king fook holdings limited
景福集團有限公司

# 2018

For The Year Ended 31st March, 2018

ANNUAL REPORT

Stock Code: 280

# Contents

# Corporate Information

| | |
|---|---|
| **Board of Directors** | * Mr. Tang Yat Sun, Richard, B.Sc., M.B.A., B.B.S., J.P. *(Chairman)* |
| | * Dr. Fung Yuk Bun, Patrick |
| | + 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 |
| | * Mr. Yeung Ka Shing |
| | * *Executive Director* |
| | + *Independent Non-executive Director* |
| **Company Secretary** | Ms. Leung Pui Ling |
| **Auditor** | BDO Limited<br>*Certified Public Accountants* |
| **Principal Bankers** | Hang Seng Bank Limited<br>The Bank of East Asia, Limited<br>The Hongkong and Shanghai Banking Corporation Limited |
| **Solicitors** | Jennifer Cheung & Co. |
| **Registered Office** | 9th Floor, King Fook Building<br>30–32 Des Voeux Road Central<br>Hong Kong |
| **Share Registrar** | Computershare Hong Kong Investor Services Limited<br>Shops 1712–1716, 17th Floor, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of King Fook Holdings Limited (the "Company") will be held at The Ballroom, 18th Floor, The Mira Hong Kong, 118 Nathan Road, Kowloon, Hong Kong on Tuesday, 18 September 2018 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 2018.

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

Hong Kong, 20 July 2018

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

*Notes:*

(1) A member entitled to attend and vote at the meeting convened by the above notice (the "Meeting") is entitled to appoint another person as his proxy (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.

(2) In order to determine the rights to attend and vote at the Meeting, the register of members of the Company will be closed from 13 September 2018 to 18 September 2018, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 12 September 2018.

# 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 65. 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 Wheelock and Company Limited. He retired as an independent non-executive director of Hang Seng Bank Limited with effect from 10 May 2018. 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 71. 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. A honorary member of the Court and Adjunct Professor with the Faculty's School of Accounting and Finance of the Hong Kong Polytechnic University, 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 65. 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 of Hong Kong Limited 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 76. 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 67. 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 54. 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 71. A Fellow and a Certified Public Accountant (Practising) of The Hong Kong Institute of Certified Public Accountants. Has over 40 years of experience in the 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 36. 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. A member of the Wan Chai District Fight Crime Committee. 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 54. 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 29 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 70. 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 52 years.

**Mr. Yee Kwan Yeung**

Aged 53. 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 35 years.

**Ms. Chan Ping, Rita**

Aged 47. The Financial Controller of the Group. She joined the Group in 2018. She has 25 years of experience in the field of auditing, finance and accounting. She holds a bachelor's degree in commerce accounting and a master's degree in finance from Curtin University of Technology in Australia respectively. She is also a member of the Hong Kong Institute of Certified Public Accountants.

# Chairman's Statement

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 2018.

## REVIEW OF OPERATIONS

The Group's revenue for the year ended 31 March 2018 amounted to HK$517.6 million, representing an increase of HK$116.3 million or 29.0% from HK$401.3 million of the previous year. The Group's consolidated loss attributable to the owners of the Company for the year ended 31 March 2018 improved by 73.6% to HK$22.7 million.

The Hong Kong retail market recovered to moderate growth in 2017 and showed strong momentum in the first quarter of 2018, supported by revival in inbound tourism and positive domestic consumer sentiments. The Group's revenue from retail business recorded a double-digit growth of 29.4% and achieved a same store growth rate of 43.6% year on year.

Looking forward, the Group believes its retail business will benefit from the positive consumer sentiments in the near term. The Group will look for opportunities to expand its retail network, continue to strive for quality on craftsmanship and design of products, and conduct a series of marketing activities to expand customer base. On control of costs and expenses, the Group will continue to take measures to improve operation efficiency and control over inventory and cost.

## DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 March 2018 (2017: Nil).

## 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, 22 June 2018

# Management Discussion and Analysis

## GROUP RESULTS OVERVIEW

The results of the Group for the year ended 31 March 2018 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 29 to 77.

For the year ended 31 March 2018, the Group recorded total revenue of HK$517.6 million, representing an increase of HK$116.3 million or 29.0% from HK$401.3 million of the previous year. The Group's consolidated loss attributable to the owners of the Company for the year ended 31 March 2018 improved by HK$63.3 million or 73.6% to HK$22.7 million from HK$86.0 million of the previous year. Such substantial decrease in loss was mainly due to the significant growth in sales of the Group's retailing business and success in negotiation for rental reduction. The Group's distribution and selling costs for the year under review decreased by 24.9% to HK$110.2 million as compared with HK$146.7 million for the previous year, and the decrease was mainly attributable to the decrease in rental and staff costs. The Group's administrative expenses for the year under review decreased by 2.1% to HK$35.8 million as compared with HK$36.6 million for the previous year, which was mainly attributable to the closure of retail shops that incurred reinstatement cost in the previous year.

## BUSINESS REVIEW

During the year ended 31 March 2018, the Group had 6 shops in Hong Kong for retail of gold ornament, jewellery, watch, gift and bullion trading. The revenue of the Group's retailing business for the year ended 31 March 2018 increased by 29.4% to HK$516.0 million from HK$398.7 million for the previous year.

During the year, the Group's revenue and gross profit achieved a double-digit growth of 29.0% and 28.0% respectively as compared to the previous year despite the Group has 3 shops less than in the previous year. Such increase was mainly contributed by 71.7% growth in sales of jewellery products and 27.5% growth in sales of watch products. Same store sales growth achieved 43.6% year on year. The growth of revenue and decrease of loss were mainly due to the recovery of consumer sentiments, especially for the jewellery and watch segment, and the effort of a series of marketing activities, promotion events and new products launched to the market to attract new customers and increase customers spending during the year. During the year, the Group faced the risks of uncertainties in global economic outlook, which would affect consumer spending, and tourist arrivals. The management closely monitored the market conditions and adjusted the Group's product offers to suit the demand of the market.

## FUTURE OUTLOOK

Looking forward, the Group believes its business will benefit from the positive consumer sentiments in the near term. The Group will closely monitor the rental market trend and look for opportunities to expand its retail network.

In 2018, the Group will continue to enhance its service through upgrading of retail shops, improving the efficiency of its social media channels and strengthening the service standard by providing training and people development programs to front line staff to enhance their product knowledge, services, and management skill. Leveraging on its reputation of product quality and craftsmanship, the Group will bring in more exquisite and branded jewellery products to expand its product range. The Group will also continue to launch various marketing promotion events to attract new customers and retain existing customers.

Meanwhile, the Group will take measures to further improve operation efficiency and enhance productivity, including stringent control on inventory management and cost.

## FINANCIAL REVIEW

### *Liquidity and Financial Resources*

As at 31 March 2018, the Group's current assets and current liabilities were approximately HK$743.3 million and HK$116.4 million respectively. There were cash and cash equivalents of approximately HK$199.6 million, bank loans of approximately HK$68.0 million and gold loan of approximately HK$19.8 million.

## FINANCIAL REVIEW (Continued)

### *Liquidity and Financial Resources* (Continued)

Based on the total borrowings of the Group of approximately HK$87.8 million and the equity attributable to the owners of the Company of approximately HK$631.2 million as at 31 March 2018, the overall borrowings to equity ratio was 13.9%, which was at a healthy level.

### *Exposure to Fluctuation in Foreign Exchange Rates*

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.

### *Charge on Assets*

As at 31 March 2018, there was no charge on the Group's assets.

### *Capital Expenditure*

During the year, the Group incurred capital expenditures of approximately HK$1.1 million, including the costs of leasehold improvements, furniture and equipment.

### *Capital Commitments and Contingent Liabilities*

As at 31 March 2018, there were no material capital commitments, contingent liabilities or off-balance sheet obligation.

### *Financial Ratio*

A list of key financial ratio is set out in the Five Year Financial Summary on page 79.

## 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 2018 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 2018 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 2018, the Group had about 124 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 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 33 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

The Board resolved not to declare an interim dividend for the year ended 31 March 2018 (2017: Nil).

The Board have resolved not to recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

## SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 25 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 31 and note 32 to the financial statements respectively.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2018 amounted to HK$233,955,000.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 14 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 79.

## 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 | 33% |
| — 5 largest suppliers combined | 77% |
| **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. Tang Yat Sun, Richard |
| * | Dr. Fung Yuk Bun, Patrick |
| + | 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 |
| * | Mr. Yeung Ka Shing (appointed as an executive director on 31 May 2017) |

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

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.

None of the directors has a service contract with the Company which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation. The Company had not entered into any contract nor had any existing contract concerning the management and administration of the whole or any substantial part of any business of the Company during the year.

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

**Mr. Cheng Kwok Shing, Anthony,** aged 71, is an independent non-executive director of the Company and the chairman of the Audit Committee and Remuneration Committee of the Company. He is a Fellow and a Certified Public Accountant (Practicing) of The Hong Kong Institute of Certified Public Accountants and has over 40 years of experience in the auditing and accounting field. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He was appointed as an independent non-executive director of the Company in 2013.

**Dr. Fung Yuk Bun, Patrick,** aged 71, is an executive director of the Company, and an executive director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is the chairman of OCBC Wing Hang Bank Limited and a non-executive director of Miramar Hotel and Investment Company, Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is a honorary member of the Court and Adjunct Professor with the Faculty's School of Accounting and Finance of the Hong Kong Polytechnic University, 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. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has an interest in 5,856,517 shares of the Company (which are ultimately held by a trust of which he is a beneficiary) within the meaning of Part XV of the SFO. He was appointed as a non-executive director of the Company on 4 May 2016 and re-designated as an executive director of the Company on 25 November 2016.

# Report of the Directors (Continued)

**DIRECTORS** (Continued)

**Mr. Tang Yat Sun, Richard**, aged 65, is the Chairman and an executive director of the Company, and an executive director of King Fook Jewellery Group Limited and King Fook Gold & Jewellery Company Limited, two wholly owned subsidiaries of the Company. He is an executive director of Miramar Hotel and Investment Company, Limited and an independent non-executive director of Wheelock and Company Limited, and he retired as an independent non-executive director of Hang Seng Bank Limited with effect from 10 May 2018, all such companies are listed on the Main Board of the Stock Exchange. He has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. He has a personal interest and a corporate interest in 7,528,500 shares and 31,571,400 shares of the Company respectively within the meaning of Part XV of the SFO. He was appointed as a director, 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.

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 2018, Dr. Fung Yuk Bun, Patrick and Mr. Tang Yat Sun, Richard each received directors' fees from the Group of HK$39,000, which was nominal, and Mr. Tang also received remuneration of HK$100,000 per month. Mr. Cheng Kwok Shing, Anthony received director's fee from the Group of HK$250,000 for the year ended 31 March 2018, which was determined by the Board based on the recommendation of the Remuneration Committee with reference to his roles as the chairman of both the Audit Committee and the Remuneration Committee and in overseeing the internal audit function of the Company. The remuneration of these directors are subject to the recommendation of the Remuneration Committee from time to time, and information on their remuneration for the year ending 31 March 2019 is set out in the section headed "Remuneration of Directors and Senior Management" below.

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, Paul, Ms. Lai Wing Yin, Victoria, Mr. Leung Yiu Wai, Mr. Liang Cheung Biu, Thomas, Mr. Lo Kun Io, Mr. Luk Kwing Yung, Ms. Wong Ka Ki, Kay, Ms. So Yuet Kuen, Brenda and Mr. Yee Kwan Yeung.

**DIRECTORS' INTERESTS**

At 31 March 2018, the interests of the directors 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 | | | | | Percentage of |
|---|---|---|---|---|---|---|
| | *Personal* | *Family* | *Corporate* | *Trust* | *Total* | shareholding |
| 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.

**DIRECTORS' INTERESTS** (Continued)

Save as disclosed above, as at 31 March 2018, 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 (has the meaning given by section 486 of the Hong Kong Companies Ordinance) had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year:

1. The Group (as tenant) entered into various tenancy agreements (the "King Fook Leases") on normal commercial terms with Stanwick Properties Limited (as landlord) (a wholly owned subsidiary of Yeung Chi Shing Estates Limited, a substantial shareholder of the Company) on 12 August 2015 and 15 August 2017 respectively in respect of premises in King Fook Building, 30–32 Des Voeux Road Central, Hong Kong. The leased properties are used as the key retail outlet and the headquarters of the Group.

   Major terms of the King Fook Leases are as follows:

   *Basement and Ground Floor, King Fook Building*

| Tenant | Term | Rent per month | Management fees and air-conditioning charges per month |
|---|---|---|---|
| King Fook Jewellery Group Limited | 2 years from | | |
| | 16/8/15 to 15/8/17 | HK$692,610.00 | HK$21,037.50 |
| | 16/8/17 to 15/8/19 | HK$582,800.00 | HK$21,037.50 |

   *Mezzanine Floor, King Fook Building*

| Tenant | Term | Rent per month | Management fees and air-conditioning charges per month |
|---|---|---|---|
| King Fook Jewellery Group Limited | 2 years from | | |
| | 16/8/15 to 15/8/17 | HK$41,415.00 | HK$9,412.50 |
| | 16/8/17 to 15/8/19 | HK$50,000.00 | HK$9,412.50 |

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

| Tenant | Term | Rent per month | Management fees and air-conditioning charges per month |
|---|---|---|---|
| the Company | 2 years from | | |
| | 16/8/15 to 15/8/17 | HK$41,860.00 | HK$13,650.00 |
| | 16/8/17 to 15/8/19 | HK$53,400.00 | HK$13,650.00 |

   *5th Floor, King Fook Building*

| Tenant | Term | Rent per month | Management fees and air-conditioning charges per month |
|---|---|---|---|
| the Company | 2 years from | | |
| | 16/8/15 to 15/8/17 | HK$41,580.00 | HK$9,450.00 |
| | 16/8/17 to 15/8/19 | HK$51,000.00 | HK$9,450.00 |

# Report of the Directors (Continued)

**DIRECTORS' INTERESTS** (Continued)

*7th Floor, King Fook Building*

| Tenant | Term | Rent per month | Management fees and air-conditioning charges per month |
|---|---|---|---|
| King Fook Jewellery Group Limited | 2 years from | | |
| | 16/8/15 to 15/8/17 | HK$41,580.00 | HK$9,450.00 |
| | 16/8/17 to 15/8/19 | HK$51,500.00 | HK$9,450.00 |

*8th Floor, King Fook Building*

| Tenant | Term | Rent per month | Management fees and air-conditioning charges per month |
|---|---|---|---|
| King Fook Jewellery Group Limited | 2 years from | | |
| | 16/8/15 to 15/8/17 | HK$41,580.00 | HK$9,450.00 |
| | 16/8/17 to 15/8/19 | HK$51,700.00 | HK$9,450.00 |

*9th Floor, King Fook Building*

| Tenant | Term | Rent per month | Management fees and air-conditioning charges per month |
|---|---|---|---|
| the Company | 2 years from | | |
| | 16/8/15 to 15/8/17 | HK$41,580.00 | HK$9,450.00 |
| | 16/8/17 to 15/8/19 | HK$51,900.00 | HK$9,450.00 |

*10th Floor, King Fook Building*

| Tenant | Term | Rent per month | Management fees and air-conditioning charges per month |
|---|---|---|---|
| King Fook Jewellery Group Limited | 2 years from | | |
| | 16/8/15 to 15/8/17 | HK$41,580.00 | HK$9,450.00 |
| | 16/8/17 to 15/8/19 | HK$52,100.00 | HK$9,450.00 |

2. The Company entered into two separate agreements with Stanwick Properties Limited pursuant to which the Company is granted the right to use the furniture and fixture at 3rd Floor of King Fook Building (which is used by the Group as conference room) for a term of 2 years from 16 August 2015 to 15 August 2017 and 16 August 2017 to 15 August 2019 respectively at the monthly fee of HK$25,480.

3. 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.

Mr. Yeung Ka Shing, an executive director of the Company, is the son of Mr. Yeung Bing Kwong, Kenneth, who and his other family members together control Yeung Chi Shing Estates Limited.

**DIRECTORS' INTERESTS** (Continued)

The above transactions (except the 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 2018 are set out in note 30 to the financial statements.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions (except the 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) pursuant to rule 14A.56 of the Listing Rules and advised the Board in writing with a copy provided to the Stock Exchange that nothing has come to its attention that causes it to believe that the continuing connected transactions:

(1) have not been approved by the Board;
(2) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
(3) have exceeded the maximum aggregate annual cap for each of the continuing connected transactions disclosed in the announcements dated 12 August 2015 and 15 August 2017 respectively of 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.

**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, the Chairman and an executive director of the Company, had been an independent non-executive director of Hang Seng Bank Limited ("Hang Seng") (retired with effect from 10 May 2018). 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.

# Report of the Directors (Continued)

## GOLD LOAN AND BANK LOANS

Particulars of gold loan and bank loans of the Group are set out under current liabilities in the consolidated statement of financial position and in notes 22 and 23 to the financial statements respectively.

## SUBSTANTIAL SHAREHOLDER

As at 31 March 2018, the following person (other than a director or chief executive of the Company) had interest in shares of the Company as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO:

| Name of shareholder | Number of ordinary shares held | Nature of interest | Percentage of shareholding |
|---|---|---|---|
| Yeung Chi Shing Estates Limited | 547,539,057 | *Note* | 59.93% |

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

Save as disclosed above, as at 31 March 2018, 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 2018 are set out in notes 12, 13 and 30(d) to the financial statements respectively.

Changes in the remuneration of directors and the Group General Manager for the year ending 31 March 2019 are as follows:

(a) the directors' fees payable by the Group to each of Mr. Tang Yat Sun, Richard and Dr. Fung Yuk Bun, Patrick have been increased to HK$74,000 per annum;

(b) the directors' fees payable by the Group to Mr. Cheng Kwok Shing, Anthony and Mr. Yeung Ka Shing have been increased to HK$275,000 per annum and HK$72,000 per annum respectively;

(c) the bases for determining the bonus based on the performance of the Group to Mr. Tang Yat Sun, Richard and the Group General Manager have been revised; and

(d) Dr. Fung Yuk Bun, Patrick and Mr. Yeung Ka Shing are entitled to bonus based on the performance of the Group.

## 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 2018 have been audited by BDO Limited ("BDO"). A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board

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

Hong Kong, 22 June 2018

# 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 2018 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, 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 2018.

## 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.

**BOARD OF DIRECTORS** (Continued)

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.

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 4 times during the year ended 31 March 2018. The Board's composition and the attendances of individual directors at these meetings were as follows:

| | **Number of meetings attended** |
|---|---|
| ***Executive directors*** | |
| Mr. Tang Yat Sun, Richard | 4 |
| Dr. Fung Yuk Bun, Patrick | 2 |
| Mr. Yeung Ka Shing (appointed on 31 May 2017) | 4 |
| ***Non-executive director*** | |
| Mr. Wong Wei Ping, Martin | 4 |
| ***Independent non-executive directors*** | |
| Mr. Cheng Kar Shing, Peter | 4 |
| Mr. Ho Hau Hay, Hamilton | 3 |
| Mr. Sin Nga Yan, Benedict | 4 |
| Mr. Cheng Kwok Shing, Anthony | 4 |

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

Details of the directors are disclosed in the section headed "Brief Biographical Details of the Directors and the Senior Management" 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 during the year ended 31 March 2018 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. Yeung Ka Shing | ✓ | ✓ |
| 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. The Company Secretary also provides the directors with relevant reading materials from time to time. The Company Secretary has duly complied with the relevant training requirement under rule 3.29 of the Listing Rules and taken not less than 15 hours of relevant professional training during the year.

**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 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 DIRECTORS**

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 2018, 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 once during the year. All members attended the meeting.

The Remuneration Committee has reviewed and approved the Group's remuneration policy and made recommendations to the Board 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, salaries paid by comparable companies, time commitment and responsibilities. It aims to ensure that the Group is able to attract, retain and motivate a high-calibre team which is essential to the success of the Group.

## NOMINATION OF DIRECTORS

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

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

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

Mr. Yeung 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 2018, 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 2018.

### *Risk management and internal control*

The Board acknowledges that it is responsible for the Group's risk management and internal control systems (the "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 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 2018, 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.

# Corporate Governance Report (Continued)

**ACCOUNTABILITY AND AUDIT** (Continued)

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

The Systems were reviewed semi-annually during the year ended 31 March 2018.

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 Systems.

Based on the review by the Audit Committee, the Board confirms, and management has also confirmed to the Board, that the Systems are effective and adequate.

Further details of the Systems and its 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$730,000 (2017: HK$710,000) and for non-audit service was approximately HK$171,000 (2017: HK$180,000).

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 2018, the Audit Committee has 3 members, comprising Mr. Cheng Kwok Shing, Anthony and Mr. Sin Nga Yan, Benedict (both independent non-executive directors) and Mr. Wong Wei Ping, Martin (a non-executive director). The chairman of this Committee is Mr. Cheng Kwok Shing, Anthony. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The primary duties of the Audit Committee include the review of the Group's interim and annual financial reports, and the nature and scope of the external and internal audits including review of the effectiveness of the Systems. 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 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 Group's accounting, internal audit and financial reporting functions, 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 2018 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 2018. The attendances of individual members at these meetings were as follows:

| | Number of meetings attended |
|---|---|
| ***Non-executive director*** | |
| Mr. Wong Wei Ping, Martin | 2 |
| ***Independent non-executive directors*** | |
| Mr. Sin Nga Yan, Benedict | 3 |
| 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 28 September 2017 during the year ended 31 March 2018 (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 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.

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 (the "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 of the internal control system of the Group 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 system to provide channel of reporting possible improprieties in the Group;
- Review the inside information policy and procedures periodically. Non-disclosure undertakings have been signed by all the relevant employees of the Group; and
- The Internal Audit and Compliance Departments of the Company assist to achieve the objectives of the internal control system.

## RISK MANAGEMENT SYSTEM AND STRUCTURE

### Risk management system

The Group has adopted a risk management system which manages the risks associated with its businesses and operations. The current processes which assist the Group to review the effectiveness of the 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 — monitor the residual risks on an on-going basis and ensure effective communication and reporting of significant risks.

### 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 of the Group 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.

***Second Line of Defence — Risk Coordinator and the Risk Management Committee***

The Risk Coordinator (a staff assigned by the Company) provides coordination and support to the Risk Management Committee (comprising of staff members and the Group General Manager of the Company) to facilitate the risk management process.

## RISK MANAGEMENT SYSTEM AND STRUCTURE (Continued)

### Risk management structure (Continued)

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

The Internal Audit Department provides independent and objective appraisal of the Systems periodically.

#### Group General Manager

The overall responsibilities of the Group General Manager include designing, implementing and monitoring the Systems; and confirming the effectiveness of the Systems. Besides, the Group General Manager assists the Board to oversee the implementation of effective risk management practices; develops risk management strategies, goals and policies; and defines the roles of, and provides guidance to, different parties.

#### Board and Audit Committee

The Audit Committee of the Company, acting on behalf of the Board, reviews the Systems and reports the results periodically at Board meetings; oversees the discharge of duties by the Group General Manager under the Systems; and considers any major investigation findings on risk management and internal control matters.

#### The External Auditor

The external auditor of the Company communicates to the Audit Committee on any significant operational and financial risks or internal control issues identified during their annual audit of the Group.

## SUMMARY OF WORK

During the year ended 31 March 2018, key tasks performed by various units of the Group were summarised as follows:

- Business objectives, risk appetite and tolerance were approved by the Board;
- Internal control self-assessments were conducted by the heads of business units and departments semi-annually;
- Risks at business units and departments and group levels, action plans and related registers were identified, assessed and updated by the heads of business units and departments or/and the Group General Manager semi-annually;
- Through various risk assessment exercises and risk based audit assignments, key risks and internal control issues of the Group were identified, reviewed and assessed by the Internal Audit Department independently;
- Significant risks or internal control issues and related progress of action plans for business units and departments and group levels were tested regularly. Necessary status updates were discussed and monitored by the three lines of defence and the Group General Manager at risk management meetings or through emails bi-monthly;
- Through the periodic communications or risk management and internal audit reports by the three lines of defence and the semi-annual certification from the Group General Manager, the effectiveness of the Systems was reviewed and determined by the Board, or through the Audit Committee; and
- The risk management culture of the Group had been promoted, and policy and procedures of the Systems were updated.

## ON-GOING IMPROVEMENT SYSTEM

The Group undertakes steps to improve the Systems such as review of the appropriateness of the methodology and approach on the 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 29 to 77, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other 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 2018 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 17 to the consolidated financial statements)*

As at 31 March 2018, the Group had inventories of approximately HK$508,408,000 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 2018 was approximately HK$27,842,000. 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.

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

**Key audit matters** (Continued)

**Inventory provision** (Continued)

**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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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.

# Independent Auditor's Report (Continued)

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

As part of an audit in accordance with HKSAs, 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.

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, 22 June 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Revenue** | 5 | **517,642** | 401,340 |
| Cost of sales | | **(395,126)** | (305,588) |
| **Gross profit** | | **122,516** | 95,752 |
| Other operating income | | **4,510** | 8,668 |
| Distribution and selling costs | | **(110,233)** | (146,708) |
| Administrative expenses | | **(35,842)** | (36,608) |
| Other operating expenses | | **(116)** | (278) |
| **Operating loss** | | **(19,165)** | (79,174) |
| Finance costs | 6 | **(3,576)** | (3,620) |
| **Loss before taxation** | 7 | **(22,741)** | (82,794) |
| Taxation | 8 | **—** | (3,198) |
| **Loss for the year** | | **(22,741)** | (85,992) |
| **Other comprehensive income, after tax, items that may be reclassified subsequently to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | | **987** | (727) |
| **Total comprehensive income for the year** | | **(21,754)** | (86,719) |
| **Loss for the year attributable to:** | | | |
| — Owners of the Company | | **(22,737)** | (85,987) |
| — Non-controlling interests | | **(4)** | (5) |
| | | **(22,741)** | (85,992) |
| **Total comprehensive income for the year attributable to:** | | | |
| — Owners of the Company | | **(21,750)** | (86,714) |
| — Non-controlling interests | | **(4)** | (5) |
| | | **(21,754)** | (86,719) |
| | | **HK cents** | HK cents |
| **Loss per share** | 10 | | |
| — Basic and diluted | | **(2.49)** | (9.41) |

# Consolidated Statement of Financial Position

As at 31 March 2018

| | Note | As at 31 March 2018 HK$'000 | As at 31 March 2017 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 3,094 | 3,294 |
| Investment properties | 15 | 562 | 594 |
| Available-for-sale investments | 16 | 805 | 837 |
| | | 4,461 | 4,725 |
| **Current assets** | | | |
| Inventories | 17 | 508,408 | 587,871 |
| Debtors, deposits and prepayments | 18 | 31,441 | 40,215 |
| Investments at fair value through profit or loss | 19 | 3,877 | 30,662 |
| Cash and cash equivalents | 20 | 199,582 | 107,158 |
| | | 743,308 | 765,906 |
| **Total assets** | | 747,769 | 770,631 |
| **Current liabilities** | | | |
| Creditors, deposits received, accruals and deferred income | 21 | 28,632 | 21,045 |
| Gold loan | 22 | 19,805 | 18,439 |
| Bank loans | 23 | 68,000 | 78,000 |
| | | 116,437 | 117,484 |
| **Net current assets** | | 626,871 | 648,422 |
| **Total assets less current liabilities** | | 631,332 | 653,147 |
| **Non-current liability** | | | |
| Provision for long service payments | 24 | 35 | 96 |
| **Net assets** | | 631,297 | 653,051 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 25 | 393,354 | 393,354 |
| Other reserves | 26 | 35,504 | 34,517 |
| Retained profits | 26 | 202,336 | 225,073 |
| **Equity attributable to the owners of the Company** | | 631,194 | 652,944 |
| **Non-controlling interests** | | 103 | 107 |
| **Total equity** | | 631,297 | 653,051 |

The consolidated financial statements on pages 29 to 77 were approved and authorised for issue by the Board of Directors on 22 June 2018 and were signed by:

| | |
|---|---|
| **Tang Yat Sun, Richard** | **Fung Yuk Bun, Patrick** |
| *Chairman* | *Director* |

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

| | Equity attributable to the owners of the Company | | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | Share capital (note 25) | Capital reserve (note 26) | Exchange reserve | Retained profits | Total | | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2016 | 393,354 | 24,753 | 10,491 | 311,060 | 739,658 | 112 | 739,770 |
| 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 | 393,354 | 24,753 | 9,764 | 225,073 | 652,944 | 107 | 653,051 |
| At 1 April 2017 | **393,354** | **24,753** | **9,764** | **225,073** | **652,944** | **107** | **653,051** |
| Loss for the year | **—** | **—** | **—** | **(22,737)** | **(22,737)** | **(4)** | **(22,741)** |
| Other comprehensive income: | | | | | | | |
| Exchange differences on translation of foreign operations | **—** | **—** | **987** | **—** | **987** | **—** | **987** |
| Total comprehensive income for the year | **—** | **—** | **987** | **(22,737)** | **(21,750)** | **(4)** | **(21,754)** |
| **At 31 March 2018** | **393,354** | **24,753** | **10,751** | **202,336** | **631,194** | **103** | **631,297** |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2018

| | Note | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Operating loss before working capital changes | *27(a)* | **(3,355)** | (75,267) |
| Decrease in inventories | | **63,519** | 100,723 |
| Decrease in debtors, deposits and prepayments | | **8,774** | 12,136 |
| Increase/(decrease) in creditors, deposits received, accruals and deferred income | | **7,576** | (5,110) |
| Dividends received from investments at fair value through profit or loss | | **349** | 553 |
| Change in investments at fair value through profit or loss | | **29,545** | (719) |
| Interest received | | **570** | 280 |
| Overseas tax paid | | **—** | (7) |
| Long service payments paid | | **—** | (33) |
| *Net cash generated from operating activities* | | **106,978** | 32,556 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Dividends received from available-for-sale investments | | **16** | 43 |
| Proceeds from disposal of property, plant and equipment | | **35** | 992 |
| Purchase of property, plant and equipment | | **(1,079)** | (1,857) |
| Net proceeds on disposal of a subsidiary | | **—** | 987 |
| *Net cash (used in)/generated from investing activities* | | **(1,028)** | 165 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | *27(b)* | | |
| Interest paid | | **(3,577)** | (3,544) |
| Proceeds from bank loan | | **559** | — |
| Repayment of bank loans | | **(10,559)** | (27,000) |
| *Net cash used in financing activities* | | **(13,577)** | (30,544) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **92,373** | 2,177 |
| Cash and cash equivalents at the beginning of the year | | **107,158** | 105,101 |
| Effect of foreign exchange rates changes, net | | **51** | (120) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | | **199,582** | 107,158 |

# Notes to the Financial Statements

For the year ended 31 March 2018

## 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company 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 33.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements on pages 29 to 77 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 2017:

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Annual Improvements to HKFRSs 2014–2016 Cycle | Amendments to HKFRS 12 Disclosure of Interests in Other Entities |

Except for as explained below, the adoption of these amendments has no material impact on the Group's consolidated financial statements.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

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

### 2.2 Adoption of amendments to HKFRSs (Continued)

**Amendments to HKAS 7: *Disclosure Initiative***

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, note 27(b).

### 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:

| | |
|---|---|
| Annual Improvements to HKFRSs 2014–2016 Cycle | Amendments to HKFRS 1 First-time adoption of Hong Kong Financial Reporting Standards[1] |
| Annual Improvements to HKFRSs 2014–2016 Cycle | Amendments to HKAS 28 Investments in Associates and Joint Ventures[1] |
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs[2] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[2] |
| Amendments to HKAS 40 | Transfers of Investment Property[1] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 15 | Revenue from Contracts with Customers (Clarification to HKFRS 15)[1] |
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[4] |
| HK (IFRIC) — Interpretation 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK (IFRIC) — Interpretation 23 | Uncertainty over Income Tax Treatments[2] |

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continues to be permitted
4 Effective for annual periods beginning on or after 1 January 2021

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.

## 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***

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.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. The Group's available-for-sale investments (i.e. unlisted equity securities) which currently stated at cost less impairment, will be irrevocable elected by the Group to be designated as FVTOCI on transition to HKFRS 9. Only dividend income on that investments will be recognised in profit or loss. Gains, losses and impairments on that investments will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

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 in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. It applies to the Group's financial assets at amortised cost. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. During the year, there was no significant impairment occurred on the Group's financial assets. Accordingly, the adoption of HKFRS 9 in the future is not expected to result in significant impact on the Group's financial position and results.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 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 expected that the application of HKFRS 15 in the future will not have a material impact on the amounts reported on the consolidated financial statements of the Group, based on the existing business model of the Group as at 31 March 2018.

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.

**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 not 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 statement of financial position, 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.

## 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*** (Continued)

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 28, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$135,574,000 as at 31 March 2018. The Group expects that certain portion of these lease commitments will be required to be recognised in the Group's consolidated statement of financial position 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.

### 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 statement of profit or loss and other comprehensive income 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 non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in capital and reserves and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling 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 non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in capital and reserves. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

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

### 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 statement of financial position, at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### 2.6 Foreign currency translation

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

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

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

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

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

### 2.7 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 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.

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

### 2.7 Revenue recognition (Continued)

#### (ii) *Commission income*

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

#### (iii) *Dividend income*

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

#### (iv) *Rental income*

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

#### (v) *Interest income*

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

### 2.8 Borrowing costs

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

### 2.9 Property, plant and equipment

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

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

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

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

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

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

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

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

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

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 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 losses recognised for a CGU 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.

### 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.

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

### 2.12 Leases (Continued)

#### (ii) *Operating lease payments as 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 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.

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.

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

**2.13 Financial assets** (Continued)

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

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

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

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

## 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 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.

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

### 2.16 Cash and cash equivalents

Cash and cash equivalents include cash at banks, 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

Equity instruments issued by the Company are recorded 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.

### 2.19 Financial liabilities

The Group's financial liabilities include bank loans, gold loan, trade payables and other payables and accruals.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

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

### 2.19 Financial liabilities (Continued)

***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.

## 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:

(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 that operated this business was disposed of during the year ended 31 March 2017)

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" in the prior year. Reportable segments are as follows:

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

After the disposal of (iii) during the year ended 31 March 2017, the Group's top management determined that the Group has only one single reportable segment which is (a) retailing, bullion trading and diamond wholesaling. Accordingly, no separate segment of analysis is presented.

### 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).

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

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

**2.22 Related parties** (Continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

**(i) Depreciation**

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

**(ii) Impairment of available-for-sale investments**

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

**(iii) Impairment of property, plant and equipment**

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

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (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.

## 4. SEGMENT INFORMATION

No geographical information was presented as more than 90% of the Group's revenue is derived from activities in Hong Kong (place of domicile). Also, most of the Group's non-current assets are located in Hong Kong.

For each of the 2 years ended 31 March 2017 and 2018 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 and gift retailing, bullion trading and diamond wholesaling. Revenue of the Group recognised during the year comprised the following:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Gold ornament, jewellery, watch and gift retailing | **505,418** | 387,347 |
| Bullion trading | **10,547** | 11,395 |
| Diamond wholesaling | **1,583** | 1,759 |
| Others | **94** | 839 |
| Total revenue | **517,642** | 401,340 |

## 6. FINANCE COSTS

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest charges on: | | |
| Financial liability at amortised cost: | | |
| Bank loans | **2,760** | 2,879 |
| Financial liability at fair value through profit or loss: | | |
| Gold loan | **816** | 741 |
| | **3,576** | 3,620 |

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 7. LOSS BEFORE TAXATION

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Auditors' remuneration | **749** | 730 |
| Cost of inventories sold, including | **400,659** | 312,733 |
| — provision for and write down of inventories to net realisable value | **27,842** | 12,491 |
| — reversal of provision for and write down of inventories to net realisable value* | **(9,605)** | (2,592) |
| Depreciation of property, plant and equipment | **1,184** | 1,837 |
| Depreciation of investment properties | **32** | 32 |
| Directly write off of deposits and other receivables | **18** | 8 |
| Dividend income | **(365)** | (596) |
| Fair value change of investments at fair value through profit or loss | **(2,760)** | (5,366) |
| Foreign exchange differences, net | **3** | 243 |
| Gain on disposal of a subsidiary | **—** | (1,128) |
| Interest income from financial assets at amortised cost | **(570)** | (280) |
| Loss/(gain) on write off/disposal of property, plant and equipment | **63** | (191) |
| Operating lease charges in respect of properties | **66,983** | 95,569 |
| Operating lease charges in respect of furniture and fixtures | **595** | 592 |
| Outgoings in respect of investment properties | **88** | 90 |
| Provision for impairment loss of available-for-sale investments | **32** | 27 |
| Provision for impairment loss of debtors | **—** | 48 |
| Provision for long service payments | | |
| — provided against the account | **13** | 50 |
| — reversal of provision | **(74)** | (20) |
| Rental income on owned properties | **(799)** | (695) |
| Reversal of provision for impairment loss of other receivables | **—** | (413) |

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

## 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 (2017: Nil).

The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Deferred tax | | |
| — Hong Kong | | |
| Current year | **—** | 3,198 |
| Taxation charge | **—** | 3,198 |

## 8. TAXATION (Continued)

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Loss before taxation | **(22,741)** | (82,794) |
| Tax on loss before taxation, calculated at the rates applicable to loss in the relevant tax jurisdictions | **(3,847)** | (13,991) |
| Tax effect of non-taxable income | **(209)** | (451) |
| Tax effect of non-deductible expenses | **218** | 524 |
| Temporary differences not recognised | **(437)** | (1,968) |
| Tax loss not recognised | **4,732** | 21,472 |
| Utilisation of previously unrecognised tax loss | **(457)** | (2,388) |
| Taxation charge | **—** | 3,198 |

The Group has tax losses arising in Hong Kong of HK$555,864,000 (2017: HK$516,404,000) that are available indefinitely and tax losses arising in the PRC of HK$24,805,000 (2017: HK$34,703,000) that will expire in 1 to 5 years, for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax assets have been recognised in respect of the above items due to the unpredictability of future profit streams against which the tax losses can be utilised.

At 31 March 2018, no deferred tax has been provided in the consolidated statement of profit or loss and other comprehensive income as no material temporary differences (2017: 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 timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

## 9. DIVIDEND

No dividend was paid or proposed for the 2 years ended 31 March 2017 and 31 March 2018, nor has any dividend been proposed since the end of the reporting period.

## 10. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the year attributable to the owners of the Company of HK$22,737,000 (2017: HK$85,987,000) and the weighted average number of 913,650,465 (2017: 913,650,465) ordinary shares in issue during the year.

Diluted loss per share and basic loss per share for each of the 2 years ended 31 March 2017 and 2018 respectively are the same as there were no dilutive potential ordinary shares during both years.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 11. EMPLOYEE BENEFIT EXPENSE

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Wages, salaries and other benefits | **47,337** | 49,880 |
| Pension costs — defined contribution retirement schemes | **2,211** | 2,536 |
| Provision for long service payments (note 24) | **13** | 50 |
| Reversal of provision for long service payments (note 24) | **(74)** | (20) |
| | **49,487** | 52,446 |

Employee benefit expense as shown above includes directors' and chief executives' emoluments (note 12).

## 12. 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 |
|---|---|---|---|---|
| **2018** | | | | |
| Executive directors | | | | |
| Mr. Tang Yat Sun, Richard | **39** | **1,200** | **1** | **1,240** |
| Dr. Fung Yuk Bun, Patrick | **39** | **—** | **—** | **39** |
| Mr. Yeung Ka Shing (appointed on 31 May 2017) | **37** | **—** | **2** | **39** |
| 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** |
| Chief executive | | | | |
| Ms. Sum Mei Lin (appointed on 8 June 2017) | **—** | **2,066** | **15** | **2,081** |
| | **612** | **3,266** | **18** | **3,896** |

**12. 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 |
|---|---|---|---|---|
| 2017 | | | | |
| 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 |
| | 612 | 1,750 | 35 | 2,397 |

* For the year ended 31 March 2017, service agreement was 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 was 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 agreement was regarded as director's emoluments included in employee benefit expense for the period from 1 April 2016 to 30 June 2016, both days inclusive.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

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

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 (2017: Nil).

None of the other directors/chief executives has waived or agreed to waive any emoluments for the year ended 31 March 2018 (2017: Nil).

During the year, the Company entered into a contract with Stanwick Properties Limited ("Stanwick") which is 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.

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 (a former director of the Company), Mr. Yeung Bing Kin, Alan (a former director of the Company who passed away on 9 September 2016), Mr. Yeung Bing Kwong, Kenneth, the father of Mr. Yeung Ka Shing (a director of the Company) and 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.

**13. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS**

The 5 individuals whose emoluments were the highest in the Group for the year included 1 director and 1 chief executive (2017: 1 chief executive) whose emoluments are reflected in the analysis as presented in note 12. The emoluments of the remaining 3 (2017: 4) individuals are as follows:

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **3,695** | 3,984 |
| Pension costs — defined contribution retirement schemes | **54** | 228 |
| | **3,749** | 4,212 |

The emoluments of the remaining 3 (2017: 4) individuals, fell within the following emolument bands:

| | **Number of individuals** | |
|---|---|---|
| | **2018** | 2017 |
| HK$500,001 — HK$1,000,000 | **—** | 1 |
| HK$1,000,001 — HK$1,500,000 | **2** | 3 |
| HK$1,500,001 — HK$2,000,000 | **1** | — |

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 (2017: Nil).

## 13. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

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 | |
|---|---|---|
| | **2018** | 2017 |
| HK$0 — HK$500,000 | **2** | — |
| HK$500,001 — HK$1,000,000 | **—** | 1 |
| HK$1,000,001 — HK$1,500,000 | **2** | 2 |

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 14. 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 2016 | | | | | |
| Cost | 1,919 | 50,498 | 37,639 | 2,892 | 92,948 |
| Accumulated depreciation | (1,229) | (42,828) | (33,387) | (1,778) | (79,222) |
| Impairment loss | — | (7,527) | (1,693) | — | (9,220) |
| Net book amount | 690 | 143 | 2,559 | 1,114 | 4,506 |
| 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 | 651 | 257 | 2,197 | 189 | 3,294 |
| At 31 March 2017 and 1 April 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 | 651 | 257 | 2,197 | 189 | 3,294 |
| Net book amount | | | | | |
| At 1 April 2017 | 651 | 257 | 2,197 | 189 | 3,294 |
| Additions | — | 748 | 331 | — | 1,079 |
| Write off/disposals | — | — | (98) | — | (98) |
| Depreciation | (39) | (504) | (543) | (98) | (1,184) |
| Exchange differences | — | — | 3 | — | 3 |
| **At 31 March 2018** | **612** | **501** | **1,890** | **91** | **3,094** |
| **At 31 March 2018** | | | | | |
| Cost | 1,919 | 15,005 | 9,224 | 656 | 26,804 |
| Accumulated depreciation | (1,307) | (9,407) | (6,337) | (565) | (17,616) |
| Impairment loss | — | (5,097) | (997) | — | (6,094) |
| **Net book amount** | **612** | **501** | **1,890** | **91** | **3,094** |

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

Depreciation expense of HK$882,000 (2017: HK$1,449,000) was included in distribution and selling costs and HK$302,000 (2017: HK$388,000) was included in administrative expenses for the year ended 31 March 2018.

## 15. INVESTMENT PROPERTIES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| At the beginning of the year | | |
| Gross carrying amount | 1,840 | 1,840 |
| Accumulated depreciation | (1,246) | (1,214) |
| Net carrying amount | 594 | 626 |
| Opening net carrying amount | 594 | 626 |
| Depreciation | (32) | (32) |
| Closing net carrying amount | 562 | 594 |
| At the end of the year | | |
| Gross carrying amount | 1,840 | 1,840 |
| Accumulated depreciation | (1,278) | (1,246) |
| Net carrying amount | 562 | 594 |

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 2018 was approximately HK$27,680,000 (2017: HK$25,860,000) 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 2018

## 16. AVAILABLE-FOR-SALE INVESTMENTS

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Unlisted equity securities, at cost | 596 | 596 |
| Less: Provision for impairment loss (note) | (147) | (115) |
| | 449 | 481 |
| Membership licence, at cost | 356 | 356 |
| | 805 | 837 |

Unlisted equity securities and membership licence are measured at cost as their fair value cannot be measured reliably. Membership licence represented cost of membership at The Chinese Gold and Silver Exchange Society. There was no open market on the unlisted investments and the management has no intention to dispose of such investments at 31 March 2018.

*Note:*

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| At the beginning of the year | 115 | 535 |
| Provision | 32 | 27 |
| Disposal of a subsidiary | — | (447) |
| At the end of the year | 147 | 115 |

## 17. INVENTORIES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Jewellery | 314,294 | 336,288 |
| Gold ornament | 24,745 | 23,661 |
| Gold bullion | 564 | 1,279 |
| Watch, gift and fashion | 168,805 | 226,643 |
| | 508,408 | 587,871 |

As at 31 March 2018, the fair value less costs to sell of gold bullion was approximately HK$564,000 (2017: HK$1,279,000).

## 18. DEBTORS, DEPOSITS AND PREPAYMENTS

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Trade debtors | *(a)* | **4,856** | 3,373 |
| Other receivables | *(b)* | **5,751** | 4,632 |
| Deposits and prepayments | | **20,834** | 32,210 |
| | | **31,441** | 40,215 |

*Note:*

(a) Trade debtors

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Gross carrying amount | **6,914** | 5,431 |
| Less: Provision for impairment loss | **(2,058)** | (2,058) |
| Trade debtors — net | **4,856** | 3,373 |

Trade debtors are normally due within 1 month. The management of the Group considered that the fair values of trade debtors are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| At the beginning of the year | **2,058** | 2,010 |
| Impairment loss | **—** | 48 |
| At the end of the year | **2,058** | 2,058 |

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 2018, the Group has determined trade debtors of HK$2,058,000 (2017: HK$2,058,000) as individually impaired. Based on this assessment, no additional provision for impairment loss was recognised during the year whereas an additional provision of HK$48,000 was recognised for the year ended 31 March 2017. 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 2018

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

*Note:* (Continued)

(a) Trade debtors (Continued)

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within 30 days | **4,801** | 3,353 |
| 31 — 90 days | **55** | 20 |
| | **4,856** | 3,373 |

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Neither past due nor impaired | **4,801** | 3,353 |
| Past due 90 days or less | **55** | 20 |
| | **4,856** | 3,373 |

As at 31 March 2018, 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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Gross carrying amount | **6,392** | 5,251 |
| Less: Provision for impairment loss | **(641)** | (619) |
| Other receivables — net | **5,751** | 4,632 |

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

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| At the beginning of the year | **619** | 4,080 |
| Written off | **—** | (2,808) |
| Reversal | **—** | (413) |
| Exchange differences | **22** | (240) |
| At the end of the year | **641** | 619 |

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

*Note:* (Continued)

(b) Other receivables (Continued)

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 2018, the Group has determined other receivables of HK$641,000 (2017: HK$619,000) as individually impaired. Based on this assessment, no reversal of provision for impairment loss has been recognised during the year whereas a reversal of provision for impairment loss of HK$413,000 has been recognised for the year ended 31 March 2017. The impaired other receivables are due from counterparties experiencing financial difficulties and were in default or delinquency of payments.

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

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Equity securities, at fair value | | |
| Listed in Hong Kong | **1,116** | 27,363 |
| Listed outside Hong Kong | **2,761** | 3,299 |
| | **3,877** | 30,662 |

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 statement of profit or loss and other comprehensive income.

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

## 20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cash at banks and in hand | **164,172** | 81,939 |
| Cash at financial institutions | **3** | 54 |
| Short term bank deposits | **35,407** | 25,165 |
| | **199,582** | 107,158 |

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

The effective interest rates of short term bank deposits as at 31 March 2018 ranged from 0.70% to 1.47% (2017: 0.07% to 0.85%) per annum. These deposits had a maturity ranging from 32 to 90 days (2017: 59 to 63 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 20. CASH AND CASH EQUIVALENTS (Continued)

Included in cash and cash equivalents of the Group were balances of HK$279,000 (2017: HK$494,000) 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.

## 21. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Trade payables (note) | **11,501** | 5,719 |
| Other payables and accruals | **10,489** | 7,661 |
| Deposits received and deferred income | **6,642** | 7,665 |
| | **28,632** | 21,045 |

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 invoice date, was as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within 30 days | **8,475** | 2,810 |
| 31 — 90 days | **25** | 276 |
| More than 90 days | **3,001** | 2,633 |
| | **11,501** | 5,719 |

## 22. GOLD LOAN

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Gold loan, unsecured, at fair value | | |
| Repayable within one year | **19,805** | 18,439 |

Gold loan was denominated at United States Dollars ("US$") and bore interest at fixed rate of 4.20% (2017: 4.15%) per annum, which was the effective interest rate at 31 March 2018.

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.

## 23. BANK LOANS

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Bank loans, unsecured | **68,000** | 78,000 |

At 31 March 2018, all bank loans were denominated in HK$ (2017: HK$) and bore interest at variable rates ranging from 3.25% to 4.36% (2017: 3.19% to 4.27%) per annum, which were the effective interest rates and scheduled to be repaid within one year or on demand.

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

## 24. PROVISION FOR LONG SERVICE PAYMENTS

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| At the beginning of the year | **96** | 99 |
| Payments | **—** | (33) |
| Provision | **13** | 50 |
| Reversal | **(74)** | (20) |
| At the end of the year | **35** | 96 |

At 31 March 2017 and 2018, 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.

## 25. SHARE CAPITAL

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Issued and fully paid: | | |
| 913,650,465 (2017: 913,650,465) ordinary shares | **393,354** | 393,354 |

## 26. 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 27. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Loss before taxation | (22,741) | (82,794) |
| Depreciation of property, plant and equipment | 1,184 | 1,837 |
| Depreciation of investment properties | 32 | 32 |
| Directly write off of deposits and other receivables | 18 | 8 |
| Dividend income | (365) | (596) |
| Fair value change of investments at fair value through profit or loss | (2,760) | (5,366) |
| Gain on disposal of a subsidiary | — | (1,128) |
| Interest expense | 3,576 | 3,620 |
| Interest income | (570) | (280) |
| Loss/(gain) on write off/disposal of property, plant and equipment | 63 | (191) |
| Provision for and write down of inventories to net realisable value | 27,842 | 12,491 |
| Provision for impairment loss of available-for-sale investments | 32 | 27 |
| Provision for impairment loss of debtors | — | 48 |
| Provision for long service payments | 13 | 50 |
| Reversal of provision for and write down of inventories to net realisable value | (9,605) | (2,592) |
| Reversal of provision for impairment loss of other receivables | — | (413) |
| Reversal of provision for long service payments | (74) | (20) |
| Operating loss before working capital changes | (3,355) | (75,267) |

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank loans HK$'000 | Interest payables HK$'000 | Total HK$'000 |
|---|---|---|---|
| As at 1 April 2017 | 78,000 | 960 | 78,960 |
| Financing cash flows, net | (10,000) | (3,577) | (13,577) |
| Interest expenses | — | 3,576 | 3,576 |
| **As at 31 March 2018** | 68,000 | 959 | 68,959 |

Interest payables are included in creditors, deposits received, accruals and deferred income recognised in the consolidated statement of financial position.

## 28. 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:

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Land and buildings HK$'000** | **Other assets HK$'000** | **Total HK$'000** | Land and buildings HK$'000 | Other assets HK$'000 | Total HK$'000 |
| Within one year | **61,596** | **312** | **61,908** | 55,634 | 120 | 55,754 |
| In the second to fifth years, inclusive | **73,102** | **114** | **73,216** | 84,837 | — | 84,837 |
| Over five years | **450** | **—** | **450** | — | — | — |
| | **135,148** | **426** | **135,574** | 140,471 | 120 | 140,591 |

The Group leases a number of land and buildings and other assets under operating leases arrangements which run for an initial period of 9.3 months to 6 years (2017: 1 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.

## 29. 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:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Within one year | **597** | 771 |
| In the second to fifth years, inclusive | **40** | 540 |
| | **637** | 1,311 |

The Group leases out its investment properties under operating lease arrangements which run for an initial period of 1 to 2 years (2017: 1 to 2 years), with option to renew the lease term at the expiry date.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 30. RELATED PARTY TRANSACTIONS

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

| | *Note* | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| Operating lease rental on land and buildings paid to: | | | |
| Stanwick | *(a)* | **11,509** | 11,805 |
| Fabrico (Mfg) Limited | *(b)* | **—** | 90 |
| 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** | 1,096 |
| Sale of goods to: | *(c)* | | |
| Directors | | **18,312** | 3,491 |
| Yeung Chi Shing | | **164** | 113 |

*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 Ka Shing, a director of the Company, is the son of Mr. Yeung Bing Kwong, Kenneth, who and his other family members control Yeung Chi Shing. These related party transactions were entered into on normal commercial terms.

(b) The operating lease rental was paid to Fabrico (Mfg) Limited ("Fabrico") for the premises occupied by the Group. Fabrico is a wholly owned subsidiary of Yeung Chi Shing. This related party transaction was entered into on normal commercial terms.

(c) It represents sale of gold ornament, jewellery, watch and fashion items net of sale discounts to both the directors and Yeung Chi Shing for the year. Discounts offered to directors is available generally to customers and the value of discounts given to Yeung Chi Shing is 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:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **6,418** | 5,130 |
| Pension costs — defined contribution retirement schemes | **207** | 245 |
| | **6,625** | 5,375 |

## 31. INFORMATION ABOUT STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Note | As at 31 March 2018 HK$'000 | As at 31 March 2017 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **602** | 734 |
| Investments in subsidiaries | | **71,918** | 71,918 |
| | | **72,520** | 72,652 |
| **Current assets** | | | |
| Debtors, deposits and prepayments | | **975** | 858 |
| Amounts due from subsidiaries | | **638,268** | 758,128 |
| Cash and cash equivalents | | **167,735** | 81,084 |
| | | **806,978** | 840,070 |
| **Total assets** | | **879,498** | 912,722 |
| **Current liabilities** | | | |
| Creditors, deposits received and accruals | | **3,090** | 2,309 |
| Amounts due to subsidiaries | | **161,294** | 187,012 |
| Gold loan | | **19,805** | 18,439 |
| Bank loans | | **68,000** | 78,000 |
| | | **252,189** | 285,760 |
| **Net current assets** | | **554,789** | 554,310 |
| **Total assets less current liabilities** | | **627,309** | 626,962 |
| **Net assets** | | **627,309** | 626,962 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *25* | **393,354** | 393,354 |
| Reserves | *32* | **233,955** | 233,608 |
| | | **627,309** | 626,962 |

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 22 June 2018 and was signed by:

| | |
|---|---|
| **Tang Yat Sun, Richard** | **Fung Yuk Bun, Patrick** |
| *Chairman* | *Director* |

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 32. 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 2016 | 223,153 |
| Surplus for the year | 10,455 |
| At 31 March 2017 | 233,608 |
| At 1 April 2017 | 233,608 |
| Surplus for the year | 347 |
| **At 31 March 2018** | **233,955** |

## 33. SUBSIDIARIES

Details of the subsidiaries during the year ended and/or as at 31 March 2018 are as follows:

| Name | Place/country of incorporation | Particulars of issued capital/registered capital | Percentage of issued capital/registered capital held by Group | Company | Place of operation and principal activities |
|---|---|---|---|---|---|
| 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 |

## 33. SUBSIDIARIES (Continued)

| Name | Place/country of incorporation | Particulars of issued capital/registered capital | Percentage of issued capital/registered capital held by Group | Company | Place of operation and principal activities |
|---|---|---|---|---|---|
| King Fook Gold & Jewellery Company Limited | Hong Kong | 546,750 ordinary shares of HK$54,675,000 | 100 | 100 | Investment holding and trading in Hong Kong |
| King Fook 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 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 |

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

## 33. SUBSIDIARIES (Continued)

| Name | Place/country of incorporation | Particulars of issued capital/registered capital | Percentage of issued capital/registered capital held by Group | Company | Place of operation and principal activities |
|---|---|---|---|---|---|
| Perfectrade Limited | Hong Kong | 20,000 ordinary shares of HK$20,000 | 80 | — | Under liquidation |
| 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 |
| Tincati Asia Limited | Hong Kong | 200 ordinary shares of HK$20,000 | 100 | — | Dormant |
| 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 in Hong Kong |
| Yatheng Investments Limited | Hong Kong | 10,000 ordinary shares of HK$10,000 | 100 | — | Dormant |
| Young's Diamond Corporation (International) Limited | Hong Kong | 100,000 ordinary shares of HK$10,000,000 | 99.05 | 99.05 | Diamond wholesaling in Hong Kong |
| Young's Diamond Factory Limited | Hong Kong | 2,000 ordinary shares of US$20,000 | 99.05 | — | Dormant |
| Young's Diamond Corporation (Shanghai) Limited# | PRC | US$200,000 | 100 | 100 | Diamond wholesaling in the PRC |

*Note:*

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

^ Subsidiaries were deregistered during the year ended 31 March 2018.

* Subsidiary was dissolved on 1 June 2018.

## 34. 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.

### 34.1 Categories of financial assets and liabilities

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **Non-current asset** | | |
| Available-for-sale investments | | |
| Financial assets at cost less impairment loss | 805 | 837 |
| **Current assets** | | |
| Investments at fair value through profit or loss | 3,877 | 30,662 |
| Loans and receivables | | |
| Financial assets at amortised cost: | | |
| — Trade debtors | 4,856 | 3,373 |
| — Other receivables | 5,751 | 4,632 |
| Cash and cash equivalents | 199,582 | 107,158 |
| | 214,066 | 145,825 |
| | 214,871 | 146,662 |
| **Current liabilities** | | |
| Financial liabilities at fair value through profit or loss: | | |
| — Gold loan | 19,805 | 18,439 |
| Financial liabilities at amortised cost: | | |
| — Trade payables | 11,501 | 5,719 |
| — Other payables and accruals | 10,489 | 7,661 |
| — Bank loans | 68,000 | 78,000 |
| | 109,795 | 109,819 |

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

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

### 34.2 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 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 18 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.

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

### 34.3 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 22), 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 |
|---|---|---|---|---|
| **2018** | | | | |
| Financial assets | | | | |
| Investments at fair value through profit or loss: | | | | |
| — Listed outside Hong Kong | **—** | **—** | **2,761** | **—** |
| Cash and cash equivalents | **303** | **1** | **66** | **1,199** |
| Financial liability | | | | |
| Gold loan | **—** | **—** | **—** | **(19,805)** |
| **Net exposure** | **303** | **1** | **2,827** | **(18,606)** |
| 2017 | | | | |
| 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) |
| Net exposure | 3,848 | 424 | 3,365 | (17,839) |

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 2018

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

### 34.4 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 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 20 and 23.

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.

### 34.5 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 16), 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.

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

### 34.5 Price risk (Continued)

***Equity price risk*** (Continued)

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

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **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%** | **335** | **335** | 30% | 8,209 | 8,209 |
| Hong Kong market | **(30%)** | **(335)** | **(335)** | (30%) | (8,209) | (8,209) |
| PRC market | **30%** | **828** | **828** | 30% | 990 | 990 |
| PRC market | **(30%)** | **(828)** | **(828)** | (30%) | (990) | (990) |

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 2017.

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 22). 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 March 2018

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

### 34.6 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 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Trade payables | **3,366** | **8,135** | **—** | **11,501** | **11,501** |
| Other payables and accruals | **7,283** | **3,062** | **144** | **10,489** | **10,489** |
| Gold loan | **—** | **19,943** | **—** | **19,943** | **19,805** |
| Bank loans | **—** | **68,491** | **—** | **68,491** | **68,000** |
| | **10,649** | **99,631** | **144** | **110,424** | **109,795** |
| 2017 | | | | | |
| 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 |
| | 7,820 | 102,575 | 75 | 110,470 | 109,819 |

### 34.7 Fair value measurements

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| **Financial asset at fair value through profit or loss** | | |
| Investments at fair value through profit or loss | **3,877** | 30,662 |
| **Financial liability at fair value through profit or loss** | | |
| Gold loan | **19,805** | 18,439 |

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.

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

### 34.7 Fair value measurements (Continued)

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.

## 35. 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:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Equity capital** | | |
| Total capital and reserves | **631,297** | 653,051 |
| **Overall financing** | | |
| Gold loan | **19,805** | 18,439 |
| Bank loans | **68,000** | 78,000 |
| | **87,805** | 96,439 |
| **Equity capital-to-overall financing ratio** | **7.19 : 1** | 6.77 : 1 |

# 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, Hunghom, Kowloon, Hong Kong | The remaining portion of section H of Kowloon Marine Lot No. 40 | 4,436 | 99.05% | C | Medium |
| Private Car Parking Space Nos. G10 & G33 on Ground Floor, Kaiser Estate 2nd Phase, Nos. 47–53 Man Yue Street & Nos. 20-28 Man Lok Street, Hunghom, Kowloon, Hong Kong | The remaining portion of section H of Kowloon Marine Lot No. 40 | N/A | 99.05% | CP | Medium |

C: Commercial

CP: Carpark

N/A: Not applicable

# Five Year Financial Summary

| | **2018** | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Assets and liabilities** | | | | | |
| Total assets | **747,769** | 770,631 | 891,577 | 907,119 | 1,139,672 |
| Total liabilities | **116,472** | 117,580 | 151,807 | 199,531 | 282,357 |
| Current assets/current liabilities (times) | **6.38** | 6.52 | 5.82 | 4.49 | 3.94 |
| **Capital and reserves** | | | | | |
| Capital and reserves | **631,297** | 653,051 | 739,770 | 707,588 | 857,315 |
| Capital and reserves per share (HK$) | **0.69** | 0.71 | 0.81 | 1.08 | 1.31 |
| Total assets/capital and reserves (times) | **1.18** | 1.18 | 1.21 | 1.28 | 1.33 |
| **Loss** | | | | | |
| Loss before taxation | **(22,741)** | (82,794) | (120,460) | (150,994) | (130,786) |
| Loss attributable to the owners | **(22,737)** | (85,987) | (119,172) | (149,251) | (131,229) |
| Loss per share (HK cents) | **(2.49)** | (9.41) | (14.93) | (22.87) | (21.80) |
| Return on average total assets | **(3.0%)** | (10.3%) | (13.3%) | (14.6%) | (10.8%) |
| Return on average capital and reserves | **(3.5%)** | (12.3%) | (16.5%) | (19.1%) | (15.2%) |
| **Dividend** | | | | | |
| Dividend paid | **—** | — | — | — | — |
| Dividend per share (HK cent) | **—** | — | — | — | — |
| Dividend paid cover (times) | **—** | — | — | — | — |


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