



king fook holdings limited  
景福集團有限公司

FOR THE YEAR ENDED 31ST MARCH, 2017  
ANNUAL REPORT

Stock Code: 280





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# Corporate Information

<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>* Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. (<i>Chairman</i>)</li> <li>* Dr. Fung Yuk Bun, Patrick</li> <li>+ Mr. Cheng Kar Shing, Peter</li> <li>Mr. Wong Wei Ping, Martin</li> <li>+ Mr. Ho Hau Hay, Hamilton</li> <li>+ Mr. Sin Nga Yan, Benedict</li> <li>+ Mr. Cheng Kwok Shing, Anthony</li> <li>* Mr. Yeung Ka Shing</li> </ul> <p style="margin-left: 20px;">* <i>Executive Directors</i></p> <p style="margin-left: 20px;">+ <i>Independent Non-executive Directors</i></p>
<b>Company Secretary</b>	Mr. Kwong Chun Chung
<b>Auditor</b>	BDO Limited <i>Certified Public Accountants</i>
<b>Principal Bankers</b>	Hang Seng Bank Limited The Bank of East Asia, Limited The Hongkong and Shanghai Banking Corporation Limited
<b>Solicitors</b>	Jennifer Cheung & Co.
<b>Registered Office</b>	9th Floor, King Fook Building 30–32 Des Voeux Road Central Hong Kong
<b>Share Registrar</b>	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 Thursday, 28 September 2017 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 2017.
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, 21 July 2017

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

Aged 64. 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, the vice chairman and acting chairman of the Company in 1987, 1998 and 2016 respectively, and appointed as the Chairman of the Company on 20 March 2017.

#### **Dr. Fung Yuk Bun, Patrick**

Aged 70. 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 non-executive director of the Company on 4 May 2016 and re-designated as an executive director of the Company on 25 November 2016.

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

Aged 64. 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 (Listing of the New World China Land Limited shares on the Main Board of the Stock Exchange withdrew with effect from 4 August 2016). The deputy managing director of New World Development (China) Ltd. A chairman of Chow Tai Fook Charity Foundation. Appointed as an independent non-executive director of the Company in 1997.

#### **Mr. Wong Wei Ping, Martin**

Aged 75. 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 66. 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.

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

Aged 53. 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. 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 honorary chairman and director of the Council of Management of Hong Kong Jewellery & Jade Manufacturers Association. A member of the Election 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.

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

### DIRECTORS (Continued)

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

Aged 70. 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.

#### **Mr. Yeung Ka Shing**

Aged 35. A holder of Bachelor of Political Science degree from The University of Victoria, Canada and a Juris Doctor Degree from the Chinese University of Hong Kong. A non-executive director of the Company from 11 July 2008 to 18 December 2012. A director of Tung Wah Group of Hospitals for the period between April 2014 and March 2017. Appointed as an executive director of the Company on 31 May 2017.

*(Mr. Yeung Ka Shing is the nephew of Mr. Wong Wei Ping, Martin.)*

### SENIOR MANAGEMENT

#### **Ms. Sum Mei Lin**

Aged 53. The Group General Manager of the Company. She joined the Group in June 2017 and is responsible for the Group's overall management and business development. She has over 28 years of management experience in the retail industry. She worked for luxury brands in LVMH group for 16 years before joining the Group.

#### **Mr. Luk Kwing Yung**

Aged 69. 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 51 years.

#### **Mr. Yee Kwan Yeung**

Aged 52. 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 34 years.

#### **Mr. Kwong Chun Chung**

Aged 49. He joined the Group in 2015 and is the Company Secretary of the Company and Financial Controller of the Group. He has 23 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.



On behalf of the board of directors of the Company (the "Board"), I present the annual report of the Group for the year ended 31 March 2017.

## REVIEW OF OPERATIONS

The Group's revenue from retailing business for the year ended 31 March 2017 was HK\$387,633,000, representing a decrease of 34.5% as compared with the previous year. The like-for-like store sales, stripping off the effects of shop expansion and closure during the year under review, only decreased by 9.2% compared to last year. The Hong Kong luxury goods retail markets remained stagnant throughout the year under review. The crux of the problems lies in the decrease in spending of Mainland tourists and weakened local consumption of luxury goods. In order to cope with the current market condition, 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 27.7% to HK\$85,987,000 while the loss per share from continuing operations decreased to HK9.41 cents compared with HK14.89 cents of the previous year.

## DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2017 (2016: Nil).

## PROSPECTS

Looking forward, the Group expects the sluggish market conditions will continue and the challenge to luxury goods retail market will be severe. Nevertheless, the Group will enhance its competitiveness by offering excellent services, expanding customer base and improving operational efficiency. The management remains confident that our Group is well positioned to provide stylish and finest quality products with outstanding designs and craftsmanship 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.

**Tang Yat Sun, Richard**  
*Chairman*

Hong Kong, 23 June 2017

# Management Discussion and Analysis

## OVERALL GROUP RESULTS

The results of the Group for the year ended 31 March 2017 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 32 to 87.

The Group's revenue from continuing operations for the year under review decreased by 34.5% to HK\$401,340,000 from HK\$612,271,000 for the previous year, while the Group's gross profit for the year under review only decreased by 32.2% to HK\$95,752,000 as compared with HK\$141,261,000 for the previous year, as the gross profit margin improved to 23.9% compared with 23.1% for the previous year. The Group's distribution and selling costs for the year under review decreased by 23.6% to HK\$146,708,000 as compared with HK\$192,121,000 for the previous year, and the decrease was mainly attributable to the decrease in rental and staff costs upon the closure of 3 retail shops in the year under review. The Group's administrative expenses for the year under review decreased by 25.1% to HK\$36,608,000 as compared with HK\$48,904,000 for the previous year, and the decrease was mainly attributable to the decrease in staff costs.

The Group's consolidated loss attributable to the shareholders of the Company from continuing operations for the year ended 31 March 2017 decreased by 27.7% to HK\$85,987,000 as compared with HK\$118,854,000 for the previous year. The loss per share from continuing operations was HK9.41 cents (2016: HK14.89 cents).

## BUSINESS REVIEW

The revenue of the Group's retailing business for the year ended 31 March 2017 decreased by 34.5% to HK\$387,633,000 from HK\$592,248,000 for the previous year.

Such decrease was due to the closure of 3 underperforming retail shops of the Group and weak customer spending for luxury goods. During the year under review, the shops closed were located at Causeway Bay, Tsim Sha Tsui and Admiralty respectively. The Group changed a retail shop in Central selling fashion to King Fook Jewellery shop. The number of retail shops of the Group as at 31 March 2017 was 6. For the year under review, the business environment of the luxury goods retail market continued to be severe and challenging. Spending of tourists from Mainland China was adversely affected by Mainland China's decelerating economic growth. On the other hand, local consumption sentiment was negatively impacted by the uncertain global economic outlook, causing a further decline in demand in the luxury goods retail market.

The revenue of the Group's bullion trading for the year ended 31 March 2017 recorded an increase of 37.5% to HK\$11,395,000 as compared with the previous year due to customers' demand growth for gold bullion.

## FUTURE OUTLOOK

Looking forward, the Group expects the sluggish market conditions will continue and the challenge to the 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 closely monitor the market trends and will take actions to adjust its shop network and business plan as appropriate.

The Group will continue to launch quality and exquisite 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 customers. The Group will continue to launch various marketing promotion events to maintain good relationship with existing customers and attract new customers.

**FINANCIAL REVIEW***Finance*

As at 31 March 2017, the Group's current assets and current liabilities were about HK\$765,906,000 and HK\$117,484,000 respectively. There were cash and cash equivalents of about HK\$107,158,000, bank loans of about HK\$78,000,000 and gold loan of about HK\$18,439,000.

Based on the total borrowings of the Group of about HK\$96,439,000 and the capital and reserves attributable to the shareholders of the Company of about HK\$652,944,000 as at 31 March 2017, the overall borrowings to equity ratio was 14.8%, 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 89.

**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 2017 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 POLICIES AND PERFORMANCE**

The Group attaches importance to balancing the needs of business development and environmental protection, and endeavours to make continuous improvements by different means such as internal training and performance evaluations. The Group has established a well-functioning environmental, social and governance reporting system and compiles an environmental, social and governance report on an annual basis in order to regularly examine and review its environmental protection performance. Details of the environmental, social and governance report for the year ended 31 March 2017 will be available on the website of the Company at (<http://www.irasia.com/listco/hk/kingfook/index.htm>) as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**EMPLOYEES AND EMOLUMENT POLICY**

As at 31 March 2017, the Group had about 139 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 board of directors of the Company (the “Board”) would like to present their report together with the audited consolidated financial statements for the year ended 31 March 2017.

## 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 36 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 32.

The Board resolved not to declare an interim dividend for the year ended 31 March 2017 (2016: Nil).

The Board have resolved not to recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

## SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 26 to the financial statements.

## 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 35 and note 35 to the financial statements respectively.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2017 amounted to HK\$233,608,000.

## 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 financial position of the Group for the last 5 financial years is set out on page 89.

## 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	31%
– 5 largest suppliers combined	88%

### Sales

– the largest customer	1%
– 5 largest customers combined	4%

None of the directors, their close associates or any shareholders (who to the knowledge of the Board 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 (resigned with effect from 1 July 2016)
- \* Mr. Tang Yat Sun, Richard (appointed as an acting chairman on 3 October 2016 and the chairman on 20 March 2017)
- \* Mr. Yeung Bing Kin, Alan (appointed as the Chairman on 1 July 2016 and passed away on 9 September 2016)
- \* Mr. Cheng Ka On, Dominic (resigned with effect from 30 March 2017)
- + Mr. Lau To Yee (resigned with effect from 26 January 2017)
- + 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 and re-designated as an executive director on 25 November 2016)
- \* Mr. Yeung Ka Shing (appointed as an executive director on 31 May 2017)
  
- \* *Executive Directors*
- + *Independent Non-executive Directors*

Brief biographical details of the directors 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.

The Company entered into a service agreement with Verbal Company Limited ("Verbal") whereby Verbal agreed to provide the services of Mr. Yeung Ping Leung, Howard (a former director of the Company) to the Group for the period from 1 April 2016 to 30 September 2016 at the monthly fees of HK\$150,000. The service agreement was terminated with effect from 1 July 2016. 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. Wong Wei Ping, Martin, Mr. Sin Nga Yan, Benedict and Mr. Ho Hau Hay, Hamilton 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 Ka Shing will retire at the coming annual general meeting of the Company and, being eligible, has offered himself for re-election. Details of such directors as required under rule 13.51(2) of the Listing Rules are as follows:

**Mr. Wong Wei Ping, Martin**, aged 75, is a non-executive director and a member of the Audit Committee of the Company. He is a director of Citizen Thunderbird Travel Limited and Columbia Express Limited. Mr. Wong is the brother-in-law of Messrs. Yeung Ping Leung, Howard and Yeung Bing Kin, Alan (both former directors of the Company), and Mr. Yeung Ka Shing (an executive director of the Company) is the nephew of Mr. Wong. He has no interest in the shares of the Company within the meaning of Part XV of the Securities & Futures Ordinance (the "SFO"). He was appointed as a director of the Company in 2000.

## Report of the Directors (Continued)

### DIRECTORS (Continued)

**Mr. Sin Nga Yan, Benedict**, aged 53, is an independent non-executive director and a member of the Audit Committee of the Company. He is a director and general manager of Myer Jewelry Manufacturer Limited. Mr. Sin is a member of the Australian Society of Certified Practising Accountants and 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. He is 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 honorary chairman and director of the Council of Management of Hong Kong Jewellery & Jade Manufacturers Association and a member of the Election Committee of Hong Kong Jewelry Manufacturers' Association. Mr. Sin has no relationship with any directors, senior management or substantial or controlling shareholders of the Company, and has no interest in the shares of the Company within the meaning of Part XV of the SFO. He was 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.

**Mr. Ho Hau Hay, Hamilton**, aged 66, is an independent non-executive director of the Company. Mr. Ho is an independent non-executive director of New World Development Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is an executive director of Honorway Investments Limited and Tak Hung (Holding) Company Limited ("Tak Hung"). Mr. Ho has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He is deemed to be interested in 6,657,000 shares of the Company within the meaning of Part XV of the SFO, such shares being held by Tak Hung in which he has a 40% interest. He was 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.

**Mr. Yeung Ka Shing**, aged 35, is an executive director of the Company, and a director of King Fook Jewellery Group Limited, a wholly owned subsidiary of the Company. He had been a non-executive director of the Company from 11 July 2008 to 18 December 2012 and a director of Tung Wah Group of Hospitals for the period between April 2014 and March 2017. Mr. Yeung is the son of Mr. Yeung Bing Kwong, Kenneth, who, together with other members of his family control Yeung Chi Shing Estate Limited, the controlling shareholder of the Company holding 547,539,057 shares of the Company, representing about 59.93% of its issued share capital. Mr. Yeung is the nephew of Messrs. Yeung Ping Leung, Howard, Yeung Bing Kin, Alan (both former directors of the Company) and Wong Wei Ping, Martin (a non-executive director of the Company). He was appointed as an executive director of the Company on 31 May 2017.

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 2017, Mr. Wong Wei Ping, Martin, Mr. Sin Nga Yan, Benedict and Mr. Ho Hau Hay, Hamilton received directors' fees from the Group of HK\$35,000, HK\$70,000 and HK\$70,000 respectively, which are nominal. Mr. Yeung Ka Shing currently receives a nominal director's fee from the Group of HK\$35,000 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.

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 Kai, Kay, Ms. So Yuet Kuen, Brenda and Mr. Yee Kwan Yeung.

## DIRECTORS' INTERESTS

At 31 March 2017, 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 Issuers (the "Model Code") were as follows:

	Number of ordinary shares held				Total	Percentage of shareholding
	Personal	Family	Corporate	Trust		
Mr. Tang Yat Sun, Richard	7,528,500	Nil	#31,571,400	Nil	39,099,900	4.28%
Mr. Ho Hau Hay, Hamilton	Nil	Nil	*6,657,000	Nil	6,657,000	0.73%
Dr. Fung Yuk Bun, Patrick	Nil	Nil	Nil	^5,856,517	5,856,517	0.64%

# These shares were held by Daily Moon Investments Limited ("Daily Moon"). As Mr. Tang has a 100% interest in Daily Moon, he 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"). As Mr. Ho has a 40% interest in Tak Hung, he is deemed to be interested in all these shares held by Tak Hung.

^ These shares were ultimately held by Federal Trust Co. Ltd. as trustee of The Ng Yip Shing Trust, under which Dr. Fung is a beneficiary. Dr. Fung is deemed to be interested in all these shares held by The Ng Yip Shing Trust.

Save as disclosed above, as at 31 March 2017, 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.

Save as disclosed below, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or any entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year:

- The Group (as tenant) entered into various tenancy agreements (the "King Fook Leases") on normal commercial terms with Stanwick Properties Limited (as landlord) (a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company) on 12 August 2015 in respect of premises in King Fook Building, 30–32 Des Voeux Road Central, Hong Kong for a term of 2 years from 16 August 2015 to 15 August 2017. 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	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	HK\$692,610.00	HK\$21,037.50

*Mezzanine Floor, King Fook Building*

Tenant	Rent per month	Management fees and air-conditioning charges per month
King Fook Jewellery Group Limited	HK\$41,415.00	HK\$9,412.50

# Report of the Directors (Continued)

## DIRECTORS' INTERESTS (Continued)

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

<b>Tenant</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
the Company	HK\$41,860.00	HK\$13,650.00

### *5th Floor, King Fook Building*

<b>Tenant</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
the Company	HK\$41,580.00	HK\$9,450.00

### *7th Floor, King Fook Building*

<b>Tenant</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
King Fook Jewellery Group Limited	HK\$41,580.00	HK\$9,450.00

### *8th Floor, King Fook Building*

<b>Tenant</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
King Fook Jewellery Group Limited	HK\$41,580.00	HK\$9,450.00

### *9th Floor, King Fook Building*

<b>Tenant</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
The Company	HK\$41,580.00	HK\$9,450.00

### *10th Floor, King Fook Building*

<b>Tenant</b>	<b>Rent per month</b>	<b>Management fees and air-conditioning charges per month</b>
King Fook Jewellery Group Limited	HK\$41,580.00	HK\$9,450.00

- 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. The tenancy agreement was terminated with effect from 1 October 2016.



**DIRECTORS' INTERESTS** (Continued)

3. The Company entered into an agreement 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 room) for a term of 2 years from 16 August 2015 at the monthly fee of HK\$25,480.
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 with effect from 15 June 2016.

Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kin, Alan, both former directors of the Company, together with other members of their family have control on 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 2017 are set out in note 33 to the financial statements.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions (except the Licence Agreement and the Vehicle Licence Agreement) 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 above continuing connected transactions (except the Licence Agreement and the Vehicle Licence Agreement) pursuant to rule 14A.56 of the Listing Rules and advised the Board 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 Board;
- (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 announcement dated 12 August 2015 made by the Company in respect 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.

# Report of the Directors (Continued)

## 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 2017, 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	<i>Note</i>	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 2017, 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 2017 are set out in notes 13, 14 and 33(d) 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 the Board, 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 2017 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

**Tang Yat Sun, Richard**  
*Chairman*

Hong Kong, 23 June 2017

# 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 2017 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 (who ceased to be a director of the Company on 1 July 2016), 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 2017.

## 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 reappointment and other significant operational and financial matters.

The Board is responsible for ensuring the adequacy of resources, qualifications and experience of staff of the Company’s accounting, internal audit and financial reporting functions, and their training programmes and budget. It has delegated such responsibility to the Audit Committee.

Decisions and directions of the Board are carried out and implemented by the management of the Company, which reports directly to the chief executive and/or the Executive Committee of directors so as to assist the directors to promote the success 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 3 independent non-executive directors and 1 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 2017. The Board’s composition and the attendances of individual directors at these meetings were as follows:

	<b>Number of meetings attended</b>
<i>Executive directors</i>	
Mr. Yeung Ping Leung, Howard (resigned with effect from 1 July 2016)	2
Mr. Tang Yat Sun, Richard (appointed as the acting Chairman on 3 October 2016 and the Chairman on 20 March 2017)	5
Mr. Yeung Bing Kin, Alan (appointed as the Chairman on 1 July 2016 and passed away on 9 September 2016)	2
Mr. Cheng Ka On, Dominic (resigned with effect from 30 March 2017)	4
Dr. Fung Yuk Bun, Patrick (appointed as a non-executive director on 4 May 2016 and re-designated as an executive director on 25 November 2016)	4
Mr. Yeung Ka Shing (appointed on 31 May 2017)	0
<i>Non-executive director</i>	
Mr. Wong Wei Ping, Martin	4
<i>Independent non-executive directors</i>	
Mr. Lau To Yee (resigned with effect from 26 January 2017)	4
Mr. Cheng Kar Shing, Peter	5
Mr. Ho Hau Hay, Hamilton	3
Mr. Sin Nga Yan, Benedict	4
Mr. Cheng Kwok Shing, Anthony	5

Messrs. Yeung Ping Leung, Howard and Yeung Bing Kin, Alan (both former directors of the Company) are brothers and Mr. Wong Wei Ping, Martin is their brother-in-law. Mr. Yeung Ka Shing is the nephew of Messrs. Yeung Ping Leung, Howard, Yeung Bing Kin, Alan and Wong Wei Ping, Martin.

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

# Corporate Governance Report (Continued)

## BOARD OF DIRECTORS (Continued)

In compliance with code provision A.6.5 of the Code, all directors of the Company (except those who ceased to be directors) during the year ended 31 March 2017 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. Tang Yat Sun, Richard	✓	
Dr. Fung Yuk Bun, Patrick	✓	✓
Mr. Wong Wei Ping, Martin	✓	
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. 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 2017, the Remuneration Committee had 2 members, comprising Mr. Cheng Kwok Shing, Anthony and Mr. Cheng Kar Shing, Peter (both independent non-executive directors). 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 2 times during the year. All members attended the meetings.

The Remuneration Committee has reviewed and approved the Group's remuneration policy and made recommendations to the Board on 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, 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.

Dr. Fung Yuk Bun, Patrick was appointed as a non-executive director on 4 May 2016 and re-designated as an executive director on 25 November 2016. Mr. Yeung Ka Shing was appointed as an executive director on 31 May 2017.

## 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

### *Financial reporting*

The directors acknowledge their responsibility for preparing the financial statements of the Company. As at 31 March 2017, 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 2017.

### *Risk management and internal control*

The Board acknowledges that it is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. This responsibility is primarily undertaken by the Audit Committee on its behalf as mentioned below. As business operations involve inherent risks, the Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 March 2017, the Company had complied with the risk management and internal control code provisions of the Code.

The Group has in place policy and procedures for the handling and dissemination of inside information. The Board has established a Disclosure Committee which is given the responsibilities to review and monitor the Group's disclosure practices. Measures are implemented to ensure consistent, transparent, regular and timely public disclosure and dissemination of material information of the Group in accordance with the applicable laws and regulations; and preserve the confidentiality of any inside information before disclosure to the public.

The Group's risk management and internal control systems were reviewed semi-annually during the year ended 31 March 2017.

The Company's Internal Audit Department performs the internal audit function by carrying out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems.

# Corporate Governance Report (Continued)

## ACCOUNTABILITY AND AUDIT (Continued)

### *Risk management and internal control* (Continued)

Based on the review by the Audit Committee, the Board confirms, and management has also confirmed to the Board, that the Group's risk management and internal control systems are effective and adequate.

Further details of the Group's risk management and internal control systems and structures are set out in the "Risk Management and Internal Control Report" of this Annual Report.

## AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the auditor, BDO Limited, for audit services was approximately HK\$710,000 (2016: HK\$710,000) and for non-audit service was approximately HK\$180,000 (2016: HK\$274,000).

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

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

## AUDIT COMMITTEE

During the year ended 31 March 2017, the Audit Committee has 3 members, comprising Messrs. Cheng Kwok Shing, Anthony (an independent non-executive director), Wong Wei Ping, Martin (a non-executive director) and Lau To Yee (resigned with effect from 26 January 2017), who was replaced by Mr. Sin Nga Yan, Benedict on 26 January 2017 (both independent non-executive directors). 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 systems of risk management and 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. It had also conducted on behalf of the Board a review of the effectiveness of the Group's risk management and internal control systems covering all materials controls, including financial, operational and compliance control annually. 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 result has been reported to the Board. Areas for improvement have been identified and appropriate measures taken. 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 2017 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.



## AUDIT COMMITTEE (Continued)

The Audit Committee met 3 times during the year ended 31 March 2017. The attendances of individual members at these meetings were as follows:

	Number of meetings attended
<i>Non-executive director</i>	
Mr. Wong Wei Ping, Martin	2
<i>Independent non-executive directors</i>	
Mr. Lau To Yee (resigned with effect from 26 January 2017)	2
Mr. Sin Nga Yan, Benedict (appointed on 26 January 2017)	1
Mr. Cheng Kwok Shing, Anthony	3

## 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 26 September 2016 during the year ended 31 March 2017 (the "Meeting"), which provided opportunities for communication between the shareholders and the Board at which all the Board members had attended. Details of the procedures for conducting a poll were explained at the commencement of the Meeting. In accordance with the Listing Rules, the votes of shareholders at the Meeting were taken by poll and the poll results were announced at the Meeting and published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively after the Meeting. A separate resolution was proposed at each of the Meeting on each substantial issue, including the re-election of each director. All the resolutions proposed at the Meeting for the shareholders' approval were passed.

All directors as at 26 September 2016 attended the Meeting.

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 or 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.

# Risk Management and Internal Control Report

The board of directors of the Company (the “Board”) takes the responsibility to ensure the Group has established and maintained its risk management and internal control systems appropriately and effectively; and evaluates and determines the risk appetites and risk tolerance of the Group in order to achieve its strategic objectives.

## INTERNAL CONTROL SYSTEM

The main objectives of the internal control system of the Group are to ensure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The components and features of this system cover control environment, risk assessment, control activities, information and communication, and monitoring.

The key activities and associated processes are as follows:

- Review the departmental internal control and policy and procedures systems periodically;
- Maintain an appropriate organisational and governance structure;
- Closely monitor and control the operational and financial budgeting and forecasting systems;
- Set up the whistle-blowing policy for the Group;
- Review the inside information policy and procedures periodically. Non-disclosure undertakings have been signed by all the relevant employees; and
- Internal Audit and Compliance Departments assist to achieve the objectives of the internal control system.

The Group’s internal control self-assessment system has been implemented since the year ended 31 March 2015. During the year ended 31 March 2017, internal control self-assessments by business units and departments were conducted semi-annually.

## RISK MANAGEMENT SYSTEM AND STRUCTURE

The Group has adopted a risk management system since the year ended 31 March 2015 which manages the risks associated with its businesses and operations. During the year ended 31 March 2017, risk assessments were conducted and risk registers at business unit and department level and group level were updated.

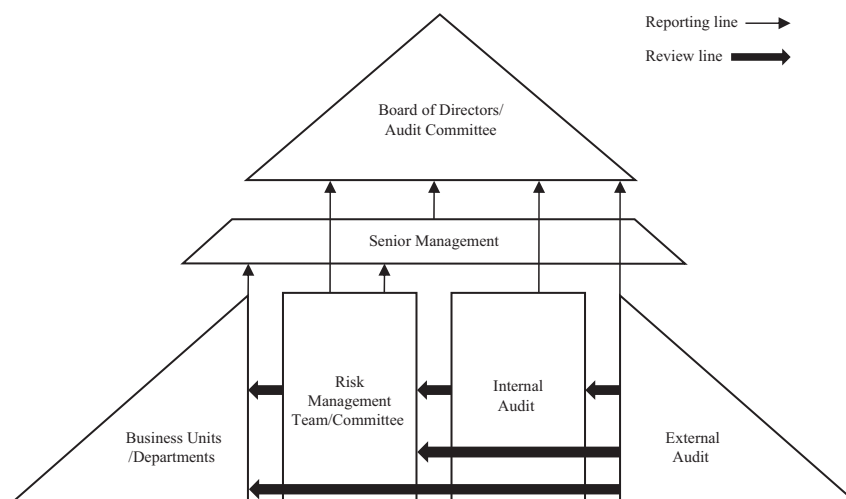
The current processes which assist the Group to review the effectiveness of the risk management and internal control systems and to timely resolve significant defects are as follows:

- Risk appetite and tolerance setting – set appetite and tolerance levels that could affect the achievement of business objectives;
- Risk identification – identify ownership of risks;
- Risk assessment, rating and ranking – analyse the likelihood and impact of risks and rank the risk portfolio;
- Risk response and action plan – consider the risk responses and action plans; and
- On-going monitoring and reporting – on-going monitoring of the residual risks and ensure effective communication and reporting of significant risks.

# Risk Management and Internal Control Report (Continued)

## RISK MANAGEMENT STRUCTURE

The Group has adopted a “three lines of defence” risk management structure with the following features:



### First Line of Defence – Business Units and Departments

The business units and departments are required to ensure a “risk and control” environment, owning and managing risk; and to react promptly whenever there are changes in the business environment by reviewing, updating and managing risks.

Summary of works for the year ended 31 March 2017:

- Identified risks by reference to the list of existing and potential risks proposed by the Risk Management Committee (comprising of staff members and the senior management);
- Prepared risk assessment and internal control self-assessment forms twice a year; and
- Followed up on necessary action plans.

### Second Line of Defence – The Risk Management Team and the Risk Management Committee

The Risk Management Team (comprising of staff members) provides coordination and support to the Risk Management Committee to facilitate the risk management process.

Summary of works of the Risk Management Team and the Risk Management Committee for the year ended 31 March 2017:

#### *The Risk Management Team*

- Performed compliance checking and monitored the action plans implementation progress and the risk management project;
- Maintained and updated the risk registers;
- Updated risk management policies and procedures; and
- Reported significant risks and internal control deficiencies, and project and action plans completion status to the senior management and the Audit Committee periodically.

# Risk Management and Internal Control Report (Continued)

## RISK MANAGEMENT STRUCTURE (Continued)

### Second Line of Defence – The Risk Management Team and the Risk Management Committee (Continued)

#### *The Risk Management Committee*

The Risk Management Committee held meetings on a quarterly basis to review and discuss the consolidated risk assessment summary on business unit and department level and group level risks, internal control self-assessment and other risk issues.

#### **Senior Management**

The overall responsibilities of the senior management include designing, implementing and monitoring the risk management and internal control systems; and providing confirmation to the Board on the effectiveness of the systems semi-annually.

The senior management has meetings with the first line of defence periodically for the purpose of reviewing, updating and modifying the risk profiles.

Besides, the senior management represents the second line of defence and assists the Board to:

- Oversee the implementation of effective risk management practices on an ongoing basis;
- Develop risk management strategies, goals and policies; and
- Define the roles and responsibilities of different parties and provides guidance to business units and departments.

Summary of works for the year ended 31 March 2017:

- Discussed the business objectives, risk appetite and risk tolerance with key department heads and made proposals to the Board annually;
- Updated group level risks and reviewed business unit and department level risk and action plans semi-annually;
- Promoted the risk management culture of the Group and oversaw the risk management project; and
- Certified the effectiveness of risk management and internal control systems semi-annually.

#### **Third Line of Defence – Internal Audit**

The Internal Audit Department of the Group provides independent and objective appraisal of the risk management and internal control systems periodically.

Summary of works for the year ended 31 March 2017:

- Commented and provided guidance over risk management policies and procedures and related forms semi-annually;
- Performed an independent risk assessment, aligned the Group's risk assessment performed by the senior management and highlighted the results at the Audit Committee meetings semi-annually;
- Reviewed and sample checked the work done by the Risk Management Team and the senior management in the risk management project. In addition, it assessed the systems through ad hoc assignments requested by the senior management or/and individual audit assignments according to the risk based audit plan approved by the Audit Committee annually; and
- Reported significant risks or internal control issues and necessary action plans at meetings of the Audit Committee.

# Risk Management and Internal Control Report (Continued)

## RISK MANAGEMENT STRUCTURE (Continued)

### Board and Audit Committee

The Audit Committee, acting on behalf of the Board, has the following key roles in the risk management of the Group (details of the primary duties of the Board and the Audit Committee are set out in the section headed “Corporate Governance Report” of this annual report):

- Reviews the Group’s internal control and risk management systems, and reports the results periodically at Board meetings; and
- Monitors the performance of the senior management in discharging their duties in respect of the risk management and internal control systems and considers any major investigation findings on risk management matters and the senior management’s response to these findings.

Summary of works for the year ended 31 March 2017:

The Board reviewed the senior management’s semi-annual confirmation and monthly risk update to the directors; and through the Audit Committee, reviewed the appraisal performed by the Internal Audit Department on the Group’s risk management and internal control systems in all material aspects, including financial, operational and compliance controls, and risk management functions.

### The External Auditor

The external auditor gives recommendations to the Audit Committee on the operational and financial risks identified during their annual audit of the Group.

## ON-GOING IMPROVEMENT SYSTEM

The Group also undertakes the following steps to improve the risk management and internal control systems:

- Review the appropriateness of the methodology and approach on risk management and internal control systems periodically; and
- A feedback/communication section is available at the Risk Management Committee meetings or via emails for on-going improvement.

# Independent Auditor's Report



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## TO THE MEMBERS OF KING FOOK HOLDINGS LIMITED

*(incorporated in Hong Kong with limited liability)*

### Opinion

We have audited the consolidated financial statements of King Fook Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 32 to 87, which comprise the consolidated balance sheet as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Inventory provision

*(Refer to note 18 to the consolidated financial statements)*

As at 31 March 2017, the Group had inventories of approximately HK\$587,871,000 which mainly consisted of jewellery, gold ornament and bullion, watch, gift and fashion. The associated provision for, and write down of, inventories for the year ended 31 March 2017 was approximately HK\$12,491,000. Management has made estimates based on certain assumptions related to obsolete and out-dated inventories.

The considerations of an appropriate level of provision for obsolete and out-dated inventories included inventory ageing, condition of inventories, historical and current sales information, as well as different market factors impacting the selling price of these inventories. In addition, the determination of provision on the aged and out-dated inventories as a result of changed prevailing market conditions, requires an exercise of significant judgement of management based on historical experience.

## **Inventory provision (Continued)**

Accordingly, the provisions carried against inventory are considered to be a key audit matter.

Our response:

Our procedures in relation to inventory provision included:

- Understanding and evaluating the Group's provision policy on inventories and basis of the assessment;
- Reviewing and assessing management's process of the identification of obsolete or out-dated inventories and estimation of the net realisable value of these inventories;
- Evaluating historical accuracy of inventory provisioning by comparing historical provision made to the loss incurred for actual sales;
- Reviewing inventory ageing analysis and analysing the level of aged inventory and their associated provisions;
- Testing the purchase cost, selling price and margins of aged and obsolete inventories on a sample basis to the source documents; and
- Reviewing and evaluating net realisable value of inventories, with reference to subsequent sales information and the external price data and performed testing on a sample basis, by tracing to the source documents.

## **Other information in the annual report**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Directors' responsibilities for the consolidated financial statements**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

# Independent Auditor's Report (Continued)

## Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## **Auditor's responsibilities for the audit of the consolidated financial statements** (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **BDO Limited**

*Certified Public Accountants*

Leung Tze Wai

Practising Certificate Number P06158

Hong Kong, 23 June 2017

# Consolidated Income Statement

For the year ended 31 March 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
<b>CONTINUING OPERATIONS</b>			
Revenue	5	401,340	612,271
Cost of sales		<u>(305,588)</u>	<u>(471,010)</u>
<b>Gross profit</b>		<b>95,752</b>	<b>141,261</b>
Other operating income		8,668	2,266
Distribution and selling costs		(146,708)	(192,121)
Administrative expenses		(36,608)	(48,904)
Other operating expenses		<u>(278)</u>	<u>(18,337)</u>
<b>Operating loss</b>		<b>(79,174)</b>	<b>(115,835)</b>
Finance costs	6	<u>(3,620)</u>	<u>(4,307)</u>
<b>Loss before taxation</b>	7	<b>(82,794)</b>	<b>(120,142)</b>
Taxation	8	<u>(3,198)</u>	<u>1,267</u>
<b>Loss for the year from continuing operations</b>		<b>(85,992)</b>	<b>(118,875)</b>
<b>DISCONTINUED OPERATION</b>			
Loss for the year from discontinued operation	9	<u>–</u>	<u>(318)</u>
<b>Loss for the year</b>		<b><u>(85,992)</u></b>	<b><u>(119,193)</u></b>
<b>Loss for the year attributable to:</b>			
Shareholders of the Company			
Continuing operations		(85,987)	(118,854)
Discontinued operation		<u>–</u>	<u>(318)</u>
		(85,987)	(119,172)
Minority interests		<u>(5)</u>	<u>(21)</u>
		<b><u>(85,992)</u></b>	<b><u>(119,193)</u></b>
		<b>HK cent</b>	<b>HK cent</b>
<b>Loss per share for loss attributable to the shareholders of the Company for the year</b>			
– Basic and diluted	11		
Continuing and discontinued operations		<u>(9.41)</u>	<u>(14.93)</u>
Continuing operations		<u>(9.41)</u>	<u>(14.89)</u>

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
Loss for the year	(85,992)	(119,193)
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(727)	(958)
<b>Other comprehensive income for the year</b>	(727)	(958)
<b>Total comprehensive income for the year</b>	(86,719)	(120,151)
<b>Total comprehensive income for the year attributable to:</b>		
Shareholders of the Company	(86,714)	(120,130)
Minority interests	(5)	(21)
	(86,719)	(120,151)

# Consolidated Balance Sheet

As at 31 March 2017

	<i>Note</i>	As at 31 March 2017 HK\$'000	As at 31 March 2016 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	3,294	4,506
Investment properties	16	594	626
Available-for-sale investments	17	837	864
Deferred tax assets	29	–	3,198
		4,725	9,194
<b>Current assets</b>			
Inventories	18	587,871	698,816
Debtors, deposits and prepayments	19	40,215	53,889
Investments at fair value through profit or loss	20	30,662	24,577
Cash and cash equivalents	21	107,158	105,101
		765,906	882,383
<b>Current liabilities</b>			
Creditors, deposits received, accruals and deferred income	22	21,045	28,529
Tax payable		–	7
Gold loan	23	18,439	18,172
Bank loans	24	78,000	105,000
		117,484	151,708
<b>Net current assets</b>		648,422	730,675
<b>Total assets less current liabilities</b>		653,147	739,869
<b>Non-current liability</b>			
Provision for long service payments	25	96	99
<b>Net assets</b>		653,051	739,770
<b>CAPITAL AND RESERVES</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	26	393,354	393,354
Other reserves	27	34,517	35,244
Retained profits	27	225,073	311,060
		652,944	739,658
<b>Minority interests</b>		107	112
		653,051	739,770

The consolidated financial statements on pages 32 to 87 were approved and authorised for issue by the Board of Directors on 23 June 2017 and were signed by:

\_\_\_\_\_  
Tang Yat Sun, Richard  
*Chairman*

\_\_\_\_\_  
Fung Yuk Bun, Patrick  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Capital and reserves attributable to the shareholders of the Company				Total	Minority interests	Total
	Share capital	Capital reserve	Exchange reserve	Retained profits			
	(note 26) HK\$'000	(note 27) HK\$'000	HK\$'000	HK\$'000			
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 of foreign operations	–	–	(958)	–	(958)	–	(958)
Total comprehensive income for the year	–	–	(958)	(119,172)	(120,130)	(21)	(120,151)
At 31 March 2016	<u>393,354</u>	<u>24,753</u>	<u>10,491</u>	<u>311,060</u>	<u>739,658</u>	<u>112</u>	<u>739,770</u>
At 1 April 2016	<u>393,354</u>	<u>24,753</u>	<u>10,491</u>	<u>311,060</u>	<u>739,658</u>	<u>112</u>	<u>739,770</u>
Loss for the year	–	–	–	(85,987)	(85,987)	(5)	(85,992)
Other comprehensive income:							
Exchange differences on translation of foreign operations	–	–	(727)	–	(727)	–	(727)
Total comprehensive income for the year	–	–	(727)	(85,987)	(86,714)	(5)	(86,719)
At 31 March 2017	<u>393,354</u>	<u>24,753</u>	<u>9,764</u>	<u>225,073</u>	<u>652,944</u>	<u>107</u>	<u>653,051</u>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating loss before working capital changes	28	(75,267)	(81,525)
Decrease in inventories		100,723	3,712
Decrease in debtors, deposits and prepayments		12,136	5,240
Decrease in creditors, deposits received, accruals and deferred income		(5,110)	(2,701)
Dividends received from investments at fair value through profit or loss		553	43
Change in investments at fair value through profit or loss		(719)	(33,956)
Refund of other assets		–	176
Interest received		280	275
Hong Kong profits tax refunded		–	58
Overseas tax paid		(7)	(31)
Long service payments paid		(33)	–
		<u>32,556</u>	<u>(108,709)</u>
<i>Net cash generated from/(used in) operating activities</i>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received from available-for-sale investments		43	16
Liquidation of a subsidiary		–	(111)
Proceeds from disposal of property, plant and equipment		992	125
Purchase of property, plant and equipment		(1,857)	(8,637)
Net proceeds on disposal of a subsidiary	32	987	–
		<u>165</u>	<u>(8,607)</u>
<i>Net cash generated from/(used in) investing activities</i>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(3,544)	(4,295)
Repayment of bank loans		(27,000)	(42,500)
Proceeds from issue of rights shares		–	156,626
Share issue expenses		–	(4,293)
		<u>(30,544)</u>	<u>105,538</u>
<i>Net cash (used in)/generated from financing activities</i>			
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		2,177	(11,778)
Cash and cash equivalents at the beginning of the year		105,101	117,788
Effect of foreign exchange rates changes, net		(120)	(909)
		<u>107,158</u>	<u>105,101</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			

# Notes to the Financial Statements

For the year ended 31 March 2017

## 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 directors consider the ultimate holding company to be Yeung Chi Shing Estates Limited (“Yeung Chi Shing”), a company incorporated in Hong Kong.

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 36.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements on pages 32 to 87 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 2016:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 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:

Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification to HKFRS 15) <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. Those new or revised HKFRSs that are expected to have a material impact on the Group's consolidated financial statements are set out below.

#### HKFRS 9: *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.

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.



# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments which currently stated at cost less impairment, will either be measured as FVTPL or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39, *Financial Instruments: Recognition and Measurement*, and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as HKFRS 9 introduces a more principles-based approach. However, the Group currently does not have hedging relationship.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to the Group's financial assets at amortised cost. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

HKFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of HKFRS 9.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its effective date.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### **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.

In 2016, the HKICPA issued clarification to HKFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue and the allocation of total consideration to respective performance obligations based on relative fair values. In addition, the application of HKFRS 15 may result in more disclosures relating to revenue in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 15 must be applied for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### HKFRS 16: *Leases*

HKFRS 16, which upon the effective date will supersede HKAS 17, *Leases*, and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

HKFRS 16 will result in almost all leases being recognised on the Group's consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term leases of less than 12 months and low-value leases.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those 2 types of leases differently. The accounting for lessors will not significantly change.

As disclosed in note 30, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK\$140,591,000 as at 31 March 2017. The Group expects that certain portion of these lease commitments will be required to be recognised in the Group's consolidated balance sheet as right-of-use assets and lease liabilities upon the adoption of HKFRS 16. The right-of-use assets are initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liabilities. Any impairment losses on right-of-use assets may result in significant impact on the Group's results. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16.

HKFRS 16 must be applied for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Basis of consolidation and business combination

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 2.5 below) 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.

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 three 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 2.7 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 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Revenue recognition (Continued)

#### (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 apportionment 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.

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 amount if its carrying amount is higher than the asset's 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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 whether there is 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 of disposal 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.

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 of disposal, 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Leases

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

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

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

#### (ii) *Operating lease charges as the lessee*

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

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

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

### 2.13 Financial assets

The Group's accounting policies for financial assets 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 the end of each reporting period.

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.

Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Financial assets (Continued)

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) 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.

For available-for-sale investments in equity securities and membership licence 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.

#### *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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Financial assets (Continued)

#### *Impairment of financial assets* (Continued)

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*

For available-for-sale equity investments carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the 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 is not reversed.

#### (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 is 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 is 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 is not reversed in a subsequent period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.14 Inventories

Inventories, other than gold bullion 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 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.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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" 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.

#### *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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 chief executive 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:

#### Continuing operations

- (i) Retailing, bullion trading and diamond wholesaling in Hong Kong
- (ii) Retailing in the PRC
- (iii) Provision of travel related products and services (the subsidiary operated this business was disposed of during the year as detailed in note 32)

#### Discontinued operation

- (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 was a major business line of the Group in the prior years. Reportable segments are as follows:

#### Continuing operations

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

#### Discontinued operation

- (c) Construction services

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 payable, bank loans, corporate assets and liabilities and cash and cash equivalents managed by corporate as they are not included in the internal management reporting information which is reviewed by the top management. Segment result excludes corporate income and expenses, fair value change of investments at fair value through profit or loss, provision for impairment loss of available-for-sale investments, gain on disposal of a subsidiary, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 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 and changes in market conditions. Management reassesses these estimations at the end of reporting period to ensure inventory is shown at the lower of cost and net realisable value.



## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 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

	<u>Continuing operations</u>		
	Retailing, bullion trading and diamond wholesaling HK\$'000	All others HK\$'000	Total HK\$'000
<b>Year ended 31 March 2017</b>			
Reportable segment revenue	400,787	553	401,340
Interest income	18	–	18
Finance costs	(5,000)	–	(5,000)
Depreciation	(1,524)	(8)	(1,532)
Gain on write off/disposal of property, plant and equipment	204	–	204
Provision for and write down of inventories to net realisable value	(12,491)	–	(12,491)
Reversal of provision for and write down of inventories to net realisable value	2,592	–	2,592
Reversal of provision for impairment loss of other receivables	413	–	413
Reportable segment results	(81,589)	(166)	(81,755)
Corporate income			25,257
Corporate expenses			(33,359)
Dividend income			596
Fair value change of investments at fair value through profit or loss			5,366
Gain on disposal of a subsidiary			1,128
Provision for impairment loss of available-for-sale investments			(27)
Loss before taxation			(82,794)
<b>At 31 March 2017</b>			
Reportable segment assets	655,867	–	655,867
Corporate assets			1,851
Available-for-sale investments			837
Investments at fair value through profit or loss			30,662
Cash and cash equivalents			81,414
Total assets per consolidated balance sheet			770,631
Reportable segment liabilities	34,924	–	34,924
Corporate liabilities			4,656
Bank loans			78,000
Total liabilities per consolidated balance sheet			117,580

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 4. SEGMENT INFORMATION (Continued)

	Continuing operations			Discontinued operation		Total HK\$'000
	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	
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	<u>604,168</u>	<u>8,126</u>	<u>(23)</u>	<u>612,271</u>	<u>–</u>	<u>612,271</u>
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 and write down of inventories to net realisable value	2,225	–	–	2,225	–	2,225
Reversal of provision for impairment loss of other receivables	<u>973</u>	<u>–</u>	<u>–</u>	<u>973</u>	<u>–</u>	<u>973</u>
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				<u>(88)</u>		<u>(88)</u>
Loss before taxation				<u>(120,142)</u>		<u>(120,460)</u>
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						<u>90,308</u>
Total assets per consolidated balance sheet						<u>891,577</u>
Reportable segment liabilities	39,425	2,098	–	41,523	2,813	44,336
Corporate liabilities						2,464
Bank loans						105,000
Tax payable						<u>7</u>
Total liabilities per consolidated balance sheet						<u>151,807</u>

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 4. SEGMENT INFORMATION (Continued)

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

For each of the 2 years ended 31 March 2016 and 2017 respectively, no revenue from a single customer accounted for 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:

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
Gold ornament, jewellery, watch, fashion and gift retailing	387,633	592,248
Bullion trading	11,395	8,289
Diamond wholesaling	1,759	3,631
Income from provision of travel related products and services	553	8,103
	<u>401,340</u>	<u>612,271</u>
Total revenue	<u>401,340</u>	<u>612,271</u>

## 6. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
Interest charges on:		
Financial liability at amortised cost:		
Bank loans	2,879	3,676
Financial liability at fair value through profit or loss:		
Gold loan	741	631
	<u>3,620</u>	<u>4,307</u>

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 7. LOSS BEFORE TAXATION

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

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
Auditors' remuneration	730	752
Cost of inventories sold, including	312,733	478,486
– provision for and write down of inventories to net realisable value	12,491	15,398
– reversal of provision for and write down of inventories to net realisable value*	(2,592)	(2,225)
Depreciation of property, plant and equipment	1,837	4,406
Depreciation of investment properties	32	32
Directly write off of other receivables	8	–
Dividend income	(596)	(59)
Fair value change of investments at fair value through profit or loss	(5,366)	10,571
Foreign exchange differences, net	243	(233)
Gain on disposal of a subsidiary	(1,128)	–
(Gain)/loss on write off/disposal of property, plant and equipment	(191)	217
Interest income from financial assets at amortised cost	(280)	(275)
Operating lease charges in respect of properties	95,569	130,071
Operating lease charges in respect of furniture and fixtures	592	627
Outgoings in respect of investment properties	90	89
Provision for impairment loss of available-for-sale investments	27	88
Provision for impairment loss of debtors	48	–
Provision for impairment loss of property, plant and equipment	–	7,461
Provision for long service payments		
– provided against the account	50	–
– reversal of provision	(20)	(13)
Rental income on		
– owned properties	(695)	(658)
– operating sub-leases	–	(3)
Reversal of provision for impairment loss of other receivables	(413)	(973)

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

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 8. TAXATION

No Hong Kong profits tax and overseas profits tax has been provided for the year as the Group has no estimated assessable profit.

For the year ended 31 March 2016, taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the jurisdictions in which the Group operates. No Hong Kong profits tax was provided for the year ended 31 March 2016 as the Group has no estimated assessable profit.

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

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
Current tax		
– Hong Kong		
Over provision of prior years	–	(26)
– Overseas		
Current year	–	29
Deferred tax		
– Hong Kong		
Current year	3,198	(1,270)
Taxation charge/(credit)	<u>3,198</u>	<u>(1,267)</u>

Reconciliation between taxation charge/(credit) and accounting loss at applicable tax rates is as follows:

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
Loss before taxation	<u>(82,794)</u>	<u>(120,142)</u>
Tax on loss before taxation, calculated at the rates applicable to loss in the relevant tax jurisdictions	(13,991)	(20,615)
Tax effect of non-taxable income	(451)	(402)
Tax effect of non-deductible expenses	524	423
Temporary differences not recognised	(1,968)	749
Tax loss not recognised	21,472	18,578
Utilisation of previously unrecognised tax loss	(2,388)	(3)
Over provision of prior years	–	(26)
Others	–	29
Taxation charge/(credit)	<u>3,198</u>	<u>(1,267)</u>

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 9. DISCONTINUED OPERATION

At the end of September 2015, the business of construction services operated by the subsidiaries of the Company ceased. This business segment is presented as discontinued operation in accordance with HKFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The results of the construction services segment for the year ended 31 March 2016 were as follows:

	HK\$'000
Income	26
Expenses	(344)
	<hr/>
Loss before taxation	(318)
Taxation	–
	<hr/>
Loss for the year	<u>(318)</u>

The cash flows of the construction services segment for the year ended 31 March 2016 were as follows:

	HK\$'000
Operating and total cash flows	<u>(188)</u>

Loss of the construction services segment for the year ended 31 March 2016 was arrived after charging:

	HK\$'000
Employee benefit expense (including pension costs of defined contribution retirement scheme)	<u>130</u>

## 10. DIVIDEND

No dividend was paid or proposed for the 2 years ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period.

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

**11. LOSS PER SHARE****Continuing and discontinued operations**

The calculation of basic loss per share is based on the consolidated loss for the year attributable to the shareholders of the Company of HK\$85,987,000 (2016: HK\$119,172,000) and the weighted average number of 913,650,465 (2016: 798,106,846) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of calculating the basic loss per share for the year ended 31 March 2016 has not been adjusted for the rights issue of the Company completed on 9 September 2015 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 (as described in note 26).

Diluted loss per share and basic loss per share for each of the 2 years ended 31 March 2016 and 2017 respectively are the same 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 consolidated loss for the year attributable to the shareholders of the Company from continuing operations of HK\$85,987,000 (2016: HK\$118,854,000) and the denominators detailed above for basic loss per share.

Diluted loss per share and basic loss per share from continuing operations for each of the 2 years ended 31 March 2016 and 2017 respectively are the same as there were no dilutive potential ordinary shares during both years.

**Discontinued operation**

There was no basic or diluted earnings or loss per share for the discontinued operation attributable to the shareholders of the Company during the year as there was no profit or loss arising from discontinued operation for the year.

For the year ended 31 March 2016, basic loss per share for the discontinued operation attributable to the shareholders of the Company was HK0.04 cent, which was based on the consolidated loss for the year ended 31 March 2016 from the discontinued operation of HK\$318,000 and the denominators detailed above for basic loss per share.

Diluted loss per share and basic loss per share from discontinued operation for the year ended 31 March 2016 were the same as there were no dilutive potential ordinary shares during the year.

**12. EMPLOYEE BENEFIT EXPENSE**

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
Wages, salaries and other benefits	49,880	61,443
Pension costs – defined contribution retirement schemes	2,536	3,157
Provision for long service payments (note 25)	50	–
Reversal of provision for long service payments (note 25)	(20)	(13)
	<u>52,446</u>	<u>64,587</u>

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

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Directors' and chief executives' 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
<b>2017</b>				
Executive directors				
Mr. Tang Yat Sun, Richard (appointed as the acting Chairman on 3 October 2016 and the Chairman on 20 March 2017)	39	39	2	80
Dr. Fung Yuk Bun, Patrick (appointed as a non-executive director on 4 May 2016 and re-designated as an executive director on 25 November 2016)	37	–	–	37
Mr. Cheng Ka On, Dominic (resigned with effect from 30 March 2017)	39	–	–	39
Mr. Yeung Bing Kin, Alan (appointed as the Chairman on 1 July 2016 and passed away on 9 September 2016)	–	–	–	–
Mr. Yeung Ping Leung, Howard (resigned with effect from 1 July 2016)	–	450*	–	450
Non-executive director				
Mr. Wong Wei Ping, Martin	35	–	–	35
Independent non-executive directors				
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
Mr. Lau To Yee (resigned with effect from 26 January 2017)	–	–	–	–
Chief executives				
Ms. Lau Kit Yee, Christina (appointed on 1 June 2016 and resigned with effect from 1 April 2017)	–	1,062	18	1,080
Ms. Wong Ka Ki, Kay (resigned with effect from 1 June 2016)	–	199	15	214
	<b>612</b>	<b>1,750</b>	<b>35</b>	<b>2,397</b>



## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

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

	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 with effect from 30 April 2015)	–	24	–	24
Ms. Fung Chung Yee, Caroline (resigned with effect from 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	–	1,197	90	1,287
	<u>756</u>	<u>4,325</u>	<u>202</u>	<u>5,283</u>

\* For the 2 years ended 31 March 2016 and 2017 respectively, 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. It is terminated with effect from 1 July 2016, the date of Mr. Yeung Ping Leung, Howard's resignation.

Mr. Yeung Ping Leung, Howard is also a director of Verbal. 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 expense for the year ended 31 March 2016 and for the period from 1 April 2016 to 30 June 2016, both days inclusive.

During the year, no emoluments were paid by the Group to the directors/chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office (2016: Nil).

None of the other directors/chief executives has waived or agreed to waive any emoluments for the year ended 31 March 2017 (2016: Nil).

During the year, the Company entered into a contract with Stanwick Properties Limited ("Stanwick") which was a wholly owned subsidiary of Yeung Chi Shing 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

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

Moreover, the Company entered into a licence agreement dated 7 December 1998 (the "Licence Agreement") with Yeung Chi Shing 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 counterparty.

Mr. Yeung Ping Leung, Howard, Mr. Yeung Bing Kin, Alan and Mr. Yeung Bing Kwong, Kenneth, the former directors of the Company, together with other members of their family have control on Yeung Chi Shing.

Except as disclosed as above, no transactions, arrangements 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 or an entity connected with a director had a material interest, whether directly or indirectly, were entered into or subsisted during or at the end of 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 1 chief executive (2016: 2 directors and 1 chief executive) whose emoluments are reflected in the analysis as presented in note 13. The emoluments of the remaining 4 (2016: 2) individuals are as follows:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and benefits in kind	3,984	2,375
Pension costs – defined contribution retirement schemes	<u>228</u>	<u>36</u>
	<u><u>4,212</u></u>	<u><u>2,411</u></u>

The emoluments of the remaining 4 (2016: 2) individuals, fell within the following emolument bands:

	Number of individuals	
	2017	2016
HK\$500,001 – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	<u>3</u>	<u>2</u>

During the year, no emoluments were paid by the Group to the 5 highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2016: Nil).

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

	Number of individuals	
	2017	2016
HK\$500,001 – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	<u>2</u>	<u>2</u>

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 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 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	<u>729</u>	<u>2,243</u>	<u>4,685</u>	<u>546</u>	<u>8,203</u>
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	<u>690</u>	<u>143</u>	<u>2,559</u>	<u>1,114</u>	<u>4,506</u>
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	<u>690</u>	<u>143</u>	<u>2,559</u>	<u>1,114</u>	<u>4,506</u>
Net book amount					
At 1 April 2016	690	143	2,559	1,114	4,506
Additions	–	1,036	821	–	1,857
Write off/disposals	–	(25)	(60)	(716)	(801)
Depreciation	(39)	(897)	(707)	(194)	(1,837)
Disposal of a subsidiary	–	–	(414)	–	(414)
Exchange differences	–	–	(2)	(15)	(17)
At 31 March 2017	<u>651</u>	<u>257</u>	<u>2,197</u>	<u>189</u>	<u>3,294</u>
At 31 March 2017					
Cost	1,919	14,453	10,677	1,206	28,255
Accumulated depreciation	(1,268)	(9,052)	(7,187)	(1,017)	(18,524)
Impairment loss	–	(5,144)	(1,293)	–	(6,437)
Net book amount	<u>651</u>	<u>257</u>	<u>2,197</u>	<u>189</u>	<u>3,294</u>

The Group's leasehold land and buildings are situated in Hong Kong.

Depreciation expense of HK\$1,449,000 (2016: HK\$3,827,000) was included in distribution and selling costs and HK\$388,000 (2016: HK\$579,000) was included in administrative expenses for the year ended 31 March 2017.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The value of property, plant and equipment is assessed at the end of each reporting period for indications of impairment with reference to valuations undertaken by management. Such valuations assess the recoverable amount of each asset being the higher of its value in use or its fair value less costs of disposal. For the year ended 31 March 2016, an impairment loss of HK\$7,461,000 was made for the leasehold improvement, furniture and equipment of certain retail stores which showed a persistent loss and has been recognised in the consolidated income statement.

## 16. INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
At 1 April		
Gross carrying amount	1,840	1,840
Accumulated depreciation	<u>(1,214)</u>	<u>(1,182)</u>
Net carrying amount	<u>626</u>	<u>658</u>
Opening net carrying amount	626	658
Depreciation	<u>(32)</u>	<u>(32)</u>
Closing net carrying amount	<u>594</u>	<u>626</u>
At 31 March		
Gross carrying amount	1,840	1,840
Accumulated depreciation	<u>(1,246)</u>	<u>(1,214)</u>
Net carrying amount	<u>594</u>	<u>626</u>

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

The fair value of the Group's investment properties at 31 March 2017 was approximately HK\$25,860,000 (2016: HK\$24,900,000) 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 with reference to the 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 17. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK\$'000	2016 HK\$'000
Unlisted equity securities, at cost	596	1,043
Less: Provision for impairment loss (note)	<u>(115)</u>	<u>(535)</u>
	481	508
Membership licence, at cost	<u>356</u>	<u>356</u>
	<u><u>837</u></u>	<u><u>864</u></u>

Unlisted equity securities and membership licence are measured at cost as their 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 2017.

*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:

	2017 HK\$'000	2016 HK\$'000
At 1 April	535	439
Provision	27	88
Disposal of a subsidiary	(447)	–
Exchange differences	<u>–</u>	<u>8</u>
At 31 March	<u><u>115</u></u>	<u><u>535</u></u>

## 18. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
Jewellery	336,288	357,785
Gold ornament and bullion	24,940	30,748
Watch, gift and fashion	<u>226,643</u>	<u>310,283</u>
	<u><u>587,871</u></u>	<u><u>698,816</u></u>

As at 31 March 2017, the carrying amount of gold bullion carried at fair value less costs to sell was approximately HK\$1,279,000 (2016: HK\$1,461,000).

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Trade debtors	(a)	3,373	2,862
Other receivables	(b)	4,632	13,981
Deposits and prepayments		<u>32,210</u>	<u>37,046</u>
		<u><u>40,215</u></u>	<u><u>53,889</u></u>

*Note:*

(a) Trade debtors

	2017 HK\$'000	2016 HK\$'000
Gross carrying amount	5,431	4,872
Less: Provision for impairment loss	<u>(2,058)</u>	<u>(2,010)</u>
Trade debtors – net	<u><u>3,373</u></u>	<u><u>2,862</u></u>

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

Impairment 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:

	2017 HK\$'000	2016 HK\$'000
At 1 April	2,010	3,517
Impairment loss	48	–
Written off	<u>–</u>	<u>(1,507)</u>
At 31 March	<u><u>2,058</u></u>	<u><u>2,010</u></u>

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 2017, the Group has determined trade debtors of HK\$2,058,000 (2016: HK\$2,010,000) as individually impaired. Based on this assessment, an additional provision for impairment loss of HK\$48,000 (2016: Nil) 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

*Note:* (Continued)

## (a) Trade debtors (Continued)

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

	2017 HK\$'000	2016 HK\$'000
Within 30 days	3,353	1,782
31 – 90 days	20	191
More than 90 days	–	889
	<u>3,373</u>	<u>2,862</u>

Trade debtors are normally due within 1 month.

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

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	3,353	1,680
Past due 90 days or less	20	334
Past due more than 90 days but less than 1 year	–	242
Past due more than 1 year	–	606
	<u>3,373</u>	<u>2,862</u>

As at 31 March 2017, 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

	2017 HK\$'000	2016 HK\$'000
Gross carrying amount	5,251	18,061
Less: Provision for impairment loss	<u>(619)</u>	<u>(4,080)</u>
Other receivables – net	<u>4,632</u>	<u>13,981</u>

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

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

*Note:* (Continued)

### (b) Other receivables (Continued)

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:

	2017 HK\$'000	2016 HK\$'000
At 1 April	4,080	4,860
Written off	(2,808)	–
Reversal	(413)	(973)
Exchange differences	(240)	193
	<u>619</u>	<u>4,080</u>
At 31 March	<u>619</u>	<u>4,080</u>

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 2017, the Group has determined other receivables of HK\$619,000 (2016: HK\$4,080,000) as individually impaired. Based on this assessment, a reversal of provision for impairment loss of HK\$413,000 (2016: HK\$973,000) has been recognised during the year. The impaired other receivables are due from counterparties experiencing financial difficulties and were in default or delinquency of payments.

## 20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$'000	2016 HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	27,363	22,016
Listed outside Hong Kong	3,299	2,561
	<u>30,662</u>	<u>24,577</u>

The above investments are classified as held for trading.

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



## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2017 HK\$'000	2016 HK\$'000
Cash at banks and in hand	81,939	80,035
Cash at other financial institution	54	850
Short term bank deposits	<u>25,165</u>	<u>24,216</u>
	<u><u>107,158</u></u>	<u><u>105,101</u></u>

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

The effective interest rates of short term bank deposits were ranging from 0.70% to 0.85% (2016: 0.08% to 0.28%) per annum, which were the effective interest rates at 31 March 2017. These deposits had a maturity ranged from 59 to 63 days (2016: 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\$494,000 (2016: HK\$1,647,000) 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

	2017 HK\$'000	2016 HK\$'000
Trade payables (note)	5,719	9,502
Other payables and accruals	7,661	11,237
Deposits received and deferred income	<u>7,665</u>	<u>7,790</u>
	<u><u>21,045</u></u>	<u><u>28,529</u></u>

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 date, was as follows:

	2017 HK\$'000	2016 HK\$'000
Within 30 days	2,810	4,310
31 – 90 days	276	2,309
More than 90 days	<u>2,633</u>	<u>2,883</u>
	<u><u>5,719</u></u>	<u><u>9,502</u></u>

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 23. GOLD LOAN

	2017 HK\$'000	2016 HK\$'000
Gold loan, unsecured, at fair value		
Repayable within one year	<u>18,439</u>	<u>18,172</u>

Gold loan was denominated at United States Dollars ("US\$") and bore interest at fixed rate of 4.15% (2016: 3.85%) per annum, which was the effective interest rate at 31 March 2017.

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

	2017 HK\$'000	2016 HK\$'000
Bank loans, unsecured	<u>78,000</u>	<u>105,000</u>

At 31 March 2017, all bank loans of HK\$78,000,000 (2016: HK\$105,000,000) are scheduled to be repaid within one year or on demand.

At 31 March 2017, all bank loans were denominated in HK\$ (2016: HK\$) and bore interest at variable rates ranging from 3.19% to 4.27% (2016: 2.64% to 3.32%) per annum, which were the effective interest rates.

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

## 25. PROVISION FOR LONG SERVICE PAYMENTS

	2017 HK\$'000	2016 HK\$'000
At 1 April	99	112
Payments	(33)	–
Provision	50	–
Reversal	<u>(20)</u>	<u>(13)</u>
At 31 March	<u>96</u>	<u>99</u>

At 31 March 2016 and 2017, the balances 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 26. SHARE CAPITAL

	2017 HK\$'000	2016 HK\$'000
Issued and fully paid:		
At 1 April 2016		
913,650,465 (2015: 652,607,475) ordinary shares	393,354	241,021
Issue of new shares under rights issue of 261,042,990 ordinary shares (note)	—	152,333
	<u>          </u>	<u>          </u>
At 31 March 2017		
913,650,465 (2016: 913,650,465) ordinary shares	<u>393,354</u>	<u>393,354</u>

*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 and prior years 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:

	2017 HK\$'000	2016 HK\$'000
Loss before taxation	(82,794)	(120,460)
Depreciation of property, plant and equipment	1,837	4,406
Depreciation of investment properties	32	32
Directly write off of other receivables	8	—
Dividend income	(596)	(59)
Fair value change of investments at fair value through profit or loss	(5,366)	10,571
Gain on disposal of a subsidiary	(1,128)	—
Interest expense	3,620	4,307
Interest income	(280)	(275)
(Gain)/loss on write off/disposal of property, plant and equipment	(191)	217
Provision for and write down of inventories to net realisable value	12,491	15,398
Provision for impairment loss of available-for-sale investments	27	88
Provision for impairment loss of debtors	48	—
Provision for impairment loss of property, plant and equipment	—	7,461
Provision for long service payments	50	—
Reversal of provision for and write down of inventories to net realisable value	(2,592)	(2,225)
Reversal of provision for impairment loss of other receivables	(413)	(973)
Reversal of provision for long service payments	(20)	(13)
	<u>          </u>	<u>          </u>
Operating loss before working capital changes	<u>(75,267)</u>	<u>(81,525)</u>

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 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% (2016: 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	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	(192)	(211)	3,390	2,139	3,198	1,928
Credited/(charged) to consolidated income statement	69	19	(3,267)	1,251	(3,198)	1,270
At 31 March	<u>(123)</u>	<u>(192)</u>	<u>123</u>	<u>3,390</u>	<u>–</u>	<u>3,198</u>

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 2017, 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\$516,404,000 and HK\$34,703,000 (2016: HK\$549,416,000 and HK\$58,728,000) respectively, certain of these tax loss are subject to the agreement of the relevant tax authorities.

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 2017, there were no material temporary differences for which deferred tax liabilities have not been recognised (2016: 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:

	2017			2016		
	Land and buildings	Other assets	Total	Land and buildings	Other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	55,634	120	55,754	97,308	306	97,614
In the second to fifth years, inclusive	84,837	–	84,837	19,810	114	19,924
	<u>140,471</u>	<u>120</u>	<u>140,591</u>	<u>117,118</u>	<u>420</u>	<u>117,538</u>

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 1 to 3 years (2016: 3 months to 3 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

**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:

	2017 HK\$'000	2016 HK\$'000
Within one year	771	489
In the second to fifth years, inclusive	<u>540</u>	<u>–</u>
	<u><u>1,311</u></u>	<u><u>489</u></u>

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 2 years (2016: 1 to 2 years), with option to renew the lease term at the expiry date.

**32. DISPOSAL OF A SUBSIDIARY**

On 28 April 2016, the Company entered into a sale and purchase agreement to dispose of its subsidiary, Superior Travellers Services Limited (“STSL”), at the cash consideration of HK\$1,000,000. STSL was engaged in sale of travel related products and provision of marketing services for sale of travel related products in Hong Kong. As explained in note 2.21, the operating activities of STSL were reported under “All others” in segment information. Since STSL did not represent or it was not part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or it was not a subsidiary acquired exclusively with a view to sale, it is not presented as a discontinued operation.

After completion of the disposal, STSL ceased to be a subsidiary of the Company. The disposal of STSL was completed on the same date.

The gain arising from the disposal was included as “Other operating income” in the consolidated income statement and is calculated as follows:

	HK\$'000	HK\$'000
Assets and liabilities over which control was lost:		
Property, plant and equipment	414	
Debtors, deposits and prepayments	1,880	
Cash and cash equivalents	13	
Creditors, deposits received, accruals and deferred income	<u>(2,435)</u>	
Net liabilities disposed of		(128)
Gain on disposal of a subsidiary		<u>1,128</u>
Total consideration		<u><u>1,000</u></u>
Satisfied by:		
Cash		<u><u>1,000</u></u>
Net cash inflow arising on disposal:		
Cash consideration received		1,000
Cash and cash equivalents disposed of		<u>(13)</u>
		<u><u>987</u></u>

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 33. 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:

	<i>Note</i>	2017 HK\$'000	2016 HK\$'000
Operating lease rental on land and buildings paid to:			
Stanwick	(a)	11,805	11,908
Fabrigo (Mfg) Limited	(b)	90	180
Operating lease rental on furniture and fixtures paid to			
Stanwick	(a)	306	306
Management fees and air-conditioning charges paid to			
Stanwick	(a)	1,096	1,120
Sale of goods to:	(c)		
Directors		3,491	3,130
Yeung Chi Shing		113	102
		<u>11,805</u>	<u>11,908</u>

*Note:*

- (a) The operating lease rental, management fees and air-conditioning charges were paid to Stanwick for the office and shop premises occupied by the Group. Stanwick is a wholly owned subsidiary of Yeung Chi Shing, the ultimate holding company of the Group. Mr. Yeung Ping Leung, Howard and Mr. Yeung Bing Kin, Alan, both former directors of the Company, together with other members of their family have control on Yeung Chi Shing. These related party transactions were entered into on normal commercial terms.
- (b) The operating lease rental was paid to Fabrigo (Mfg) Limited ("Fabrigo") for the premises occupied by the Group. Fabrigo is a wholly owned subsidiary of Yeung Chi Shing (note (a)). This related party transaction was entered into on normal commercial terms.
- (c) It represents sale of gold ornament, jewellery, watch and fashion net of sale discounts to both the directors and Yeung Chi Shing for the year and the value of discounts given to both of them are considered not material to the consolidated financial statements.
- (d) 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:

	2017 HK\$'000	2016 HK\$'000
Salaries, allowances and benefits in kind	5,130	7,826
Pension costs – defined contribution retirement schemes	245	412
	<u>5,375</u>	<u>8,238</u>

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 34. INFORMATION ABOUT BALANCE SHEET OF THE COMPANY

	<i>Note</i>	As at 31 March 2017 HK\$'000	As at 31 March 2016 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		734	985
Investments in subsidiaries		71,918	71,926
		<u>72,652</u>	<u>72,911</u>
<b>Current assets</b>			
Debtors, deposits and prepayments		858	875
Amounts due from subsidiaries		758,128	783,691
Cash and cash equivalents		81,084	85,553
		<u>840,070</u>	<u>870,119</u>
<b>Current liabilities</b>			
Creditors, deposits received and accruals		2,309	3,034
Amounts due to subsidiaries		187,012	200,290
Gold loan		18,439	18,172
Bank loans		78,000	105,000
		<u>285,760</u>	<u>326,496</u>
<b>Net current assets</b>		<u>554,310</u>	<u>543,623</u>
<b>Total assets less current liabilities</b>		<u>626,962</u>	<u>616,534</u>
<b>Non-current liability</b>			
Provision for long service payments		–	27
<b>Net assets</b>		<u>626,962</u>	<u>616,507</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>26</i>	393,354	393,354
Reserves	<i>35</i>	233,608	223,153
		<u>626,962</u>	<u>616,507</u>

The balance sheet of the Company was approved and authorised for issue by the Board of Directors on 23 June 2017 and was signed by:

\_\_\_\_\_  
Tang Yat Sun, Richard  
*Chairman*

\_\_\_\_\_  
Fung Yuk Bun, Patrick  
*Director*

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 35. 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 2015	163,487
Surplus for the year	<u>59,666</u>
At 31 March 2016	<u>223,153</u>
At 1 April 2016	223,153
Surplus for the year	<u>10,455</u>
<b>At 31 March 2017</b>	<b><u>233,608</u></b>

## 36. SUBSIDIARIES

Details of the subsidiaries during the year ended and/or as at 31 March 2017 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 <sup>^</sup>	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



## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 36. SUBSIDIARIES (Continued)

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	
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	–	Dormant
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 25,000	100	–	Dormant
King Fook Securities Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$10,000,000	100	–	Under liquidation
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
Mario Villa Limited	Hong Kong	2,000,000 ordinary shares of HK\$2,000,000	100	100	Investment trading in Hong Kong
Metal Innovation Limited^	British Virgin Islands	1 ordinary share of US\$1	80	–	Dormant
Perfectrade Limited	Hong Kong	20,000 ordinary shares of HK\$20,000	80	–	Under liquidation

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 36. SUBSIDIARIES (Continued)

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	
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
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
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 <sup>#</sup>	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 were dissolved during the year ended 31 March 2017.
- \* The subsidiary was disposed of during the year ended 31 March 2017 (note 32).

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. 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 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.

## 37.1 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:

	2017 HK\$'000	2016 HK\$'000
<b>Non-current asset</b>		
Available-for-sale investments		
Financial assets at cost less impairment loss	837	864
<b>Current assets</b>		
Investments at fair value through profit or loss	30,662	24,577
Loans and receivables		
Financial assets at amortised cost:		
– Trade debtors	3,373	2,862
– Other receivables	4,632	13,981
Cash and cash equivalents	107,158	105,101
	<u>145,825</u>	<u>146,521</u>
	<u>146,662</u>	<u>147,385</u>
<b>Current liabilities</b>		
Financial liabilities at fair value through profit or loss:		
– Gold loan	18,439	18,172
Financial liabilities at amortised cost:		
– Trade payables	5,719	9,502
– Other payables and accruals	7,661	11,237
– Bank loans	78,000	105,000
	<u>109,819</u>	<u>143,911</u>

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

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

### 37.2 Credit risk

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

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt periodically and at 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 counterparties 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 counterparty is a reputable financial institution (broker with high quality 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 quality credit ratings located in Hong Kong and the PRC.

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

See note 19 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

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

## 37.3 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of the Group's transactions are carried out in HK\$. Exposures to currency exchange rates arise from the Group's investments at fair value through profit or loss, which are denominated in RMB, cash and cash equivalents, which are denominated in Swiss Franc ("CHF"), Euro ("EUR"), RMB and US\$ and gold loan (note 23), which is denominated in US\$.

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

	CHF HK\$'000	EUR HK\$'000	RMB HK\$'000	US\$ HK\$'000
<b>2017</b>				
Financial assets				
Investments at fair value through profit or loss:				
– Listed outside Hong Kong	–	–	3,299	–
Cash and cash equivalents	3,848	424	66	600
Financial liability				
Gold loan	–	–	–	(18,439)
<b>Net exposure</b>	<b>3,848</b>	<b>424</b>	<b>3,365</b>	<b>(17,839)</b>
<b>2016</b>				
Financial assets				
Investments at fair value through profit or loss:				
– Listed outside Hong Kong	–	–	2,561	–
Cash and cash equivalents	9	10	250	2,364
Financial liability				
Gold loan	–	–	–	(18,172)
<b>Net exposure</b>	<b>9</b>	<b>10</b>	<b>2,811</b>	<b>(15,808)</b>

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

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

### 37.4 Interest rate risk

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

### 37.5 Price risk

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

#### *Equity price risk*

The Group is exposed to equity price changes arising from equity investments classified as investments at fair value through profit or loss and available-for-sale investments. Other than unquoted securities and membership licence (note 17), 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.

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.

	2017			2016		
	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%	8,209	8,209	30%	6,605	6,605
Hong Kong market	(30%)	(8,209)	(8,209)	(30%)	(6,605)	(6,605)
PRC market	30%	990	990	30%	768	768
PRC market	(30%)	(990)	(990)	(30%)	(768)	(768)

## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

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

## 37.5 Price risk (Continued)

*Equity price risk* (Continued)

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 2016.

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.

## 37.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accruals, gold loan and bank loans, 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
<b>2017</b>					
Trade payables	2,916	2,803	–	5,719	5,719
Other payables and accruals	4,904	2,682	75	7,661	7,661
Gold loan	–	18,565	–	18,565	18,439
Bank loans	–	78,525	–	78,525	78,000
	<u>7,820</u>	<u>102,575</u>	<u>75</u>	<u>110,470</u>	<u>109,819</u>
<b>2016</b>					
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	–	18,278	–	18,278	18,172
Bank loans	–	105,462	–	105,462	105,000
	<u>8,745</u>	<u>134,329</u>	<u>1,405</u>	<u>144,479</u>	<u>143,911</u>

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

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

### 37.7 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:

	2017 HK\$'000	2016 HK\$'000
<b>Financial asset at fair value through profit or loss</b>		
Investments at fair value through profit or loss	<u>30,662</u>	<u>24,577</u>
<b>Financial liability at fair value through profit or loss</b>		
Gold loan	<u>18,439</u>	<u>18,172</u>

The Group followed HKFRS 13, *Fair Value Measurement*, which introduce a 3 level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into 3 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 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.



## Notes to the Financial Statements (Continued)

For the year ended 31 March 2017

## 38. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

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

The equity capital-to-overall financing ratio at the end of reporting period was as follows:

	2017 HK\$'000	2016 HK\$'000
<b>Equity capital</b>		
Total capital and reserves	<u>653,051</u>	<u>739,770</u>
<b>Overall financing</b>		
Gold loan	18,439	18,172
Bank loans	<u>78,000</u>	<u>105,000</u>
	<u>96,439</u>	<u>123,172</u>
<b>Equity capital-to-overall financing ratio</b>	<u>6.77:1</u>	<u>6.01:1</u>

## Summary of Investment Properties

Description	Lot No.	Saleable 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, Hungghom, 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, Hungghom, 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

	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Assets and liabilities</b>					
Total assets	770,631	891,577	907,119	1,139,672	1,296,581
Total liabilities	117,580	151,807	199,531	282,357	423,676
Current assets/current liabilities (times)	6.52	5.82	4.49	3.94	3.70
<b>Capital and reserves</b>					
Capital and reserves	653,051	739,770	707,588	857,315	872,905
Capital and reserves per share (HK\$)	0.71	0.81	1.08	1.31	2.01
Total assets/capital and reserves (times)	1.18	1.21	1.28	1.33	1.49
<b>(Loss)/earnings</b>					
(Loss)/profit before taxation	(82,794)	(120,460)	(150,994)	(130,786)	49,060
(Loss)/profit attributable to the shareholders	(85,987)	(119,172)	(149,251)	(131,229)	50,457
(Loss)/earnings per share (cents)	(9.41)	(14.93)	(22.87)	(21.80)	11.50
Return on average total assets	(10.3%)	(13.3%)	(14.6%)	(10.8%)	3.9%
Return on average capital and reserves	(12.3%)	(16.5%)	(19.1%)	(15.2%)	5.6%
<b>Dividend</b>					
Dividend paid	–	–	–	–	3,264
Dividend per share (cent)	–	–	–	–	0.75
Dividend paid cover (times)	–	–	–	–	15.46



景福珠寶  
king fook jewellery

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