king fook holdings limited
景福集團有限公司

FOR THE YEAR ENDED 31ST MARCH, 2016

ANNUAL REPORT

Stock Code: 280

Contents

Corporate Information

Board of Directors	*	Mr. Yeung Ping Leung, Howard *(Chairman)*
	*	Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. *(Vice Chairman)*
	*	Mr. Yeung Bing Kin, Alan
	*	Mr. Cheng Ka On, Dominic
	+	Mr. Lau To Yee
	+	Mr. Cheng Kar Shing, Peter
		Mr. Wong Wei Ping, Martin
	+	Mr. Ho Hau Hay, Hamilton
	+	Mr. Sin Nga Yan, Benedict
	+	Mr. Cheng Kwok Shing, Anthony
		Dr. Fung Yuk Bun, Patrick

* *Executive Directors*
\+ *Independent Non-executive Directors*

Company Secretary
Mr. Kwong Chun Chung

Auditor
BDO Limited
Certified Public Accountants

Principal Bankers
Hang Seng Bank Limited
The Bank of East Asia, Limited
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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of the above-named company (the "Company") will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Kowloon, Hong Kong on Monday, 26 September 2016 at 12:00 noon for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and independent auditor for the year ended 31 March 2016.

2. To elect directors and to authorise the board of directors to fix their remuneration.

3. To appoint auditor and to authorise the board of directors to fix its remuneration.

4. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT:

(a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or scrip dividend scheme or similar arrangement of the Company, shall not exceed 20% of the total number of shares of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

Notice of Annual General Meeting (Continued)

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

By order of the Board
Kwong Chun Chung
Company Secretary

Hong Kong, 22 July 2016

Registered office:
9th Floor
King Fook Building
30-32 Des Voeux Road Central
Hong Kong

Note: A member entitled to attend and vote at the meeting convened by the above notice (the "Meeting") is entitled to appoint not more than 2 proxies (except a member who is a clearing house or its nominee may appoint more than 2 proxies) to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours (excluding any part of a day that is a public holiday) before the time for holding the Meeting or adjourned Meeting.

Brief Biographical Details of the Directors and the Senior Management

DIRECTORS

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

Aged 59. An independent non-executive director of New World Development Company Limited and Miramar Hotel and Investment Company, Limited. Appointed as a director and the 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 63. 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. An independent non-executive director of Hang Seng Bank Limited and Wheelock and Company Limited. A director of various private business enterprises. An advisor of Tang Shiu Kin and Ho Tim Charitable Fund. Appointed as a director and the vice chairman of the Company in 1987 and 1998 respectively.

Mr. Yeung Bing Kin, Alan

Aged 73. A director of Yuan Holding Limited (trading as Blanc de Chine) and the chairman and a director of YCS International Development Limited. He has over 30 years of experience in real estate and trading businesses. Appointed as a non-executive director of the Company in 2015 and re-designated as an executive director of the Company on 10 March 2016 respectively.

Mr. Cheng Ka On, Dominic

Aged 66. A director of Miramar Hotel and Investment Company, Limited. The managing director of the Onflo International Group of Companies. Appointed as a director of the Company in 1987.

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

Aged 78. Appointed as an independent non-executive director of the Company in 1994.

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

Aged 63. A director of New World Development Company Limited, New World Hotels (Holdings) Limited and Chow Tai Fook Enterprises Limited. An executive director of New World China Land Limited. The deputy managing director of New World Development (China) Ltd. Appointed as an independent non-executive director of the Company in 1997.

Mr. Wong Wei Ping, Martin

Aged 74. A director of Citizen Thunderbird Travel Limited and Columbia Express Limited. Appointed as a director of the Company in 2000.

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

Aged 65. 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 as a director of the Company in 2004 and re-designated as an independent non-executive director of the Company on 29 June 2012 respectively.

DIRECTORS (Continued)

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

Aged 52. 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 Hong Kong International Jewellery Show 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 as a director of the Company in 2006 and re-designated as an independent non-executive director of the Company on 29 June 2012 respectively.

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

Aged 69. A Fellow and a Certified Public Accountant (Practising) of The Hong Kong Institute of Certified Public Accountants. Has over 40 years of experience in auditing and accounting field. Appointed as an independent non-executive director of the Company in 2013. Chairman of the Audit Committee and Remuneration Committee of the Company.

Dr. Fung Yuk Bun, Patrick

Aged 69. A MBA graduate from The University of Toronto and was awarded an Honorary Doctor of Business Administration by the Hong Kong Polytechnic University and an Honorary Doctor of Laws by the University of Toronto. A chairman of OCBC Wing Hang Bank, Limited, and a non-executive director of Miramar Hotel and Investment Company, Limited. He retired as an independent non-executive director of The Link Management Limited, the manager of The Link Real Estate Investment Trust, with effect from 1 August 2014. A honorary member of the Court and Adjunct Professor with the Faculty's School of Accounting and Finance of the Hong Kong Polytechnic University, a court member of the Hong Kong University of Science and Technology, Vice President of the Hong Kong Institute of Bankers, a member of Board of Governors of The Hong Kong Philharmonic Society Ltd. and a member of Hang Seng Management College – Foundation Management Committee. Appointed as a director of the Company in 2016.

(Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kin, Alan are brothers and Mr. Wong Wei Ping, Martin is their brother-in-law.)

SENIOR MANAGEMENT

Ms. Lau Kit Yee, Christina

Aged 46. The Group General Manager of the Company. She joined the Group in 2016 and is responsible for the Group's overall management and business development. She has extensive management experience in the luxury watch and jewellery retailing in Asia Pacific.

Mr. Luk Kwing Yung

Aged 68. 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 50 years.

Mr. Yee Kwan Yeung

Aged 51. 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 33 years.

Mr. Kwong Chun Chung

Aged 48. He joined the Group in 2015 and is the Company Secretary of the Company and Financial Controller of the Group. He has 22 years of experience in the field of finance, auditing and accounting. He holds a MBA degree from the Chinese University of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries.

Chairman's Statement

On behalf of the Board of Directors, I present the annual report of the Group for the year ended 31 March 2016.

REVIEW OF OPERATIONS

The Group's revenue from retailing business for the year ended 31 March 2016 was HK$592,248,000, representing a decrease of 27.6% as compared with the previous year. The year under review was a year full of challenges to the Hong Kong luxury goods retail market. With the slowing of Mainland China tourist arrivals and the weakened local customer spending for luxury goods, the Hong Kong luxury goods retail market had undergone a lot of pressures during the year. In order to cope with the market downturn, the Group continued to optimise its operations and tighten costs control. The Group's consolidated loss attributable to the shareholders of the Company from continuing operations for the year decreased by 20.9% to HK$118,854,000, while the loss per share from continuing operations decreased to HK14.89 cents compared with HK23.03 cents of the previous year.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend in respect of the year ended 31 March 2016.

PROSPECTS

Looking ahead, the Group expects the stagnant market conditions to continue and the challenge to Hong Kong luxury goods retail market is severe. Nevertheless, the Group will enhance its competitiveness by various ways and the management remains confident that the Group is well positioned to provide exquisite, stylish and finest quality products to its customers.

APPRECIATION

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

Yeung Ping Leung, Howard
Chairman

Hong Kong, 24 June 2016

Management Discussion and Analysis

OVERALL GROUP RESULTS

The results of the Group for the year ended 31 March 2016 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 28 to 79.

The Group's revenue from continuing operations for the year under review decreased by 27.0% to HK$612,271,000 from HK$838,949,000 of the previous year, while the Group's gross profit for the year under review only decreased by 18.6% to HK$141,261,000 as compared with HK$173,543,000 of the previous year, as the gross profit margin improved to 23.1% compared with 20.7% of the previous year. The Group's distribution and selling costs for the year under review decreased by 26.9% to HK$192,121,000 as compared with HK$262,727,000 for the previous year, and the decrease was mainly attributable to the decrease in rental and staff costs upon the closure or downsizing of several retail shops in the previous year. The Group's administrative expenses for the year under review decreased by 19.9% to HK$48,904,000 as compared with HK$61,076,000 for the previous year, and the decrease was mainly attributable to the decrease in number of office staff.

The Group's consolidated loss attributable to the shareholders of the Company from continuing operations for the year ended 31 March 2016 decreased by 20.9% to HK$118,854,000 as compared with HK$150,293,000 for the previous year. The loss per share from continuing operations was HK14.89 cents (2015: HK23.03 cents).

BUSINESS REVIEW

The revenue of the Group's retailing business for the year ended 31 March 2016 decreased by 27.6% to HK$592,248,000 from HK$817,617,000 of the previous year. Such decrease was due to the closure or downsizing of several retail shops of the Group in the previous year and weakened customer spending for luxury goods. The business environment of the Hong Kong luxury goods retail market had continued to suffer from a decrease in luxury spending since 2014. For the year under review, spending of tourists from Mainland China was adversely affected by Mainland China's decelerating economic growth and the Chinese Government's anti-extravagant campaign. For Hong Kong customers, their consumption sentiment was negatively impacted by the uncertain domestic and global economic outlook, causing a further decline in the Hong Kong luxury goods retail market.

Turnover of the Group's bullion trading for the year under review decreased by 17.8% to HK$8,289,000 as compared with HK$10,083,000 of the previous year as a result of a weak consumer sentiment.

The Group's retail shops are all located at prime shopping areas. During the year under review, the number of retail shops remained unchanged. Renovation of the retail shop at Central Building was completed in December 2015.

FUTURE OUTLOOK

Looking forward, the Group expects the sluggish market conditions will continue and the challenge to the Hong Kong luxury goods retail market will be severe. It will take stringent control on inventory management, and will continue to implement rigorous costs control and improve operating efficiency by streamlining the operations and optimising internal resources in order to achieve better results. The unfavorable retail environment has suppressed the rent in prime shopping areas. The Group will monitor the market trends and take prompt actions to adjust its shop network plan and business plan under different market conditions.

FUTURE OUTLOOK (Continued)

The Group will continue to launch premium quality King Fook jewellery products by leveraging on its solid foundation and reputation, and will enhance its competitiveness by optimising its product mix so as to better address the changing needs of tourists and the local market. The Group will continue to launch various marketing activities and promotional events to maintain good relationship with existing customers and expand its customer base.

FINANCIAL REVIEW

Finance

As at 31 March 2016, the Group's current assets and current liabilities were about HK$882,383,000 and HK$151,708,000 respectively. There were cash and cash equivalents of about HK$105,101,000, bank loans of about HK$105,000,000 and unsecured gold loan of about HK$18,172,000.

Based on the total borrowings of the Group of about HK$123,172,000 and the capital and reserves attributable to the shareholders of the Company of about HK$739,658,000 as at 31 March 2016, the overall borrowings to equity ratio was 16.7%, which was at a healthy level. There was no charge on the Group's assets.

Foreign Exchange

The Group reviews its foreign currency exposure regularly and does not consider its foreign currency risk to be significant. No financial instrument was used for hedging.

Financial Ratio

A list of key financial ratio is set out in the Five Year Financial Summary on page 81.

INTERNAL CONTROL

BDO Limited has reviewed the Group's internal control matters relevant to the preparation and the true and fair presentation of the Group's consolidated financial statements for the year ended 31 March 2016 as part of its audit work, but its 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 continually endeavours to identify areas for improvement.

ENVIRONMENTAL POLICY

The Group aims to protect the environment by minimising environmental adverse impacts in daily operations, energy saving and recycling of office resources. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organisation.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 March 2016, the Group had about 194 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 for their further advancement.

Report of the Directors

The directors would like to present their report together with the audited consolidated financial statements for the year ended 31 March 2016.

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 35 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 28.

The directors resolved not to declare an interim dividend (2015: Nil) for the year ended 31 March 2016.

The directors have resolved not to recommend the payment of a final dividend (2015: Nil) for the year ended 31 March 2016.

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 page 31 and note 34 to the financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2016, calculated in accordance with section 79B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, amounted to HK$223,153,000.

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 5 financial years is set out on page 81.

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases	
- the largest supplier	30%
- 5 largest suppliers combined	82%
Sales	
- the largest customer	2%
- 5 largest customers combined	6%

None of the directors, their associates or any shareholders (who to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in any of 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. Yeung Bing Kin, Alan (appointed as a non-executive director on 27 November 2015 and re-designated as an executive director on 10 March 2016)
* Mr. Cheng Ka On, Dominic
* Mr. Yeung Bing Kwong, Kenneth (resigned on 30 April 2015)
* Ms. Fung Chung Yee, Caroline (resigned on 1 April 2016)
\+ Mr. Lau To Yee
\+ Mr. Cheng Kar Shing, Peter
Mr. Wong Wei Ping, Martin
\+ Mr. Ho Hau Hay, Hamilton
\+ Mr. Sin Nga Yan, Benedict
\+ Mr. Cheng Kwok Shing, Anthony
Dr. Fung Yuk Bun, Patrick (appointed as a non-executive director on 4 May 2016)

* *Executive Directors*
\+ *Independent Non-executive Directors*

Mr. Yeung Ping Leung, Howard has resigned as a director and the Chairman of the Company with effect on 1 July 2016 and Mr. Yeung Bing Kin, Alan will take over as the Chairman of the Company on that date.

Brief biographical details of the directors of the Company are set out on pages 5 and 6.

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 all the independent non-executive directors are independent.

Report of the Directors (Continued)

DIRECTORS (Continued)

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 31 March 2016 at fees totalling HK$1,800,000. 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 1 year without payment of compensation, other than statutory compensation. The Company had not entered into any contract nor had any existing contract concerning the management and administration of the whole or any substantial part of any business of the Company during the year.

In accordance with article 116 of the Company's Articles of Association, Mr. Cheng Kwok Shing, Anthony, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic and Mr. Cheng Kar Shing, Peter 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. Yeung Bing Kin, Alan and Dr. Fung Yuk Bun, Patrick will retire at the coming annual general meeting of the Company and, being eligible, have offered themselves for re-election. Details of such directors as required under rule 13.51(2) of the Listing Rules are as follows:

Mr. Cheng Kwok Shing, Anthony, aged 69, is an independent non-executive director of the Company and the chairman of the Audit Committee and Remuneration Committee of the Company. He is a Fellow and a Certified Public Accountant (Practicing) of The Hong Kong Institute of Certified Public Accountants and has about 40 years of experience in the 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 the Securities and Futures Ordinance (the "SFO"). He was appointed as an independent non-executive director of the Company in 2013.

Mr. Tang Yat Sun, Richard, aged 63, is the vice chairman and an executive director of the Company, and an executive director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is an executive director of Miramar Hotel and Investment Company, Limited, and an independent non-executive director of Hang Seng Bank Limited and Wheelock and Company Limited, all of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Tang has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest and a corporate interest in 7,528,500 shares and 31,571,400 shares of the Company respectively within the meaning of Part XV of the SFO. He was appointed as a director and the vice chairman of the Company in 1987 and 1998 respectively.

Mr. Cheng Ka On, Dominic, aged 66, is an executive director of the Company, and of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is a director of Miramar Hotel and Investment Company, Limited, a company listed on the Main Board of the Stock Exchange. Mr. Cheng is a distant cousin of Mr. Yeung Bing Kin, Alan (an executive director of the Company) and Mr. Yeung Ping Leung, Howard (the chairman and an executive director of the Company). He has a personal interest in 2,622,000 shares of the Company within the meaning of Part XV of the SFO. He was appointed as a director of the Company in 1987.

Mr. Cheng Kar Shing, Peter, aged 63, is an independent non-executive director and a member of the Remuneration Committee of the Company, and a director of King Fook Gold & Jewellery Company Limited, a wholly owned subsidiary of the Company. Mr. Cheng is a director of New World Development Company Limited and an executive director of New World China Land Limited, both companies being listed on the Main Board of the Stock Exchange. He is also a director of New World Hotels (Holdings) Limited and Chow Tai Fook Enterprises Limited and a deputy managing director of New World Development (China) Ltd.. Mr. Cheng has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has no interest in shares of the Company within the meaning of Part XV of the SFO. He was appointed as an independent non-executive director of the Company in 1997.

DIRECTORS (Continued)

Mr. Yeung Bing Kin, Alan, aged 73, is an executive director of the Company. He is a director of Yuan Holding Limited (trading as Blanc de Chine) and a director and chairman of YCS International Development Limited, both private companies. He has over 30 years of experience in real estate and trading businesses. Mr. Yeung is the elder brother of Mr. Yeung Ping Leung, Howard (the chairman and 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 (the controlling shareholder of the Company). He has no interest in the shares of the Company within the meaning of Part XV of the SFO. He was appointed as a non-executive director on 27 November 2015 and re-designated as an executive director on 10 March 2016 respectively.

Dr. Fung Yuk Bun, Patrick, aged 69, is a non-executive director of the Company. He is the Chairman of OCBC Wing Hang Bank, Limited, and a non-executive director of Miramar Hotel and Investment Company, Limited, a company listed on the Main Board of the Stock Exchange. He retired as an independent non-executive director of The Link Management Limited, the manager of The Link Real Estate Investment Trust, with effect from 1 August 2014. The Link Real Estate Investment Trust is listed on the Main Board of the Stock Exchange. He is a honorary member of the Court and Adjunct Professor with the Faculty's School of Accounting and Finance of the Hong Kong Polytechnic University, a court member of the Hong Kong University of Science and Technology, Vice President of the Hong Kong Institute of Bankers, member of Board of Governors of The Hong Kong Philharmonic Society Ltd. and a member of Hang Seng Management College – Foundation Management Committee. He has an interest in 5,856,517 shares of the Company (which are ultimately held by a trust of which he is a beneficiary) within the meaning of Part XV of the SFO. He was appointed as a non-executive director on 4 May 2016.

The above retiring directors do not have any service contract with the Company. They are not appointed for a specific term but each of them is subject to retirement by rotation at least once every 3 years in accordance with the Articles of Association of the Company.

For the year ended 31 March 2016, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Cheng Kar Shing, Peter and Mr. Yeung Bing Kin, Alan received directors' fees from the Group of HK$39,000, HK$39,000, HK$72,000 and HK$35,000 respectively , which are nominal. Mr. Cheng Kwok Shing, Anthony received director's fee from the Group of HK$250,000 for the year ended 31 March 2016, which is determined by the board of directors of the Company based on the recommendation of the Remuneration Committee with reference to his roles as the chairman of both the Audit Committee and the Remuneration Committee and in overseeing the internal audit function of the Company. Dr. Fung Yuk Bun, Patrick currently receives a nominal director's fee from the Group of HK$20,000 per annum. The remuneration of these directors are subject to the recommendation of the Remuneration Committee from time to time.

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.

Mr. Cheng Kar Shing, Peter served as an independent non-executive director of the Company for more than 9 years. The board of directors of the Company considers that he is still independent as he complies with rule 3.13 of the Listing Rules and acts independently in the discharge of his duty to the Company and should be re-elected so that the Group can continue to benefit from his valuable commercial experience.

The directors of the subsidiaries of the Company include some directors of the Company and Mr. Cao Xin, Mr. Chik Kwok Wai, Stephen, Mr. Chung Tang Ching, Mr. Fung Tin Po, Ms. Lai Wing Yin, Victoria, Mr. Leung Yiu Wai, Mr. Liang Cheung Biu, Thomas, Mr. Lo Kun Io, Mr. Luk Kwing Yung, Ms. Wong Ka Ki, Kay, Ms. So Yuet Kuen, Brenda and Mr. Yee Kwan Yeung.

Report of the Directors (Continued)

DIRECTORS' INTERESTS

At 31 March 2016, 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				Percentage of
	Personal	*Family*	*Corporate*	*Total*	shareholding
Mr. Tang Yat Sun, Richard	7,528,500	Nil	#31,571,400	39,099,900	4.28%
Mr. Cheng Ka On, Dominic	2,622,000	Nil	Nil	2,622,000	0.29%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*6,657,000	6,657,000	0.73%

These shares were 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 were 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 31 March 2016, 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 in the Listing Rules.

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:

1. 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 13 August 2013 and 12 August 2015 respectively in respect of premises in King Fook Building, 30-32 Des Voeux Road Central, 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 and Ground 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		
	16/8/13 to 15/8/15	HK$692,610.00	HK$21,037.50
	16/8/15 to 15/8/17	HK$692,610.00	HK$21,037.50

DIRECTORS' INTERESTS (Continued)

Mezzanine Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from 16/8/13 to 15/8/15	HK$41,415.00	HK$9,412.50
King Fook Jewellery Group Limited	2 years from 16/8/15 to 15/8/17	HK$41,415.00	HK$9,412.50

3rd Floor (including a flat roof), King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from		
	16/8/13 to 15/8/15	HK$41,860.00	HK$13,650.00
	16/8/15 to 15/8/17	HK$41,860.00	HK$13,650.00

5th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from		
	16/8/13 to 15/8/15	HK$41,580.00	HK$9,450.00
	16/8/15 to 15/8/17	HK$41,580.00	HK$9,450.00

6th 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 16/8/13 to 15/8/15*	HK$41,580.00	HK$9,450.00

* With the consent of the landlord, the tenancy agreement was terminated effective from 15 June 2015.

DIRECTORS' INTERESTS (Continued)

7th 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		
	16/8/13 to 15/8/15	HK$41,580.00	HK$9,450.00
	16/8/15 to 15/8/17	HK$41,580.00	HK$9,450.00

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		
	16/8/13 to 15/8/15	HK$41,580.00	HK$9,450.00
	16/8/15 to 15/8/17	HK$41,580.00	HK$9,450.00

9th Floor, King Fook Building

Tenant	Term	Rent per month	Management fees and air-conditioning charges per month
the Company	2 years from		
	16/8/13 to 15/8/15	HK$41,580.00	HK$9,450.00
	16/8/15 to 15/8/17	HK$41,580.00	HK$9,450.00

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		
	16/8/13 to 15/8/15	HK$41,580.00	HK$9,450.00
	16/8/15 to 15/8/17	HK$41,580.00	HK$9,450.00

2. King Fook Jewellery Group Limited (as tenant) entered into a tenancy agreement dated 13 January 2015 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 at the monthly rent of HK$15,000 exclusive of rates commencing from 1 January 2015 on a month-to-month basis until any party serving 1 month's advance notice of termination on the other party.

3. The Company entered into 2 separate agreements 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 2 years from 16 August 2013 and 16 August 2015 respectively at the monthly fee of HK$25,480.

DIRECTORS' INTERESTS (Continued)

4. The Company entered into a licence agreement dated 7 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 Licence Agreement commenced from 7 December 1998 and may be terminated by any party by giving 3 months' written notice to the other party.

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 leased a vehicle from Yeung Chi Shing Estates Limited at the rent of HK$1 per year for a term commencing from 1 April 2011 and renewable automatically every 12 months after its commencement until any party serving 1 month's advance notice of termination on the other party. With 1 month's notice of termination from Yeung Chi Shing Estates Limited, the said Vehicle Licence Agreement was terminated effective from 15 June 2016.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kin, Alan (both are directors of the Company) and Mr. Yeung Bing Kwong, Kenneth (a former director 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.73 of the Listing Rules. Details of these transactions and other related party transactions for the year ended 31 March 2016 are set out in note 32 to the financial statements.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions pursuant to rule 14A.55 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 31 March 2016 pursuant to rule 14A.56 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 cap disclosed in the announcements dated 13 August 2013 and 12 August 2015 made by the Company in respect of each of the continuing connected transactions.

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 Enterprises Limited. The gold ornament, jewellery and watch retail business of Chow Tai Fook Enterprises Limited and its subsidiaries ("Chow Tai Fook Group") 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 an independent non-executive director of Hang Seng Bank Limited ("Hang Seng"). The bullion trading 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 from the respective businesses of Chow Tai Fook Group, Myer Group and Hang Seng.

GOLD LOAN AND BANK LOANS

Particulars of gold loan and bank loans of the Group are set out under current liabilities in the consolidated balance sheet and in notes 23 and 24 to the financial statements respectively.

SUBSTANTIAL SHAREHOLDER

As at 31 March 2016, the following person (other than a director or chief executive of the Company) had interest in shares 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	547,539,057	*Note*	59.93%

Note: 534,603,015 shares were beneficially owned by Yeung Chi Shing Estates Limited while 12,936,042 shares were of its corporate interest.

Save as disclosed above, as at 31 March 2016, 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.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provides that a director or former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person (other than the Company or any of its subsidiaries) in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any of its subsidiaries (as the case may be) as provided under the Hong Kong Companies Ordinance. The Group has taken out and maintained directors' liability insurance throughout the year to protect the Group's directors against potential costs and liabilities arising from claims brought against them.

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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of directors and senior management for the year ended 31 March 2016 are set out in notes 13, 14 and 32(f) to the financial statements respectively.

BUSINESS REVIEW

Details on the assessment and analysis of the Group's performance during the year under review and the material factors underlying its results and financial position are set out in the section headed "Management Discussion and Analysis" of this annual report.

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 consolidated financial statements for the year ended 31 March 2016 have been audited by BDO Limited ("BDO"). A resolution will be proposed at the forthcoming 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, 24 June 2016

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") for the year ended 31 March 2016 except the deviations as explained below:

Code provision A.4.1

In respect of code provision A.4.1 of the Code, the non-executive directors of the Company were not appointed for a specific term, but each of them is subject to retirement by rotation at annual general meeting of the Company at least once every 3 years in accordance with the Articles of Association of the Company. The retiring directors shall be eligible for re-election.

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 the 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

As far as code provision D.1.4 of the Code is concerned, 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 which 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 they 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 31 March 2016.

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 so as to enable them to discharge their duties. Written procedures are also in place for all directors of the Company to take independent professional advice where necessary in order to perform their duties at the expense of the Company.

BOARD OF DIRECTORS (Continued)

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 as well as rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection by any director 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.

The Board met 5 times during the year ended 31 March 2016. The Board's composition and the attendance of individual directors at these meetings were as follows:

	Number of meetings attended
Executive directors	
Mr. Yeung Ping Leung, Howard *(Chairman)*	4
Mr. Tang Yat Sun, Richard *(Vice Chairman)*	4
Mr. Yeung Bing Kin, Alan (appointed as a non-executive director on 27 November 2015 and re-designated as an executive director on 10 March 2016)	2
Mr. Cheng Ka On, Dominic	5
Mr. Yeung Bing Kwong, Kenneth (resigned on 30 April 2015)	0
Ms. Fung Chung Yee, Caroline (resigned on 1 April 2016)	5
Non-executive director	
Mr. Wong Wei Ping, Martin	5
Dr. Fung Yuk Bun, Patrick (appointed on 4 May 2016)	0
Independent non-executive directors	
Mr. Lau To Yee	5
Mr. Cheng Kar Shing, Peter	5
Mr. Ho Hau Hay, Hamilton	5
Mr. Sin Nga Yan, Benedict	5
Mr. Cheng Kwok Shing, Anthony	5

Messrs. Yeung Ping Leung, Howard, Yeung Bing Kin, Alan and Yeung Bing Kwong, Kenneth are brothers and Mr. Wong Wei Ping, Martin is their brother-in-law.

Details of the directors are disclosed in the section headed "Brief Biographical Details of the Directors" on pages 5 and 6.

BOARD OF DIRECTORS (Continued)

In compliance with code provision A.6.5 of the Code, all directors of the Company (except Mr. Yeung Bing Kwong, Kenneth who resigned on 30 April 2015) during the year ended 31 March 2016 had participated in continuous professional development 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. Yeung Bing Kin, Alan	✓	
Mr. Cheng Ka On, Dominic	✓	
Ms. Fung Chung Yee, Caroline	✓	✓
Mr. Wong Wei Ping, Martin	✓	✓
Mr. Lau To Yee	✓	
Mr. Cheng Kar Shing, Peter	✓	✓
Mr. Ho Hau Hay, Hamilton	✓	
Mr. Sin Nga Yan, Benedict	✓	
Mr. Cheng Kwok Shing, Anthony	✓	✓

The Company arranged and funded 1 training programme, with emphasis on the role, functions and duties of a director of listed company. Some of the directors participated in continuous professional development programmes organised by other organisations.

CHAIRMAN AND GROUP GENERAL MANAGER (CHIEF EXECUTIVE)

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

The Chairman of the Company 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, the Chairman of the Company is responsible for ensuring that good corporate governance practices and procedures are followed by the Group. The Chairman of the Company is also responsible for the strategic planning of the Group.

The Group General Manager of the Company is responsible for the day-to-day management of the Group's business (including monitoring the Group's operational and financial performance) and implementation of the directions of the Board.

NON-EXECUTIVE DIRECTOR

All 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 meeting at least once every 3 years in accordance with the Articles of Association of the Company.

REMUNERATION COMMITTEE

During the year ended 31 March 2016 the Remuneration Committee had 3 members, comprising Messrs. Mr. Cheng Kwok Shing, Anthony and Mr. Cheng Kar Shing, Peter (both an independent non-executive director) and Ms. Fung Chung Yee, Caroline (who resigned as an executive director of the Company and a member of the Remuneration Committee on 1 April 2016). The chairman of this Committee is Mr. Cheng Kwok Shing, Anthony. 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. It has considered factors such as the performance of the executive directors and the senior management, the profitability of the Group, salaries paid by comparable companies, time commitment and responsibilities. It aims 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/her 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.

The Board has adopted a diversity policy to achieve diversity of Board members through consideration of relevant factors, including but not limited to gender, age, ethnicity, cultural and educational background, skill, knowledge, or professional/business experience to ensure the Board has an appropriate diversity of talents to contribute to the business of the Group.

Mr. Yeung Bing Kin, Alan was appointed as a non-executive director on 27 November 2015, re-designated as an executive director on 10 March 2016 and appointed as the Chairman with effect on 1 July 2016. Dr. Fung Yuk Bun, Patrick was appointed as a non-executive director on 4 May 2016.

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. It 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 31 March 2016, 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 31 March 2016.

Corporate Governance Report (Continued)

ACCOUNTABILITY AND AUDIT (Continued)

During the year ended 31 March 2016, the Board, with the assistance of the internal audit department, has reviewed the effectiveness of the Group's risk management and 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 staff of the Company's accounting, internal audit 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 taken.

AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the auditor, BDO Limited, for audit services was approximately HK$710,000 (2015: HK$730,000) and for other non-audit services was approximately HK$274,000 (2015: HK$167,000).

The significant non-audit services covered by these fees include the following:

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

AUDIT COMMITTEE

The Audit Committee has 3 members, comprising Messrs. Cheng Kwok Shing, Anthony and Lau To Yee (both independent non-executive directors) and Mr. Wong Wei Ping, Martin (a non-executive director). The chairman of this Committee is Mr. Cheng Kwok Shing, Anthony. 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 results. 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 31 March 2016 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 31 March 2016 and all members attended these committee meetings.

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 will respond to enquiries from shareholders promptly.

The Company held an annual general meeting on 21 September 2015 and an extraordinary general meeting on 11 August 2015 during the year ended 31 March 2016 (the "Meetings"), which provided opportunities 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 Meetings. In accordance with the Listing Rules, the votes of shareholders at the Meetings were taken by poll and the poll results were announced at the Meetings and published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively after the Meetings. A separate resolution was proposed at each of the Meetings on each substantial issue, including the re-election of each director. All the resolutions proposed at the Meetings for the shareholders' approval were passed.

The attendance of individual directors at the Meetings were as follows:

Name of director	Number of meetings attended
Mr. Yeung Ping Leung, Howard *(Chairman)*	2
Mr. Tang Yat Sun, Richard *(Vice Chairman)*	1
Mr. Cheng Ka On, Dominic	1
Ms. Fung Chung Yee, Caroline	2
Mr. Wong Wei Ping, Martin	2
Mr. Lau To Yee	2
Mr. Cheng Kar Shing, Peter	0
Mr. Ho Hau Hay, Hamilton	2
Mr. Sin Nga Yan, Benedict	2
Mr. Cheng Kwok Shing, Anthony	2

Mr. Yeung Bing Kwong, Kenneth resigned as director on 30 April 2015 and Mr. Yeung Bing Kin, Alan was appointed as director on 27 November 2015 and so were not directors of the Company when the Meetings were held.

Pursuant to article 72 of the Company's Articles of Association and section 566 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company shall have the right to request the directors of the Company to call a general meeting of the Company by sending a request authenticated by the person(s) making it to the Company in hard copy form or in electronic form stating the general nature of the business to be dealt with at such meeting, including election of director(s). If within 21 days after the date the directors become required to call a general meeting they fail to proceed to convene such meeting for a day not more than 28 days after the date of the notice convening the meeting, the shareholder(s) who requested the meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting in accordance with the provisions of section 568 of the Companies Ordinance.

Independent Auditor's Report

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 MEMBERS 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 (hereafter referred to as the "Group") set out on pages 28 to 79, which comprise the consolidated balance sheet as at 31 March 2016, 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 consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 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 financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Leung Tze Wai
Practising Certificate Number P06158

Hong Kong, 24 June 2016

Consolidated Income Statement

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
Revenue	5	**612,271**	838,949
Cost of sales		**(471,010)**	(665,406)
Gross profit		**141,261**	173,543
Other operating income		**2,266**	10,830
Distribution and selling costs		**(192,121)**	(262,727)
Administrative expenses		**(48,904)**	(61,076)
Other operating expenses		**(18,337)**	(7,285)
Operating loss		**(115,835)**	(146,715)
Finance costs	6	**(4,307)**	(5,321)
Loss before taxation	7	**(120,142)**	(152,036)
Taxation	8	**1,267**	1,737
Loss for the year from continuing operations		**(118,875)**	(150,299)
DISCONTINUED OPERATION			
(Loss)/profit for the year from discontinued operation	9	**(318)**	1,042
Loss for the year		**(119,193)**	(149,257)
(Loss)/profit for the year attributable to:			
Shareholders of the Company			
Continuing operations		**(118,854)**	(150,293)
Discontinued operation		**(318)**	1,042
		(119,172)	(149,251)
Minority interests		**(21)**	(6)
		(119,193)	(149,257)
		HK cent	HK cent
Loss per share for loss attributable to the shareholders of the Company for the year	11		
- Basic and diluted			
Continuing and discontinued operations		**(14.93)**	(22.87)
Continuing operations		**(14.89)**	(23.03)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	2016 **HK$'000**	2015 HK$'000
Loss for the year	**(119,193)**	(149,257)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale investments	**—**	3,589
Reclassification adjustment upon disposal of available-for-sale investments	**—**	(4,717)
Exchange differences on translation	**(958)**	658
Other comprehensive income for the year	**(958)**	(470)
Total comprehensive income for the year	**(120,151)**	(149,727)
Total comprehensive income for the year attributable to:		
Shareholders of the Company	**(120,130)**	(149,721)
Minority interests	**(21)**	(6)
	(120,151)	(149,727)

Consolidated Balance Sheet

As at 31 March 2016

	Note	As at 31 March 2016 HK$'000	As at 31 March 2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**4,506**	8,203
Investment properties	*16*	**626**	658
Available-for-sale investments	*17*	**864**	952
Deferred tax assets	*29*	**3,198**	1,928
Other assets		**—**	396
		9,194	12,137
Current assets			
Inventories	*18*	**698,816**	715,088
Debtors, deposits and prepayments	*19*	**53,889**	60,882
Investments at fair value through profit or loss	*20*	**24,577**	1,192
Tax recoverable		**—**	32
Cash and cash equivalents	*21*	**105,101**	117,788
		882,383	894,982
Current liabilities			
Creditors, deposits received, accruals and deferred income	*22*	**28,529**	34,351
Tax payable		**7**	9
Gold loan, unsecured	*23*	**18,172**	17,559
Bank loans	*24*	**105,000**	147,500
		151,708	199,419
Net current assets		**730,675**	695,563
Total assets less current liabilities		**739,869**	707,700
Non-current liability			
Provision for long service payments	*25*	**99**	112
Net assets		**739,770**	707,588
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital	*26*	**393,354**	241,021
Other reserves	*27*	**35,244**	36,202
Retained profits	*27*	**311,060**	430,232
		739,658	707,455
Minority interests		**112**	133
		739,770	707,588

The consolidated financial statements on pages 28 to 79 were approved and authorised for issue by the Board of Directors on 24 June 2016 and were signed on its behalf by:

Yeung Ping Leung, Howard
Chairman

Tang Yat Sun, Richard
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Capital and reserves attributable to the shareholders of the Company						Minority interests	Total
	Share capital HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 April 2014	241,021	24,753	10,791	1,128	579,483	857,176	139	857,315
Loss for the year	—	—	—	—	(149,251)	(149,251)	(6)	(149,257)
Other comprehensive income:								
Change in fair value of available-for-sale investments	—	—	—	3,589	—	3,589	—	3,589
Reclassification adjustment upon disposal of available-for-sale investments	—	—	—	(4,717)	—	(4,717)	—	(4,717)
Exchange differences on translation	—	—	658	—	—	658	—	658
Total comprehensive income for the year	—	—	658	(1,128)	(149,251)	(149,721)	(6)	(149,727)
At 31 March 2015	241,021	24,753	11,449	—	430,232	707,455	133	707,588
At 1 April 2015	**241,021**	**24,753**	**11,449**	**—**	**430,232**	**707,455**	**133**	**707,588**
Rights issue (note 26)	**156,626**	**—**	**—**	**—**	**—**	**156,626**	**—**	**156,626**
Share issue expenses (note 26)	**(4,293)**	**—**	**—**	**—**	**—**	**(4,293)**	**—**	**(4,293)**
	152,333	**—**	**—**	**—**	**—**	**152,333**	**—**	**152,333**
Loss for the year	**—**	**—**	**—**	**—**	**(119,172)**	**(119,172)**	**(21)**	**(119,193)**
Other comprehensive income:								
Exchange differences on translation	**—**	**—**	**(958)**	**—**	**—**	**(958)**	**—**	**(958)**
Total comprehensive income for the year	**—**	**—**	**(958)**	**—**	**(119,172)**	**(120,130)**	**(21)**	**(120,151)**
At 31 March 2016	**393,354**	**24,753**	**10,491**	**—**	**311,060**	**739,658**	**112**	**739,770**

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss before working capital changes	28	**(81,525)**	(129,199)
Decrease in inventories		**3,712**	160,946
Decrease in debtors, deposits and prepayments		**5,240**	33,544
Decrease in creditors, deposits received, accruals and deferred income		**(2,701)**	(21,643)
Decrease in trust bank balances held on behalf of clients		**—**	144
Dividends received from investments at fair value through profit or loss		**43**	39
Change in investments at fair value through profit or loss		**(33,956)**	9,366
Refund of other assets		**176**	—
Interest received		**275**	271
Hong Kong profits tax paid		**—**	(160)
Hong Kong profits tax refunded		**58**	—
Overseas tax paid		**(31)**	(28)
Long service payments paid		**—**	(39)
Net cash (used in)/generated from operating activities		**(108,709)**	53,241
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from available-for-sale investments		**16**	58
Liquidation of a subsidiary		**(111)**	—
Proceeds from disposal of available-for-sale investments		**—**	7,823
Proceeds from disposal of property, plant and equipment		**125**	8
Purchase of property, plant and equipment		**(8,637)**	(3,132)
Net cash (used in)/generated from investing activities		**(8,607)**	4,757
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(4,295)**	(5,534)
New gold and other loans		**—**	27,508
Repayment of bank, gold and other loans		**(42,500)**	(85,480)
Proceeds from issue of rights issue		**156,626**	—
Share issue expenses		**(4,293)**	—
Net cash generated from/(used in) financing activities		**105,538**	(63,506)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(11,778)**	(5,508)
Cash and cash equivalents at the beginning of the year		**117,788**	122,634
Effect of foreign exchange rates changes, net		**(909)**	662
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**105,101**	117,788

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 place of operation and the principal activities of its subsidiaries are set out in note 35 to the financial statements.

During the year, the Company and its subsidiaries (together referred to as the "Group") decided to focus its resources on its continuing operations and had ceased operation of its construction services. This business segment is presented as discontinued operation in accordance with Hong Kong Financial Reporting Standard 5, *Non-current Assets Held for Sale and Discontinued Operations* ("HKFRS 5"). Certain comparatives on the consolidated income statement and the related notes have been re-presented as a result of the retrospective application of HKFRS 5. Details of the discontinued operation are set out in note 9.

Other than the discontinued operation described above, there had been no significant changes in the Group's operations during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 28 to 79 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and have been prepared in compliance with the Hong Kong Companies Ordinance.

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

These consolidated financial statements have been prepared on the historical cost basis except for gold bullion stocks held for trading, gold loan and financial instruments classified as fair value through profit or loss ("FVTPL") 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 consolidated 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 consolidated financial statements, are disclosed in note 3.

2.2 Adoption of amendments to HKFRSs

In the current year, the Group has applied for the first time the following amendments to HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2015:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRS	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRS	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of these amendments to HKFRSs has no significant impact on the Group's consolidated financial statements.

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 have been issued but are not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective date for annual periods beginning on or after a date to be determined

Amendments to HKAS 16 and HKAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

HKFRS 9 (2014): *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

HKFRS 9 (2014): *Financial Instruments* (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the 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 derecognition of financial assets and financial liabilities.

HKFRS 15: *Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18, *Revenue*, HKAS 11, *Construction Contracts*, and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the potential impact of adopting the above new or revised HKFRSs to the Group. The directors of the Company do not expect that the adoption of these new or revised HKFRSs will have a material impact on the consolidated financial statements of the Group.

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) made up to 31 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 gain and loss on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised loss 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation and business combination (Continued)

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 shareholders 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.

2.5 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all 3 of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Investments in subsidiaries are included in the Company's balance sheet, 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.

2.6 Foreign currency translation

The consolidated 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 the end of reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gain and loss resulting from the settlement of such transactions and from the end of reporting period 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 end of reporting period. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 money exchange is recognised when services are rendered.

(iii) ***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.

(iv) ***Dividend income***

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

(v) ***Rental income***

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

(vi) ***Interest income***

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

2.8 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 Property, plant and equipment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Property, plant and equipment (Continued)

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.

Depreciation on other assets is provided to write off the cost less their expected 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 the end of each reporting period.

An asset is written down immediately to its recoverable amounts if its carrying amount is higher than the assets estimated recoverable amount.

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 or for both.

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 loss. 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 at the end of each reporting period to determine 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 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 ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets (Continued)

Impairment loss recognised for CGUs are charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs 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. A reversal of an impairment loss is recognised as income immediately.

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, reevaluates this designation at every end of reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial assets (Continued)

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 FVTPL, directly attributable transaction costs.

Derecognition 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.

(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(iv) and 2.7(vi) to the financial statements respectively.

(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 loss. 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 loss (see the policy below) and foreign exchange gain and loss on monetary assets, until the financial asset is derecognised, 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(iv). Interest calculated using the effective interest method is recognised in profit or loss when these investments are interest-bearing.

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 end of reporting period. 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 loss at the end of each reporting period subsequent to initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial assets (Continued)

Impairment of financial assets

At the end of each reporting period, financial assets other than at FVTPL 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 loss 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) ***Available-for-sale investments*** (Continued)

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 loss 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 loss in such circumstances are recognised in profit or loss.

(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 loss are not reversed in subsequent years.

For financial assets other than investments at fair value through profit or loss and trade debtors and other receivables that are stated at amortised cost, impairment loss are written off against the corresponding assets directly. Where the recovery of trade debtors and other receivables is considered doubtful but not remote, the impairment loss for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade debtors and other receivables is remote, the amount considered irrecoverable is written off against trade debtors 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 loss recognised in an interim period in respect of available-for-sale unquoted equity securities carried at cost are not reversed in a subsequent period.

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 costs 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 for the year 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 end of reporting period. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the consolidated 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 loss 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 loss 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.

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.

Income taxes are recognised in profit or loss except when they related to items recognised in other comprehensive income or directly in capital and reserves, in which case the taxes are also recognised in other comprehensive income or directly in capital and reserves respectively.

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 3 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 consolidated 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 capital and reserves. Share capital is determined at the proceeds received, net of direct issue costs.

Under the Hong Kong Companies Ordinance, Cap. 622 of the Laws of Hong Kong, shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under sections 148 and 149 of the Hong Kong Companies Ordinance.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2016

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 end of reporting period.

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 loan, trade payables and other payables and accruals. They are included in balance sheet line items as "bank loans", "gold loan, unsecured" and "creditors, deposits received, accruals and deferred income" under 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 derecognised 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 derecognition 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. The related interest expense is recognised in profit or loss.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, 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 loan is designated as financial liabilities at FVTPL. Subsequent to initial recognition, gold loan is measured at fair value with changes in fair value recognised in profit or loss. Financial liabilities originally designated as financial liabilities at FVTPL may not subsequently be reclassified.

Borrowings, which include bank loans and gold loan, 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 end of reporting period.

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 the end of each reporting period 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:

<u>Continuing operations</u>
(i) Retailing, bullion trading and diamond wholesaling in Hong Kong
(ii) Retailing in the PRC
(iii) Provision of travel related products and services

<u>Discontinued operation</u>
(iv) Construction 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 (iii) individually do not meet the quantitative thresholds to be separately reported, (ii) is aggregated with (i) because they have similar economic characteristics and (iii) is reported under "All others". Although (iv) also does not meet the quantitative thresholds, it is separately presented as it is a major business line of the Group in the prior years. Reportable segments are as follows:

<u>Continuing operations</u>
(a) Retailing, bullion trading and diamond wholesaling
(b) All others

<u>Discontinued operation</u>
(c) Construction services

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Segment reporting (Continued)

Under HKFRS 8, *Operating Segments*, 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 or loss. 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.

Reportable segment assets and liabilities are all assets and liabilities excluding investments at fair value through profit or loss, available-for-sale investments, deferred tax assets, tax recoverable and payable, bank loans 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, fair value change of investments at fair value through profit or loss, gain or loss arising from available-for-sale investments, dividend income 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 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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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's 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 property, plant and equipment

The Group assesses impairment at the end of each reporting period by evaluating conditions that may lead to impairment of property, plant and equipment. Where an impairment condition exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are based on market condition existing at the end of reporting period and appropriate market and discounts rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Details of the assessment are disclosed in note 15.

(iv) 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 reassesses the impairment of receivables at the end of reporting period.

(v) 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 reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.

4. SEGMENT INFORMATION

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

Continuing operations
(a) Retailing, bullion trading and diamond wholesaling
(b) All others

Discontinued operation
(c) Construction services

	Continuing operations				Discontinued operation	
	Retailing, bullion trading and diamond wholesaling HK$'000	All others HK$'000	Inter-segment elimination HK$'000	Sub-total HK$'000	Construction services HK$'000	Total HK$'000
Year ended 31 March 2016						
Revenue						
From external customers	604,168	8,103	—	612,271	—	612,271
Inter-segment sales	—	23	(23)	—	—	—
Reportable segment revenue	604,168	8,126	(23)	612,271	—	612,271
Interest income	103	—	—	103	—	103
Finance costs	(7,132)	—	—	(7,132)	—	(7,132)
Depreciation	(3,904)	(94)	—	(3,998)	—	(3,998)
Loss on write off/disposal of property, plant and equipment	(155)	—	—	(155)	—	(155)
Provision for and write down of inventories to net realisable value	(15,398)	—	—	(15,398)	—	(15,398)
Provision for impairment loss of property, plant and equipment	(7,461)	—	—	(7,461)	—	(7,461)
Reversal of provision for impairment loss of other receivables	973	—	—	973	—	973
Reportable segment results	(103,616)	(1,300)	—	(104,916)	(318)	(105,234)
Corporate income				33,311		33,311
Corporate expenses				(37,937)		(37,937)
Dividend income				59		59
Fair value change of investments at fair value through profit or loss				(10,571)		(10,571)
Provision for impairment loss of available-for-sale investments				(88)		(88)
Loss before taxation				(120,142)		(120,460)
At 31 March 2016						
Reportable segment assets	767,597	2,871	—	770,468	114	770,582
Corporate assets						2,048
Available-for-sale investments						864
Deferred tax assets						3,198
Investments at fair value through profit or loss						24,577
Cash and cash equivalents						90,308
Total assets per consolidated balance sheet						891,577
Reportable segment liabilities	39,425	2,098	—	41,523	2,813	44,336
Corporate liabilities						2,464
Bank loans						105,000
Tax payable						7
Total liabilities per consolidated balance sheet						151,807

4. SEGMENT INFORMATION (Continued)

	Continuing operations				Discontinued operation	
	Retailing, bullion trading and diamond wholesaling HK$'000	All others HK$'000	Inter-segment elimination HK$'000	Sub-total HK$'000	Construction services HK$'000 (Re-presented)	Total HK$'000 (Re-presented)
Year ended 31 March 2015						
Revenue						
From external customers	832,210	6,739	—	838,949	3,314	842,263
Inter-segment sales	—	4	(4)	—	—	—
Reportable segment revenue	832,210	6,743	(4)	838,949	3,314	842,263
Interest income	46	—	—	46	1	47
Finance costs	(9,491)	—	—	(9,491)	—*	(9,491)
Depreciation	(9,994)	(54)	—	(10,048)	—	(10,048)
Loss on write off/disposal of property, plant and equipment	(5,709)	—	—	(5,709)	—	(5,709)
Provision for and write down of inventories to net realisable value	(13,854)	—	—	(13,854)	—	(13,854)
Provision for impairment loss of property, plant and equipment	(1,500)	—	—	(1,500)	—	(1,500)
Reportable segment results	(157,372)	(140)	—	(157,512)	1,042	(156,470)
Corporate income				46,199		46,199
Corporate expenses				(47,906)		(47,906)
Dividend income				97		97
Fair value change of investments at fair value through profit or loss				2,369		2,369
Gain on disposal of available-for-sale investments				4,717		4,717
Loss before taxation				(152,036)		(150,994)
At 31 March 2015						
Reportable segment assets	801,194	6,388	—	807,582	303	807,885
Corporate assets						2,667
Available-for-sale investments						952
Deferred tax assets						1,928
Investments at fair value through profit or loss						1,192
Tax recoverable						32
Cash and cash equivalents						92,463
Total assets per consolidated balance sheet						907,119
Reportable segment liabilities	41,206	5,004	—	46,210	2,940	49,150
Corporate liabilities						2,872
Bank loans						147,500
Tax payable						9
Total liabilities per consolidated balance sheet						199,531

* Intra-group finance costs of HK$63,000 under construction services segment was eliminated for the year ended 31 March 2015 in this segment information.

4. SEGMENT INFORMATION (Continued)

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

For each of the two years ended 31 March 2016 respectively, no revenue from a single customer amounted to 10% or more of the total revenue of the Group.

5. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading and diamond wholesaling. Revenue of the Group recognised during the year comprised the following:

	2016 HK$'000	2015 HK$'000 (Re-presented)
Continuing operations		
Gold ornament, jewellery, watch, fashion and gift retailing	**592,248**	817,617
Bullion trading	**8,289**	10,083
Diamond wholesaling	**3,631**	4,510
Income from provision of travel related products and services	**8,103**	6,739
Total revenue from continuing operations	**612,271**	838,949
Discontinued operation		
Revenue on construction contracts	**—**	3,314
Total revenue	**612,271**	842,263

6. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Continuing operations		
Interest charges on:		
Financial liabilities at amortised cost:		
Bank and other loans and overdrafts	**3,676**	4,629
Financial liabilities at fair value through profit or loss:		
Gold loans, unsecured	**631**	692
	4,307	5,321

7. LOSS BEFORE TAXATION

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

	2016 HK$'000	2015 HK$'000 (Re-presented)
Continuing operations		
Auditors' remuneration	752	750
Cost of inventories sold, including	478,486	667,534
- provision for and write down of inventories to net realisable value	15,398	13,854
- reversal of provision for and write down of inventories to net realisable value*	(2,225)	(7,916)
Depreciation of property, plant and equipment	4,406	10,738
Depreciation of investment properties	32	33
Directly write off of debtors	—	15
Directly write off of other receivables	—	57
Dividend income	(59)	(97)
Fair value change of investments at fair value through profit or loss	10,571	(2,369)
Foreign exchange differences, net	(233)	(890)
Gain on disposal of available-for-sale investments	—	(4,717)
Interest income from financial assets at amortised cost	(275)	(270)
Loss on write off/disposal of property, plant and equipment	217	5,713
Loss on write off of investments at fair value through profit or loss	—	19
Operating lease charges in respect of properties	130,071	173,642
Operating lease charges in respect of furniture and fixtures	627	647
Outgoings in respect of investment properties	89	80
Provision for impairment loss of available-for-sale investments	88	—
Provision for impairment loss of property, plant and equipment	7,461	1,500
Provision for long service payments		
- provided against the account	—	19
- reversal of provision	(13)	(162)
Rental income		
- owned properties	(658)	(622)
- operating sub-leases	(3)	—
Reversal of provision for impairment loss of other receivables	(973)	(88)

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

8. TAXATION

No Hong Kong profits tax has been provided for the year as the Group has no estimated assessable profit (2015: Nil). 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 to the consolidated income statement represents:

	2016	2015
	HK$'000	HK$'000
Continuing operations		
Current tax		
- Hong Kong		
(Over)/under provision of prior years	**(26)**	160
- Overseas		
Current year	**29**	31
Deferred tax		
- Hong Kong		
Current year	**(1,270)**	(1,928)
Taxation credit	**(1,267)**	(1,737)

Reconciliation between taxation credit and accounting loss at applicable tax rates is as follows:

	2016	2015
	HK$'000	HK$'000 (Re-presented)
Continuing operations		
Loss before taxation	**(120,142)**	(152,036)
Tax on loss before taxation, calculated at the rates applicable to loss in the relevant tax jurisdictions	**(20,615)**	(26,004)
Tax effect of non-taxable income	**(402)**	(1,799)
Tax effect of non-deductible expenses	**423**	1,852
Temporary differences not recognised	**749**	(870)
Tax loss not recognised	**18,578**	24,951
Utilisation of previously unrecognised tax loss	**(3)**	(58)
(Over)/under provision of prior years	**(26)**	160
Others	**29**	31
Taxation credit	**(1,267)**	(1,737)

9. DISCONTINUED OPERATION

In end of September 2015, the business of construction services operated by the subsidiaries of the Company ceased as mentioned in note 1. This business segment is presented as discontinued operation in accordance with HKFRS 5.

The results of the construction services segment were as follows:

	2016 **HK$'000**	2015 HK$'000
Income	**26**	3,477
Expenses	**(344)**	(2,435)
(Loss)/profit before taxation	**(318)**	1,042
Taxation	**—**	—
(Loss)/profit for the year	**(318)**	1,042

The cash flows of the construction services segment were as follows:

	2016 **HK$'000**	2015 HK$'000
Operating and total cash flows	**(188)**	(899)

(Loss)/profit of the construction services segment was arrived after charging and (crediting):

	2016 **HK$'000**	2015 HK$'000
Auditor's remuneration	**—**	28
Directly write off of debtors	**—**	8
Employee benefit expenses (including pension costs of defined contribution retirement scheme)	**130**	407
Foreign exchange differences, net	**—**	937
Interest income	**—**	(1)
Provision for impairment loss of debtors		
- provided against allowance account	**—**	159
- reversal of provision	**—**	(21)

10. DIVIDEND

No dividend was paid or proposed for the two years ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

Continuing and discontinued operations

The calculation of basic loss per share is based on the consolidated loss attributable to the shareholders of the Company of HK$119,172,000 (2015: HK$149,251,000) and on the weighted average number of 798,106,846 (2015: 652,607,475) ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue for the purpose of calculating the basic loss per share for the year ended 31 March 2015 has not been adjusted for the rights issue (as described in note 26) because the subscription price of the rights issue was higher than the closing market price per share on the business day immediately preceding the rights issue.

Diluted loss per share for each of the two years ended 31 March 2016 respectively is the same as the basic loss per share as there were no dilutive potential ordinary shares during both years.

Continuing operations

The calculation of basic loss per share from continuing operations is based on the loss for the year attributable to the shareholders of the Company from continuing operations of HK$118,854,000 (2015: HK$150,293,000) and the denominators detailed above for basic loss per share.

Diluted loss per share from continuing operations for each of the two years ended 31 March 2016 respectively is the same as the basic loss per share as there were no dilutive potential ordinary shares during both years.

Discontinued operation

For the year ended 31 March 2016, basic loss per share for the discontinued operation attributable to the shareholders of the Company is HK0.04 cent (2015: basic earnings per share of HK0.16 cent), based on the loss for the year ended 31 March 2016 from the discontinued operation of HK$318,000 (2015: profit of HK$1,042,000) and the denominators detailed above for basic loss per share.

Diluted loss per share from discontinued operation for each of the two years ended 31 March 2016 respectively is the same as the basic loss per share as there were no dilutive potential ordinary shares during both years.

12. EMPLOYEE BENEFIT EXPENSE

	2016 **HK$'000**	2015 HK$'000 (Re-presented)
Continuing operations		
Wages, salaries and other benefits	**61,443**	76,303
Pension costs - defined contribution retirement schemes	**3,157**	3,832
Provision for long service payments (note 25)	**—**	19
Reversal of provision for long service payments (note 25)	**(13)**	(162)
	64,587	79,992

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Directors' and chief executive's emoluments disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and the Companies (Disclosure of Information about Benefits of the Directors) Regulation (Cap. 622G) are as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension costs - defined contribution retirement schemes HK$'000	Total HK$'000
2016				
Executive directors				
Mr. Yeung Ping Leung, Howard	39	1,800*	2	1,841
Mr. Tang Yat Sun, Richard	39	—	2	41
Mr. Yeung Bing Kin, Alan (appointed as a non-executive director on 27 November 2015 and re-designated as an executive director on 10 March 2016)	35	—	—	35
Mr. Cheng Ka On, Dominic	39	—	2	41
Mr. Yeung Bing Kwong, Kenneth (resigned on 30 April 2015)	—	24	—	24
Ms. Fung Chung Yee, Caroline (resigned on 1 April 2016)	37	1,304	106	1,447
Non-executive director				
Mr. Wong Wei Ping, Martin	35	—	—	35
Independent non-executive directors				
Mr. Lau To Yee	70	—	—	70
Mr. Cheng Kar Shing, Peter	72	—	—	72
Mr. Ho Hau Hay, Hamilton	70	—	—	70
Mr. Sin Nga Yan, Benedict	70	—	—	70
Mr. Cheng Kwok Shing, Anthony	250	—	—	250
Chief executive				
Ms. Wong Ka Ki, Kay (resigned on 1 June 2016)	—	1,197	90	1,287
	756	4,325	202	5,283
2015				
Executive directors				
Mr. Yeung Ping Leung, Howard	39	1,500*	2	1,541
Mr. Tang Yat Sun, Richard	39	—	2	41
Mr. Cheng Ka On, Dominic	39	—	2	41
Mr. Yeung Bing Kwong, Kenneth	40	284	—	324
Ms. Fung Chung Yee, Caroline	37	1,449	109	1,595
Non-executive director				
Mr. Wong Wei Ping, Martin	35	—	—	35
Independent non-executive directors				
Mr. Lau To Yee	70	—	—	70
Mr. Cheng Kar Shing, Peter	72	—	—	72
Mr. Ho Hau Hay, Hamilton	70	—	—	70
Mr. Sin Nga Yan, Benedict	70	—	—	70
Mr. Cheng Kwok Shing, Anthony	250	—	—	250
Chief executive				
Ms. Wong Ka Ki, Kay	—	1,223	91	1,314
	761	4,456	206	5,423

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS (Continued)

* For the two years ended 31 March 2016, service agreements were entered whereby Verbal Company Limited ("Verbal") agreed to procure specifically the service of Mr. Yeung Ping Leung, Howard as the chairman and executive director of the Company responsible for overall planning of the business strategy of the Company. 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. Accordingly, the remuneration paid in accordance with the service agreements was regarded as director's emoluments included in employee benefit expenses for the two years ended 31 March 2016.

During the year ended 31 March 2015, Mr. Yeung Ping Leung, Howard (a director) agreed to waive his 6-month emoluments from 1 August 2014 to 31 January 2015 and implemented a 50% remuneration reduction plan starting from 1 February 2015.

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 (2015: Nil).

None of the other directors/chief executive has waived or agreed to waive any emoluments for the year ended 31 March 2016 (2015: Nil).

During the year, the Company entered into a contract with Stanwick Properties Limited which was a wholly owned subsidiary of Yeung Chi Shing Estates Limited for the lease of furniture and fixture at 3rd Floor of and the premises in King Fook Building, 30-32 Des Voeux Road Central, Hong Kong. The directors are of the opinion that the rental was determined with reference to the market prices and the lease period of 2 years.

Moreover, the Company entered into a licence agreement dated 7 December, 1998 (the "Licence Agreement") with Yeung Chi Shing Estates Limited to obtain 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 Licence Agreement commenced from 7 December 1998 and may be terminated by any party by giving 3 months' written notice to the counter party.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kin, Alan (both are directors of the Company) and Mr. Yeung Bing Kwong, Kenneth (a former director of the Company), together with other members of their family control the management of Yeung Chi Shing Estates Limited.

Except as disclosed as above, no transactions, arrangement or contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted during the financial year.

14. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENTS' EMOLUMENTS

The 5 individuals whose emoluments were the highest in the Group for the year included 2 (2015: 2) directors and 1 (2015: 1) chief executive whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining 2 (2015: 2) individuals are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**2,375**	2,389
Pension costs - defined contribution retirement schemes	**36**	35
	2,411	2,424

The emoluments of the remaining 2 (2015: 2) individuals, fell within the following emolument band:

	Number of individuals 2016	2015
HK$1,000,001 - HK$1,500,000	**2**	2

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 (2015: Nil).

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

	Number of individuals 2016	2015
HK$500,001 - HK$1,000,000	**1**	2
HK$1,000,001 - HK$1,500,000	**2**	1

15. PROPERTY, PLANT AND EQUIPMENT

	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 1 April 2014					
Cost	1,919	71,929	42,422	2,220	118,490
Accumulated depreciation	(1,151)	(56,847)	(35,670)	(1,493)	(95,161)
Impairment loss	—	—	(295)	—	(295)
Net book amount	768	15,082	6,457	727	23,034
Net book amount					
At 1 April 2014	768	15,082	6,457	727	23,034
Additions	—	1,547	1,585	—	3,132
Write off/disposals	—	(4,458)	(1,263)	—	(5,721)
Depreciation	(39)	(8,425)	(2,093)	(181)	(10,738)
Impairment loss	—	(1,500)	—	—	(1,500)
Exchange differences	—	(3)	(1)	—	(4)
At 31 March 2015	729	2,243	4,685	546	8,203
At 31 March 2015					
Cost	1,919	48,331	39,594	2,219	92,063
Accumulated depreciation	(1,190)	(44,588)	(34,614)	(1,673)	(82,065)
Impairment loss	—	(1,500)	(295)	—	(1,795)
Net book amount	729	2,243	4,685	546	8,203
Net book amount					
At 1 April 2015	729	2,243	4,685	546	8,203
Additions	—	6,869	819	949	8,637
Write off/disposals	—	(86)	(310)	(23)	(419)
Depreciation	(39)	(2,851)	(1,197)	(319)	(4,406)
Impairment loss	—	(6,027)	(1,434)	—	(7,461)
Exchange differences	—	(5)	(4)	(39)	(48)
At 31 March 2016	**690**	**143**	**2,559**	**1,114**	**4,506**
At 31 March 2016					
Cost	1,919	50,498	37,639	2,892	92,948
Accumulated depreciation	(1,229)	(42,828)	(33,387)	(1,778)	(79,222)
Impairment loss	—	(7,527)	(1,693)	—	(9,220)
Net book amount	**690**	**143**	**2,559**	**1,114**	**4,506**

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

Depreciation expense of HK$3,827,000 (2015: HK$9,869,000) was included in distribution and selling costs and HK$579,000 (2015: HK$869,000) was included in administrative expenses for the year ended 31 March 2016.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Hong Kong luxury goods retail market showed a persistent decline in the year under review and yet to recover. The Group performed an impairment assessment on property, plant and equipment of the Group's retail store investments in accordance with the accounting policy on impairment of non-financial assets. The Group regards its individual retail stores as separately identifiable CGUs. It assessed the recoverable amounts of the CGUs using value in use calculation determined by the discounted cash flows generated from these CGUs based on a management budget plan and a pre-tax discount rate of 8% (2015: 9%). Based on the assessment, an impairment loss of approximately HK$7,461,000 (2015: HK$1,500,000) was recognised and charged to the consolidated income statement for the year ended 31 March 2016 and the recoverable amount of CGUs to which the impaired property, plant and equipment belong is zero.

16. INVESTMENT PROPERTIES

	2016 **HK$'000**	2015 HK$'000
At 1 April		
Gross carrying amount	**1,840**	1,840
Accumulated depreciation	**(1,182)**	(1,149)
Net carrying amount	**658**	691
Opening net carrying amount	**658**	691
Depreciation	**(32)**	(33)
Closing net carrying amount	**626**	658
At 31 March		
Gross carrying amount	**1,840**	1,840
Accumulated depreciation	**(1,214)**	(1,182)
Net carrying amount	**626**	658

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 31 March 2016 was approximately HK$24,900,000 (2015: HK$25,600,000) which was arrived at on the basis of a 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 end of reporting period.

The fair value of investment properties is a level 3 recurring fair value measurement.

Fair value is determined by applying the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as age, time, location, floor level of property and other relevant factors.

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties highest and best use, which does not differ from their actual use.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Unlisted equity securities, at cost	1,043	1,035
Less: Provision for impairment loss (note)	(535)	(439)
	508	596
Membership licence, at cost	356	356
	864	952

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 31 March 2016.

Note:

Impairment loss 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:

	2016 HK$'000	2015 HK$'000
At 1 April	439	481
Provision	88	—
Exchange differences	8	(42)
At 31 March	535	439

18. INVENTORIES

	2016 HK$'000	2015 HK$'000
Jewellery	357,785	368,459
Gold ornament and bullion	30,748	26,190
Watch, gift and fashion	310,283	320,439
	698,816	715,088

As at 31 March 2016, the carrying amount of gold bullion stocks carried at fair value less costs to sell was approximately HK$1,461,000 (2015: HK$2,396,000).

19. DEBTORS, DEPOSITS AND PREPAYMENTS

	Note	2016 HK$'000	2015 HK$'000
Trade debtors	(a)	**2,862**	5,451
Other receivables	(b)	**13,981**	14,013
Deposits and prepayments		**37,046**	41,418
		53,889	60,882

Note:

(a) Trade debtors

	2016 HK$'000	2015 HK$'000
Gross carrying amount	**4,872**	8,968
Less: Provision for impairment loss	**(2,010)**	(3,517)
Trade debtors - net	**2,862**	5,451

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 loss 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:

	2016 HK$'000	2015 HK$'000
At 1 April	**3,517**	3,379
Impairment loss	**—**	159
Written off	**(1,507)**	—
Reversal	**—**	(21)
At 31 March	**2,010**	3,517

At the end of each reporting period, the Group reviews receivables for evidence of impairment on both an individual and a collective basis. As at 31 March 2016, the Group has determined trade debtors of HK$2,010,000 (2015: HK$3,517,000) as individually impaired. Based on this assessment, no additional provision for impairment loss (2015: HK$159,000) and reversal of provision (2015: HK$21,000) was recognised during the year. 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 31 March, the ageing analysis of trade debtors, based on the invoice dates, was as follows:

	2016 HK$'000	2015 HK$'000
Within 30 days	**1,782**	2,337
31 - 90 days	**191**	324
More than 90 days	**889**	2,790
	2,862	5,451

Trade debtors were normally due within 1 month.

Notes to the Financial Statements (Continued)

For the year ended 31 March 2016

19. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Note: (Continued)

(a) Trade debtors (Continued)

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**1,680**	2,262
Past due 90 days or less	**334**	433
Past due more than 90 days but less than 1 year	**242**	274
Past due more than 1 year	**606**	2,482
At 31 March	**2,862**	5,451

As at 31 March 2016, 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

	2016 HK$'000	2015 HK$'000
Gross carrying amount	**18,061**	18,873
Less: Provision for impairment loss	**(4,080)**	(4,860)
Other receivables - net	**13,981**	14,013

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 loss 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:

	2016 HK$'000	2015 HK$'000
At 1 April	**4,860**	10,848
Written off	**—**	(4,583)
Reversal	**(973)**	(88)
Exchange differences	**193**	(1,317)
At 31 March	**4,080**	4,860

At the end of each reporting period, the Group reviews receivables for evidence of impairment on both an individual and a collective basis. As at 31 March 2016, the Group has determined other receivables of HK$4,080,000 (2015: HK$4,860,000) as individually impaired. Based on this assessment, a reversal of provision for impairment loss of HK$973,000 (2015: HK$88,000) was recognised during the year. The impaired other receivables are due from counter parties experiencing financial difficulties and were in default or delinquency of payments.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Equity securities, at fair value		
Listed in Hong Kong	**22,016**	1,192
Listed outside Hong Kong	**2,561**	—
	24,577	1,192

The above investments are classified as held for trading.

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

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 risk and foreign currency risk.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2016 HK$'000	2015 HK$'000
Cash at banks and in hand	**80,035**	78,622
Cash at other financial institutions	**850**	—
Short term bank deposits	**24,216**	39,166
	105,101	117,788

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 ranging from 0.08% to 0.28% (2015: 0.32% to 0.54%) per annum, which were the effective interest rates at 31 March 2016. These deposits had a maturity of 31 days (2015: 14 to 31 days) and were eligible for immediate cancellation without receiving any interest for the last deposit period.

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$1,647,000 (2015: HK$12,754,000) 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.

22. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	2016 HK$'000	2015 HK$'000
Trade payables (note)	**9,502**	15,151
Other payables and accruals	**11,237**	11,758
Deposits received and deferred income	**7,790**	6,767
Other provision	**—**	675
	28,529	34,351

All balances 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.

Note:

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

	2016 HK$'000	2015 HK$'000
Within 30 days	**4,310**	9,820
31 - 90 days	**2,309**	1,630
More than 90 days	**2,883**	3,701
	9,502	15,151

23. GOLD LOAN, UNSECURED

	2016 HK$'000	2015 HK$'000
Gold loan at fair value		
Repayable within one year	**18,172**	17,559

Gold loan was denominated at United States Dollars ("US$") and bore interest at fixed rates of 3.85% (2015: 3.00%) per annum, which were the effective interest rates at 31 March 2016.

Fair value of the gold loan has been determined by reference to its quoted bid price at the end of reporting period.

Gold loan is subject to financial risk exposure in terms of price risk and foreign currency risk.

24. BANK LOANS

	2016 HK$'000	2015 HK$'000
Bank loans		
- unsecured	**105,000**	140,000
- secured	**—**	7,500
	105,000	147,500

At 31 March 2016, all bank loans of HK$105,000,000 (2015: HK$147,500,000) are scheduled to be repaid within one year or on demand and classified as current liabilities.

At 31 March 2016, all bank loans were denominated in HK$ (2015: HK$) and bore interest at variable rates ranging from 2.64% to 3.32% (2015: 1.74% to 3.13%) per annum, which were the effective interest rates.

At 31 March 2015, the bank loan of HK$7,500,000 was secured by an insurance policy with coverage of HK$19,375,000. The bank loan was fully repaid during the year.

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

25. PROVISION FOR LONG SERVICE PAYMENTS

	2016 HK$'000	2015 HK$'000
At 1 April	**112**	294
Payments	**—**	(39)
Provision	**—**	19
Reversal	**(13)**	(162)
At 31 March	**99**	112

The balances as at 31 March 2015 and 2016 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.

26. SHARE CAPITAL

	2016 HK$'000	2015 HK$'000
Issued and fully paid:		
At 1 April 2015		
652,607,475 (at 1 April 2014: 652,607,475) ordinary shares	**241,021**	241,021
Issue of new shares under rights issue of 261,042,990 ordinary shares (note)	**152,333**	—
At 31 March 2016		
913,650,465 (at 31 March 2015: 652,607,475) ordinary shares	**393,354**	241,021

Note:

On 9 September 2015, the Company completed its rights issue by issuing 261,042,990 rights shares on the basis of 2 rights shares for every 5 existing shares, at the subscription price of HK$0.6 per rights share. The net cash proceeds of approximately HK$152,333,000, after related expenses of approximately HK$4,293,000, were used to finance the repayment of existing debts and for general working capital of the Group. The issue of rights shares has increased the share capital of the Company by approximately HK$152,333,000. These rights shares rank pari passu with the shares of the Company in issue on the date of their allotment in all respects.

27. RESERVES

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 capital reserve account of the Group includes negative goodwill arising on acquisitions of subsidiaries before 1 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.

28. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016 **HK$'000**	2015 HK$'000
Loss before taxation	**(120,460)**	(150,994)
Depreciation of property, plant and equipment	**4,406**	10,738
Depreciation of investment properties	**32**	33
Directly write off of debtors	**—**	23
Directly write off of other receivables	**—**	57
Dividend income	**(59)**	(97)
Fair value change of investments at fair value through profit or loss	**10,571**	(2,369)
Gain on disposal of available-for-sale investments	**—**	(4,717)
Interest expense	**4,307**	5,321
Interest income	**(275)**	(271)
Loss on write off/disposal of property, plant and equipment	**217**	5,713
Loss on write off of investments at fair value through profit or loss	**—**	19
Provision for and write down of inventories to net realisable value	**15,398**	13,854
Provision for impairment loss of available-for-sale investments	**88**	—
Provision for impairment loss of debtors	**—**	159
Provision for impairment loss of property, plant and equipment	**7,461**	1,500
Provision for long service payments	**—**	19
Reversal of provision for and write down of inventories to net realisable value	**(2,225)**	(7,916)
Reversal of provision for impairment loss of debtors	**—**	(21)
Reversal of provision for impairment loss of other receivables	**(973)**	(88)
Reversal of provision for long service payments	**(13)**	(162)
Operating loss before working capital changes	**(81,525)**	(129,199)

29. DEFERRED TAX

Deferred taxation is calculated in full on temporary differences under the balance sheet liability method using a taxation rate of 16.5% (2015: 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 assets/(liabilities)

	Accelerated tax depreciation allowance		**Tax loss**		**Net amount shown in consolidated balance sheet**	
	2016 **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000	**2016** **HK$'000**	2015 HK$'000
At 1 April	**(211)**	(222)	**2,139**	222	**1,928**	—
Credited to consolidated income statement	**19**	11	**1,251**	1,917	**1,270**	1,928
At 31 March	**(192)**	(211)	**3,390**	2,139	**3,198**	1,928

29. DEFERRED TAX (Continued)

Deferred tax assets are recognised for tax loss 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 consolidated financial statements as it is not probable that taxable profits will be available against which the tax loss can be utilised due to unpredictability of future profit streams. At 31 March 2016, the Group has unrecognised tax loss of the Company and subsidiaries operating in Hong Kong and the subsidiaries operating in the PRC of approximately HK$549,416,000 and HK$58,728,000 (2015: HK$463,083,000 and HK$60,655,000) respectively.

The tax loss of the subsidiaries operating in the PRC can be carried forward for 5 years and the tax loss of the companies operating in Hong Kong will not expire under the current tax legislation.

At 31 March 2016, there were no material temporary differences for which deferred tax liabilities have not been recognised (2015: 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.

30. OPERATING LEASE COMMITMENTS

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

	2016			2015		
	Land and buildings HK$'000	**Other assets HK$'000**	**Total HK$'000**	Land and buildings HK$'000	Other assets HK$'000	Total HK$'000
Within one year	**97,308**	**306**	**97,614**	125,128	114	125,242
In the second to fifth years, inclusive	**19,810**	**114**	**19,924**	100,766	—	100,766
	117,118	**420**	**117,538**	225,894	114	226,008

The Group leases a number of land and buildings and other assets under operating leases. The leases of the Group run for an initial period of 0.25 to 3 years (2015: 1 to 4 years).

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.

31. FUTURE OPERATING LEASE RECEIVABLES

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

	2016 HK$'000	2015 HK$'000
Within one year	**489**	634
In the second to fifth years, inclusive	**—**	441
	489	1,075

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 2 years (2015: 1 to 2 years), with option to renew the lease term at the expiry date.

32. RELATED PARTY TRANSACTIONS

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

	Note	**2016 HK$'000**	2015 HK$'000
Operating lease rental on land and buildings paid to:			
Stanwick Properties Limited	(a)	**11,908**	12,304
Contender Limited	(b)	**—**	12,668
Fabrico (Mfg) Limited	(c)	**180**	111
Shahdan Limited	(d)	**—**	846
Operating lease rental on furniture and fixtures paid to Stanwick Properties Limited	(a)	**306**	306
Management fees, rates and air-conditioning charges paid to:			
Stanwick Properties Limited	(a)	**1,120**	1,210
Contender Limited	(b)	**—**	1,411
Shahdan Limited	(d)	**—**	239
Interest paid to Yeung Chi Shing Estates Limited	(e)	**—**	240

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 Kin, Alan (both are directors of the Company) and Mr. Yeung Bing Kwong, Kenneth (a former director 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 by the Group. Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic and Dr. Fung Yuk Bun, Patrick 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) The interest expenses was paid to Yeung Chi Shing Estates Limited in relation to the loan from such substantial shareholder.

(f) 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:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**7,826**	7,523
Pension costs - defined contribution retirement schemes	**412**	350
	8,238	7,873

Notes to the Financial Statements (Continued)

For the year ended 31 March 2016

33. INFORMATION ABOUT BALANCE SHEET OF THE COMPANY

	Note	As at 31 March 2016 HK$'000	As at 31 March 2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**985**	1,145
Investments in subsidiaries		**71,926**	119,779
		72,911	120,924
Current assets			
Debtors, deposits and prepayments		**875**	1,157
Amounts due from subsidiaries		**783,691**	716,555
Cash and cash equivalents		**85,553**	87,534
		870,119	805,246
Current liabilities			
Creditors, deposits received and accruals		**3,034**	2,519
Amounts due to subsidiaries		**200,290**	354,057
Gold loan, unsecured		**18,172**	17,559
Bank loans		**105,000**	147,500
		326,496	521,635
Net current assets		**543,623**	283,611
Total assets less current liabilities		**616,534**	404,535
Non-current liability			
Provision for long service payments		**27**	27
Net assets		**616,507**	404,508
CAPITAL AND RESERVES			
Share capital	*26*	**393,354**	241,021
Reserves	*34*	**223,153**	163,487
		616,507	404,508

The balance sheet of the Company was approved and authorised for issue by the Board of Directors on 24 June 2016 and was signed on its behalf by:

Yeung Ping Leung, Howard
Chairman

Tang Yat Sun, Richard
Vice Chairman

34. RESERVES OF THE COMPANY

The movement of reserves of the Company, which represented its retained profits, is as follows:

	Retained profits HK$'000
At 1 April 2014	164,739
Loss for the year	(1,252)
At 31 March 2015	163,487
At 1 April 2015	163,487
Surplus for the year	59,666
At 31 March 2016	**223,153**

35. SUBSIDIARIES

Details of the subsidiaries as at 31 March 2016 are as follows:

Name	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital/ registered capital held by		Place of operation and principal activities
			Group	Company	
Elias Holdings Limited	The Republic of Liberia	1 ordinary share with nil value	100	100	Dormant
Evermind Limited	Hong Kong	10,000 ordinary shares of HK$10,000	80	80	Under liquidation
Grand Year Engineering Limited	Hong Kong	1 ordinary share of HK$1	80	—	Under liquidation
Guangzhou Free Trade Zone King Fook Gold & Jewellery Company Limited	PRC	US$1,000,000	100	100	Dormant
Impact Link Limited	Hong Kong	10,000 ordinary shares of HK$10,000	100	—	Watch wholesaling in Hong Kong
Jacqueline Emporium Limited	Hong Kong	1,000 ordinary shares of HK$100,000	100	—	Watch trading in Hong Kong
Jet Bright Trading Limited	Hong Kong	2 ordinary shares of HK$2	100	—	Investment holding in Hong Kong
Jewellery Hospital Company Limited	Hong Kong	10,000 ordinary shares of HK$10,000	100	—	Dormant
King Fook China Resources Limited	Hong Kong	2 ordinary shares of HK$20	100	100	Investment holding in Hong Kong
King Fook Commodities Company Limited	Hong Kong	50,000 ordinary shares of HK$5,000,000	100	—	Dormant
King Fook Gold & Jewellery Company Limited	Hong Kong	546,750 ordinary shares of HK$54,675,000	100	100	Investment holding and trading in Hong Kong
King Fook Holding Management Limited^	Hong Kong	50 ordinary shares of HK$5,000	100	100	Dormant

Notes to the Financial Statements (Continued)

For the year ended 31 March 2016

35. SUBSIDIARIES (Continued)

Name	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital/ registered capital held by Group	Percentage of issued capital/ registered capital held by Company	Place of operation and principal activities
King Fook International Money Exchange (Kowloon) Limited	Hong Kong	65,000 ordinary shares of HK$6,500,000	100	—	Money exchange services in Hong Kong
King Fook Investment Company Limited	Hong Kong	2,500,000 ordinary shares of HK$2,500,000	100	100	Investment holding in Hong Kong
King Fook Jewellery Designing & Trading Company Limited	Hong Kong	5,000 ordinary shares of HK$500,000	100	—	Under deregistration
King Fook Jewellery Group Limited	Hong Kong	600,000 ordinary shares of HK$60,000,000	100	100	Gold ornament, jewellery, watch, gift retailing and bullion trading in Hong Kong
King Fook Jewellery Macau Limited	Macau	Macau Patacas ("MOP") 25,000	100	—	Dormant
King Fook Securities Company Limited	Hong Kong	10,000,000 ordinary shares of HK$10,000,000	100	—	Dormant
King Shing Bullion Traders & Finance Company Limited	Hong Kong	60,000 ordinary shares of HK$6,000,000	100	—	Dormant
King Fook Jewellery (Beijing) Company Limited	PRC	US$1,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling in the PRC
King Fook Jewellery (China) Company Limited	PRC	RMB68,000,000	100	—	Gold ornament, jewellery, watch and diamond retailing and wholesaling in the PRC
King Fook (Shanghai) International Trading Limited#	PRC	US$200,000	100	—	Gold ornament, jewellery and watch wholesaling in the PRC
King Hing Trading (Shanghai) Limited#^	PRC	US$300,000	100	—	Under deregistration
Mario Villa Limited	Hong Kong	2,000,000 ordinary shares of HK$2,000,000	100	100	Investment trading in Hong Kong
Mempro Limited^	Isle of Man	100 ordinary shares of 1 Sterling Pound each	60	—	Under liquidation
Metal Innovation Limited	British Virgin Islands	1 ordinary share of US$1	80	—	Under deregistration
Most Worth Investments Limited^	British Virgin Islands	100 ordinary shares of US$1 each	100	100	Dormant
Perfectrade Limited	Hong Kong	20,000 ordinary shares of HK$20,000	80	—	Under liquidation
Perfectrade Macau Limited^	Macau	MOP25,000	80	—	Dormant

35. SUBSIDIARIES (Continued)

Name	Place/ country of incorporation	Particulars of issued capital/ registered capital	Percentage of issued capital/ registered capital held by Group	Company	Place of operation and principal activities
Polyview International Limited	Hong Kong	2 ordinary shares of HK$2	100	100	Investment holding and watch trading in Hong Kong
PTE Engineering Limited	Hong Kong	10,000 ordinary shares of HK$10,000	80	—	Under liquidation
Superior Travellers Services Limited*	Hong Kong	500,000 ordinary shares of HK$500,000	100	100	Sale of travel related products and provision of marketing services for sale of travel related products in Hong Kong
Sure Glory Limited^	Hong Kong	2 ordinary shares of HK$2	100	—	Dormant
Tincati Asia Limited	Hong Kong	200 ordinary shares of HK$20,000	100	—	Fashion wholesaling in Hong Kong
Tincati (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1	100	—	Fashion retailing in Hong Kong
Top Angel Limited^	Hong Kong	1 ordinary share of HK$1	100	—	Dormant
Trade Vantage Holdings Limited	Hong Kong	2 ordinary shares of HK$2	100	—	Investment trading and advertising agency in Hong Kong
Yatheng Investments Limited	Hong Kong	10,000 ordinary shares of HK$10,000	100	—	Dormant
Young's Diamond Corporation (International) Limited	Hong Kong	100,000 ordinary shares of HK$10,000,000	99.05	99.05	Diamond wholesaling in Hong Kong
Young's Diamond Factory Limited	Hong Kong	2,000 ordinary shares of US$20,000	99.05	—	Dormant
Young's Diamond Corporation (Shanghai) Limited#	PRC	US$200,000	100	100	Diamond wholesaling in the PRC

Note:

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

^ Subsidiaries dissolved during the year ended 31 March 2016.

* On 28 April 2016, the Company entered into a sale and purchase agreement with an independent third party in connection with the disposal of the entire issued share capital in Superior Travellers Services Limited at an aggregate cash consideration of HK$1,000,000 which is subject to adjustments as described in the disposal agreement. After the completion of disposal, Superior Travellers Services Limited will cease to be a subsidiary of the Company. The disposal is completed on 5 May 2016.

36. 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 foreign currency risk, interest rate 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.

36.1 Categories of financial assets and liabilities

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

	2016	2015
	HK$'000	HK$'000
Non-current assets		
Available-for-sale investments		
Financial assets at cost less impairment loss	**864**	952
Current assets		
Investments at fair value through profit or loss	**24,577**	1,192
Loans and receivables		
Financial assets at amortised cost:		
- Trade debtors	**2,862**	5,451
- Other receivables	**13,981**	14,013
Cash and cash equivalents	**105,101**	117,788
	146,521	138,444
	147,385	139,396
Current liabilities		
Financial liabilities at fair value through profit or loss:		
- Gold loan, unsecured	**18,172**	17,559
Financial liabilities at amortised cost:		
- Trade payables	**9,502**	15,151
- Other payables and accruals	**11,237**	11,758
- Bank loans	**105,000**	147,500
	143,911	191,968

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

36.2 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 the end of each reporting period 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 credit ratings). The credit risks for cash and cash equivalents of the Group are also regarded as immaterial as they are deposited with major banks and other financial institutions with high credit ratings located in Hong Kong and the PRC.

The Group does not hold other material collateral over the financial assets.

See note 19 to the financial statements for details of Group's exposures to credit risk on trade debtors and other receivables.

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.

36.3 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$. Exposures to currency exchange rates arise from the Group's cash and cash equivalents, which are denominated in Swiss Franc ("CHF"), Euro ("EUR"), RMB and US$ and unsecured gold loan, which is denominated in US$.

Details of financial asset and liability denominated in foreign currencies as at 31 March, translated into HK$ equivalents at the closing rate, are as follows:

	2016				2015			
	CHF	**EUR**	**RMB**	**US$**	CHF	EUR	RMB	US$
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Financial asset								
Cash and cash equivalents	**9**	**10**	**250**	**2,364**	301	13	435	2,198
Financial liability								
Gold loan, unsecured	**—**	**—**	**—**	**(18,172)**	—	—	—	(17,559)
Net exposure	**9**	**10**	**250**	**(15,808)**	301	13	435	(15,361)

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

36.3 Foreign currency risk (Continued)

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.

A reasonable change in CHF, EUR, RMB and US$ rates in the next 12 months is assessed to result in an immaterial change in the Group's loss 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.

36.4 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 21 and 24.

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 12 months is assessed to result in an immaterial change in the Group's loss after tax and retained profits. Changes in interest rates have no impact on the Group'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.

36.5 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 and the PRC.

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

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

36.5 Price risk (Continued)

Equity price risk (Continued)

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

	2016			2015		
	Increase/ (decrease) in security market price	**Decrease/ (increase) in loss after tax HK$'000**	**Increase/ (decrease) in retained profits HK$'000**	Increase/ (decrease) in security market price	Decrease/ (increase) in loss after tax HK$'000	Increase/ (decrease) in retained profits HK$'000
Hong Kong market	**30%**	**6,605**	**6,605**	30%	358	358
Hong Kong market	**(30%)**	**(6,605)**	**(6,605)**	(30%)	(358)	(358)
PRC market	**30%**	**768**	**768**	—	—	—
PRC market	**(30%)**	**(768)**	**(768)**	—	—	—

The sensitivity analysis above has been determined assuming that the change in equity price had occurred at the end of reporting period 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 end of reporting period. The analysis was performed on the same basis for the year ended 31 March 2015.

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

Commodity price risk

The Group's commodity price risk arises from gold loan (note 23). Since the level of gold stocks is close to that of gold loan 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.

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

36.6 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.

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

	On demand HK$'000	Within 6 months HK$'000	More than 6 months HK$'000	Total HK$'000	Carrying amount HK$'000
2016					
Trade payables	**3,544**	**5,958**	**—**	**9,502**	**9,502**
Other payables and accruals	**5,201**	**4,631**	**1,405**	**11,237**	**11,237**
Gold loan, unsecured	**—**	**18,278**	**—**	**18,278**	**18,172**
Bank loans	**—**	**105,462**	**—**	**105,462**	**105,000**
	8,745	**134,329**	**1,405**	**144,479**	**143,911**
2015					
Trade payables	4,410	10,741	—	15,151	15,151
Other payables and accruals	7,962	3,094	702	11,758	11,758
Gold loan, unsecured	—	17,639	—	17,639	17,559
Bank loans	25,500	122,401	—	147,901	147,500
	37,872	153,875	702	192,449	191,968

36.7 Fair value measurements

At 31 March, the financial asset and liability measured at fair value in the consolidated balance sheet are set out as follows:

	2016 HK$'000	2015 HK$'000
Financial asset at fair value through profit or loss		
Investments at fair value through profit or loss	**24,577**	1,192
Financial liability at fair value through profit or loss		
Gold loan, unsecured	**18,172**	17,559

The Group followed HKFRS 13, *Fair Value Measurement*, which introduce a three level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

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

36.7 Fair value measurements (Continued)

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 or 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).

At the end of each reporting period, the investments at fair value through profit or loss and unsecured gold loan are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical asset or liability.

There have been no transfers between levels in the reporting period.

37. 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 the end of reporting period was as follows:

	2016 HK$'000	2015 HK$'000
Equity capital		
Total capital and reserves	**739,770**	707,588
Overall financing		
Gold loan, unsecured	**18,172**	17,559
Bank loans	**105,000**	147,500
	123,172	165,059
Equity capital-to-overall financing ratio	**6.01 : 1**	4.29 : 1

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, Hunghom, 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, Hunghom, 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

	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**891,577**	907,119	1,139,672	1,296,581	1,320,277
Total liabilities	**151,807**	199,531	282,357	423,676	406,471
Current assets/current liabilities (times)	**5.82**	4.49	3.94	3.70	3.46
Capital and reserves					
Capital and reserves	**739,770**	707,588	857,315	872,905	913,806
Capital and reserves per share (HK$)	**0.81**	1.08	1.31	2.01	2.10
Total assets/capital and reserves (times)	**1.21**	1.28	1.33	1.49	1.44
(Loss)/earnings					
(Loss)/profit before taxation	**(120,460)**	(150,994)	(130,786)	49,060	36,424
(Loss)/profit attributable to shareholders	**(119,172)**	(149,251)	(131,229)	50,457	36,254
(Loss)/earnings per share (cents)	**(14.93)**	(22.87)	(21.80)	11.50	8.20
Return on average total assets	**(13.3%)**	(14.6%)	(10.8%)	3.9%	2.8%
Return on average capital and reserves	**(16.5%)**	(19.1%)	(15.2%)	5.6%	3.7%
Dividend					
Dividend paid	**—**	—	—	3,264	4,134
Dividend per share (cent)	**—**	—	—	0.75	0.95
Dividend paid cover (times)	**—**	—	—	15.46	8.77