



king fook holdings limited
景福集團有限公司

FOR THE YEAR ENDED 31ST MARCH, 2013
ANNUAL REPORT

Stock Code: 280



Contents

2	Corporate Information
3	Brief Biographical Details of the Directors and the Senior Management
5	Chairman's Statement
7	Management Discussion and Analysis
9	Report of the Directors
18	Corporate Governance Report
25	Independent Auditor's Report
26	Consolidated Income Statement
27	Consolidated Statement of Comprehensive Income
28	Consolidated Balance Sheet
29	Balance Sheet
30	Consolidated Statement of Changes in Equity
32	Consolidated Statement of Cash Flows
33	Notes to the Financial Statements
86	Summary of Investment Properties
87	Five Year Financial Summary

Corporate Information

Board of Directors	<ul style="list-style-type: none"> * Mr. Yeung Ping Leung, Howard (<i>Chairman</i>) * Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. (<i>Vice Chairman</i>) * Mr. Cheng Ka On, Dominic * Mr. Yeung Bing Kwong, Kenneth * Ms. Fung Chung Yee, Caroline + Mr. Lau To Yee + Mr. Cheng Kar Shing, Peter Mr. Wong Wei Ping, Martin + Mr. Chan Chak Cheung, William + Mr. Ho Hau Hay, Hamilton + Mr. Sin Nga Yan, Benedict + Mr. Cheng Kwok Shing, Anthony <p style="margin-left: 20px;">* <i>Executive Directors</i> + <i>Independent Non-executive Directors</i></p>
Company Secretary	Ms. Cheung Kit Man, Melina
Auditor	BDO Limited <i>Certified Public Accountants</i>
Principal Bankers	Hang Seng Bank Limited The Bank of East Asia, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Hongkong and Shanghai Banking Corporation Limited
Solicitors	Jennifer Cheung & Co.
Registered Office	9th Floor, King Fook Building 30-32 Des Voeux Road Central Hong Kong
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Brief Biographical Details of the Directors and the Senior Management

DIRECTORS

Mr. Yeung Ping Leung, Howard (*Chairman*)

Aged 56. A director of New World Development Company Limited and Miramar Hotel and Investment Company, Limited. Appointed director and chairman of the Company in 1987 and 1998 respectively.

Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. (*Vice Chairman*)

Aged 60. A MBA graduate from The University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. The chairman and managing director of Richcom Company Limited. An executive director of Miramar Hotel and Investment Company, Limited. A director of Hang Seng Bank Limited, Wheelock and Company Limited and various private business enterprises. An advisor of Tang Shiu Kin and Ho Tim Charitable Fund. Appointed director and vice chairman of the Company in 1987 and 1998 respectively.

Mr. Cheng Ka On, Dominic

Aged 63. A director of Miramar Hotel and Investment Company, Limited. The managing director of the Onflo International Group of Companies. Appointed director of the Company in 1987.

Mr. Yeung Bing Kwong, Kenneth

Aged 68. Has over 30 years of experience in the jewellery business. Appointed director of the Company in 1987.

Ms. Fung Chung Yee, Caroline

Aged 60. Joined the Group in 1983. Appointed director of the Company in 1987.

Mr. Lau To Yee (*Independent Non-executive Director*)

Aged 75. Appointed independent non-executive director of the Company in 1994.

Mr. Cheng Kar Shing, Peter (*Independent Non-executive Director*)

Aged 60. A director of New World Development Company Limited and New World Hotels (Holdings) Limited. An executive director of New World China Land Limited. An independent non-executive director of Symphony Holdings Limited. Appointed independent non-executive director of the Company in 1997.

Mr. Wong Wei Ping, Martin

Aged 71. A director of Citizen Thunderbird Travel Limited and Columbia Express Limited. Appointed director of the Company in 2000.

Mr. Chan Chak Cheung, William (*Independent Non-executive Director*)

Aged 65. A retired partner of PricewaterhouseCoopers. A member of the Canadian Institute of Chartered Accountants. An independent non-executive director of National Electronics Holdings Limited and The Link Management Limited (the Manager of The Link Real Estate Investment Trust). Appointed independent non-executive director of the Company in 2004. Chairman of the Remuneration Committee of the Company.

Brief Biographical Details of the Directors and the Senior Management (Continued)

DIRECTORS (Continued)

Mr. Ho Hau Hay, Hamilton *(Independent Non-executive Director)*

Aged 62. An independent non-executive director of New World Development Company Limited. An executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited. Appointed director of the Company in 2004 and re-designated as independent non-executive director of the Company on 29th June, 2012 respectively.

Mr. Sin Nga Yan, Benedict *(Independent Non-executive Director)*

Aged 49. A director and general manager of Myer Jewelry Manufacturer Limited. A member of the Australian Society of Certified Practising Accountants. A solicitor of the Supreme Court of New South Wales, Australia, the Supreme Court of England and Wales and the High Court of Hong Kong. The chairman of the Jewellery Advisory Committee and a committee member of the Fair Organising Committee of The Hong Kong Trade Development Council. A permanent honorary director of The Federation of Hong Kong Watch Trades & Industries Limited. The chairman of the Council of Management of Hong Kong Jewellery & Jade Manufacturers Association. A member of the Assembly of General Committee of Hong Kong Jewelry Manufacturers' Association. Appointed director of the Company in 2006 and re-designated as independent non-executive director of the Company on 29th June, 2012 respectively.

Mr. Cheng Kwok Shing, Anthony *(Independent Non-executive Director)*

Aged 66. A Fellow and a Certified Public Accountant (Practicing) of The Hong Kong Institute of Certified Public Accountants. Has about 40 years of experience in auditing and accounting field. Appointed independent non-executive director of the Company in 2013. Chairman of the Audit Committee of the Company.

Mr. Yeung Ka Shing

Aged 31. A holder of Bachelor of Political Science degree from The University of Victoria, Canada and a Juris Doctor from The Chinese University of Hong Kong. A director of Brightway Investments Limited and King Fook Finance Company Limited (a subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company). Appointed director of the Company in 2008 and resigned as director of the Company on 18th December, 2012.

(Mr. Yeung Bing Kwong, Kenneth and Mr. Yeung Ping Leung, Howard are brothers and Mr. Wong Wei Ping, Martin is their brother-in-law. Mr. Yeung Ka Shing is the son of Mr. Yeung Bing Kwong, Kenneth and the nephew of Mr. Yeung Ping Leung, Howard and Mr. Wong Wei Ping, Martin)

SENIOR MANAGEMENT

Ms. Wong Ka Ki, Kay

Aged 55. The general manager of the Group. She joined the Group in 1999 and is responsible for the Group's overall management and business development. She has extensive management experience in the service and retail industry.

Mr. Luk Kwing Yung

Aged 65. The general manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in gold, jewellery and watch retailing. He has been with the Group for 47 years.

Mr. Yip King Hung

Aged 60. The assistant general manager of King Fook Jewellery Group Limited. He has extensive management experience in the retail industry, specialising in branded watch retailing. He has been with the Group for 40 years.

Ms. Mok Sau Fun

Aged 45. She joined the Group in 2009 and is the financial controller of the Group. She has 22 years of experience in the field of finance, auditing and accounting. She holds a MBA degree from the University of Strathclyde, United Kingdom. She is also a member of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

On behalf of the Board of Directors, I present the annual report of the Group for the year ended 31st March, 2013.

REVIEW OF OPERATIONS

The Group's turnover of HK\$1,204,065,000 from retailing business for the year ended 31st March, 2013 represented a decrease of 4% from the previous year despite the expansion of our shop at Park Lane Hotel, Causeway Bay and the re-opening of our prime shop at the Miramar Shopping Centre, Tsim Sha Tsui, Kowloon, Hong Kong. The Group was adversely affected by dampened consumer sentiment and spending, especially for luxury items, caused by the slowdown of Mainland China's economic growth as its export sector was still affected by the global slowdown and the credit tightening policies of the Chinese Government. The Group had also closed the retail shop in Tsuen Wan, New Territories, Hong Kong during the year. Commission income from our securities broking business decreased by 32% to HK\$2,666,000 from the previous year as a result of keen competition.

During the year under review, the Group disposed of a real estate property and recorded a gain of about HK\$95,538,000 over its net carrying amount. The Group also disposed of available-for-sale investments, mostly shares of Hong Kong Exchanges and Clearing Limited, with a gain of HK\$72,702,000. With these gains, the Group's consolidated profit attributable to shareholders of the Company for the year increased by 39% to HK\$50,457,000 as compared with the previous year. Excluding these gains, the Group's operation results were unsatisfactory mainly due to the drop in sales, higher operating expenses mainly resulting from shop expansion and opening of new shop plus the substantial increase in lease rentals of the Group's retail shops. Earnings per share for the year were HK11.2 cents.

The Group is always committed to introducing exquisite and finest quality products to our customers. We had launched numerous new products with stylish designs and craftsmanship, including the Year of the Snake 999.99 gold medallion, the Infinity Love Collection portraying a fusion of traditional aesthetics, best wishes and love and the Imperial Feather Fan Collection dedicating to brides as a token of love. The Group was awarded Ming Pao's Elite 2012 to recognise our outstanding design and quality service during the year.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31st March, 2013 as the economic environment is expected to be uncertain.

PROSPECTS

The prolonged sovereign debt crisis in Europe and its knock-on effect on the global economy cause uncertainties in the economic outlook and have adversely affected consumer sentiment. The Group expects that the global economic environment will continue to be challenging and severe in the near future. Profit margins will remain tight as the escalating retail rentals, salaries and other operating costs are expected to persist in the coming year.

Looking forward, the Group will monitor the market conditions in deciding on the structure and size of our retail network. We will try to expand our customer base and closely monitor inventory at a reasonable level. The management will continue to take stringent cost control measures and closely monitor changes in the operating environment. Also, the management will maintain the policy to streamline operations and optimise internal resources in order to achieve a higher degree of cost-efficiency for better results.

Despite of the uncertainties of the global economic conditions and the challenging business environment, we will use our best efforts to continue to enhance and create value to our shareholders.

Chairman's Statement (Continued)

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to the management and all the employees of the Group for their dedication and hard work and to, our shareholders, business partners, customers and suppliers for their continuous support.

Yeung Ping Leung, Howard
Chairman

Hong Kong, 28th June, 2013

OVERALL GROUP RESULTS

The results of the Group for the year ended 31st March, 2013 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 26 to 85.

The Group's revenue for the year under review decreased by 8% as compared with that for the previous year. The Group's consolidated profit attributable to the shareholders of the Company for the year was HK\$50,457,000 (2012: HK\$36,254,000). The earnings per share were HK11.2 cents (2012: HK8.1 cents (restated)).

RETAILING

Turnover of the Group's retailing business for the year decreased by 4% from HK\$1,250,405,000 to HK\$1,204,065,000 over the previous year mainly as a result of the slowdown in growth impetus of customers from Mainland China.

SECURITIES BROKING

During the year under review, commission income from the securities broking business of the Group decreased by 32% as compared with that for the previous year due to keen competition.

BULLION TRADING

Turnover of bullion trading recorded a decrease of 35% to HK\$16,675,000 as compared with the previous year.

INVESTMENTS

As at 31st March, 2013, the Group held certain equity securities listed outside Hong Kong amounting to HK\$3,106,000 under available-for-sale investments.

FINANCE

As at 31st March, 2013, the Group's current assets and current liabilities were about HK\$1,256,225,000 and HK\$339,477,000 respectively. There were cash and cash equivalents of about HK\$74,176,000, bank loans of about HK\$282,500,000 and unsecured gold loans of about HK\$30,533,000.

Based on the total borrowings of the Group of about HK\$313,033,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$872,763,000 as at 31st March, 2013, the overall borrowings to equity ratio was 36%, which was at a healthy level.

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant.

Management Discussion and Analysis (Continued)

INTERNAL CONTROL

BDO Limited have reviewed the Group's internal control relevant to the preparation and the true and fair presentation of the Group's financial statements for the year ended 31st March, 2013 as part of their audit work, but their review was not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. With the assistance of the internal audit department, the audit committee endeavours to continually identify areas for improvement.

EMPLOYEES AND EMOLUMENT POLICY

As at 31st March, 2013, the Group had about 373 employees. The employees (including directors) are remunerated according to the nature of their jobs, experience and contribution to the Group. The Group has an incentive bonus scheme to reward the employees based on their performance. It also provides training programs to employees to improve the standard of customer services and further advancement.

The Company has adopted a share option scheme whereby options may be granted to employees and directors of the Group as incentive for them to contribute to the business of the Group. No option had been granted by the Company as at 31st March, 2013.

The directors would like to present their report together with the audited financial statements for the year ended 31st March, 2013.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 17 to the financial statements.

An analysis of the Group's performance for the year, which arose mainly in Hong Kong, by business segments is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 26.

The directors declared an interim dividend of HK0.05 cent (2012: HK0.15 cent) per ordinary share, totalling HK\$218,000 (2012: HK\$653,000) for the year ended 31st March, 2013. The interim dividend was paid on 8th January, 2013.

The directors have resolved not to recommend the payment of a final dividend (2012: HK0.7 cent per ordinary share) for the year ended 31st March, 2013.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 30 and 31 and note 30 to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March, 2013, calculated in accordance with Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$167,285,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 15 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 87.

Report of the Directors (Continued)

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

- the largest supplier	30%
- five largest suppliers combined	87%

Sales

- the largest customer	1%
- five largest customers combined	4%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

DIRECTORS

The directors during the year and up to the date of this report are:

- * Mr. Yeung Ping Leung, Howard
- * Mr. Tang Yat Sun, Richard
- * Mr. Cheng Ka On, Dominic
- * Mr. Yeung Bing Kwong, Kenneth
- * Ms. Fung Chung Yee, Caroline
- + Mr. Lau To Yee
- + Mr. Cheng Kar Shing, Peter
- Mr. Wong Wei Ping, Martin
- + Mr. Chan Chak Cheung, William
- + Mr. Ho Hau Hay, Hamilton (re-designated as independent non-executive director on 29th June, 2012)
- + Mr. Sin Nga Yan, Benedict (re-designated as independent non-executive director on 29th June, 2012)
- Mr. Yeung Ka Shing (resigned on 18th December, 2012)
- + Mr. Cheng Kwok Shing, Anthony (appointed as independent non-executive director on 22nd April, 2013)

* *Executive Directors*

+ *Independent Non-executive Directors*

Brief biographical details of the directors are set out on pages 3 and 4.

The Company confirms that it has received letters of confirmation of independence from all of the independent non-executive directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers that the independent non-executive directors are independent.

The Company entered into a service agreement with Verbal Company Limited ("Verbal") whereby Verbal provided the services of Mr. Yeung Ping Leung, Howard to the Group for the year ended 31st March, 2013 at fees totalling HK\$7,553,000. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of Verbal and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal. None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS (Continued)

In accordance with article 116 of the Company's Articles of Association, Mr. Yeung Ping Leung, Howard, Ms. Fung Chung Yee, Caroline, Mr. Ho Hau Hay, Hamilton and Mr. Lau To Yee will retire by rotation at the coming annual general meeting of the Company and, being eligible, have offered themselves for re-election. In accordance with article 99 of the Company's Articles of Association, Mr. Cheng Kwok Shing, Anthony will retire at the coming annual general meeting of the Company and, being eligible, has offered himself for re-election. Details of such directors as required under Rule 13.51(2) of the Listing Rules are as follows:

Mr. Yeung Ping Leung, Howard, aged 56, is the chairman and an executive director of the Company. He is also a director of King Fook Jewellery Group Limited and King Fook Holding Management Limited and an executive director of King Fook Gold & Jewellery Company Limited, all wholly owned subsidiaries of the Company. He is a director of New World Development Company Limited and Miramar Hotel and Investment Company, Limited, both companies being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Yeung is the younger brother of Mr. Yeung Bing Kwong, Kenneth (an executive director of the Company), and the brother-in-law of Mr. Wong Wei Ping, Martin (a non-executive director of the Company). He, together with other members of his family, control the management of Yeung Chi Shing Estates Limited (a substantial shareholder of the Company). He has no interest in the shares of the Company within the meaning of Part XV of the Securities & Futures Ordinance (the "SFO"). He was appointed as a director and the chairman of the Company in 1987 and 1998 respectively.

Ms. Fung Chung Yee, Caroline, aged 60, is an executive director and a member of the Remuneration Committee of the Company. She is a director of King Fook Jewellery Group Limited and King Fook China Resources Limited, both wholly owned subsidiaries of the Company. Ms. Fung has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. She has no interest in the shares of the Company within the meaning of Part XV of the SFO. She was appointed as a director of the Company in 1987.

Mr. Ho Hau Hay, Hamilton, aged 62, is an independent non-executive director of the Company. Mr. Ho is an independent non-executive director of New World Development Company Limited, a company listed on the Main Board of the Stock Exchange. He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Ho is deemed to be interested in 3,170,000 shares of the Company within the meaning of Part XV of the SFO, such shares being held by Tak Hung (Holding) Company Limited in which he has a 40% interest. He was appointed as a director of the Company in 2004 and was re-designated as an independent non-executive director of the Company on 29th June, 2012.

Mr. Lau To Yee, aged 75, is an independent non-executive director and a member of the Audit Committee of the Company. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has no interest in the shares of the Company within the meaning of Part XV of SFO. He was appointed as an independent non-executive director of the Company in 1994.

Mr. Cheng Kwok Shing, Anthony, aged 66, is an independent non-executive director of the Company and the chairman of the Audit Committee of the Company. He is a Fellow and a Certified Public Accountant (Practicing) of The Hong Kong Institute of Certified Public Accountants. He has about 40 years of experience in auditing and accounting field. Mr. Cheng has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has no interest in the shares of the Company within the meaning of Part XV of SFO. He was appointed as an independent non-executive director of the Company on 22nd April, 2013.

The above retiring directors are not appointed for a specific term but each of them is subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company.

Report of the Directors (Continued)

DIRECTORS (Continued)

Each of Mr. Ho Hau Hay, Hamilton and Mr. Lau To Yee received directors' fees from the Group for the year ended 31st March, 2013 in the sum of HK\$70,000, details of which are set out in note 13 to the financial statements. The fees of them are nominal in nature.

Save for the service agreement between the Company and Verbal for providing the services of Mr. Yeung Ping Leung, Howard to the Company for the year ended 31st March, 2013 at fees totaling HK\$7,553,000, the above retiring directors do not have any service contract with the Company. Mr. Yeung Ping Leung, Howard, also received director's fee of HK\$39,000 for the year ended 31st March, 2013.

Ms. Fung Chung Yee, Caroline received other emoluments from the Group for the year totaling HK\$3,521,000, which were determined on the recommendations of the Remuneration Committee with reference to prevailing market rates and have been approved by the directors of the Company. She also received director's fee of HK\$37,000 for the year ended 31st March, 2013.

The above retiring directors confirm that save as disclosed above, there is no information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matters that need to be brought to the attention of the shareholders of the Company.

The board of directors of the Company considers that the above retiring independent non-executive directors are still independent as they comply with Rule 3.13 of the Listing Rules and act independently in the discharge of their respective duties to the Company and should be re-elected so that the Group can continue to benefit from their valuable experiences.

DIRECTORS' INTERESTS

At 31st March, 2013, the interests of the directors and chief executive of the Company in the share capital of the Company as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

	Number of ordinary shares held			Total	Percentage of shareholding
	Personal	Family	Corporate		
Mr. Tang Yat Sun, Richard	3,585,000	Nil	#15,034,000	18,619,000	4.28%
Mr. Cheng Ka On, Dominic	1,748,000	Nil	Nil	1,748,000	0.40%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*3,170,000	3,170,000	0.73%

These shares are held by Daily Moon Investments Limited ("Daily Moon") in which Mr. Tang has a 100% interest. Mr. Tang is deemed to be interested in all these shares held by Daily Moon.

* These shares are held by Tak Hung (Holding) Co. Ltd. ("Tak Hung") in which Mr. Ho has a 40% interest. Mr. Ho is deemed to be interested in all these shares held by Tak Hung.

Save as disclosed above, as at 31st March, 2013, none of the directors or chief executive of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' INTERESTS (Continued)

Save as disclosed below, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year:

- The Group (as tenant) entered into various tenancy agreements (the "King Fook Leases") on normal commercial terms with Stanwick Properties Limited (as landlord) (a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company) on 8th July, 2011 and 30th December, 2011 respectively in respect of premises in King Fook Building, Hong Kong. The leased properties are used as the key retail outlet and the headquarters of the Group.

Major terms of the King Fook Leases are as follows:

Basement, Ground Floor and Mezzanine Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from 16/8/11 to 31/3/12	HK\$576,785	HK\$18,270
	1/4/12 to 15/8/13	HK\$576,785	HK\$28,420

3rd Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from 16/8/11 to 31/3/12	HK\$34,580	HK\$8,190
	1/4/12 to 15/8/13	HK\$34,580	HK\$12,740

5th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from 16/8/11 to 31/3/12	HK\$34,020	HK\$5,670
	1/4/12 to 15/8/13	HK\$34,020	HK\$8,820

Report of the Directors (Continued)

DIRECTORS' INTERESTS (Continued)

6th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from		
	16/8/11 to 31/3/12	HK\$34,020	HK\$5,670
	1/4/12 to 15/8/13	HK\$34,020	HK\$8,820

7th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	20.5 months from		
	1/12/11 to 31/3/12	HK\$34,020	HK\$5,670
	1/4/12 to 15/8/13	HK\$34,020	HK\$8,820

8th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from		
	16/8/11 to 31/3/12	HK\$34,020	HK\$5,670
	1/4/12 to 15/8/13	HK\$34,020	HK\$8,820

9th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from		
	16/8/11 to 31/3/12	HK\$34,020	HK\$5,670
	1/4/12 to 15/8/13	HK\$34,020	HK\$8,820

10th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	2 years from		
	16/8/11 to 31/3/12	HK\$34,020	HK\$5,670
	1/4/12 to 15/8/13	HK\$34,020	HK\$8,820

- King Fook Jewellery Group Limited (as tenant) entered into a tenancy agreement dated 11th April, 2011 with Fabrico (Mfg) Limited (as landlord) (a wholly owned subsidiary of Yeung Chi Shing Estates Limited) relating to Apartment F, 3rd Floor, Comfort Building, 88 Nathan Road, Kowloon for a term of two years from 1st April, 2011 at the monthly rent of HK\$25,000 exclusive of rates.

DIRECTORS' INTERESTS (Continued)

3. The Company entered into an agreement dated 8th July, 2011 with Stanwick Properties Limited pursuant to which the Company is granted the right to use the furniture and fixture at 3rd Floor of King Fook Building (which is used by the Group as conference rooms) for a term of two years from 16th August, 2011 to 15th August, 2013 at the monthly fee of HK\$25,480.
4. The Company entered into a licence agreement dated 7th December, 1998 (the "Licence Agreement") with Yeung Chi Shing Estates Limited pursuant to which the Company is granted an exclusive right for the design, manufacture and distribution of gold and jewellery products under the trademark of "King Fook" on a worldwide basis for a total consideration of HK\$1. The contract commenced from 7th December, 1998 and does not fix the termination date.
5. King Fook Jewellery Group Limited entered into a vehicle licence agreement (the "Vehicle Licence Agreement") with Yeung Chi Shing Estates Limited pursuant to which King Fook Jewellery Group Limited leases a vehicle from Yeung Chi Shing Estates Limited at the rent of HK\$1 per year for a term commencing from 1st April, 2011 and renewable automatically every 12 months after its commencement until one party serving one month's advance notice of termination to the other party.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company, together with other members of their family control the management of Yeung Chi Shing Estates Limited.

The above transactions (except the Licence Agreement and the Vehicle Licence Agreement) constituted continuing connected transactions not exempt under rule 14A.33 of the Listing Rules. Details of these transactions and other related party transactions for the year ended 31st March, 2013 are set out in note 36 to the financial statements.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions pursuant to Rule 14A.37 of the Listing Rules and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; and
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has reviewed the continuing connected transactions for the year ended 31st March, 2013 pursuant to Rule 14A.38 of the Listing Rules and advised the directors of the Company in writing with a copy provided to the Stock Exchange that:

- (1) nothing has come to its attention that causes it to believe that the continuing connected transactions have not been approved by the directors of the Company;
- (2) nothing has come to its attention that causes it to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (3) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to its attention that causes it to believe that the continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 8th July, 2011 and 30th April, 2012 made by the Company in respect of each of the continuing connected transactions.

Report of the Directors (Continued)

DIRECTORS' INTERESTS (Continued)

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, there is no contract of significance between the Group and a controlling shareholder of the Company (as defined in the Listing Rules) or any of its subsidiaries, including for the provision of services to the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Mr. Cheng Kar Shing, Peter, an independent non-executive director of the Company, is a director of Chow Tai Fook Jewellery Co. Ltd. ("Chow Tai Fook"). The gold ornament, jewellery and watch retail business of Chow Tai Fook may compete with similar business of the Group.

Mr. Sin Nga Yan, Benedict, an independent non-executive director of the Company, is a director and general manager of Myer Jewelry Manufacturer Limited. The manufacturing and trading of fine and costume jewellery business of Myer Jewelry Manufacturer Limited and its subsidiaries ("Myer Group") may compete with similar business of the Group.

Mr. Tang Yat Sun, Richard is a director of Hang Seng Bank Limited ("Hang Seng"). The bullion trading, securities broking and money exchange business of Hang Seng may compete with similar business of the Group.

The Group has experienced senior management independent of the above-named directors to conduct its business and is therefore capable of carrying on its business independently of and at arm's length from the respective businesses of Chow Tai Fook, Myer Group and Hang Seng.

GOLD LOANS AND BANK LOANS

Particulars of gold loans and bank loans of the Group are set out under current and non-current liabilities in the consolidated balance sheet and in notes 26 and 27 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2013, the following persons (other than a director or chief executive of the Company) had interest in the share capital of the Company as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Number of ordinary shares held	Nature of interest	Percentage of shareholding
Yeung Chi Shing Estates Limited	200,193,055	Note	46.01%
Yeung Wing Yan	26,868,000		6.17%

Note: 194,033,035 shares are beneficially owned by Yeung Chi Shing Estates Limited while 6,160,020 shares are of its corporate interest.

SUBSTANTIAL SHAREHOLDERS (Continued)

Save as disclosed above, as at 31st March, 2013, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year.

SHARE OPTION SCHEME

On 27th August, 2004, the Company adopted a share option scheme (the "Scheme") for the purpose of attracting and retaining quality personnel and other persons who may contribute to the business and operation of the Group. Options may be granted without any initial payment to persons including directors, employees or consultants of the Group. Presently the maximum number of shares issuable under the Scheme is 43,507,165 shares (being 10% of the issued share capital of the Company at 27th August, 2004). The maximum number of shares in respect of which options may be granted to any one person in any 12-month period is 1% of the issued share capital of the Company on the last date of such 12-month period unless with shareholders' approval. The option period shall not be more than 10 years from the date of grant of an option, and may include a minimum period an option must be held before it can be exercised. The exercise price is the highest of (i) the nominal value of one share of the Company; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of the grant of the option. The Scheme will remain in force until 26th August, 2014. The Company has not granted any option under the Scheme since its adoption.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of directors and senior management for the year ended 31st March, 2013 are set out in notes 13, 14 and 36(e) to the financial statements.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of its directors, not less than 25% of the issued share capital of the Company is held by the public.

AUDITOR

The financial statements for the year ended 31st March, 2010 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO. GTHK resigned and BDO was appointed as auditor of the Company effective from 19th November, 2010. The financial statements for the years ended 31st March, 2011, 2012 and 2013 were audited by BDO. A resolution will be proposed at the coming annual general meeting of the Company to reappoint BDO as auditor of the Company.

On behalf of the Board

Yeung Ping Leung, Howard
Chairman

Hong Kong, 28th June, 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard corporate governance practices. It met all the code provisions in the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in the year ended 31st March, 2013 except the deviations as explained below:

Code provision A.4.1

In respect of code provision A.4.1 of the Code, the non-executive directors of the Company were not appointed for a specific term, but each of them is subject to retirement by rotation at annual general meetings of the Company at least once every three years in accordance with the Articles of Association of the Company.

Code provisions A.5.1 to A.5.4

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

Code provision D.1.4

For code provision D.1.4 of the Code, except for Mr. Yeung Ping Leung, Howard, the Company does not have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Board decides on the key terms and conditions of the appointment of the directors of the Company from time to time and are recorded in the relevant board minutes.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as a code of conduct regarding its directors’ securities transactions. The Company has also adopted the practice to remind all directors of the Company of the commencement of each period during which directors are not allowed to deal in the securities of the Company under the Model Code.

Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code regarding directors’ securities transactions during the year ended 31st March, 2013.

BOARD OF DIRECTORS

The Company is governed by the Board which has the responsibility for leadership and control of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs covering the Group's overall strategy, annual and interim results, major acquisitions and disposals, recommendations on directors' appointment or re-appointment and other significant operational and financial matters. Decisions and directions of the Board are carried out and implemented by the management of the Company, which reports directly to the Group General Manager and/or the Executive Committee so as to assist the directors to promote the success of the Group. With the assistance of the management, the Board has reviewed the effectiveness of the internal control system of the Group. All directors of the Company are well informed in a timely manner of major changes that may affect the Group's businesses, including relevant rules and regulations. Management monthly updates to the Board have been provided to all directors of the Company starting from April 2012 so as to enable the directors to discharge their duties. Written procedures are also in place for all directors of the Company to take independent professional advice where necessary in performing their duties at the expense of the Company.

All directors of the Company are given the opportunity to put items on the agenda for regular Board meetings. All directors have access to the company secretary of the Company (the "Company Secretary") to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice.

During the year, the Board had at all times complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of the independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The Company has complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

Corporate Governance Report (Continued)

BOARD OF DIRECTORS (Continued)

The Board met 4 times during the year ended 31st March, 2013. The Board's composition and the attendance of individual directors at these meetings were as follows:

Name of director	Number of meetings attended
<i>Executive directors</i>	
Mr. Yeung Ping Leung, Howard (<i>Chairman</i>)	4
Mr. Tang Yat Sun, Richard (<i>Vice Chairman</i>)	3
Mr. Cheng Ka On, Dominic	4
Mr. Yeung Bing Kwong, Kenneth	4
Ms. Fung Chung Yee, Caroline	4
<i>Non-executive directors</i>	
Mr. Wong Wei Ping, Martin	4
Mr. Yeung Ka Shing (resigned on 18th December, 2012)	2
<i>Independent non-executive directors</i>	
Mr. Lau To Yee	4
Mr. Cheng Kar Shing, Peter	2
Mr. Chan Chak Cheung, William	4
Mr. Ho Hau Hay, Hamilton	4
Mr. Sin Nga Yan, Benedict	4
Mr. Cheng Kwok Shing, Anthony (appointed on 22nd April, 2013)	0

Messrs. Yeung Ping Leung, Howard and Yeung Bing Kwong, Kenneth are brothers and Mr. Wong Wei Ping, Martin is their brother-in-law. Mr. Yeung Ka Shing is the son of Mr. Yeung Bing Kwong, Kenneth and the nephew of Messrs. Yeung Ping Leung, Howard and Wong Wei Ping, Martin.

Details of the directors are disclosed in the section headed "Brief Biographical Details of the Directors" on pages 3 and 4.

BOARD OF DIRECTORS (Continued)

In compliance with code provision A.6.5 of the Code, all directors of the Company participated in continuous professional development during the year ended 31st March, 2013 to develop and refresh their knowledge and skills, detailed as below:

Name of director	Attend seminars and/or training programmes	Reading materials
Mr. Yeung Ping Leung, Howard	✓	✓
Mr. Tang Yat Sun, Richard	✓	✓
Mr. Cheng Ka On, Dominic	✓	
Mr. Yeung Bing Kwong, Kenneth	✓	✓
Ms. Fung Chung Yee, Caroline	✓	✓
Mr. Wong Wei Ping, Martin	✓	
Mr. Lau To Yee	✓	
Mr. Cheng Kar Shing, Peter	✓	✓
Mr. Chan Chak Cheung, William	✓	
Mr. Ho Hau Hay, Hamilton	✓	✓
Mr. Sin Nga Yan, Benedict	✓	✓
Mr. Yeung Ka Shing	✓	

CHAIRMAN AND GROUP GENERAL MANAGER (CHIEF EXECUTIVE OFFICER)

The roles of the Chairman and the Group General Manager (Chief Executive Officer) of the Company are separated, with a clear division of responsibilities.

Mr. Yeung Ping Leung, Howard is the Chairman of the Company. He is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting agenda of the Board meetings and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group. He is also responsible for the strategic planning of the Group.

Ms. Wong Ka Ki, Kay is the Group General Manager of the Company responsible for the day-to-day management of the Group's business and for the growth and diversification thereof to accomplish the vision of the Company. She also monitors performance of the Group's operational and financial results.

NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term but each of them is subject to retirement by rotation and re-election at the Company's annual general meetings at least once every three years in accordance with the Articles of Association of the Company.

Corporate Governance Report (Continued)

REMUNERATION COMMITTEE

The Remuneration Committee has three members, comprising Messrs. Chan Chak Cheung, William and Cheng Kar Shing, Peter (both independent non-executive directors) and Ms. Fung Chung Yee, Caroline (an executive director). This Committee is chaired by Mr. Chan Chak Cheung, William. The terms of reference of the Remuneration Committee follow the guidelines set out in the Code.

The Remuneration Committee met once during the year. All members attended the meeting.

The Remuneration Committee has reviewed and approved the Group's remuneration policy and made recommendations to the Board for approval of the levels of remuneration paid to the executive directors and the senior management of the Group. The Remuneration Committee had considered factors such as the performance of the executive directors and the senior management, the profitability of the Group, salaries paid by comparable companies and time commitment and responsibilities of the senior management. The Remuneration Committee has to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group.

NOMINATION OF DIRECTORS

Executive directors identify potential new directors and recommend to the Board for decision. A director appointed by the Board is subject to election by the shareholders of the Company at the first annual general meeting after his appointment.

Potential new directors are selected on the basis of their qualifications, skills and experience which the Board considers will make a positive contribution to the performance of the Board.

During the year, no new director was appointed.

Mr. Cheng Kwok Shing, Anthony was appointed as an independent non-executive director on 22nd April, 2013.

CORPORATE GOVERNANCE FUNCTIONS

The Board has adopted terms of reference for corporate governance functions set out in the Code and is responsible for performing the corporate governance duties set out therein. The Board determines the policies and practices on the corporate governance of the Company to comply with legal and regulatory requirements. The Board has reviewed and monitored the training and continuous professional development of the directors and senior management of the Company as well as the code of conduct applicable to the directors of the Company during the year.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company. As at 31st March, 2013, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the Company's auditor about its financial reporting are set out in the Independent Auditor's Report attached to the Company's financial statements for the year ended 31st March, 2013.

ACCOUNTABILITY AND AUDIT (Continued)

During the year ended 31st March, 2013, the Board, with the assistance of the internal audit department, has reviewed the effectiveness of the Group's internal control system covering all controls, including financial, operational and compliance controls and risk management functions and, in particular, the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting function, and their training programmes and budget. The result has been reported to the Audit Committee. Areas for improvement have been identified and appropriate measures have been taken.

AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the auditor, BDO Limited, for audit services was approximately HK\$860,000 (2012: HK\$839,000) and for other non-audit services was approximately HK\$163,000 (2012: HK\$258,000).

The significant non-audit service assignment covered by these fees includes the following:

Nature of service	Fee paid
Interim review	HK\$150,000

AUDIT COMMITTEE

The Audit Committee had 3 members, comprising Messrs. Chan Chak Cheung, William and Lau To Yee (both independent non-executive directors) and Mr. Wong Wei Ping, Martin (a non-executive director) during the year. The Chairman of this Committee was Mr. Chan Chak Cheung, William. On 22nd April, 2013, Mr. Cheng Kwok Shing, Anthony was appointed a member of the Audit Committee, and became its Chairman to replace Mr. Chan Chak Cheung, William. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The primary duties of the Audit Committee include the review of the Group's interim and annual financial reports, and the nature and scope of the external and internal audits including review of the effectiveness of the system of internal control. With the assistance of the internal audit department, the Audit Committee reviewed internal control matters relating to key business of the Group with the aim to identify areas for improvement. Based on the review reports of the internal audit department, the Audit Committee assessed the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting function, and their training programmes and budget and was satisfied with the result. The Audit Committee is also responsible for making recommendation in relation to the appointment, reappointment and removal of the auditor, and reviews and monitors the auditor's independence and objectivity. In addition, the Audit Committee discusses matters raised by the Company's auditor to ensure that appropriate recommendations are implemented.

During the year, the Audit Committee had reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including review of the Company's interim and annual financial statements before submission to the Board. The Group's financial statements for the year ended 31st March, 2013 have been reviewed by the Audit Committee, which is of the opinion that such financial statements comply with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

The Audit Committee met 3 times during the year ended 31st March, 2013, which were attended by all members.

Corporate Governance Report (Continued)

COMMUNICATIONS WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with the shareholders of the Company and, in particular, through annual general meetings or other general meetings to communicate with them and encourage their participation. The Company also communicates with its shareholders through annual reports, interim reports, announcements and circulars issued by the Company from time to time. Shareholders may also contact the Company in writing or visit the Company's website (<http://www.irasia.com/listco/hk/kingfook/index.htm>) for information about the Group and its activities.

Shareholders may put enquiries to the Board in writing sent to the Company's registered office at 9th Floor, King Fook Building, 30-32 Des Voeux Road Central, Hong Kong and the Company's investor relations department will respond to enquires from shareholders promptly.

The Company held an annual general meeting of the Company during the year ended 31st March, 2013, (the "Meeting") which provided an opportunity for communication between the shareholders and the Board at which the Chairman and the other members of the Board had attended. Details of the procedures for conducting a poll were explained at the commencement of the Meeting. In accordance with the Listing Rules, the votes of shareholders at the Meeting were taken by poll and the poll results were announced at the Meeting and published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively after the Meeting. A separate resolution was proposed at the Meeting on each substantial issue, including the re-election of directors. All the resolutions proposed at the Meeting for the shareholders' approval were passed.

The directors attending the Meeting were as follows:

Mr. Yeung Ping Leung, Howard (*Chairman*)

Mr. Tang Yat Sun, Richard (*Vice Chairman*)

Mr. Cheng Ka On, Dominic

Mr. Yeung Bing Kwong, Kenneth

Ms. Fung Chung Yee, Caroline

Mr. Wong Wei Ping, Martin

Mr. Lau To Yee

Mr. Chan Chak Cheung, William

Mr. Ho Hau Hay, Hamilton

Mr. Sin Nga Yan, Benedict

Pursuant to Article 72 of the Company's Articles of Association and the Companies Ordinance of Hong Kong, shareholders holding one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by signed requisition deposited at the registered office of the Company to convene an extraordinary general meeting ("EGM") for the objects (including proposals) specified in such requisition. If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene such EGM for a day not more than 28 days after the date on which the notice convening the EGM is given, the requisitionists, or any of them representing more than one-half of the total rights of all of them, may do so themselves in accordance with the provisions of Section 113 of the Companies Ordinance of Hong Kong.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31st March, 2013, the Company had changed its Articles of Association to remove the exemption which allows a director of the Company to vote on any board resolution in respect of any contract or arrangement concerning a company in which the director together with any of his associates owns no more than 5 per cent of the issued shares or voting rights of any class of shares of such company in compliance with the new requirements of Rule 13.44 of the Listing Rules.



Tel : +852 2218 8288
 Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
 111 Connaught Road Central
 Hong Kong

電話 : +852 2218 8288
 傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
 永安中心25樓

TO THE SHAREHOLDERS OF KING FOOK HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of King Fook Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 26 to 85, which comprise the consolidated and company balance sheets as at 31st March, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Li Wing Yin

Practising Certificate Number P05035

Hong Kong, 28th June, 2013

BDO Limited
 香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Consolidated Income Statement

For the year ended 31st March, 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenue	5	1,248,580	1,353,355
Cost of sales		<u>(916,619)</u>	<u>(980,085)</u>
Gross profit		331,961	373,270
Other operating income		176,004	93,374
Distribution and selling costs		(351,702)	(328,944)
Administrative expenses		(85,714)	(85,592)
Other operating expenses		<u>(12,152)</u>	<u>(11,256)</u>
Operating profit		58,397	40,852
Finance costs	6	(9,337)	(4,405)
Share of loss of a jointly controlled entity		<u>—</u>	<u>(23)</u>
Profit before taxation	7	49,060	36,424
Taxation	8	27	(1,070)
Profit for the year		<u>49,087</u>	<u>35,354</u>
Profit/(loss) for the year attributable to:			
Shareholders of the Company	9	50,457	36,254
Minority interests		<u>(1,370)</u>	<u>(900)</u>
		<u>49,087</u>	<u>35,354</u>
Earnings per share for profit attributable to the shareholders of the Company during the year	11		(Restated)
- Basic and diluted (HK cents)		<u>11.2 cents</u>	<u>8.1 cents</u>

Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2013

	2013 HK\$'000	2012 HK\$'000
Profit for the year	49,087	35,354
Other comprehensive income		
Change in fair value of available-for-sale investments	(17,109)	(54,703)
Reclassification adjustment upon disposal of available-for-sale investments	(72,702)	(84,053)
Reclassification adjustment upon impairment loss of available-for-sale investments	4,082	—
Exchange translation differences	(945)	1,360
Other comprehensive income for the year	<u>(86,674)</u>	<u>(137,396)</u>
Total comprehensive income for the year	<u>(37,587)</u>	<u>(102,042)</u>
Total comprehensive income for the year attributable to:		
Shareholders of the Company	(36,217)	(101,142)
Minority interests	<u>(1,370)</u>	<u>(900)</u>
	<u>(37,587)</u>	<u>(102,042)</u>

Consolidated Balance Sheet

As at 31st March, 2013

	Note	As at 31st March, 2013 HK\$'000	As at 31st March, 2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	33,378	38,908
Investment properties	16	724	757
Available-for-sale investments	18	4,058	98,534
Other assets	19	2,196	2,196
		<u>40,356</u>	<u>140,395</u>
Current assets			
Inventories	20	1,036,757	971,559
Debtors, deposits and prepayments	21	128,565	144,549
Investments at fair value through profit or loss	22	12,830	12,678
Tax recoverable		2,857	2,986
Trust bank balances held on behalf of clients	23	1,040	1,258
Cash and cash equivalents	24	74,176	46,852
		<u>1,256,225</u>	<u>1,179,882</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	25	110,439	93,688
Tax payable		5	6
Gold loans, unsecured	26	30,533	31,541
Bank loans	27	198,500	215,666
		<u>339,477</u>	<u>340,901</u>
Net current assets		<u>916,748</u>	<u>838,981</u>
Total assets less current liabilities		<u>957,104</u>	<u>979,376</u>
Non-current liabilities			
Bank loans	27	84,000	65,000
Provision for long service payments	28	199	327
Deferred tax liabilities	32(a)	—	243
		<u>84,199</u>	<u>65,570</u>
Net assets		<u>872,905</u>	<u>913,806</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	29	108,768	108,768
Other reserves	30(a)	53,283	139,957
Retained profits	30(a)		
Proposed final dividend		—	3,046
Others		710,712	663,465
		<u>872,763</u>	<u>915,236</u>
Minority interests		<u>142</u>	<u>(1,430)</u>
		<u>872,905</u>	<u>913,806</u>

Yeung Ping Leung, Howard
Chairman

Tang Yat Sun, Richard
Vice Chairman

Balance Sheet

As at 31st March, 2013

	<i>Note</i>	As at 31st March, 2013 HK\$'000	As at 31st March, 2012 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	2,191	2,830
Investments in subsidiaries	17	123,152	123,152
		<u>125,343</u>	<u>125,982</u>
Current assets			
Debtors, deposits and prepayments	21	1,610	1,144
Amounts due from subsidiaries	17	816,038	787,021
Cash and cash equivalents	24	39,486	11,002
		<u>857,134</u>	<u>799,167</u>
Current liabilities			
Creditors, deposits received and accruals	25	10,449	9,920
Amounts due to subsidiaries	17	365,341	310,452
Gold loans, unsecured	26	30,533	31,541
Bank loans	27	198,500	215,666
		<u>604,823</u>	<u>567,579</u>
Net current assets		<u>252,311</u>	<u>231,588</u>
Total assets less current liabilities		<u>377,654</u>	<u>357,570</u>
Non-current liabilities			
Bank loans	27	84,000	65,000
Provision for long service payments	28	26	51
		<u>84,026</u>	<u>65,051</u>
Net assets		<u>293,628</u>	<u>292,519</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	29	108,768	108,768
Other reserves	30(b)	17,575	17,575
Retained profits	30(b)		
Proposed final dividend		—	3,046
Others		167,285	163,130
		<u>293,628</u>	<u>292,519</u>

Yeung Ping Leung, Howard
Chairman

Tang Yat Sun, Richard
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2013

	Capital and reserves attributable to the shareholders of the Company							Minority interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1st April, 2011	108,768	17,575	24,753	10,540	224,485	634,391	1,020,512	144	1,020,656
2011 final dividend paid	—	—	—	—	—	(3,481)	(3,481)	—	(3,481)
2012 interim dividend paid	—	—	—	—	—	(653)	(653)	—	(653)
Arising from acquisition of a subsidiary	—	—	—	—	—	—	—	(674)	(674)
Transactions with shareholders	—	—	—	—	—	(4,134)	(4,134)	(674)	(4,808)
Profit/(loss) for the year	—	—	—	—	—	36,254	36,254	(900)	35,354
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	(54,703)	—	(54,703)	—	(54,703)
Reclassification adjustment upon disposal of available-for-sale investments	—	—	—	—	(84,053)	—	(84,053)	—	(84,053)
Exchange translation differences	—	—	—	1,360	—	—	1,360	—	1,360
Total comprehensive income for the year	—	—	—	1,360	(138,756)	36,254	(101,142)	(900)	(102,042)
At 31st March, 2012	108,768	17,575	24,753	11,900	85,729	666,511	915,236	(1,430)	913,806
<i>Representing:</i>									
Proposed final dividend						3,046			
Others						663,465			
Retained profits as at 31st March, 2012						666,511			

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st March, 2013

	Capital and reserves attributable to the shareholders of the Company						Minority interests	Total	
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1st April, 2012	108,768	17,575	24,753	11,900	85,729	666,511	915,236	(1,430)	913,806
2012 final dividend paid	—	—	—	—	—	(3,046)	(3,046)	—	(3,046)
2013 interim dividend paid	—	—	—	—	—	(218)	(218)	—	(218)
Acquisition of remaining interests in a subsidiary (note 17)	—	—	—	—	—	(2,992)	(2,992)	2,942	(50)
Transactions with shareholders	—	—	—	—	—	(6,256)	(6,256)	2,942	(3,314)
Profit/(loss) for the year	—	—	—	—	—	50,457	50,457	(1,370)	49,087
Other comprehensive income:									
Change in fair value of available-for-sale investments	—	—	—	—	(17,109)	—	(17,109)	—	(17,109)
Reclassification adjustment upon disposal of available-for-sale investments	—	—	—	—	(72,702)	—	(72,702)	—	(72,702)
Reclassification adjustment upon impairment loss of available-for-sale investments	—	—	—	—	4,082	—	4,082	—	4,082
Exchange translation differences	—	—	—	(945)	—	—	(945)	—	(945)
Total comprehensive income for the year	—	—	—	(945)	(85,729)	50,457	(36,217)	(1,370)	(37,587)
At 31st March, 2013	108,768	17,575	24,753	10,955	—	710,712	872,763	142	872,905
Representing:									
Proposed final dividend						—			
Others						710,712			
Retained profits as at 31st March, 2013						710,712			

Consolidated Statement of Cash Flows

For the year ended 31st March, 2013

	Note	2013 HK\$'000	2012 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss before working capital changes	31	(77,123)	(27,069)
Increase in inventories		(67,978)	(162,723)
Decrease/(increase) in debtors, deposits and prepayments		11,949	(6,219)
Increase/(decrease) in creditors, deposits received, accruals and deferred income		16,574	(28,577)
Decrease in trust bank balances held on behalf of clients		218	656
Dividends received from investments at fair value through profit or loss		262	161
Change in investments at fair value through profit or loss		(2)	3,229
Interest received		345	610
Hong Kong profits tax paid		(1,911)	(8,263)
Hong Kong profits tax refunded		1,847	—
Overseas tax paid		(24)	(29)
Long service payments paid		(90)	(139)
<i>Net cash used in operating activities</i>		<u>(115,933)</u>	<u>(228,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflow from acquisition of subsidiaries	33	—	218
Advance to a jointly controlled entity		—	(3,210)
Investment in a jointly controlled entity		—	(23)
Dividends received from available-for-sale investments		1,428	5,891
Proceeds from disposal of available-for-sale investments		78,885	84,149
Proceeds from disposal of a jointly controlled entity		—	1,224
Purchase of property, plant and equipment		(24,779)	(10,810)
Proceeds from disposal of property, plant and equipment		100,014	—
<i>Net cash generated from investing activities</i>		<u>155,548</u>	<u>77,439</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of remaining interests in a subsidiary	17	(50)	—
Interest paid		(9,160)	(3,407)
New bank, gold and other loans		241,724	311,879
Repayment of bank, gold and other loans		(239,890)	(177,394)
Dividends paid		(3,264)	(4,134)
<i>Net cash (used in)/generated from financing activities</i>		<u>(10,640)</u>	<u>126,944</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		46,852	69,799
Effect of foreign exchange rates changes, net		(1,651)	1,033
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u><u>74,176</u></u>	<u><u>46,852</u></u>

Notes to the Financial Statements

For the year ended 31st March, 2013

1. GENERAL INFORMATION

King Fook Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. Its registered office is located at 9th Floor, King Fook Building, 30-32 Des Voeux Road Central, Hong Kong and its principal place of business is in Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 17 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 26 to 85 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), the requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of the revised HKFRSs and the impact on the Group’s financial statements, if any, are disclosed in note 2.2.

These financial statements have been prepared on the historical cost basis except for gold bullion stocks held for trading, gold loans and financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of these financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in note 3.

2.2 Adoption of amendments to HKFRSs - effective 1st April, 2012

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1st April, 2012:

Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets
-----------------------	--

The adoption of the amendments to HKFRS 7 has no significant impact on the Group’s financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle ²
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ¹
Amendments to HKFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities ²
Amendments to HKAS 32	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities ³
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 19 (2011)	Employee Benefit ²
HKAS 27 (2011)	Separate Financial Statements ²

¹ Effective for annual periods beginning on or after 1st July, 2012

² Effective for annual periods beginning on or after 1st January, 2013

³ Effective for annual periods beginning on or after 1st January, 2014

⁴ Effective for annual periods beginning on or after 1st January, 2015

HKFRSs (Amendments): *Annual Improvements 2009-2011 Cycle*

The improvements made amendments to the following standards:

(i) **HKAS 1: *Presentation of Financial Statements***

The amendments clarify that the requirement to present a third balance sheet when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that balance sheet. The date of the opening balance sheet is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third balance sheet are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more balance sheets and not a complete set of financial statements. Related notes are required for each additional balance sheet presented.

(ii) **HKAS 16: *Property, Plant and Equipment***

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) **HKAS 32: *Financial Instruments: Presentation***

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in capital and reserves, other comprehensive income or in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.3 New/revised HKFRSs that have been issued but are not yet effective (Continued)****HKFRSs (Amendments): Annual Improvements 2009-2011 Cycle (Continued)****(iv) HKAS 34: Interim Financial Reporting**

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised): Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKFRS 7: Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Amendments to HKAS 32: Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9: Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New/revised HKFRSs that have been issued but are not yet effective (Continued)

HKFRS 10: Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12: Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effect of those interests on the reporting entity’s financial statements.

HKFRS 13: Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the management so far conclude that the application of these new/revised HKFRSs will have no material impact on the Group’s financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.5 below) (together referred to as the “Group”) made up to 31st March for each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group’s perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group’s previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the minority interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other minority interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from capital and reserves.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1st January, 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interest and the minority interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the minority interests is adjusted and the fair value of the consideration paid or received is recognised directly in capital and reserves and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any minority interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of minority interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such minority interest’s share of subsequent changes in capital and reserves. Total comprehensive income is attributed to such minority interests even if this results in those minority interests having a deficit balance.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group is able to exercise control, where the Group has the power to control the financial and operating policies of the entities so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's balance sheet, investments in subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre-acquisition or post-acquisition profits are recognised in the Company's profit or loss.

2.6 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK\$"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date re-translation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in capital and reserves.

When a foreign operation is sold, such exchange differences are reclassified from capital and reserves to profit or loss as part of the gain or loss on sale.

2.7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group's assets which yield interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) *Sale of goods*

Income from gold ornament, jewellery, watch, fashion and gift retailing, diamond wholesaling and bullion trading is recognised upon delivery of goods to customers, which is also the time when the significant risks and rewards of ownership are transferred to the customer.

(ii) *Commission income*

Commission income from securities broking and money exchange is recognised when services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Revenue recognition (Continued)

(iii) *Revenue on construction contracts*

When the outcome of the contract can be estimated reliably, revenue on fixed price construction contracts is determined using the percentage of completion method. The percentage of completion is calculated by comparing costs incurred to date with the total estimated costs of the contract. If the contract is considered profitable, it is stated at cost plus attributable profits by reference to the percentage of completion. Any expected loss on individual construction contracts is recognised immediately as an expense in profit or loss.

(iv) *Income from provision of travel related products and services*

Income from provision of travel related products and services is recognised when the services are rendered. Deposits received from customers prior to the delivery of services are included in current liabilities as “deferred income” and not recognised as revenue.

(v) *Dividend income*

Dividend income from investments is recognised when the right to receive payment is established.

(vi) *Rental income*

Rental income is recognised on a straight line basis over the period of each lease.

(vii) *Interest income*

Interest income is recognised on a time apportion basis using the effective interest method.

2.8 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. They are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Other borrowing costs are expensed when incurred.

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Buildings held under leasing agreements are depreciated over their expected useful lives of 40 to 50 years or over the term of lease, if shorter.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment (Continued)

Depreciation on other assets is provided to write off the cost less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over lease term
Leasehold improvements	15% or over the remaining period of the lease, whichever is shorter
Plant and machinery, furniture and equipment	15%
Motor vehicles	15%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.10 Investment properties

Investment properties are land and buildings held under a leasehold interest to earn rental income and/or for capital appreciation.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of buildings held as investment properties using the straight line method over their expected useful lives ranging from 40 to 50 years or over the lease term, if shorter. Leasehold land held as investment property is depreciated over the lease term.

2.11 Impairment of non-financial assets

Property, plant and equipment, investment properties and investments in subsidiaries stated at cost are subject to impairment testing. These assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

2.13 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries are set out below.

Financial assets are classified into the following categories:

- investments at fair value through profit or loss;
- loans and receivables; and
- available-for-sale investments.

Management determines the classification of the financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial assets (Continued)

(i) *Investments at fair value through profit or loss*

Investments at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short term profit-taking.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend income and interest income are recognised in accordance with the Group's policies in notes 2.7(v) and 2.7(vii) to these financial statements.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(iii) *Available-for-sale investments*

Non-derivative financial assets that do not qualify for inclusion in any of the categories of financial assets are classified as available-for-sale investments.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the investment revaluation reserve in capital and reserves, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is de-recognised, at which time the cumulative gain or loss is reclassified from capital and reserves to profit or loss. Dividend income from those investments is recognised in profit or loss in accordance with the policy set out in note 2.7(v). Interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

(ii) *Available-for-sale investments*

When a decline in the fair value of an available-for-sale investment has been recognised in other comprehensive income and accumulated in capital and reserves and there is objective evidence that the asset is impaired, an amount is removed from capital and reserves and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) *Financial assets carried at cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent years.

For financial assets other than investments at fair value through profit or loss and trade and other receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade and other receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and other receivables is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

2.14 Inventories

Inventories, other than gold bullion stocks held for trading, are stated at the lower of cost and estimated net realisable value. Cost is determined on an actual cost basis. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

Gold bullion stocks held for trading are stated at fair value less cost to sell. Changes in fair value are recognised in profit or loss in the year of the change.

2.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the tax years to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Accounting for income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the year the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in capital and reserves if they relate to items that are charged or credited to other comprehensive income or directly to capital and reserves.

Current tax assets and current tax liabilities are presented on a net basis if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities on a net basis if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash at banks, other financial institutions and in hand, short term bank deposits with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

(i) *Defined contribution plans*

The Group operates a number of defined contribution retirement schemes in Hong Kong. Contributions are made based on certain percentages of the employee's basic salaries.

The employees of the Group's subsidiaries which operate in the People's Republic of China, except Hong Kong (the "PRC"), are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

Contributions are recognised as expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(ii) *Short term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.19 Financial liabilities

The Group's financial liabilities include bank loans, gold loans, creditors and accruals. They are included in balance sheet line items as "bank loans", "gold loans, unsecured" and "creditors, deposits received, accruals and deferred income" under current liabilities and "bank loans" under non-current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.8).

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the term of the bank loans using the effective interest method.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. On initial recognition, gold loans are designated as financial liabilities at fair value through profit or loss. Subsequent to initial recognition, gold loans are measured at fair value with changes in fair value recognised in profit or loss. Financial liabilities originally designated as financial liabilities at fair value through profit or loss may not subsequently be reclassified.

Borrowings, which include bank loans and gold loans, are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Financial liabilities (Continued)

Creditors and accruals

Creditors and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's top management including executive directors and the general manager for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major product and service lines. The Group has identified the following operating segments:

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the PRC
- (iii) Securities broking
- (iv) Construction services
- (v) Provision of travel related products and services

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. Since (ii) and (v) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated with (i) because they have similar economic characteristics and (v) is reported under "All others". Although (iii) also does not meet the quantitative thresholds, it is separately presented as it is a major business line of the Group. Reportable segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the top management. The top management assesses segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements except as noted below.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Segment reporting (Continued)

Reportable segment assets and liabilities are all assets and liabilities excluding investments in securities, tax recoverable and payable and corporate assets and liabilities as they are not included in the internal management reporting information reviewed by the top management. Segment result excludes corporate income and expenses, and income and expenses arising from investments in securities and leasehold property and income tax.

Corporate income and expenses mainly include management fee income and expense, interest income and expense, employee benefit expense and operating lease charge of the Company and investment holding companies. Corporate assets and liabilities mainly include property, plant and equipment, cash and cash equivalents and accrued expenses of the Company and investment holding companies.

2.22 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates property, plant and equipment on a straight line basis over the estimated useful lives of 7 to 50 years. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(ii) Impairment of available-for-sale investments

For unlisted investments that are carried at cost less impairment, objective evidence of impairment would include information about adverse changes in the technological, market, economic or legal environment in which the investee operates which indicates that the cost of the investment may not be recovered. Management judgement is required in determining whether these indicators exist and in estimating the future cash flows from holding (such as dividends) or selling the asset.

(iii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimation is based on the credit history of its customers and current market conditions. Management re-assesses the impairment of receivables at the reporting date.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management re-assesses these estimations at the reporting date to ensure inventory is shown at the lower of cost and net realisable value.

(v) Percentage of completion and estimation of foreseeable losses in respect of construction contracts

Revenue from construction contracts is recognised according to the percentage of completion of individual contracts. When foreseeable loss in respect of a particular contract is identified, such loss is recognised as an expense in profit or loss immediately. The percentage of completion and foreseeable loss of individual contracts are determined based on the actual costs incurred and the total estimated contract cost prepared by the management of the Group. In order to ensure the total estimated contract cost is accurate and up-to-date, management reviews the costs incurred to date and costs to completion frequently, in particular any cost overruns and variation orders from customers, and revises the total estimated contract cost where necessary.

4. SEGMENT INFORMATION

The top management has identified the Group's four reporting segments as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

4. SEGMENT INFORMATION (Continued)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Year ended 31st March, 2013						
Revenue						
From external customers	1,226,827	2,666	10,202	8,885	—	1,248,580
Inter-segment sales	—	—	205	4	(209)	—
Reportable segment revenue	<u>1,226,827</u>	<u>2,666</u>	<u>10,407</u>	<u>8,889</u>	<u>(209)</u>	<u>1,248,580</u>
Interest income	69	54	2	1	—	126
Finance costs	(16,960)	—	(1,060)	—	—	(18,020)
Depreciation	(21,400)	(206)	(644)	(37)	—	(22,287)
Provision for and write down of inventories to net realisable value	(8,425)	—	—	—	—	(8,425)
Provision for impairment losses of property, plant and equipment	—	(403)	(1,788)	—	—	(2,191)
Provision for impairment losses of other receivables	<u>(6,458)</u>	<u>—</u>	<u>(240)</u>	<u>—</u>	<u>—</u>	<u>(6,698)</u>
Reportable segment results	(102,611)	(6,015)	(15,729)	4,252	—	(120,103)
Corporate income						70,520
Corporate expenses						(67,355)
Dividend income						1,690
Fair value change of investments at fair value through profit or loss						150
Gain on disposal of available-for-sale investments						72,702
Gain on disposal of a leasehold property						95,538
Provision for impairment loss of available-for-sale investments						<u>(4,082)</u>
Profit before taxation						<u>49,060</u>
At 31st March, 2013						
Reportable segment assets	1,189,079	19,915	12,752	8,038	—	1,229,784
Corporate assets						47,052
Available-for-sale investments						4,058
Investments at fair value through profit or loss						12,830
Tax recoverable						<u>2,857</u>
Total assets per consolidated balance sheet						<u>1,296,581</u>
Reportable segment liabilities	107,163	6,845	8,852	7,174	—	130,034
Corporate liabilities						11,137
Bank loans						282,500
Tax payable						<u>5</u>
Total liabilities per consolidated balance sheet						<u>423,676</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

4. SEGMENT INFORMATION (Continued)

	Retailing, bullion trading and diamond wholesaling HK\$'000	Securities broking HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
Year ended 31st March, 2012						
Revenue						
From external customers	1,284,824	3,937	54,922	9,672	—	1,353,355
Inter-segment sales	—	—	—	16	(16)	—
Reportable segment revenue	<u>1,284,824</u>	<u>3,937</u>	<u>54,922</u>	<u>9,688</u>	<u>(16)</u>	<u>1,353,355</u>
Interest income	116	71	1	—	—	188
Finance costs	(11,720)	—	(635)	—	—	(12,355)
Depreciation	(13,154)	(204)	(656)	(45)	—	(14,059)
Provision for and write down of inventories to net realisable value	(7,402)	—	—	—	—	(7,402)
Write off of other receivable	—	(6,000)	—	—	—	(6,000)
Share of loss of a jointly controlled entity	<u>(23)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(23)</u>
Reportable segment results	(6,413)	(13,224)	(30,454)	1,037	—	(49,054)
Corporate income						64,962
Corporate expenses						(65,326)
Dividend income						6,052
Fair value change of investments at fair value through profit or loss						(4,263)
Gain on disposal of available-for-sale investments						<u>84,053</u>
Profit before taxation						<u>36,424</u>
At 31st March, 2012						
Reportable segment assets	1,130,138	22,258	29,293	8,621	—	1,190,310
Corporate assets						15,769
Available-for-sale investments						98,534
Investments at fair value through profit or loss						12,678
Tax recoverable						<u>2,986</u>
Total assets per consolidated balance sheet						<u>1,320,277</u>
Reportable segment liabilities	84,368	7,314	14,128	9,621	—	115,431
Corporate liabilities						10,125
Bank loans						280,666
Tax payable						6
Deferred tax liabilities						<u>243</u>
Total liabilities per consolidated balance sheet						<u>406,471</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

4. SEGMENT INFORMATION (Continued)

No geographical information is presented as more than 90% of the Group's revenue and assets are derived from activities in Hong Kong (place of domicile).

For the years ended 31st March, 2012 and 2013, the Group did not have a concentration of reliance on any single customer under each of the segments.

5. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which includes the Group's turnover and other revenue, recognised during the year comprised the following:

	2013 HK\$'000	2012 HK\$'000
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	1,204,065	1,250,405
Bullion trading	16,675	25,801
Commission from securities broking	2,666	3,937
Diamond wholesaling	6,087	8,618
	<u>1,229,493</u>	<u>1,288,761</u>
	-----	-----
Other revenue		
Revenue on construction contracts	10,202	54,922
Income from provision of travel related products and services	8,885	9,672
	<u>19,087</u>	<u>64,594</u>
	-----	-----
Total revenue	<u>1,248,580</u>	<u>1,353,355</u>

6. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest charges on:		
Financial liabilities at amortised cost, bank and other loans and overdrafts wholly repayable within five years	8,471	3,710
Financial liabilities at fair value through profit or loss, gold loans wholly repayable within five years	866	695
	<u>9,337</u>	<u>4,405</u>
	-----	-----

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging and crediting:

	2013 HK\$'000	2012 HK\$'000
Charging:		
Auditors' remuneration		
- provision for the current year	938	923
Cost of inventories sold, including	924,316	984,715
- provision for and write down of inventories to net realisable value	8,425	7,402
- reversal of provision for and write down of inventories to net realisable value	(6,653)	(8,282)
Depreciation of property, plant and equipment	23,204	15,035
Depreciation of investment properties	33	33
Fair value change of investments at fair value through profit or loss	—	4,263
Foreign exchange loss, net	—	438
Loss on jointly controlled entity	—	701
Loss on write off/disposal of property, plant and equipment	—	118
Operating lease charges in respect of properties	220,085	215,599
Operating lease charges in respect of furniture and fixtures	651	635
Outgoings in respect of investment properties	60	61
Provision for impairment loss of available-for-sale investments	4,082	—
Provision for impairment losses of debtors		
- provided against allowance account	15	741
- reversal of provision	(1,470)	—
Provision for impairment losses of other receivables		
- provided against allowance account	6,698	—
- reversal of provision	—	(1,028)
Provision for impairment losses of property, plant and equipment	2,191	—
Write off of debtors	215	—
Write off of other receivables	422	6,000
	<u>422</u>	<u>6,000</u>
Crediting:		
Dividend income	1,690	6,052
Fair value change of investments at fair value through profit or loss	150	—
Foreign exchange gain, net	2,095	—
Gain on disposal of available-for-sale investments	72,702	84,053
Gain on disposal of property, plant and equipment	95,064	—
Interest income from financial assets at amortised cost	345	610
Provision for long service payments (notes 12 and 28)		
- provided against the account	(67)	—
- reversal of provision	105	965
Rental income		
- owned properties	559	654
- operating sub-leases	58	46
Reversal of provision for impairment loss of interest in a jointly controlled entity	—	1,224
	<u>—</u>	<u>1,224</u>

The reversal of provision for and write down of inventories to net realisable value arose from inventories that were sold subsequently.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

8. TAXATION

No Hong Kong profits tax has been provided for the year as the Group has no estimated assessable profit. Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31st March, 2012. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation (credited)/charged to the consolidated income statement represents:

	2013 HK\$'000	2012 HK\$'000
Current tax		
- Hong Kong		
Current year	—	2,641
Under/(over) provision of prior years	193	(1,843)
	<u>193</u>	<u>798</u>
- Overseas		
Current year	23	28
Under provision of prior years	—	1
	<u>23</u>	<u>29</u>
Deferred tax		
- Hong Kong		
Current year	(243)	243
Taxation (credit)/charge	<u>(27)</u>	<u>1,070</u>

Reconciliation between tax (credit)/expense and accounting profit at applicable tax rates is as follows:

	2013 HK\$'000	2012 HK\$'000
Profit before taxation	<u>49,060</u>	<u>36,424</u>
Tax on profit before taxation, calculated at the rates applicable to profits in the relevant tax jurisdictions	6,051	4,117
Tax effect of non-taxable income	(28,821)	(15,128)
Tax effect of non-deductible expenses	1,866	2,345
Temporary differences not recognised	809	504
Tax losses not recognised	21,221	10,438
Utilisation of previously unrecognised tax losses	(672)	(620)
Under/(over) provision of prior years	193	(1,843)
Others	(674)	1,257
Taxation (credit)/charge	<u>(27)</u>	<u>1,070</u>

9. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Of the consolidated profit attributable to the shareholders of the Company of HK\$50,457,000 (2012: HK\$36,254,000), a profit of HK\$4,373,000 (2012: HK\$2,133,000) has been dealt with in the financial statements of the Company.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

10. DIVIDENDS

(a) Dividends attributable to the year

	2013 HK\$'000	2012 HK\$'000
Interim dividend of HK0.05 cent (2012: HK0.15 cent) per ordinary share	218	653
No final dividend (2012: HK0.7 cent per ordinary share)	—	3,046
	<u>218</u>	<u>3,699</u>

At a meeting held on 25th November, 2011, the directors declared an interim dividend of HK0.15 cent per ordinary share for the year ended 31st March, 2012. This interim dividend was paid on 5th January, 2012 and was reflected as an appropriation of retained profits for the year ended 31st March, 2012.

At a meeting held on 29th June, 2012, the directors proposed a final dividend of HK0.7 cent per ordinary share for the year ended 31st March, 2012, which was approved by the shareholders at the annual general meeting held on 24th August, 2012. This final dividend was paid on 14th September, 2012 and has been reflected as an appropriation of retained profits for the year.

At a meeting held on 23rd November, 2012, the directors declared an interim dividend of HK0.05 cent per ordinary share for the year. This interim dividend was paid on 8th January, 2013 and was reflected as an appropriation of retained profits for the year.

At a meeting held on 28th June, 2013, the directors resolved not to recommend a final dividend for the year.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2013 HK\$'000	2012 HK\$'000
2012 final dividend of HK0.7 cent per ordinary share (2012: 2011 final dividend of HK0.8 cent per ordinary share)	<u>3,046</u>	<u>3,481</u>

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company of HK\$50,457,000 (2012: HK\$36,254,000) and on the weighted average number of 449,819,842 (2012: 449,819,842 (restated)) ordinary shares in issue during the year. The weighted average number of ordinary shares adopted in calculation of the basic earnings per share for the years ended 31st March, 2012 and 2013 has been adjusted to reflect the impact of the rights issue effected subsequent to the end of reporting period (note 39).

Diluted earnings per share for the years ended 31st March, 2012 and 2013 are the same as the basic earnings per share as there are no dilutive potential ordinary shares during the year.

12. EMPLOYEE BENEFIT EXPENSE

	2013 HK\$'000	2012 HK\$'000
Wages, salaries and other benefits	106,644	95,047
Pension costs - defined contribution retirement schemes	4,865	4,392
Provision for long service payments (note 28)	67	—
Reversal of provision for long service payments (note 28)	<u>(105)</u>	<u>(965)</u>
	<u>111,471</u>	<u>98,474</u>

Employee benefit expense as shown above includes directors' and chief executive's emoluments (note 13).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonuses HK\$'000	Pension costs - defined contribution retirement schemes HK\$'000	Total HK\$'000
2013					
Executive directors					
Mr. Yeung Ping Leung, Howard	39	7,553*	—	2	7,594
Mr. Tang Yat Sun, Richard	39	—	—	2	41
Mr. Cheng Ka On, Dominic	39	—	—	2	41
Mr. Yeung Bing Kwong, Kenneth	40	273	—	—	313
Ms. Fung Chung Yee, Caroline	37	1,739	1,652	130	3,558
Non-executive directors					
Mr. Wong Wei Ping, Martin	35	—	—	—	35
Mr. Yeung Ka Shing (resigned on 18th December, 2012)	—	—	—	—	—
Independent non-executive directors					
Mr. Lau To Yee	70	—	—	—	70
Mr. Cheng Kar Shing, Peter	72	—	—	—	72
Mr. Chan Chak Cheung, William	300	—	—	—	300
Mr. Ho Hau Hay, Hamilton (re-designated as independent non-executive director on 29th June, 2012)	70	—	—	—	70
Mr. Sin Nga Yan, Benedict (re-designated as independent non-executive director on 29th June, 2012)	70	—	—	—	70
Chief executive					
Ms. Wong Ka Ki, Kay	—	1,211	—	91	1,302
	<u>811</u>	<u>10,776</u>	<u>1,652</u>	<u>227</u>	<u>13,466</u>
2012					
Executive directors					
Mr. Yeung Ping Leung, Howard	39	—	—	2	41
Mr. Tang Yat Sun, Richard	39	—	—	2	41
Mr. Cheng Ka On, Dominic	39	—	—	2	41
Mr. Yeung Bing Kwong, Kenneth	41	260	—	—	301
Ms. Fung Chung Yee, Caroline	37	1,226	669	92	2,024
Non-executive directors					
Mr. Wong Wei Ping, Martin	35	—	—	—	35
Mr. Ho Hau Hay, Hamilton	20	—	—	—	20
Mr. Sin Nga Yan, Benedict	20	—	—	—	20
Mr. Yeung Ka Shing	20	—	—	—	20
Independent non-executive directors					
Mr. Lau To Yee	70	—	—	—	70
Mr. Cheng Kar Shing, Peter	72	—	—	—	72
Mr. Chan Chak Cheung, William	300	—	—	—	300
Chief executive					
Ms. Wong Ka Ki, Kay	—	1,158	—	87	1,245
	<u>732</u>	<u>2,644</u>	<u>669</u>	<u>185</u>	<u>4,230</u>

* For the year ended 31st March, 2012, the Company had entered into a consultancy service agreement with Verbal Company Limited ("Verbal"), whereby Verbal provides the services of Mr. Yeung Ping Leung, Howard to the Group. Mr. Yeung Ping Leung, Howard and Mr. Tang Yat Sun, Richard are directors of the Company and Verbal, and Mr. Yeung Ping Leung, Howard has a beneficial interest in Verbal. For the year ended 31st March, 2013, a service agreement was entered in substitution for any previous service agreement whereby Verbal agrees to procure specifically the service of Mr. Yeung Ping Leung as an Executive Director and Chairman of the Company responsible for overall planning of the business strategy of the Company. Accordingly, the remuneration paid in accordance with the service agreement was regarded as director's emoluments included in employee benefit expenses.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

During the year, no emoluments were paid by the Group to the directors/chief executive as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: Nil).

None of the directors/chief executive has waived or agreed to waive any emoluments in respect of the year (2012: Nil).

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included two (2012: one) directors and one (2012: one) chief executive whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining two (2012: three) individuals are as follows:

	2013 HK\$'000	2012 HK\$'000
Salaries, bonuses, allowances and benefits in kind	2,660	4,720
Pension costs - defined contribution retirement schemes	<u>77</u>	<u>152</u>
	<u><u>2,737</u></u>	<u><u>4,872</u></u>

The emoluments of the remaining two (2012: three) individuals, fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK\$1,000,001 - HK\$1,500,000	1	2
HK\$1,500,001 - HK\$2,000,000	1	—
HK\$2,000,001 - HK\$2,500,000	<u>—</u>	<u>1</u>

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: Nil).

The emoluments of the members of senior management excluding directors (executive and non-executive) and chief executive fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK\$500,001 - HK\$1,000,000	1	1
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	—
HK\$2,000,001 - HK\$2,500,000	<u>—</u>	<u>1</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

15. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery, furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1st April, 2011					
Cost	11,053	49,495	45,547	2,094	108,189
Accumulated depreciation	(5,437)	(25,335)	(35,063)	(1,518)	(67,353)
Net book amount	<u>5,616</u>	<u>24,160</u>	<u>10,484</u>	<u>576</u>	<u>40,836</u>
Net book amount					
At 1st April, 2011	5,616	24,160	10,484	576	40,836
Additions	—	7,862	2,948	—	10,810
Acquisition of subsidiaries	—	2,138	111	—	2,249
Write off/disposals	—	(71)	(47)	—	(118)
Depreciation	(208)	(11,813)	(2,910)	(104)	(15,035)
Exchange difference	—	153	12	1	166
At 31st March, 2012	<u>5,408</u>	<u>22,429</u>	<u>10,598</u>	<u>473</u>	<u>38,908</u>
At 31st March, 2012					
Cost	11,053	52,807	48,087	2,102	114,049
Accumulated depreciation	(5,645)	(30,378)	(37,489)	(1,629)	(75,141)
Net book amount	<u>5,408</u>	<u>22,429</u>	<u>10,598</u>	<u>473</u>	<u>38,908</u>
Net book amount					
At 1st April, 2012	5,408	22,429	10,598	473	38,908
Additions	—	22,358	1,765	656	24,779
Write off/disposals	(4,463)	(464)	(23)	—	(4,950)
Depreciation	(138)	(19,867)	(3,020)	(179)	(23,204)
Impairment losses	—	(230)	(1,919)	(42)	(2,191)
Exchange difference	—	32	4	—	36
At 31st March, 2013	<u>807</u>	<u>24,258</u>	<u>7,405</u>	<u>908</u>	<u>33,378</u>
At 31st March, 2013					
Cost	1,919	69,289	49,971	2,482	123,661
Accumulated depreciation	(1,112)	(44,801)	(40,647)	(1,532)	(88,092)
Impairment losses	—	(230)	(1,919)	(42)	(2,191)
Net book amount	<u>807</u>	<u>24,258</u>	<u>7,405</u>	<u>908</u>	<u>33,378</u>

The Group's leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

Depreciation expense of HK\$518,000 (2012: HK\$478,000) was included in cost of sales, HK\$21,420,000 (2012: HK\$13,175,000) was included in distribution and selling costs and HK\$1,266,000 (2012: HK\$1,382,000) was included in administrative expenses.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Company

	Leasehold improvements HK\$'000	Plant and machinery, furniture and equipment HK\$'000	Total HK\$'000
At 1st April, 2011			
Cost	2,190	19,879	22,069
Accumulated depreciation	(1,714)	(16,936)	(18,650)
Net book amount	<u>476</u>	<u>2,943</u>	<u>3,419</u>
Net book amount			
At 1st April, 2011	476	2,943	3,419
Additions	196	249	445
Write off	—	(26)	(26)
Depreciation	(113)	(895)	(1,008)
At 31st March, 2012	<u>559</u>	<u>2,271</u>	<u>2,830</u>
At 31st March, 2012			
Cost	2,386	19,976	22,362
Accumulated depreciation	(1,827)	(17,705)	(19,532)
Net book amount	<u>559</u>	<u>2,271</u>	<u>2,830</u>
Net book amount			
At 1st April, 2012	559	2,271	2,830
Additions	67	260	327
Write off/disposals	(9)	(8)	(17)
Depreciation	(138)	(811)	(949)
At 31st March, 2013	<u>479</u>	<u>1,712</u>	<u>2,191</u>
At 31st March, 2013			
Cost	2,409	20,114	22,523
Accumulated depreciation	(1,930)	(18,402)	(20,332)
Net book amount	<u>479</u>	<u>1,712</u>	<u>2,191</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

16. INVESTMENT PROPERTIES

	Group	
	2013 HK\$'000	2012 HK\$'000
At 1st April		
Gross carrying amount	1,840	1,840
Accumulated depreciation	<u>(1,083)</u>	<u>(1,050)</u>
Net carrying amount	<u>757</u>	<u>790</u>
Opening net carrying amount	757	790
Depreciation	<u>(33)</u>	<u>(33)</u>
Closing net carrying amount	<u>724</u>	<u>757</u>
At 31st March		
Gross carrying amount	1,840	1,840
Accumulated depreciation	<u>(1,116)</u>	<u>(1,083)</u>
Net carrying amount	<u>724</u>	<u>757</u>

The Group's investment properties, which are land and buildings held under a leasehold interest, are situated in Hong Kong and are held under medium term leases.

The fair value of the Group's investment properties at 31st March, 2013 was approximately HK\$23,000,000 (2012: HK\$16,700,000) which was based on the valuation performed by BMI Appraisals Limited, a firm of independent professional surveyors. Valuation was estimated based on the properties' open market value which was based on market evidence of prices for comparable properties as at the reporting date.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2013 HK\$'000	2012 HK\$'000
Investments in subsidiaries		
Unlisted shares, at cost	128,807	128,807
Less: Provision for impairment loss	<u>(5,655)</u>	<u>(5,655)</u>
	<u>123,152</u>	<u>123,152</u>
Amounts due from subsidiaries	<u>816,038</u>	<u>787,021</u>
Amounts due to subsidiaries	<u>(365,341)</u>	<u>(310,452)</u>

The amounts due from subsidiaries were unsecured, interest free, except for receivables of HK\$363,425,000 (2012: HK\$358,198,000) which bore interest at rates ranging from 2.13% to 5.00% (2012: 2.11% to 5.00%) per annum, being the effective interest rates as at 31st March, 2013, and repayable on demand.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

17. INTERESTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31st March, 2013 are as follows:

Name	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
Elias Holdings Limited	The Republic of Liberia	1 ordinary share with no par value	100	100	Dormant
Evermind Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	80	80	Investment holding
Grand Year Engineering Limited	Hong Kong	1 ordinary share of HK\$1	80	—	Trading of construction materials
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	PRC	US\$1,000,000	100	100	Dormant
Guangzhou Grand Year Building Materials Limited	PRC	HK\$1,000,000	80	—	Manufacturing of construction materials
Impact Link Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	—	Watch wholesaling
Jacqueline Emporium Limited	Hong Kong	1,000 ordinary shares of HK\$100 each	100	—	Watch trading
Jet Bright Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Investment holding
Jewellery Hospital Company Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	—	Manufacturing of jewellery products
King Fook China Resources Limited	Hong Kong	2 ordinary shares of HK\$10 each	100	100	Investment holding
King Fook Commodities Company Limited	Hong Kong	50,000 ordinary shares of HK\$100 each	100	—	Commodities trading
King Fook Gold & Jewellery Company Limited	Hong Kong	546,750 ordinary shares of HK\$100 each	100	100	Investment holding and trading
King Fook Holding Management Limited	Hong Kong	50 ordinary shares of HK\$100 each	100	100	Dormant
King Fook International Money Exchange (Kowloon) Limited	Hong Kong	65,000 ordinary shares of HK\$100 each	100	—	Money exchange
King Fook Investment Company Limited	Hong Kong	2,500,000 ordinary shares of HK\$1 each	100	100	Investment holding
King Fook Jewellery Designing & Trading Company Limited	Hong Kong	5,000 ordinary shares of HK\$100 each	100	—	Dormant

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
King Fook Jewellery Group Limited	Hong Kong	600,000 ordinary shares of HK\$100 each	100	100	Gold ornament, jewellery, watch, fashion and gift retailing and bullion trading
King Fook Jewellery Macau Limited	Macau	MOP25,000	100	—	Dormant
King Fook Securities Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	—	Securities broking
King Shing Bullion Traders & Finance Company Limited	Hong Kong	60,000 ordinary shares of HK\$100 each	100	—	Dormant
King Fook (Beijing) Consultancy Services Limited [#]	PRC	US\$100,000	100	—	Under deregistration
King Fook Jewellery (Beijing) Company Limited	PRC	US\$1,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook Jewellery (China) Company Limited	PRC	RMB68,000,000 (Paid-up: RMB58,800,000)	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook Jewellery (Suzhou) Company Limited	PRC	US\$300,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling
King Fook (Shanghai) International Trading Limited [#]	PRC	US\$200,000	100	—	Gold ornament, jewellery and watch wholesaling
King Hing Trading (Shanghai) Limited ^{#^}	PRC	US\$300,000 (Paid-up: US\$60,000)	100	—	Watch wholesaling
Mario Villa Limited	Hong Kong	2,000,000 ordinary shares of HK\$1 each	100	100	Investment trading
Mempro Limited	Isle of Man	100 ordinary shares of £1 each	60	—	Investment holding
Mempro S.A.*	Switzerland	1,052 ordinary shares of CHF1,000 each	59	—	Under liquidation
Metal Innovation Limited	British Virgin Islands	1 ordinary share of US\$1	80	—	Dormant
Most Worth Investments Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100	100	Investment holding

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

17. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital held by		Principal activities
			Group	Company	
Perfectrade Limited	Hong Kong	20,000 ordinary shares of HK\$1 each	80	—	Provision of interior design services
Perfectrade Macau Limited	Macau	MOP25,000	80	—	Dormant
Polyview International Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	100	Investment holding and watch trading
PTE Engineering Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	80	—	Provision of construction services
Rich Point Trading Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Under deregistration
Superior Travellers Services Limited	Hong Kong	500,000 ordinary shares of HK\$1 each	100	100	Sale of travel related products and provision of marketing services for sale of travel related products
Sure Glory Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Dormant
Tincati Asia Limited (“Tincati”) (Note)	Hong Kong	200 ordinary shares of HK\$100 each	100	—	Fashion wholesaling
Tincati (Hong Kong) Limited (Note)	Hong Kong	1 ordinary share of HK\$1	100	—	Fashion retailing
Top Angel Limited	Hong Kong	1 ordinary share of HK\$1	100	—	Dormant
Trade Vantage Holdings Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	—	Investment trading and advertising agency
Yatheng Investments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100	—	Dormant
Young’s Diamond Corporation (International) Limited	Hong Kong	100,000 ordinary shares of HK\$100 each	99.05	99.05	Diamond wholesaling
Young’s Diamond Factory Limited	Hong Kong	2,000 ordinary shares of US\$10 each	99.05	—	Dormant
Young’s Diamond Corporation (Shanghai) Limited#	PRC	US\$200,000	100	100	Diamond wholesaling

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

17. INTERESTS IN SUBSIDIARIES (Continued)

Note:

As detailed in note 33, the Group acquired 51% interest in Tincati during the year ended 31st March, 2012. On 16th November, 2012, the Group further acquired from the minority interest the 49% equity interests in Tincati at a consideration of HK\$50,000. Accordingly, the Group's equity interest in Tincati has increased from 51% to 100%. As at 16th November, 2012, the minority interest's share of net liabilities of Tincati was HK\$2,942,000 and a loss of HK\$2,992,000 has been recognised directly in capital and reserves.

The names of these subsidiaries represent management's translation of the Chinese names of these companies as no English names have been registered.

* This subsidiary was engaged in import and distribution of memory extensions and computer peripheral products. It applied for liquidation during the year ended 31st March, 2008. As at 31st March, 2013, the liquidation process has not yet been completed. Provision for liquidation loss had been made during the year ended 31st March, 2008 (note 25(c)) and the management of the Group considered the amount is adequate and no further provision is necessary.

^ Subsidiary incorporated during the year.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2013 HK\$'000	2012 HK\$'000
Listed debt and equity securities, at market value and fair value		
Listed in Hong Kong	—	87,368
Listed outside Hong Kong*	3,106	10,214
	<u>3,106</u>	<u>97,582</u>
Unlisted equity securities, at cost	1,279	3,827
Less: Provision for impairment loss [#]	(683)	(3,231)
	<u>596</u>	<u>596</u>
Membership licence, at cost	356	356
	<u>4,058</u>	<u>98,534</u>

* As at 31st March, 2013, Mr. Yeung Ping Leung, Howard (a director of the Company) and Horsham Enterprises Limited (a company beneficially owned by Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company) held 38.7% (2012: 38.7%) and 5.1% (2012: 5.1%) equity interests respectively in an investee with carrying amount of HK\$3,106,000 (2012: HK\$5,284,000).

[#] Impairment losses in respect of unlisted equity securities are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against unlisted equity securities directly. The movement in provision for impairment loss is as follows:

	2013 HK\$'000	2012 HK\$'000
At the beginning of the year	3,231	3,231
Reversal	(2,693)	—
Exchange difference	145	—
At the end of the year	<u>683</u>	<u>3,231</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

18. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Fair value of the listed debt and equity securities have been determined directly by reference to published price quotations in active markets.

Unlisted equity securities and membership licence are measured at cost as the fair value cannot be measured reliably. There was no open market on the unlisted investments and the management has no intention to dispose of such investments at 31st March, 2013.

These investments are subject to financial risk exposure in terms of price and currency risks.

19. OTHER ASSETS

	2013 HK\$'000	2012 HK\$'000
Statutory deposits	2,126	2,126
Guarantee deposit	70	70
	<u>2,196</u>	<u>2,196</u>

20. INVENTORIES

	2013 HK\$'000	2012 HK\$'000
Jewellery	423,672	444,827
Gold ornament and bullion	38,790	41,907
Watch, gift and fashion	572,124	482,394
Construction materials	2,171	2,431
	<u>1,036,757</u>	<u>971,559</u>

As at 31st March, 2013, the carrying amount of gold bullion stocks carried at fair value less cost to sell was approximately HK\$3,607,000 (2012: HK\$9,860,000).

21. DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	Group		Company	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade debtors	(a)	43,690	38,586	—	—
Other receivables	(b)	27,736	35,746	246	259
Deposits and prepayments		57,139	64,217	1,364	885
Insurance claim receivable		—	6,000	—	—
		<u>128,565</u>	<u>144,549</u>	<u>1,610</u>	<u>1,144</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

21. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Note:

(a) Trade debtors

	2013 HK\$'000	Group 2012 HK\$'000
Gross carrying amount of trade debtors	48,576	44,927
Less: Provision for impairment loss	<u>(4,886)</u>	<u>(6,341)</u>
Trade debtors - net	<u>43,690</u>	<u>38,586</u>

The management of the Group considered that the fair values of trade debtors are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The movement in provision for impairment loss is as follows:

	2013 HK\$'000	Group 2012 HK\$'000
At the beginning of the year	6,341	5,937
Impairment loss for the year	15	741
Directly written off during the year	—	(337)
Reversal during the year	<u>(1,470)</u>	<u>—</u>
At the end of the year	<u>4,886</u>	<u>6,341</u>

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and a collective basis. As at 31st March, 2013, the Group has determined trade debtors of HK\$4,886,000 (2012: HK\$6,341,000) as individually impaired. Based on this assessment, an additional provision for impairment loss of HK\$15,000 (2012: HK\$741,000) and a reversal of HK\$1,470,000 (2012: Nil) have been recognised. The impaired trade debtors are due from customers experiencing financial difficulties and were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade debtors, whether determined on an individual or a collective basis.

At 31st March, the ageing analysis of trade debtors, based on the invoice dates, was as follows:

	2013 HK\$'000	Group 2012 HK\$'000
Within 30 days	32,723	26,014
31 – 90 days	344	7,515
More than 90 days	<u>10,623</u>	<u>5,057</u>
	<u>43,690</u>	<u>38,586</u>

Trade debtors as at 31st March, 2013 consisted of receivables from customers of the securities broking business amounting to HK\$5,711,000 (2012: HK\$6,626,000), the credit terms of which were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

21. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Note: (Continued)

(a) Trade debtors (Continued)

The ageing analysis of trade debtors based on due dates that are neither individually nor collectively considered to be impaired was as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Neither past due nor impaired	32,475	25,495
Past due 90 days or less	542	8,034
Past due more than 90 days but less than 1 year	7,608	725
Past due more than 1 year	<u>3,065</u>	<u>4,332</u>
At 31st March	<u><u>43,690</u></u>	<u><u>38,586</u></u>

As at 31st March, 2013, trade debtors that were neither past due nor impaired related to customers for whom there were no recent history of default.

Trade debtors that were past due but not impaired related to a number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered to be fully recoverable. The Group did not hold any material collateral in respect of trade debtors past due but not impaired.

(b) Other receivables

	Group	
	2013 HK\$'000	2012 HK\$'000
Gross carrying amount of other receivables	38,095	39,403
Less: Provision for impairment loss	<u>(10,359)</u>	<u>(3,657)</u>
Other receivables - net	<u><u>27,736</u></u>	<u><u>35,746</u></u>

The management of the Group considered that the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly. The movement in provision for impairment loss is as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
At the beginning of the year	3,657	4,911
Impairment loss for the year	6,698	—
Directly written off during the year	—	(226)
Reversal during the year	—	(1,028)
Exchange difference	<u>4</u>	<u>—</u>
At the end of the year	<u><u>10,359</u></u>	<u><u>3,657</u></u>

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and a collective basis. As at 31st March, 2013, the Group has determined other receivables of HK\$10,359,000 (2012: HK\$3,657,000) as individually impaired. Based on this assessment, an additional provision for impairment loss of HK\$6,698,000 (2012: Nil) and no reversal (2012: reversal of HK\$1,028,000) have been recognised. The impaired other receivables are due from counter parties experiencing financial difficulties and were in default or delinquency of payments.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 HK\$'000	2012 HK\$'000
Equity securities, at market value and fair value		
Listed in Hong Kong	4,485	2,949
Listed outside Hong Kong	8,345	9,729
	<u>12,830</u>	<u>12,678</u>

The above investments are classified as held for trading.

Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date.

Movements in investments at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the consolidated statement of cash flows.

Changes in fair value of investments at fair value through profit or loss are recorded in other operating income and expenses in the consolidated income statement.

These investments are subject to financial risk exposure in terms of price and currency risks.

23. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of securities dealing, it receives and holds money from clients in the course of conducting its regulated activities. These clients' monies are maintained at banks in one or more segregated bank accounts and placed on short term time deposits. As at 31st March, 2012 and 2013, no clients' monies were placed on short term time deposits. The trust bank balances were maintained in bank current accounts which do not carry any interest. The Group has classified the clients' monies as trust bank balances held on behalf of clients under the current assets section of the consolidated balance sheet and recognised the corresponding payables (note 25(b)) to the respective clients under the current liabilities section of the consolidated balance sheet on the grounds that the Group is liable for any loss or misappropriation of clients' monies.

24. CASH AND CASH EQUIVALENTS

(a) Group

Cash and cash equivalents include the following components:

	2013 HK\$'000	2012 HK\$'000
Cash at banks and in hand	36,603	41,729
Cash at other financial institutions	283	1,070
Short term bank deposits	37,290	4,053
	<u>74,176</u>	<u>46,852</u>

The cash balances at banks and other financial institutions bore interest at floating rates based on daily bank deposit rates.

The effective interest rates of short term bank deposits were 0.1% to 0.55% (2012: 0.1%) per annum, which were the effective interest rates at 31st March, 2013. These deposits had a maturity of 8 to 61 days (2012: 31 days) and were eligible for immediate cancellation without receiving any interest for the last deposit period.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

24. CASH AND CASH EQUIVALENTS (Continued)

(a) Group (Continued)

The management of the Group considered that the fair value of the short term bank deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in cash and cash equivalents of the Group were balances of HK\$4,350,000 (2012: HK\$6,578,000) denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

(b) Company

	2013 HK\$'000	2012 HK\$'000
Cash at banks and in hand	<u>39,486</u>	<u>11,002</u>

The cash balances at banks bore interests at floating rates based on daily bank deposit rates.

25. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Note	Group		Company	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trade payables	(a)	51,585	34,763	—	—
Other payables and accruals	(b)	49,546	46,842	10,449	9,920
Deposits received and deferred income		8,633	11,408	—	—
Other provision	(c)	675	675	—	—
		<u>110,439</u>	<u>93,688</u>	<u>10,449</u>	<u>9,920</u>

Note:

- (a) At 31st March, the ageing analysis of trade payables, based on the invoice dates, was as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Within 30 days	38,699	19,858
31 – 90 days	6,414	8,027
More than 90 days	6,472	6,878
	<u>51,585</u>	<u>34,763</u>

- (b) At 31st March, 2013, included in other payables, there was an amount of approximately HK\$1,040,000 (2012: HK\$1,258,000) in respect of the clients' undrawn monies which arose from securities broking transactions. The amount is repayable on demand.
- (c) The Group has applied for liquidation of a subsidiary and a provision on the liquidation loss of HK\$675,000 was made during the year ended 31st March, 2008.

All amounts are short term in nature and hence the carrying values of creditors, deposits received, accruals and deferred income are considered to be a reasonable approximation of their fair values.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

26. GOLD LOANS, UNSECURED

	Group and Company	
	2013	2012
	HK\$'000	HK\$'000
Gold loans at market value		
Repayable within one year	<u>30,533</u>	<u>31,541</u>

Gold loans were denominated at United States dollars ("US\$") and bore interest at fixed rates ranging from 2.50% to 2.95% (2012: 2.30% to 2.75%) per annum, which were the effective interest rates at 31st March, 2013.

Fair value of the gold loans has been determined by reference to its quoted bid price at the reporting date.

Gold loans are subject to financial risk exposure in terms of price risk and foreign currency risk.

27. BANK LOANS

	Group and Company	
	2013	2012
	HK\$'000	HK\$'000
Bank loans		
- unsecured	247,500	235,666
- secured	<u>35,000</u>	<u>45,000</u>
	<u>282,500</u>	<u>280,666</u>

At 31st March, total current and non-current bank loans are scheduled to be repaid as follows:

	Group and Company	
	2013	2012
	HK\$'000	HK\$'000
Bank loans are repayable as follows:		
Within one year	198,500	215,666
In the second year	36,000	26,000
In the third to fifth years, inclusive	<u>48,000</u>	<u>39,000</u>
	282,500	280,666
Portion classified as current liabilities	<u>(198,500)</u>	<u>(215,666)</u>
Non-current portion	<u>84,000</u>	<u>65,000</u>

At 31st March, 2013, the bank loan of the Company of HK\$35,000,000 (2012: HK\$45,000,000) were secured by an insurance policy with coverage of HK\$19,390,000 (2012: HK\$19,404,000).

At 31st March, 2013, all bank loans were denominated in HK\$ (2012: in HK\$ and US\$) and bore interest at variable rates ranging from 1.58% to 3.14% (2012: 1.48% to 4.10%) per annum, which were the effective interest rates.

The carrying values of bank loans are considered to be a reasonable approximation of their fair values.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

28. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
At the beginning of the year	327	1,431	51	116
Payments	(90)	(139)	(23)	—
Provision	67	—	—	—
Reversal	(105)	(965)	(2)	(65)
At the end of the year	<u>199</u>	<u>327</u>	<u>26</u>	<u>51</u>

The balances as at 31st March, 2012 and 2013 represent the provision for entitlements of the Group's employees to long service payments on termination of their employment, which are not fully covered by the Group's provident fund schemes.

29. SHARE CAPITAL

	Group and Company	
	2013 HK\$'000	2012 HK\$'000
Authorised:		
620,000,000 (2012: 620,000,000) ordinary shares of HK\$0.25 each	<u>155,000</u>	<u>155,000</u>
Issued and fully paid:		
435,071,650 (2012: 435,071,650) ordinary shares of HK\$0.25 each	<u>108,768</u>	<u>108,768</u>

30. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity.

The share premium account of the Group includes the premium arising from issue of shares of the Company at a premium.

The capital reserve account of the Group includes negative goodwill arising on acquisitions of subsidiaries before 1st April, 2001 which represented the excess of the fair value of the Group's share of the net assets acquired over the cost of the acquisitions.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

30. RESERVES (Continued)

(b) Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2011	17,575	168,177	185,752
Profit for the year	—	2,133	2,133
Dividends	—	(4,134)	(4,134)
	<u>17,575</u>	<u>166,176</u>	<u>183,751</u>
At 31st March, 2012	<u>17,575</u>	<u>166,176</u>	<u>183,751</u>
Representing:			
Proposed final dividend (note 10)		3,046	
Others		<u>163,130</u>	
		<u>166,176</u>	
At 1st April, 2012	17,575	166,176	183,751
Profit for the year	—	4,373	4,373
Dividends	—	(3,264)	(3,264)
	<u>17,575</u>	<u>167,285</u>	<u>184,860</u>
At 31st March, 2013	<u>17,575</u>	<u>167,285</u>	<u>184,860</u>
Representing:			
Proposed final dividend (note 10)		—	
Others		<u>167,285</u>	
		<u>167,285</u>	

Details of the share premium account of the Company are set out in note 30(a) above.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

31. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before taxation to operating loss before working capital changes is as follows:

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Profit before taxation		49,060	36,424
Depreciation of property, plant and equipment		23,204	15,035
Depreciation of investment properties		33	33
Dividend income from investments at fair value through profit or loss and available-for-sale investments		(1,690)	(6,052)
Fair value change of investments at fair value through profit or loss		(150)	4,263
Gain on disposal of available-for-sale investments		(72,702)	(84,053)
Interest expense		9,337	4,405
Interest income		(345)	(610)
Loss on jointly controlled entity	33	—	701
(Gain)/loss on write off/disposal of property, plant and equipment		(95,064)	118
Provision for and write down of inventories to net realisable value		8,425	7,402
Provision for impairment loss of available-for-sale investments		4,082	—
Provision for impairment losses of debtors		15	741
Provision for impairment losses of other receivables		6,698	—
Provision for impairment losses of property, plant and equipment		2,191	—
Provision for long service payments		67	—
Reversal of provision for and write down of inventories to net realisable value		(6,653)	(8,282)
Reversal of provision for impairment loss of available-for-sale investments		(2,693)	—
Reversal of provision for impairment losses of debtors		(1,470)	—
Reversal of provision for impairment losses of other receivables		—	(1,028)
Reversal of provision for impairment loss of interest in a jointly controlled entity		—	(1,224)
Reversal of provision for long service payments		(105)	(965)
Share of loss of a jointly controlled entity		—	23
Write off of debtors		215	—
Write off of other receivables		422	6,000
		<u>422</u>	<u>6,000</u>
Operating loss before working capital changes		<u>(77,123)</u>	<u>(27,069)</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

32. DEFERRED TAX

(a) Group

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a taxation rate of 16.5% (2012: 16.5%).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

Deferred tax liabilities/(assets)

	Accelerated tax depreciation allowance		Tax losses		Net amount shown in balance sheet	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year	627	485	(384)	(485)	243	—
(Credited)/charged to consolidated income statement	(344)	142	101	101	(243)	243
At the end of the year	<u>283</u>	<u>627</u>	<u>(283)</u>	<u>(384)</u>	<u>—</u>	<u>243</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Those are not recognised in the financial statements as it is not probable that taxable profits will be available against which the tax losses can be utilised due to unpredictability of future profit streams. At 31st March, 2013, the Group has unrecognised tax losses of the Company and subsidiaries operating in Hong Kong and the subsidiaries operating in the PRC of approximately HK\$229,601,000 and HK\$49,219,000 (2012: HK\$143,163,000 and HK\$23,920,000) respectively.

The tax losses of the subsidiaries operating in the PRC can be carried forward for five years and the tax losses of the companies operating in Hong Kong will not expire under the current tax legislation.

At 31st March, 2013, there were no material temporary differences for which deferred tax liabilities have not been recognised (2012: Nil). No deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of certain subsidiaries because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

(b) Company

At 31st March, 2013, the Company has no material deferred tax liabilities (2012: Nil). The Company has unrecognised estimated tax losses of HK\$14,519,000 (2012: HK\$15,328,000) to carry forward against future taxable income and these tax losses have no expiry dates. They are not recognised in the financial statements as it is not probable that taxable profits will be available against which the tax losses can be utilised due to unpredictability of future profit streams.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

33. BUSINESS COMBINATION

On 8th August, 2011, the Group entered into a joint venture agreement with a joint venture partner and each of us owned a 50% equity interest in the jointly controlled entity, Tincati, with cost of investment of HK\$23,000. On 28th October, 2011, the Group acquired a further 1% equity interest from the joint venture partner of Tincati at a consideration of HK\$1 and thereafter obtained control of Tincati.

Tincati Group is mainly engaged in the retailing of luxury apparel and accessories for men. As a result of the acquisition, the Group diversified into fashion retailing business.

The following table summarises the consideration paid for Tincati Group, the fair value of assets acquired, liabilities assumed and the minority interest at the acquisition date:

	HK\$'000
Consideration at 28th October, 2011:	
Cash	—
Fair value of equity interest in Tincati Group held before the business combination	(701)
Total consideration	<u>(701)</u>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	2,249
Inventories	2,753
Debtors, deposits and prepayments	1,673
Cash and cash equivalents	218
Creditors, deposits received and accruals	(5,058)
Loans from a shareholder	(3,210)
Total identifiable net liabilities	(1,375)
Minority interests	674
Total	<u>(701)</u>
Total purchase consideration	—
Cash and cash equivalents in subsidiaries acquired	218
Cash inflow on acquisition	<u>218</u>

For the year ended 31st March, 2012, the fair value of the debtors, deposits and prepayment was HK\$1,673,000 and included trade debtors with a fair value of HK\$70,000 which was also the gross contractual amount. None of these receivables had been impaired and it was expected that the full contractual amounts could be collected.

The Group had elected to measure the minority interest that represented ownership interest in Tincati at the proportionate share of the identifiable net liabilities.

A loss of HK\$701,000 resulting from remeasuring the Group's equity interest in Tincati held before the business combination was recognised in profit or loss.

Since the acquisition date, Tincati Group had contributed revenue of HK\$1,529,000 and loss of HK\$1,846,000 to the Group's revenue and profit. If the acquisition had occurred on 1st April, 2011, the Group's revenue and profit would have been HK\$1,353,483,000 and HK\$33,947,000 respectively.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

34. OPERATING LEASE COMMITMENTS

At 31st March, the total future aggregate minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

(a) Group

	Land and buildings HK\$'000	2013 Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	2012 Other assets HK\$'000	Total HK\$'000
Within one year	148,676	114	148,790	207,748	306	208,054
In the second to fifth years, inclusive	<u>75,250</u>	<u>—</u>	<u>75,250</u>	<u>157,238</u>	<u>114</u>	<u>157,352</u>
	<u><u>223,926</u></u>	<u><u>114</u></u>	<u><u>224,040</u></u>	<u><u>364,986</u></u>	<u><u>420</u></u>	<u><u>365,406</u></u>

(b) Company

	Land and buildings HK\$'000	2013 Other assets HK\$'000	Total HK\$'000	Land and buildings HK\$'000	2012 Other assets HK\$'000	Total HK\$'000
Within one year	765	114	879	2,048	306	2,354
In the second to fifth years, inclusive	<u>—</u>	<u>—</u>	<u>—</u>	<u>765</u>	<u>114</u>	<u>879</u>
	<u><u>765</u></u>	<u><u>114</u></u>	<u><u>879</u></u>	<u><u>2,813</u></u>	<u><u>420</u></u>	<u><u>3,233</u></u>

The Group and the Company lease a number of land and buildings and other assets under operating leases. The leases run for an initial period of one to ten years (2012: one to ten years) and two years (2012: two years) respectively.

Certain leasing arrangements have been subject to contingent rent by reference to monthly turnover throughout the leasing periods. The minimum guaranteed rental has been used to calculate the above commitments.

35. FUTURE OPERATING LEASE RECEIVABLES

At 31st March, the total future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Group	
	2013 HK\$'000	2012 HK\$'000
Within one year	586	397
In the second to fifth years, inclusive	<u>405</u>	<u>—</u>
	<u><u>991</u></u>	<u><u>397</u></u>

The Group leases out its investment properties under operating lease arrangements which run for an initial period of one to two years (2012: one to two years), with option to renew the lease term at the expiry date.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

36. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Note	2013 HK\$'000	2012 HK\$'000
Operating lease rental on land and buildings paid to:			
Stanwick Properties Limited	(a)	9,766	8,741
Contender Limited	(b)	30,637	31,594
Fabrico (Mfg) Limited	(c)	300	300
Shahdan Limited	(d)	641	641
Operating lease rental on furniture and fixtures paid to			
Stanwick Properties Limited	(a)	306	306
Consultancy fees paid to Verbal Company Limited (note 13)		—	5,200
Management fees, rates and air-conditioning charges paid to:			
Stanwick Properties Limited	(a)	1,129	675
Contender Limited	(b)	2,772	2,668
Shahdan Limited	(d)	191	172
		191	172

The above related party transactions were entered into on normal commercial terms.

Note:

- (a) The operating lease rental, management fees and air-conditioning charges were paid to Stanwick Properties Limited ("Stanwick") for the office and shop premises occupied by the Group. Stanwick is a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kwong, Kenneth, directors of the Company, together with other members of their family control the management of Yeung Chi Shing Estates Limited.
- (b) The operating lease rental, management fees, rates and air-conditioning charges were paid to Contender Limited, a wholly owned subsidiary of Miramar Hotel and Investment Company, Limited ("Miramar"), for the shop premises occupied and the advertising signboards and showcases used by the Group. Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic are directors of the Company and directors and shareholders of Miramar. Mr. Yeung Ping Leung, Howard is a director of the Company and Miramar.
- (c) The operating lease rental was paid to Fabrico (Mfg) Limited ("Fabrico") for the premises occupied by the Group. Fabrico is a wholly owned subsidiary of Yeung Chi Shing Estates Limited (note (a)).
- (d) The operating lease rental, management fees, rates and air-conditioning charges were paid to Shahdan Limited ("Shahdan") for the office premises occupied by the Group. Shahdan is a wholly owned subsidiary of Miramar (note (b)).
- (e) Compensation of key management personnel

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

	2013 HK\$'000	2012 HK\$'000
Salaries, bonuses, allowances and benefits in kind	16,718	8,282
Pension costs - defined contribution retirement schemes	400	334
	17,118	8,616

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to financial risks. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are described below.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.1 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Non-current assets				
Available-for-sale investments				
Financial assets at fair value	3,106	97,582	—	—
Financial assets at cost less impairment loss	952	952	—	—
	<u>4,058</u>	<u>98,534</u>	<u>—</u>	<u>—</u>
Current assets				
Investments at fair value through profit or loss	12,830	12,678	—	—
Loans and receivables				
Financial assets at amortised cost				
- Trade debtors	43,690	38,586	—	—
- Amounts due from subsidiaries	—	—	816,038	787,021
- Other receivables	27,736	35,746	246	259
- Insurance claim receivable	—	6,000	—	—
- Trust bank balances held on behalf of clients	1,040	1,258	—	—
Cash and cash equivalents	74,176	46,852	39,486	11,002
	<u>159,472</u>	<u>141,120</u>	<u>855,770</u>	<u>798,282</u>
	<u>163,530</u>	<u>239,654</u>	<u>855,770</u>	<u>798,282</u>
Non-current liabilities				
Financial liabilities at amortised cost				
- Bank loans	84,000	65,000	84,000	65,000
Current liabilities				
Financial liabilities at fair value through profit or loss				
- Gold loans, unsecured	30,533	31,541	30,533	31,541
Financial liabilities at amortised cost				
- Trade payables	51,585	34,763	—	—
- Amounts due to subsidiaries	—	—	365,341	310,452
- Other payables and accruals	49,546	46,842	10,449	9,920
- Bank loans	198,500	215,666	198,500	215,666
	<u>330,164</u>	<u>328,812</u>	<u>604,823</u>	<u>567,579</u>
	<u>414,164</u>	<u>393,812</u>	<u>688,823</u>	<u>632,579</u>

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of operations and its investing activities.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt periodically and at each reporting date to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a number of counter parties and customers.

The credit risks for proceeds from sale of investments at fair value through profit or loss of the Group are considered immaterial as the counterparties are reputable financial institutions (broker with high quality credit ratings). The credit risks for cash and cash equivalents of the Group and the Company are also regarded as immaterial as they are deposited with major banks and other financial institutions located in Hong Kong and the PRC.

The Group does not hold other material collateral over the financial assets. None of the financial assets of the Company are secured by collateral or other credit enhancements.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

37.3 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Group's transactions are carried out in HK\$. Exposures to currency exchange rates arise from the Group's investments, which are denominated in US\$, cash and cash equivalents, which are denominated in Euro ("EUR"), Swiss Franc ("CHF") and US\$, gold loans and bank loans which are denominated in US\$.

Details of financial assets and liabilities denominated in foreign currencies as at the reporting date, translated into HK\$ equivalents at the closing rate, are as follows:

	2013			2012		
	EUR HK\$'000	CHF HK\$'000	US\$ HK\$'000	EUR HK\$'000	CHF HK\$'000	US\$ HK\$'000
Financial assets						
Available-for-sale investments	—	—	3,106	—	—	10,214
Cash and cash equivalents	5,080	474	369	67	—	770
Financial liabilities						
Gold loans, unsecured	—	—	(30,533)	—	—	(31,541)
Bank loans	—	—	—	—	—	(4,666)
Net exposure	<u>5,080</u>	<u>474</u>	<u>(27,058)</u>	<u>67</u>	<u>—</u>	<u>(25,223)</u>

The Group reviews its foreign currency exposures regularly and does not consider its foreign currency risk to be significant. However, the Group would consider hedging of its foreign currency exposures if its foreign currency risk becomes significant.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.3 Foreign currency risk (Continued)

A reasonable change in US\$, EUR and CHF rates in the next twelve months is assessed to result in an immaterial change in the Group's and Company's profit after tax, retained profits and other components of capital and reserves. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exchange differences.

37.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to changes in market interest rates through its cash at banks and other financial institutions and bank loans at floating interest rates, which are subject to variable interest rates. The interest rates and terms are disclosed in notes 24 and 27.

The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

A reasonable change in interest rates in the next twelve months is assessed to result in an immaterial change in the Group's and Company's profit after tax and retained profits. Changes in interest rates have no impact on the Group's and Company's other components of capital and reserves. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

37.5 Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as investments at fair value through profit or loss and available-for-sale investments. Other than unquoted securities, all of these investments are listed.

The Group's listed investments are primarily listed on the stock exchanges of Hong Kong, the PRC and the United States of America ("USA"). Listed investments held in the available-for-sale portfolio have been chosen based on their long term growth potential and are monitored regularly for performance against expectations.

The policies to manage equity price risk have been followed by the Group since prior years and are considered to be effective.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.5 Price risk (Continued)

Equity price risk (Continued)

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and investment revaluation reserve in response to the reasonably possible changes in the stock market prices of Hong Kong, USA and the PRC, to which the Group has significant exposure at the reporting date.

	Increase/ (decrease) in security market price	2013 Effect on profit after tax and retained profits HK\$'000	Effect on investment revaluation reserve HK\$'000	Increase/ (decrease) in security market price	2012 Effect on profit after tax and retained profits HK\$'000	Effect on investment revaluation reserve HK\$'000
Hong Kong market	30%	1,346	—	30%	885	26,210
Hong Kong market	(30%)	(1,346)	—	(30%)	(885)	(26,210)
USA market	30%	—	932	30%	—	3,064
USA market	(30%)	—	(932)	(30%)	—	(3,064)
PRC market	30%	2,503	—	30%	2,919	—
PRC market	(30%)	(2,503)	—	(30%)	(2,919)	—

The sensitivity analysis above has been determined assuming that the change in equity price had occurred at the reporting date and had been applied to the exposure to price risk for the non-derivative financial instruments in existence at that date. The 30% increase/decrease represents management's assessment of a reasonably possible change in equity prices over the period until the next annual reporting date. The analysis was performed on the same basis for the year ended 31st March, 2012.

The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall exposure to fair value change.

The Company has no significant investments subject to equity price risk.

Commodity price risk

The Group's and the Company's commodity price risk arises from gold loans (note 26). Since the level of gold stocks is close to that of gold loans and they have offsetting effect on price fluctuation, the management of the Group does not expect that there will be any significant commodity price risk exposure.

The policies to manage commodity price risk have been followed by the Group since prior years and are considered to be effective.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financial obligations, and also in respect of its cash flow management.

The Group's policy is to maintain sufficient cash and cash equivalents and have available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The management of the Group is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

As at 31st March, the Group's financial liabilities have contractual maturities, which are based on contractual undiscounted cash flows, as set out below:

(a) Group

	On demand HK\$'000	Within 6 months HK\$'000	6 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
At 31st March, 2013					
Trade payables	14,038	37,547	—	—	51,585
Other payables and accruals	24,759	15,957	8,830	—	49,546
Gold loans, unsecured	—	30,953	—	—	30,953
Bank loans	—	175,950	24,323	88,950	289,223
	<u>38,797</u>	<u>260,407</u>	<u>33,153</u>	<u>88,950</u>	<u>421,307</u>
At 31st March, 2012					
Trade payables	13,474	21,289	—	—	34,763
Other payables and accruals	18,588	17,292	10,962	—	46,842
Gold loans, unsecured	—	31,925	—	—	31,925
Bank loans	—	198,157	20,755	66,959	285,871
	<u>32,062</u>	<u>268,663</u>	<u>31,717</u>	<u>66,959</u>	<u>399,401</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.6 Liquidity risk (Continued)

(b) Company

	On demand HK\$'000	Within 6 months HK\$'000	6 to 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
At 31st March, 2013					
Other payables and accruals	1,953	8,421	75	—	10,449
Gold loans, unsecured	—	30,953	—	—	30,953
Bank loans	—	175,950	24,323	88,950	289,223
Amounts due to subsidiaries	365,341	—	—	—	365,341
	<u>367,294</u>	<u>215,324</u>	<u>24,398</u>	<u>88,950</u>	<u>695,966</u>
At 31st March, 2012					
Other payables and accruals	1,790	8,038	92	—	9,920
Gold loans, unsecured	—	31,925	—	—	31,925
Bank loans	—	198,157	20,755	66,959	285,871
Amounts due to subsidiaries	310,452	—	—	—	310,452
	<u>312,242</u>	<u>238,120</u>	<u>20,847</u>	<u>66,959</u>	<u>638,168</u>

37.7 Fair values measurements - Group

The following table presents financial assets and liabilities measured at fair value in the balance sheet in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2013

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

37.7 Fair values measurements - Group (Continued)

The financial assets and liabilities measured at fair value in the balance sheet are grouped into the fair value hierarchy as follows:

	2013 - Group			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Available-for-sale investments				
- Listed	3,106	—	—	3,106
Investments at fair value through profit or loss	<u>12,830</u>	<u>—</u>	<u>—</u>	<u>12,830</u>
Total fair values	<u>15,936</u>	<u>—</u>	<u>—</u>	<u>15,936</u>
Liabilities				
Gold loans, unsecured	<u>30,533</u>	<u>—</u>	<u>—</u>	<u>30,533</u>
Total fair values	<u>30,533</u>	<u>—</u>	<u>—</u>	<u>30,533</u>
Net fair values	<u>(14,597)</u>	<u>—</u>	<u>—</u>	<u>(14,597)</u>
		2012 - Group		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale investments				
- Listed	97,582	—	—	97,582
Investments at fair value through profit or loss	<u>12,678</u>	<u>—</u>	<u>—</u>	<u>12,678</u>
Total fair values	<u>110,260</u>	<u>—</u>	<u>—</u>	<u>110,260</u>
Liabilities				
Gold loans, unsecured	<u>31,541</u>	<u>—</u>	<u>—</u>	<u>31,541</u>
Total fair values	<u>31,541</u>	<u>—</u>	<u>—</u>	<u>31,541</u>
Net fair values	<u>78,719</u>	<u>—</u>	<u>—</u>	<u>78,719</u>

There have been no significant transfers between levels 1 and 2 in the reporting period.

38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- (i) to ensure the Group's ability to continue as a going concern; and
- (ii) to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The equity capital-to-overall financing ratio at reporting date was as follows:

	2013 HK\$'000	2012 HK\$'000
Equity capital		
Total capital and reserves	<u>872,905</u>	<u>913,806</u>
Overall financing		
Gold loans, unsecured	30,533	31,541
Bank loans	<u>282,500</u>	<u>280,666</u>
	<u>313,033</u>	<u>312,207</u>
Equity capital-to-overall financing ratio	<u>2.79 : 1</u>	<u>2.93 : 1</u>

39. SIGNIFICANT POST BALANCE SHEET EVENT

On 6th June, 2013, the Company proposed to raise about HK\$119,645,000 before expenses by way of a rights issue of 217,535,825 ordinary shares, on the basis of one rights share for every two existing shares at the subscription price of HK\$0.55 per rights share. Details of the rights issue are set out in the prospectus dated 6th June, 2013 published by the Company. The rights issue was completed on 28th June, 2013.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28th June, 2013.

Summary of Investment Properties

Description	Lot No.	Gross Floor Area (sq. feet)	Interest Attributable to The Group	Type	Lease Term
Unit H, 3rd Floor, Kaiser Estate 2nd Phase, Nos. 47-53 Man Yue Street & Nos. 20-28 Man Lok Street, Hungohm, Kowloon, Hong Kong	The remaining portion of section H of Kowloon Marine Lot No. 40	4,436	99.05%	C	Medium
Private Car Parking Space Nos. G10 & G33 on Ground Floor, Kaiser Estate 2nd Phase, Nos. 47-53 Man Yue Street & Nos. 20-28 Man Lok Street, Hungohm, Kowloon, Hong Kong	The remaining portion of section H of Kowloon Marine Lot No. 40	N/A	99.05%	CP	Medium

C: Commercial
CP: Carpark
N/A: Not applicable

Five Year Financial Summary

	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
Assets and liabilities					
Total assets	1,296,581	1,320,277	1,316,011	1,172,940	1,184,542
Total liabilities	423,676	406,471	295,355	236,820	388,266
Current assets/current liabilities (times)	3.70	3.46	4.52	5.00	2.94
Capital and reserves					
Capital and reserves	872,905	913,806	1,020,656	936,120	796,276
Capital and reserves per share (HK\$)	2.01	2.10	2.35	2.15	1.83
Total assets/capital and reserves (times)	1.49	1.44	1.29	1.25	1.49
Earnings					
Profit before taxation	49,060	36,424	43,561	79,241	72,629
Profit attributable to shareholders	50,457	36,254	34,605	64,781	59,183
Earnings per share (cents)	11.20	8.10*	7.70*	14.40*	13.20*
Return on average total assets	3.9%	2.8%	2.8%	5.5%	5.2%
Return on average capital and reserves	5.6%	3.7%	3.5%	7.5%	7.3%
Dividend					
Dividend paid	3,264	4,134	6,091	5,656	8,701
Dividend per share (cents)	0.75	0.95	1.40	1.30	2.00
Dividend paid cover (times)	15.46	8.77	5.68	11.45	6.80

* Restated



KING FOOK JEWELLERY GROUP

Masterpiece by king fook Exclusive Watch Brands



LAURENT FERRIER
GENEVE
CREATIVELY CLASSIC



ALAIN PHILIPPE
SWISS WATCHES



MATTIA CIELO

PALMIERO
JEWELLERY DESIGN

STENZHORN®
fine Jewels since 1979



AARON BASHA

ANNAMARIA
CAMMILLI
FIRENZE

MATTIA CIELO

PALMIERO
JEWELLERY DESIGN

STENZHORN®
fine jewels since 1979



Exclusively at

masterpiece
by king fook