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# king fook holdings limited

## 景福集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 280)

### GROUP RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

The Board of Directors (the “Board”) of King Fook Holdings Limited (the “Company”) announces that the audited consolidated loss of the Company and its subsidiaries (the “Group”) attributable to the shareholders of the Company for the financial year ended 31 March 2016 amounted to HK\$119,172,000.

#### CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 March	
		2016 HK\$'000	2015 HK\$'000 (Re-presented)
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	5	<b>612,271</b>	838,949
Cost of sales		<b>(471,010)</b>	(665,406)
<b>Gross profit</b>		<b>141,261</b>	173,543
Other operating income		<b>2,266</b>	10,830
Distribution and selling costs		<b>(192,121)</b>	(262,727)
Administrative expenses		<b>(48,904)</b>	(61,076)
Other operating expenses		<b>(18,337)</b>	(7,285)
<b>Operating loss</b>		<b>(115,835)</b>	(146,715)
Finance costs		<b>(4,307)</b>	(5,321)
<b>Loss before taxation</b>	6	<b>(120,142)</b>	(152,036)
Taxation	7	<b>1,267</b>	1,737
<b>Loss for the year from continuing operations</b>		<b>(118,875)</b>	(150,299)
<b>DISCONTINUED OPERATION</b>			
(Loss)/profit for the year from discontinued operation	8	<b>(318)</b>	1,042
<b>Loss for the year</b>		<b>(119,193)</b>	(149,257)

## CONSOLIDATED INCOME STATEMENT (Continued)

	<i>Note</i>	Year ended 31 March	
		2016 HK\$'000	2015 HK\$'000 (Re-presented)
<b>(Loss)/profit for the year attributable to:</b>			
Shareholders of the Company			
Continuing operations		(118,854)	(150,293)
Discontinued operation		(318)	1,042
		<u>(119,172)</u>	<u>(149,251)</u>
Minority interests		(21)	(6)
		<u>(119,193)</u>	<u>(149,257)</u>
		<b>HK cent</b>	<b>HK cent</b>
<b>Loss per share for loss attributable to the shareholders of the Company for the year</b>			
- Basic and diluted	9		
Continuing and discontinued operations		<u>(14.93)</u>	<u>(22.87)</u>
Continuing operations		<u>(14.89)</u>	<u>(23.03)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March	
	2016 HK\$'000	2015 HK\$'000
<b>Loss for the year</b>	<u>(119,193)</u>	<u>(149,257)</u>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of available-for-sale investments	-	3,589
Reclassification adjustment upon disposal of available-for-sale investments	-	(4,717)
Exchange differences on translation	<u>(958)</u>	<u>658</u>
<b>Other comprehensive income for the year</b>	<u>(958)</u>	<u>(470)</u>
<b>Total comprehensive income for the year</b>	<u>(120,151)</u>	<u>(149,727)</u>
<b>Total comprehensive income for the year attributable to:</b>		
Shareholders of the Company	<u>(120,130)</u>	<u>(149,721)</u>
Minority interests	<u>(21)</u>	<u>(6)</u>
	<u>(120,151)</u>	<u>(149,727)</u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31 March	
		2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,506	8,203
Investment properties		626	658
Available-for-sale investments		864	952
Deferred tax assets		3,198	1,928
Other assets		-	396
		<u>9,194</u>	<u>12,137</u>
<b>Current assets</b>			
Inventories		698,816	715,088
Debtors, deposits and prepayments	10	53,889	60,882
Investments at fair value through profit or loss		24,577	1,192
Tax recoverable		-	32
Cash and cash equivalents		105,101	117,788
		<u>882,383</u>	<u>894,982</u>
<b>Current liabilities</b>			
Creditors, deposits received, accruals and deferred income	11	28,529	34,351
Tax payable		7	9
Gold loan, unsecured		18,172	17,559
Bank loans		105,000	147,500
		<u>151,708</u>	<u>199,419</u>
<b>Net current assets</b>		<u>730,675</u>	<u>695,563</u>
<b>Total assets less current liabilities</b>		<u>739,869</u>	<u>707,700</u>
<b>Non-current liability</b>			
Provision for long service payments		99	112
<b>Net assets</b>		<u>739,770</u>	<u>707,588</u>
<b>CAPITAL AND RESERVES</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	12	393,354	241,021
Other reserves		35,244	36,202
Retained profits		311,060	430,232
		<u>739,658</u>	<u>707,455</u>
<b>Minority interests</b>		<u>112</u>	<u>133</u>
		<u>739,770</u>	<u>707,588</u>

Note:

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

During the year, the Group decided to focus its resources on its continuing operations and had ceased operation of its construction services. This business segment is presented as discontinued operation in accordance with Hong Kong Financial Reporting Standard 5, *Non-current Assets Held for Sale and Discontinued Operations* (“HKFRS 5”). Certain comparatives on the consolidated income statement and the related notes have been re-presented as a result of the retrospective application of HKFRS 5. Details of the discontinued operation are set out in note 8.

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

The consolidated financial statements 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 of Hong Kong Limited (the “Listing Rules”) and have been prepared in compliance with the Hong Kong Companies Ordinance.

## 2. ADOPTION OF AMENDMENTS TO HKFRSs

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

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

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

## 3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised HKFRSs have been issued but are not yet effective and have not been early adopted by the Group:

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

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

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

<sup>4</sup> Effective date for annual periods beginning on or after a date to be determined

### **3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE**

(Continued)

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

### **4. SEGMENT INFORMATION**

The Group's reporting segments are as follows:

#### Continuing operations

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

#### Discontinued operation

- (c) Construction services

#### 4. SEGMENT INFORMATION (Continued)

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

#### 4. SEGMENT INFORMATION (Continued)

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

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



#### 4. SEGMENT INFORMATION (Continued)

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

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

#### 5. REVENUE

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

	Year ended 31 March	
	2016 HK\$'000	2015 HK\$'000 (Re-presented)
<b>Continuing operations</b>		
Gold ornament, jewellery, watch, fashion and gift retailing	592,248	817,617
Bullion trading	8,289	10,083
Diamond wholesaling	3,631	4,510
Income from provision of travel related products and services	8,103	6,739
Total revenue from continuing operations	612,271	838,949
<b>Discontinued operation</b>		
Revenue on construction contracts	-	3,314
Total revenue	612,271	842,263

## 6. LOSS BEFORE TAXATION

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

	<b>Year ended 31 March</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
		(Re-presented)
<b>Continuing operations</b>		
Auditors' remuneration	752	750
Cost of inventories sold, including	<b>478,486</b>	667,534
- provision for and write down of inventories to net realisable value	<b>15,398</b>	13,854
- reversal of provision for and write down of inventories to net realisable value*	<b>(2,225)</b>	(7,916)
Depreciation of property, plant and equipment	<b>4,406</b>	10,738
Depreciation of investment properties	<b>32</b>	33
Directly write off of debtors	-	15
Directly write off of other receivables	-	57
Dividend income	<b>(59)</b>	(97)
Fair value change of investments at fair value through profit or loss	<b>10,571</b>	(2,369)
Foreign exchange differences, net	<b>(233)</b>	(890)
Gain on disposal of available-for-sale investments	-	(4,717)
Interest income from financial assets at amortised cost	<b>(275)</b>	(270)
Loss on write off/disposal of property, plant and equipment	<b>217</b>	5,713
Loss on write off of investments at fair value through profit or loss	-	19
Operating lease charges in respect of properties	<b>130,071</b>	173,642
Operating lease charges in respect of furniture and fixtures	<b>627</b>	647
Outgoings in respect of investment properties	<b>89</b>	80
Provision for impairment loss of available-for-sale investments	<b>88</b>	-
Provision for impairment loss of property, plant and equipment	<b>7,461</b>	1,500
Provision for long service payments		
- provided against the account	-	19
- reversal of provision	<b>(13)</b>	(162)
Rental income		
- owned properties	<b>(658)</b>	(622)
- operating sub-leases	<b>(3)</b>	-
Reversal of provision for impairment loss of other receivables	<b>(973)</b>	(88)

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

## 7. TAXATION

No Hong Kong profits tax has been provided for the year as the Group has no estimated assessable profit (2015: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation credited to the consolidated income statement represents:

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

## 8. DISCONTINUED OPERATION

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

The results of the construction services segment were as follows:

	Year ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Income	26	3,477
Expenses	(344)	(2,435)
(Loss)/profit before taxation	(318)	1,042
Taxation	-	-
(Loss)/profit for the year	(318)	1,042

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

	Year ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Operating and total cash flows	(188)	(899)

## 9. LOSS PER SHARE

### Continuing and discontinued operations

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

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

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

### Continuing operations

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

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

### Discontinued operation

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

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

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2016 HK\$'000	2015 HK\$'000
Trade debtors	2,862	5,451
Other receivables	13,981	14,013
Deposits and prepayments	37,046	41,418
	<u>53,889</u>	<u>60,882</u>

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

The ageing analysis of trade debtors, based on the invoice dates, was as follows:

	As at 31 March	
	2016 HK\$'000	2015 HK\$'000
Within 30 days	1,782	2,337
31 - 90 days	191	324
More than 90 days	889	2,790
	<u>2,862</u>	<u>5,451</u>

Trade debtors were normally due within 1 month.

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

	As at 31 March	
	2016 HK\$'000	2015 HK\$'000
Trade payables	9,502	15,151
Other payables and accruals	11,237	11,758
Deposits received and deferred income	7,790	6,767
Other provision	-	675
	<u>28,529</u>	<u>34,351</u>

The ageing analysis of trade payables, based on the invoice dates, was as follows:

	As at 31 March	
	2016 HK\$'000	2015 HK\$'000
Within 30 days	4,310	9,820
31 - 90 days	2,309	1,630
More than 90 days	2,883	3,701
	<u>9,502</u>	<u>15,151</u>

## 12. SHARE CAPITAL

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

## DIVIDEND

The Board of the Company has resolved not to recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil) to shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overall Group Results**

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

The Group's consolidated loss attributable to the shareholders of the Company from continuing operations for the year ended 31 March 2016 decreased by 20.9% to HK\$118,854,000 as compared with HK\$150,293,000 for the previous year. The loss per share from continuing operations was HK14.93 cents (2015: HK22.87 cents).

### **Business Review**

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

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

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

### **Future Outlook**

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

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

### **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.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions of the Corporate Governance Code (the “Code”) set out in appendix 14 to the Listing Rules throughout the year except the deviations as explained below:

### ***Code provision A.4.1***

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 three 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***

The Company has not established a nomination committee. In view of the current structure of the Board and the business operations of 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***

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

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company has reviewed with the management of the Group the accounting policies and practices adopted by the Group, its internal control and financial reporting matters including review of the results for the year ended 31 March 2016.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in this preliminary announcement in respect of the Group’s results for the year ended 31 March 2016 have been reviewed and agreed by the Group’s auditor, BDO Limited (“BDO”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on this preliminary announcement.

## **DISCLOSURE UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

The financial information of the Group relating to the two years ended 31 March 2016 included in this preliminary announcement of the annual results for the year ended 31 March 2016 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 March 2016 in due course.

The Company’s auditor has reported on those financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

By order of the Board  
**Yeung Ping Leung, Howard**  
Chairman

Hong Kong, 24 June 2016

As at the date of this announcement, the executive directors of the Company are Mr. Yeung Ping Leung, Howard, Mr. Yeung Bing Kin, Alan, Mr. Tang Yat Sun, Richard and Mr. Cheng Ka On, Dominic; the non-executive directors are Mr. Wong Wei Ping, Martin and Dr. Fung Yuk Bun, Patrick; and the independent non-executive directors are Mr. Lau To Yee, Mr. Cheng Kar Shing, Peter, Mr. Ho Hau Hay, Hamilton, Mr. Sin Nga Yan, Benedict and Mr. Cheng Kwok Shing, Anthony.