,892**	174,735
Employee benefits (including directors' remuneration)		**9,084**	27,330
Salaries and other benefits		**8,368**	25,575
Pension scheme contributions		**716**	1,755
Management consultancy fees	*(i)*	**7,800**	6,021
Subcontracting charges		**7,218**	10,065
Depreciation of property, plant and equipment	*15*	**2,810**	5,791
Professional service fees		**2,283**	3,220
Auditors' remuneration		**1,583**	1,943
Auditors of the Company		**1,344**	1,743
Other auditors		**239**	200
Advertising and promotion fees		**572**	3,084
Minimum lease payments under operating leases		**444**	3,052
Depreciation of right-of-use assets	*16*	**229**	–
Commission fees		**158**	7,656
Write-back of inventories to net realisable value	*19*	**(922)**	(3,198)
Other operating expenses		**8,554**	23,320
Total cost of sales, selling expenses and administration expenses		**174,705**	263,019

(i) The management consultancy fees paid and payable to directors of the Company's subsidiaries amounted to approximately HK$7,800,000 (2019: approximately HK$6,021,000) for the year ended 31 March 2020.

9. 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.

	2020	2019
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**–**	–
Under provision in prior year	**–**	7
Current — Mainland China		
Charge for the year	**59**	1,736
Withholding	**–**	1,872
Deferred	**299**	(1,922)
Total tax charge for the year	**358**	1,693

(1) Cayman Islands 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 the British Virgin Islands ("BVI") are not subject to any taxation in the BVI.

(2) 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% (2019: 16.5%). The operation in Hong Kong has incurred net accumulated operating losses for income tax purposes and no income tax provisions are recorded for the year ended 31 March 2020.

(3) 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 2020 and 2019.

(4) 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 2020, 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$2,884,000 (2019: HK$4,391,000).

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:

	2020	2019
	HK$'000	*HK$'000*
Loss before tax	**(67,336)**	(15,443)
Tax at the statutory tax rate of 16.5%	**(11,110)**	(2,548)
Different tax rates for specific provinces or enacted by local authority	**8,633**	2,680
Effect of tax impact of apportionment under a 50:50 basis*	**430**	3,573
Income not subject to tax	**–**	(5,804)
Expenses not deductible for tax	**407**	613
Tax effect of temporary differences not recognised	**19**	919
Tax effect of tax losses not recognised	**1,979**	2,253
Others	**–**	7
	358	1,693

* In relation to the Departmental Interpretation and Practice Notes No. 21 (Revised) (apportionment under a 50:50 basis) of the Inland Revenue Department Hong Kong, a portion of KTL Jewellery Trading Limited's ("KTL Trading", one of the Company's principal subsidiaries) loss is not considered neither arisen in, nor derived from Hong Kong. Accordingly, that portion of KTL Trading's loss is not subject to Hong Kong profits tax.

10. DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

11. 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$67,694,000 (2019: HK$17,136,000), and the weighted average number of ordinary shares of 172,600,000 (2019: 172,600,000) in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation *(HK$'000)*	**67,694**	17,136
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**	172,600,000
Loss per share	**HK$0.39**	HK$0.10

12. LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020	1 April 2019
	HK$'000	*HK$'000*
Right-of-use assets		
Properties	**1,009**	–
Lease liabilities		
Current	**254**	–
Non-current	**814**	–
	1,068	–

Additions to the right-of-use assets during the year ended 31 March 2020 were approximately HK$1,231,000.

(ii) Amounts recognised in the consolidated statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

		2020
	Note	***HK$'000***
Properties		
Depreciation charge of right-of-use assets		**229**
Exchange realignment		**(7)**
		222
Interest expense (included in finance cost)	*7*	**76**
Expense relating to short-term leases (included in cost of sales and administrative expenses)		**444**

The total cash outflow for leases during the year ended 31 March 2020 was approximately HK$244,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases properties and rental contracts are typically made for fixed periods of 2 years and 6.5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at FVPL:

- debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income ("FVOCI");
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains or losses through other comprehensive income.

Financial assets mandatorily measured at FVPL include the following:

	2020	2019
	HK$'000	*HK$'000*
Included in non-current assets:		
Life insurance policy (a)	**16,720**	16,189
Include in current assets:		
Hong Kong listed equity securities (b)	**152,201**	–
	168,921	16,189

(a) Under the life insurance policy (the "Policy"), the beneficiary and policy holder is KTL Trading 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.

The movements in fair value measurement within Level 3 (life insurance policy) during the period are as follows:

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**16,189**	–
Adjustment on adoption of HKFRS 9	**–**	15,674
Change in fair value	**531**	515
At the end of the year	**16,720**	16,189

(b) The fair values of Hong Kong listed equity securities are determined based on the quoted market closing prices available on the Stock Exchange at the end of the reporting period.

(ii) Amounts recognised in profit or loss

During the year, the following (losses)/gains were recognised in profit or loss:

	2020	2019
	HK$'000	*HK$'000*
Fair value (losses)/gains on financial assets at FVPL		
— Life insurance policy	**531**	515
— Hong Kong listed equity securities	**(45,852)**	–
	(45,321)	515

14. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**10,812**	27,886
Work in progress	**3,550**	59
Finished goods	**4,302**	3,143
	18,664	31,088

The reversal of write-down of inventories to net realisable value of approximately HK$922,000 (2019: HK$3,198,000) for the year ended 31 March 2020 is included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive loss.

15. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**82,269**	67,718
Less: Allowance for doubtful accounts	**(3,359)**	(16,149)
	78,910	51,569

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 for each customer. The credit period is generally for a period of 90 to 120 days for major customers. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**15,782**	4,592
1 to 2 months	**6,991**	7,602
2 to 3 months	**3,778**	22,033
Over 3 months	**55,718**	33,491
	82,269	67,718

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 movements in the allowance for doubtful accounts are as follows:

	2020	2019
	HK$'000	*HK$'000*
At beginning of the year	**16,149**	16,149
Allowance for doubtful accounts	**2,614**	–
Write-off	**(15,373)**	–
Exchange realignment	**(31)**	–
At the end of the year	**3,359**	16,149

As at 31 March 2020 and 2019, the amount due from the Group's joint venture was nil and approximately HK$224,000, respectively, which is repayable on credit terms similar to those offered to the major customers of the Group.

16. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**6,358**	9,324
Other payables:		
Salaries and bonus payables	**6,307**	7,734
Other taxes payables	**2,399**	2,460
Auditor's remuneration	**1,475**	1,929
Interest payable	**740**	–
Commission fees payables	**–**	5,559
Others	**2,446**	1,509
	19,725	28,515

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**2,252**	2,020
1 to 2 months	**957**	1,666
2 to 3 months	**647**	1,740
Over 3 months	**2,502**	3,898
	6,358	9,324

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 credit 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.

17. BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Secured borrowings	**9,924**	–

In June 2018, the Group entered into three loan facilities agreements with a financial institution, which provided for a revolving facility amount in the sum of HK$60 million. The borrowings under the facility agreements bear an interest rate of HIBOR plus 6% per annum, and are due for repayment in one calendar year after drawdown of such borrowings. The borrowings shall be secured by the pledge of the Group's trade receivables with the same amount as that of the outstanding borrowings. As at 31 March 2020, the borrowings outstanding under the facility agreements amounted to HK$9,924,000, and due for repayment in October 2020.

18. SHARE CAPITAL, SHARE PREMIUM AND WARRANT RESERVE

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares at par value of HK$0.005	**10,000**	10,000
Issued and fully paid:		
172,600,000 ordinary shares at par value of HK$0.005	**863**	863

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 2019 and 31 March 2020	**2,000,000,000**	**10,000**	**–**	**–**	**10,000**
Issued and fully paid:					
As at 31 March 2019	**172,600,000**	**863**	**122,787**	**2,470**	**126,120**
As at 31 March 2020	**172,600,000**	**863**	**122,787**	**–**	**123,650**

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 the 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.

No warrant was exercised until the expiry date of 14 August 2019 and the warrant reserve was transferred to retained earnings.

19. COMMITMENTS

(i) Capital commitments

At 31 March 2020 and 2019, the Group had no capital commitments as at the end of the reporting years.

(ii) Operating leases

The Group leases offices under operating leases expiring within 2 to 6.5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 12 for further information.

	2020	2019
	HK$'000	*HK$'000*
Minimum lease payments		
Within 1 year	**–**	241

20. EVENT AFTER THE REPORTING PERIOD

(i) COVID-19 outbreak

In early 2020, the outbreak of novel coronavirus (COVID-19) has certain impact on the business of the Group. The degree of the impact depends on the epidemic preventive measures and the duration of the epidemic. Given the dynamic circumstances and high uncertainties, the management is unable to estimate the adverse impact of these events on the results of operations, financial position and cash flows for the year ending 31 March 2021. The Company will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact on the Group's financial statements and take relevant measures to minimise the impact.

(ii) Significant fair value decrease of financial assets at FVPL

The Hong Kong listed equity securities held by the Group classified under financial assets at FVPL demonstrated a decrease in valuation, which in turn led to a significant unrealised loss in fair value changes. The net loss arising in change in fair value of financial assets at FVPL was approximately HK$53.3 million for the period from 1 April 2020 to 17 June 2020. On 18 June 2020, the Board of Directors approved the listed equity securities would be held for long term trading.

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 Hong Kong, Mainland China, the Americas and Europe (including Russia). 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. At the same time, in order to enrich the product range, the Group also supplies gold materials and products and watches. The Group's customers are mainly wholesalers and retailers of jewellery products.

During the year ended 31 March 2020 under review, the global economy experienced unprecedented challenges. The uncertainties caused by trade frictions and geopolitical tensions have brought the global economy into a widespread slowdown. The COVID-19 pandemic has raised the labour costs worldwide, and the quarantine implemented for slowing down the spread has severely and adversely affected the economic activities. The economic downturn has brought significant challenges to the jewellery industry. Many countries face multifaceted crises, including health shocks, domestic economic turmoil, a sharp decline in external demand, reversal of capital flows and sharp fall in commodity prices.

As the Group's traditional market, Mainland China is facing external resistance, the pressure on RMB depreciation and an uncertain environment. Usually before and after the Spring Festival, this is the peak period for gold jewellery sales, but this year, the COVID-19 affected the performance of gold jewellery companies. Demand for gold and jewellery decreased significantly during the epidemic, and the impact of the epidemic on the jewellery retail industry has been far greater than that on the general consumer goods. As a result, for the year ended 31 March 2020, revenue generated from sales to the PRC market recorded a decline of 75.7% to HK$19.7 million as compared with the same period last year.

In Europe (including Russia), as the COVID-19 continues to spread, the European economy has recently been affected by many factors, such as the collapse of international crude oil prices, financial market fluctuations, as well as domestic epidemic prevention and control measures. In recent months, the prevention and control measures such as stay-at-home order, suspension of production and business have brought the economies of various countries to the brink of collapse, with prices rising and incomes decreasing during the epidemic period. This will change their spending habits to a more cautious way with a higher proportion of expenses used for daily necessities, so the expenses for jewellery products will decrease. In this case, it will take time for the economies of such countries to restart. With this environment, revenue generated from sales to the Europe (including Russia) market decreased by 77.5% to HK$17.5 million as compared with the same period last year, given the market downturn and a shortage of bulk orders secured.

Across the Pacific Ocean, the United States (the "U.S.") has missed the best chance to counter COVID-19. The U.S. has the highest number of confirmed cases of COVID-19 and businesses in the U.S. continue to be adversely affected by COVID-19. Although the restriction measures and closure have been relaxed, economic activity has declined significantly, and the prospect of a prompt economic restart is highly uncertain. The U.S. Federal Reserve has taken positive actions to boost the economy, but the revenue of the service and tourism industry has declined precipitously. The epidemic has made many Americans face a severe survival crisis. Layoffs in large companies have become the norm, and the unemployment rate has set record high. In this context, it will take a long time for the economy and consumer confidence to restart. Revenue generated from the sales to the Americas market fell by 11.9% to HK$12.2 million as compared with the same period last year.

Building presence in ancillary business line

Since 2019, the Group has set its foot into sales of gold products and watches to cater to the needs of different customers in a better way. These ancillary products come with lower average gross profit margin. Sales generated from precious metals and other raw jewellery materials and luxury watches amounted to approximately 69.6% of the Group's total sales for the year ended 31 March 2020.

Prospects

Looking ahead, under the influence of uncertain factors such as the Sino U.S. trade war, the U.S. presidential election and the global spread of COVID-19, the downward pressure on the global economy is obvious, The Group reckons that the global economy will continue to experience several stages of adjustments and is cautiously prudent about the outlook for the second half of 2020.

In Europe (including Russia), problems such as weak export market and the Brexit issue have exacerbated the recession of the European market. With the outbreak of COVID-19, the restriction measures and border closure implemented by many countries have brought the economy into further trouble. Closure of companies and home quarantine measures have led to an increase of unemployment and a decrease of disposable income. Affected by the epidemic, the international crude oil prices plummeted, which caused the already struggling Russian economy to be worse. There are many uncertainties in those countries, leading to the questions about when and how their economies will restart.

The U.S. has the most serious outbreak of COVID-19. The continuous fermentation of the epidemic and the large-scale "pause" of the economy have continued, resulting in serious economic losses. At the same time, the risk of uncertainty in President Trump's trade policy is still increasing, and the Sino U.S. trade war continues, which may hinder China's economic growth.

In addition, COVID-19 will promote the rapid enhancement of science and technology, including the next generation of remote work technology, digital transformation and upgrading as well as contactless business models. Consumption habits will also change, and the traditional jewellery industry will face a new business and technological environment.

In order to cope with the probable uncertainties and adverse market environment in the future, the management of the Group will continue to actively optimise resource allocation, improve operating efficiency and seek new business growth areas.

FINANCIAL REVIEW

	For the year ended 31 March	
	2020	2019
Revenue *(HK$'000)*	**154,038**	219,286
Gross profit *(HK$'000)*	**8,885**	27,447
Gross profit margin *(%)*	**5.8**	12.5
Loss attributable to the equity holders of the Company *(HK$'000)*	**(67,694)**	(17,136)

Revenue

The Group's revenue for the year ended 31 March 2020 was approximately HK$154.0 million, representing a decrease of approximately HK$65.2 million or 29.8% compared with the year ended 31 March 2019. The decrease in the Group's revenue was primarily due to (i) a decrease in sales in the Americas of approximately HK$1.7 million primarily due to the continuous escalation of the Sino US trade war, resulting in increased costs, and the rapid spread of COVID-19 in the U.S., resulting in the interruption of sales channels; (ii) a decrease in sales in Europe (including Russia) of approximately HK$60.2 million, respectively, mainly due to the sluggish Europe (including Russia) economy, the decrease of residents' income as a result of the decline of oil price and the economic blockade caused by epidemic prevention and control measures; (iii) a decrease in sales in Mainland China of approximately HK$61.1 million, mainly because of the adjustment to Mainland China business and concentration on the sale of gold products; (iv) an increase in sales in Hong Kong of approximately HK$56.6 million, mainly due to the continuous development of sales of gold raw materials and trading of watches in the Hong Kong market; and (v) an increase in sales in other regions of approximately HK$1.1 million.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2020 was approximately HK$8.9 million, representing a decrease of approximately HK$18.6 million or 67.6% compared with the year ended 31 March 2019. Gross profit margin decreased to approximately 5.8% from approximately 12.5%, which was mainly due to a larger proportion of sales of gold products and trading of watches with lower margin to the Hong Kong market.

Selling expenses

The Group's selling expenses decreased by approximately HK$17.1 million or 80.0%, to approximately HK$4.3 million for the year ended 31 March 2020 from approximately HK$21.4 million for the year ended 31 March 2019. The decrease was primarily attributable to (i) business adjustment and optimisation of resource allocation and reduced staff costs of approximately HK$6.0 million; (ii) the decrease in jewellery sales leading to a year-on-year decrease in sales commission of approximately HK$7.5 million; (iii) a decrease in overseas sales leading to a year-on-year decrease in export insurance of approximately HK$2.1 million; (iv) continuous optimisation of the sales team and reduction of promotion and travel arrangement resulting in a year-on-year decrease of advertising, exhibition expenses, entertainment and travel expenses of approximately HK$4.3 million. However, due to the expansion of new markets and the consolidation of new businesses, the consultancy cost increased by approximately HK$3.0 million.

Administrative expenses

The Group's administrative expenses decreased by approximately HK$24.5 million or 49.3%, to approximately HK$25.3 million for the year ended 31 March 2020 from approximately HK$49.8 million for the year ended 31 March 2019. The decrease was primarily due to the combined effects of (i) a decrease in staff costs by approximately HK$11.2 million as a result of the Group's continuous implementation of rigorous cost control by further streamlining operations and rationalising overheads; (ii) a decrease in depreciation and amortisation by approximately HK$2.9 million mainly attributable to the stringent controls over capital expenditures during the year ended 31 March 2020; (iii) a decline in professional service fee by approximately HK$2.1 million; (iv) a decline in office, utility and rental expenses by approximately HK$4.1 million which were mainly attributable to strengthening cost controls in business operation; and (v) a decrease of sales and having sufficient funds, which led to a reduction of finance charges by approximately HK$3.2 million.

Finance costs

The Group's finance costs decreased by approximately HK$0.1 million or 9.0%, to approximately HK$0.9 million for the year ended 31 March 2020 from approximately HK$1.0 million for the year ended 31 March 2019. The decrease was primarily a result of the decrease in average borrowing balance for the year ended 31 March 2020 compared with the year ended 31 March 2019.

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$67.7 million for the year ended 31 March 2020, compared to a loss of approximately HK$17.1 million for the year ended 31 March 2019. The loss was mainly attributable to a decline in the Group's revenue by approximately 29.8% and gross profit by approximately 67.6% for the year ended 31 March 2020 as compared to the year ended 31 March 2019. The decline in revenue was primarily attributable to a significant slowdown of sales in the Americas, Europe (including Russia) and Mainland China markets, the decrease of which were approximately HK$1.7 million, HK$60.2 million and HK$61.1 million, respectively, for the year ended 31 March 2020 as compared to the year ended 31 March 2019, primarily attributable to global economic uncertainty and weaker-than-expected demand in Mainland China markets.

Property, plant and equipment

The net carrying amount as at 31 March 2020 was approximately HK$4.7 million, representing an increase of approximately HK$0.3 million from that as at 31 March 2019. This was mainly due to (i) depreciation amounted to approximately HK$2.8 million; (ii) addition of motor vehicles amounted to approximately HK$3.6 million; and (iii) disposal of assets amounted to approximately HK$0.5 million.

Financial assets at FVPL

Financial assets at FVPL amounted to HK$152.2 million including a portfolio of Hong Kong listed companies equity securities in various industries held for long term growth. During the year ended 31 March 2020, the loss on changes in fair value on the listed equity securities of approximately HK$45.9 million has been recognised in profit or loss. The executive directors did not alter the Group's investment strategy due to short-term market volatilities.

Trade receivables

There was an increase in trade receivables as at 31 March 2020 of approximately HK$27.3 million as compared with 31 March 2019, which was mainly due to the increase of revenue from Hong Kong market.

Liquidity and financial resources

As at 31 March 2020, the Group had current assets of approximately HK$286.9 million (2019: approximately HK$357.2 million) which comprised cash and bank balances of approximately HK$27.9 million (2019: approximately HK$270.8 million). As at 31 March 2020, the Group had non-current liabilities of approximately HK$1.1 million (2019: nil), and the current liabilities amounted to approximately HK$30.0 million (2019: approximately HK$30.4 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 9.6 as at 31 March 2020 (2019: approximately 11.8).

Gearing ratio

The gearing ratio of the Group as at 31 March 2020 was not applicable as cash and bank balances exceeded interest-bearing other borrowing.

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 Mainland China, 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 Mainland China, 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 2020, 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, financial assets at FVPL, cash and bank balances and trade and other payables. Consequently the Group had foreign exchange risk exposure from translation of amount denominated in foreign currencies as at 31 March 2020. 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 2020 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$6,000 for the year ended 31 March 2020 (2019: loss for the year attributable to the equity holders of the Company would have decreased/increased by approximately HK$16,000).

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 2020. As at 31 March 2020, the capital of the Company comprises ordinary shares and capital reserves.

Capital commitments

As at 31 March 2020 and 31 March 2019, the Group had no capital commitments.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2020.

No dividend has been paid or declared by the Company during the year ended 31 March 2020.

Information on employees

As at 31 March 2020, the Group had 31 employees (2019: 40), including the executive Directors. Total staff costs (including the Directors' emoluments) were approximately HK$9.1 million, as compared with approximately HK$27.8 million for the year ended 31 March 2019. 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 2020, 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 2020.

Significant Investments Held

During the year end 31 March 2020, the Group held the following significant investments in equity interest of other companies:

Name	Place of incorporation	HK stock code	Date of acquisitions	Number of acquired shares as at 31 March 2020	Proportion of acquired shares in the total issued share capital of investee as at 31 March 2020	Cost HK$ (exclusive of transaction costs)	Principal activities
China Automobile New Retail (Holdings) Limited (the former name is "Lisi Group (Holdings) Limited") ("Lisi Group")	Bermuda	0526	11 and 16 July 2019	86,672,000	Approximately 1.08%	Approximately 68,789,000	Provision of car trading platform related services, trading of imported cars, manufacturing and trading of household products, operation of supermarkets, wholesale of wine and electrical appliances and investments holding
China U-Ton Holdings Limited ("China U-Ton")	Cayman Islands	6168	11 July and 14 August 2019	200,540,000	Approximately 8.21%	Approximately 69,658,000	Provision of design, deployment and maintenance of optical fibers services, the provision of other communication networks services, the provision of environmentally intelligent technical products and services and the money lending services
Xiezhong International Holdings Limited ("Xiezhong International")	Cayman Islands	3663	11 July and 14 August 2019	19,296,000	Approximately 2.41%	Approximately 36,390,000	(i) Design, production and sale of automotive heating, ventilation and cooling systems and a range of automotive HVAC components and rendering of services; and (ii) 4S dealership business

For further information, please refer to (i) the announcement dated 17 July 2019 in relation to acquisitions of the shares of Lisi Group; (ii) the announcements dated 16 August and 19 August 2019 in relation to acquisitions of the shares of China U-Ton and Xiezhong International; and (iii) the circular dated 19 September 2019 in relation to acquisitions of the shares of China U-Ton.

Future Plans for Material Investments and Capital Assets

There was no definite future plan for material investments or acquisition of material capital assets as at 31 March 2020.

Material Acquisitions and Disposal of Subsidiaries and Affiliated Companies

Save as disclosed in the paragraph headed "Significant Investments Held" in this announcement, the Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies during the year end 31 March 2020.

Charges of assets

As at 31 March 2020, the Group had short-term secured borrowings amounting to HK$9,924,000, which were secured by the pledge of the Group's trade receivables with the same amount as that of the outstanding borrowing.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2020 (2019: nil).

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

During the year ended 31 March 2020, 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 30 July 2020, the register of members will be closed from 27 July 2020 to 30 July 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 26 July 2020.

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 2020, 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 2020.

Disclosure of Directors' Information Pursuant to Rules 13.51(2) and 13.51B of the Listing Rules

During the year, there were certain changes of the Directors.

Mr. Nang Qi resigned as the chairman of the Board (the "Chairman") and an executive Director, and no longer served as the chairman of the nomination committee of the Company (the "Nomination Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee") with effect from 28 June 2019.

Mr. Chen Peiliang resigned as an executive Director and the chief executive officer of the Company (the "Chief Executive Officer"), and no longer served as a member of the Nomination Committee and the Remuneration Committee and an authorised representative with effect from 28 June 2019.

Mr. Xue Qiang resigned as an executive Director with effect from 28 June 2019.

Mr. Li Neng has been appointed as the Chairman, an executive Director, the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 28 June 2019.

Mr. Zhao Minhao has been appointed as an executive Director, the Chief Executive Officer, a member of the Nomination Committee and Remuneration Committee and an authorised representative with effect from 28 June 2019.

Mr. Zhao Yeyong has been appointed as an executive Director with effect from 28 June 2019.

Details of the above changes of Directors and their biographies have been disclosed in the announcement dated 28 June 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 2020 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 2020.

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 2020 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 2020 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

By order of the Board
Hifood Group Holdings Co., Limited
Li Neng
Chairman and Executive Director

Hong Kong, 18 June 2020

As at the date of this announcement, the executive Directors are Mr. Li Neng, Mr. Zhao Minhao and Mr. Zhao Yeyong; and the independent non-executive Directors are Mr. Ting Tit Cheung, Mr. Chan Chi Kuen and Mr. Lo Chun Pong.