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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 2018

The Board of Directors (the “Board”) of King Fook Holdings Limited (the “Company”) announces the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the financial year ended 31 March 2018 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2018	2017
	Notes	HK\$'000	HK\$'000
Revenue	5	517,642	401,340
Cost of sales		<u>(395,126)</u>	<u>(305,588)</u>
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		<u>(116)</u>	<u>(278)</u>
Operating loss		(19,165)	(79,174)
Finance costs		<u>(3,576)</u>	<u>(3,620)</u>
Loss before taxation	6	(22,741)	(82,794)
Taxation	7	<u>-</u>	<u>(3,198)</u>
Loss for the year		<u>(22,741)</u>	<u>(85,992)</u>
Other comprehensive income, after tax, items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		<u>987</u>	<u>(727)</u>
Total comprehensive income for the year		<u>(21,754)</u>	<u>(86,719)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

		Year ended 31 March	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
Loss for the year attributable to:			
– Owners of the Company		(22,737)	(85,987)
– Non-controlling interests		(4)	(5)
		<u>(22,741)</u>	<u>(85,992)</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		(21,750)	(86,714)
– Non-controlling interests		(4)	(5)
		<u>(21,754)</u>	<u>(86,719)</u>
Loss per share			
– Basic and diluted	8	<u>(2.49)</u>	<u>(9.41)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 March	
		2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,094	3,294
Investment properties		562	594
Available-for-sale investments		805	837
		4,461	4,725
		4,461	4,725
Current assets			
Inventories		508,408	587,871
Debtors, deposits and prepayments	9	31,441	40,215
Investments at fair value through profit or loss		3,877	30,662
Cash and cash equivalents		199,582	107,158
		743,308	765,906
		743,308	765,906
Total assets		747,769	770,631
Current liabilities			
Creditors, deposits received, accruals and deferred income	10	28,632	21,045
Gold loan		19,805	18,439
Bank loans		68,000	78,000
		116,437	117,484
		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		35	96
		35	96
		35	96
Net assets		631,297	653,051
CAPITAL AND RESERVES			
Share capital		393,354	393,354
Other reserves		35,504	34,517
Retained profits		202,336	225,073
		631,194	652,944
Equity attributable to the owners of the Company		631,194	652,944
Non-controlling interests		103	107
		103	107
Total equity		631,297	653,051

Notes:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 (the "Directors") consider the ultimate holding company to be Yeung Chi Shing Estates Limited, a company incorporated in Hong Kong.

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 (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 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.

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.

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 Associate 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 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 are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. Those new or revised HKFRSs that are expected to have a material impact on the Group's consolidated financial statements are set out below.

HKFRS 9: *Financial Instruments*

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

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

(Continued)

HKFRS 9: *Financial Instruments* (Continued)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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.

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.

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE (Continued)

HKFRS 15: *Revenue from Contracts with Customers* (Continued)

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 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.

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.

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.

4. SEGMENT INFORMATION

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 People's Republic of China
- (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.

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:

	Year ended 31 March	
	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
	<hr/>	<hr/>
Total revenue	517,642	401,340
	<hr/> <hr/>	<hr/> <hr/>

6. LOSS BEFORE TAXATION

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

	Year ended 31 March	
	2018	2017
	HK\$'000	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.

7. 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:

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Deferred tax		
– Hong Kong		
Current year	-	3,198
Taxation charge	-	3,198

8. 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.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Trade debtors	4,856	3,373
Other receivables	5,751	4,632
Deposits and prepayments	20,834	32,210
	<u>31,441</u>	<u>40,215</u>

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

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Within 30 days	4,801	3,353
31 – 90 days	55	20
	<u>4,856</u>	<u>3,373</u>

10. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Trade payables	11,501	5,719
Other payables and accruals	10,489	7,661
Deposits received and deferred income	6,642	7,665
	<u>28,632</u>	<u>21,045</u>

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

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Within 30 days	8,475	2,810
31 – 90 days	25	276
More than 90 days	3,001	2,633
	<u>11,501</u>	<u>5,719</u>

DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Group Results Overview

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.

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 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

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 should be involved in performing the duties set out in such code provisions.

Code provision D.1.4

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 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 system of risk management and internal control and financial reporting matters including review of the results for the year ended 31 March 2018.

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 2018 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 2 years ended 31 March 2017 and 2018 respectively included in this preliminary announcement of the annual results for the year ended 31 March 2018 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 financial statements for the year ended 31 March 2017 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 financial statements for the year ended 31 March 2018 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.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the rights to attend and vote at the forthcoming annual general meeting of the Company, 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.

By order of the Board
Tang Yat Sun, Richard
Chairman

Hong Kong, 22 June 2018

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