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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 31ST MARCH, 2014

The Board of Directors 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 31st March, 2014 amounted to HK\$131,229,000.

CONSOLIDATED INCOME STATEMENT

		Year ended 31st March,	
		2014	2013
	Note	HK\$'000	HK\$'000
			(Re-presented)
CONTINUING OPERATIONS			
Revenue	5	1,163,733	1,245,914
Cost of sales		<u>(887,961)</u>	<u>(916,619)</u>
Gross profit		275,772	329,295
Other operating income		4,025	175,742
Distribution and selling costs		(325,885)	(345,731)
Administrative expenses		(72,976)	(84,083)
Other operating expenses		<u>(674)</u>	<u>(11,750)</u>
Operating (loss)/profit		(119,738)	63,473
Finance costs		<u>(7,422)</u>	<u>(9,337)</u>
(Loss)/profit before taxation	6	(127,160)	54,136
Taxation	7	<u>(446)</u>	<u>27</u>
(Loss)/profit for the year from continuing operations		(127,606)	54,163
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	8	<u>(3,626)</u>	<u>(5,076)</u>
(Loss)/profit for the year		<u>(131,232)</u>	<u>49,087</u>

CONSOLIDATED INCOME STATEMENT (Continued)

		Year ended 31st March,	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
			(Re-presented)
(Loss)/profit for the year attributable to:			
Shareholders of the Company			
Continuing operations		(127,603)	55,533
Discontinued operation		(3,626)	(5,076)
		(131,229)	50,457
Minority interests		(3)	(1,370)
		(131,232)	49,087
(Losses)/earnings per share for (loss)/profit attributable to the shareholders of the Company for the year			
	<i>10</i>		(Restated)
- Basic and diluted (HK cents)			
Continuing and discontinued operations		(21.8) cents	11.5 cents
Continuing operations		(21.2) cents	12.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31st March,	
	2014	2013
	HK\$'000	HK\$'000
(Loss)/profit for the year	(131,232)	49,087
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in fair value of available-for-sale investments	1,128	(17,109)
Reclassification adjustment upon disposal of available-for-sale investments	-	(72,702)
Reclassification adjustment upon impairment loss of available-for-sale investments	-	4,082
Exchange translation differences	(164)	(945)
Other comprehensive income for the year	964	(86,674)
Total comprehensive income for the year	(130,268)	(37,587)
Total comprehensive income for the year attributable to:		
Shareholders of the Company	(130,265)	(36,217)
Minority interests	(3)	(1,370)
	(130,268)	(37,587)

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 31st March, 2014 HK\$'000	As at 31st March, 2013 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		23,034	33,378
Investment properties		691	724
Available-for-sale investments		5,186	4,058
Other assets		396	2,196
		<u>29,307</u>	<u>40,356</u>
Current assets			
Inventories		884,791	1,036,757
Debtors, deposits and prepayments	11	94,556	128,565
Investments at fair value through profit or loss		8,208	12,830
Tax recoverable		32	2,857
Trust bank balances held on behalf of clients		144	1,040
Cash and cash equivalents		122,634	74,176
		<u>1,110,365</u>	<u>1,256,225</u>
Current liabilities			
Creditors, deposits received, accruals and deferred income	12	56,207	110,439
Tax payable		6	5
Gold loans, unsecured		24,850	30,533
Bank loans		201,000	198,500
		<u>282,063</u>	<u>339,477</u>
Net current assets		<u>828,302</u>	<u>916,748</u>
Total assets less current liabilities		<u>857,609</u>	<u>957,104</u>
Non-current liabilities			
Bank loans		-	84,000
Provision for long service payments		294	199
		<u>294</u>	<u>84,199</u>
Net assets		<u>857,315</u>	<u>872,905</u>
CAPITAL AND RESERVES			
Capital and reserves attributable to the shareholders of the Company			
Share capital		241,021	108,768
Other reserves		36,672	53,283
Retained profits		579,483	710,712
		<u>857,176</u>	<u>872,763</u>
Minority interests		<u>139</u>	<u>142</u>
		<u>857,315</u>	<u>872,905</u>

Note:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

During the year, the Group had ceased its operation of securities broking, after sluggish transaction volumes and sustained losses incurred. This business segment is presented as discontinued operation in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) 5, *Non-current Assets Held for Sale and Discontinued Operations*, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). 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 financial statements have been prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. ADOPTION OF NEW/REVISED HKFRSs - EFFECTIVE 1ST APRIL, 2013

In the current year, the Group has applied for the first time the following new/revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1st April, 2013:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 13	Fair Value Measurement

The adoption of these new/revised HKFRSs has no significant impact on the Group’s 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 2010-2012 Cycle ³
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ²
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ¹
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Hedge Accounting ⁵
HKFRS 9	Financial Instruments ⁵
HKFRS 14	Regulatory Deferral Accounts ⁴
HK(IFRIC) 21	Levies ¹

¹ Effective for annual periods beginning on or after 1st January, 2014

² Effective for annual periods beginning on or after 1st July, 2014

³ Effective for annual periods beginning, or transactions occurring, on or after 1st July, 2014

⁴ Effective for annual periods beginning on or after 1st January, 2016

⁵ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the potential impact of adopting the above new, revised or amended standards and interpretations to the Group. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

The Group's reporting segments are as follows:

- (a) Retailing, bullion trading and diamond wholesaling
- (b) Securities broking
- (c) Construction services
- (d) All others

	Continuing operations					Discontinued operation	Total HK\$'000
	Retailing, bullion trading and diamond wholesaling HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter- segment elimination HK\$'000	Sub-total HK\$'000	Securities broking HK\$'000	
Year ended							
31st March, 2014							
Revenue							
From external customers	1,155,839	1,502	6,392	-	1,163,733	913	1,164,646
Inter-segment sales	-	-	5	(5)	-	-	-
Reportable segment revenue	<u>1,155,839</u>	<u>1,502</u>	<u>6,397</u>	<u>(5)</u>	<u>1,163,733</u>	<u>913</u>	<u>1,164,646</u>
Interest income	67	-	-	-	67	43	110
Finance costs	(13,811)	(1,159)	-	-	(14,970)	-	(14,970)
Depreciation	(17,465)	-	(33)	-	(17,498)	(3)	(17,501)
Provision for and write down of inventories to net realisable value	<u>(13,667)</u>	<u>(544)</u>	<u>-</u>	<u>-</u>	<u>(14,211)</u>	<u>-</u>	<u>(14,211)</u>
Reportable segment results	(122,679)	(7,679)	(675)	-	(131,033)	(3,626)	(134,659)
Corporate income					60,398		60,398
Corporate expenses					(58,358)		(58,358)
Dividend income					186		186
Fair value change of investments at fair value through profit or loss					<u>1,647</u>		<u>1,647</u>
Loss before taxation					<u>(127,160)</u>		<u>(130,786)</u>
At 31st March, 2014							
Reportable segment assets	1,016,612	4,106	5,523	-	1,026,241	5,149	1,031,390
Corporate assets							94,856
Available-for-sale investments							5,186
Investments at fair value through profit or loss							8,208
Tax recoverable							<u>32</u>
Total assets per consolidated balance sheet							<u>1,139,672</u>
Reportable segment liabilities	69,875	3,331	4,542	-	77,748	282	78,030
Corporate liabilities							3,321
Bank loans							201,000
Tax payable							<u>6</u>
Total liabilities per consolidated balance sheet							<u>282,357</u>

4. SEGMENT INFORMATION (Continued)

	Continuing operations					Discontinued operation	
	Retailing, bullion trading and diamond wholesaling HK\$'000	Construction services HK\$'000	All others HK\$'000	Inter-segment elimination HK\$'000	Sub-total HK\$'000 (Re-presented)	Securities broking HK\$'000 (Re-presented)	Total HK\$'000 (Re-presented)
Year ended 31st March, 2013							
Revenue							
From external customers	1,226,827	10,202	8,885	-	1,245,914	2,666	1,248,580
Inter-segment sales	-	205	4	(209)	-	-	-
Reportable segment revenue	<u>1,226,827</u>	<u>10,407</u>	<u>8,889</u>	<u>(209)</u>	<u>1,245,914</u>	<u>2,666</u>	<u>1,248,580</u>
Interest income	69	2	1	-	72	54	126
Finance costs	(16,960)	(1,060)	-	-	(18,020)	-	(18,020)
Depreciation	(21,400)	(644)	(37)	-	(22,081)	(206)	(22,287)
Provision for and write down of inventories to net realisable value	(8,425)	-	-	-	(8,425)	-	(8,425)
Provision for impairment losses of property, plant and equipment	-	(1,788)	-	-	(1,788)	(403)	(2,191)
Provision for impairment losses of other receivables	<u>(6,458)</u>	<u>(240)</u>	<u>-</u>	<u>-</u>	<u>(6,698)</u>	<u>-</u>	<u>(6,698)</u>
Reportable segment results	(102,611)	(15,729)	4,252	-	(114,088)	(5,076)	(119,164)
Corporate income					69,581		69,581
Corporate expenses					(67,355)		(67,355)
Dividend income					1,690		1,690
Fair value change of investments at fair value through profit or loss					150		150
Gain on disposal of available-for-sale investments					72,702		72,702
Gain on disposal of a leasehold property					95,538		95,538
Provision for impairment loss of available-for-sale investments					<u>(4,082)</u>		<u>(4,082)</u>
Profit before taxation					<u>54,136</u>		<u>49,060</u>
At 31st March, 2013							
Reportable segment assets	1,189,079	12,752	8,038	-	1,209,869	19,915	1,229,784
Corporate assets							47,052
Available-for-sale investments							4,058
Investments at fair value through profit or loss							12,830
Tax recoverable							<u>2,857</u>
Total assets per consolidated balance sheet							<u>1,296,581</u>
Reportable segment liabilities	107,163	8,852	7,174	-	123,189	6,845	130,034
Corporate liabilities							11,137
Bank loans							282,500
Tax payable							<u>5</u>
Total liabilities per consolidated balance sheet							<u>423,676</u>

4. SEGMENT INFORMATION (Continued)

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

For the years ended 31st March, 2013 and 2014, the Group did not have a concentration of reliance on any single customer under each of the segments.

5. REVENUE

The Group is principally engaged in gold ornament, jewellery, watch, fashion and gift retailing, bullion trading, securities broking and diamond wholesaling. Revenue, which includes the Group's turnover and other revenue, recognised during the year comprised the following:

	Year ended 31st March,	
	2014 HK\$'000	2013 HK\$'000 (Re-presented)
CONTINUING OPERATIONS		
Turnover		
Gold ornament, jewellery, watch, fashion and gift retailing	1,132,248	1,204,065
Bullion trading	15,611	16,675
Diamond wholesaling	7,980	6,087
	<u>1,155,839</u>	<u>1,226,827</u>
Other revenue		
Revenue on construction contracts	1,502	10,202
Income from provision of travel related products and services	6,392	8,885
	<u>7,894</u>	<u>19,087</u>
	1,163,733	1,245,914
DISCONTINUED OPERATION		
Turnover		
Commission from securities broking	913	2,666
Total revenue	<u>1,164,646</u>	<u>1,248,580</u>

6. (LOSS)/PROFIT BEFORE TAXATION

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

	Year ended 31st March,	
	2014 HK\$'000	2013 HK\$'000 (Re-presented)
Continuing operations		
Charging:		
Auditors' remuneration		
- provision for the current year	840	852
Cost of inventories sold, including	889,988	924,316
- provision for and write down of inventories to net realisable value	14,211	8,425
- reversal of provision for and write down of inventories to net realisable value	(5,863)	(6,653)
Depreciation of property, plant and equipment	18,352	22,998
Depreciation of investment properties	33	33
Loss on write off/disposal of property, plant and equipment	610	-
Operating lease charges in respect of properties	206,882	219,053
Operating lease charges in respect of furniture and fixtures	644	642
Outgoings in respect of investment properties	72	60
Provision for impairment losses of available-for-sale investments		
- provided against allowance account	-	4,082
- reversal of provision	(191)	(2,693)
Provision for impairment losses of debtors		
- provided against allowance account	-	15
- reversal of provision	(53)	(1,470)
Provision for impairment losses of other receivables		
- provided against allowance account	-	6,698
Provision for impairment losses of property, plant and equipment	-	1,788
Provision for long service payments		
- provided against the account	133	67
- reversal of provision	(17)	(105)
Write off of debtors	64	215
Write off of other receivables	-	422
	<u> </u>	<u> </u>
Crediting:		
Dividend income	186	1,690
Fair value change of investments at fair value through profit or loss	1,647	150
Foreign exchange gain, net	75	2,095
Gain on disposal of available-for-sale investments	-	72,702
Gain on disposal of property, plant and equipment	-	95,135
Interest income from financial assets at amortised cost	327	291
Rental income		
- owned properties	610	559
- operating sub-leases	6	58
	<u> </u>	<u> </u>

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

7. TAXATION

No Hong Kong profits tax has been provided for the year as the Group has no estimated assessable profit (2013: 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 charged/(credited) to the consolidated income statement represents:

	Year ended 31st March,	
	2014 HK\$'000	2013 HK\$'000 (Re-presented)
Continuing operations		
Current tax		
- Hong Kong		
Under provision of prior years	-	193
- Overseas		
Current year	446	23
Deferred tax		
- Hong Kong		
Current year	-	(243)
Taxation charge/(credit)	<u>446</u>	<u>(27)</u>

8. DISCONTINUED OPERATION

By the end of July 2013, the business of securities broking operated by two subsidiaries of the Company, King Fook Securities Company Limited and King Fook Commodities Company Limited, had been ceased as mentioned in note 1. This business segment is presented as discontinued operation in accordance with HKFRS 5 accordingly.

The results of the securities broking segment were as follows:

	Year ended 31st March,	
	2014 HK\$'000	2013 HK\$'000
Income	1,137	3,000
Expenses	<u>(4,763)</u>	<u>(8,076)</u>
Loss before taxation	(3,626)	(5,076)
Taxation	<u>-</u>	<u>-</u>
Loss for the year	<u>(3,626)</u>	<u>(5,076)</u>

8. DISCONTINUED OPERATION (Continued)

The cash flows of the securities broking segment were as follows:

	Year ended 31st March,	
	2014	2013
	HK\$'000	HK\$'000
Operating cash flows	(10,805)	5,938
Investing cash flows	<u>4,959</u>	<u>(185)</u>
Total cash flows	<u><u>(5,846)</u></u>	<u><u>5,753</u></u>

9. DIVIDENDS

(a) Dividends attributable to the year

	Year ended 31st March,	
	2014	2013
	HK\$'000	HK\$'000
No interim dividend declared (2013: HK0.05 cent per ordinary share)	-	218
No final dividend (2013: Nil)	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>218</u></u>

At a meeting held on 23rd November, 2012, the directors declared an interim dividend of HK0.05 cent per ordinary share for the year ended 31st March, 2013. This interim dividend was paid on 8th January, 2013 and was reflected as an appropriation of retained profits for the year ended 31st March, 2013.

At a meeting held on 28th June, 2013, the directors resolved not to recommend a final dividend for the year ended 31st March, 2013.

At a meeting held on 29th November, 2013, the directors resolved not to declare an interim dividend for the year ended 31st March, 2014.

At a meeting held on 27th June, 2014, the directors resolved not to recommend a final dividend for the year ended 31st March, 2014.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	Year ended 31st March,	
	2014	2013
	HK\$'000	HK\$'000
No final dividend for 2013 (2013: 2012 final dividend of HK0.7 cent per ordinary share)	<u>-</u>	<u>3,046</u>

10. (LOSSES)/EARNINGS PER SHARE

Continuing and discontinued operations

The calculation of basic (losses)/earnings per share is based on the loss attributable to the shareholders of the Company of HK\$131,229,000 (2013: profit of HK\$50,457,000) and on the weighted average number of 601,401,831 (2013: 440,220,427 (restated)) ordinary shares in issue during the year. The weighted average number of ordinary shares adopted in calculation of the basic earnings/(losses) per share for the years ended 31st March, 2013 and 2014 have been adjusted to reflect the impact of the rights issue on 28th June, 2013.

Diluted earnings/(losses) per share for the years ended 31st March, 2013 and 2014 are the same as the basic earnings/(losses) per share as there were no dilutive potential ordinary shares during the years.

Continuing operations

The calculation of basic (losses)/earnings per share from continuing operations attributable to the shareholders of the Company is based on the following data:

	Year ended 31st March,	
	2014	2013
	HK\$'000	HK\$'000
		(Re-presented)
(Loss)/profit for the year	(131,229)	50,457
Less: Loss for the year from discontinued operation	<u>3,626</u>	<u>5,076</u>
(Loss)/profit for the purpose of basic (losses)/earnings per share from continuing operations	<u><u>(127,603)</u></u>	<u><u>55,533</u></u>

The denominators used are the same as those detailed above for basic (losses)/earnings per share.

Discontinued operation

Basic losses per share for the discontinued operation attributable to the shareholders of the Company is HK0.6 cent (2013: HK1.1 cents), based on the loss for the year from the discontinued operation of HK\$3,626,000 (2013: HK\$5,076,000) and the denominators detailed above for basic (losses)/earnings per share.

Diluted losses per share from discontinued operation for the years ended 31st March, 2013 and 2014 are the same as the basic losses per share as there were no dilutive potential ordinary shares during the years.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	As at 31st March,	
	2014	2013
	HK\$'000	HK\$'000
Trade debtors	17,998	43,690
Other receivables	23,332	27,736
Deposits and prepayments	<u>53,226</u>	<u>57,139</u>
	<u><u>94,556</u></u>	<u><u>128,565</u></u>

11. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

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

	As at 31st March,	
	2014 HK\$'000	2013 HK\$'000
Within 30 days	12,401	32,723
31 - 90 days	420	344
More than 90 days	5,177	10,623
	<u>17,998</u>	<u>43,690</u>

As at 31st March, 2014, there were no receivables from customers of the securities broking business included in trade debtors (2013: HK\$5,711,000). The credit terms of receivables of securities broking business in prior year were in accordance with the securities broking industry practice. The remaining balance of trade debtors was normally due within three months.

12. CREDITORS, DEPOSITS RECEIVED, ACCRUALS AND DEFERRED INCOME

	Note	As at 31st March,	
		2014 HK\$'000	2013 HK\$'000
Trade payables	(a)	24,198	51,585
Other payables and accruals	(b)	25,296	49,546
Deposits received and deferred income		6,038	8,633
Other provision		675	675
		<u>56,207</u>	<u>110,439</u>

Note:

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

	As at 31st March,	
	2014 HK\$'000	2013 HK\$'000
Within 30 days	13,546	38,699
31 - 90 days	5,269	6,414
More than 90 days	5,383	6,472
	<u>24,198</u>	<u>51,585</u>

(b) Included in other payables, there was an amount of approximately HK\$144,000 (2013: HK\$1,040,000) in respect of the clients' undrawn monies which arose from securities broking transactions. The amount is repayable on demand.

DIVIDEND

The Board of Directors of the Company (the "Board") has resolved not to recommend the payment of a final dividend for the year ended 31st March, 2014 (2013: Nil) to shareholders.

BUSINESS REVIEW

The retailing business of the Group recorded a turnover of HK\$1,132,248,000 for the year ended 31st March, 2014 which represented a decrease of 6% from the previous year. The decrease was mainly attributable to the continuous downturn of the luxury goods retail market, caused by the slowdown of Mainland China's economic growth, the anti-corruption campaign and the credit tightening policies of the Chinese Government. In order to attract customers and stimulate the turnover in this challenging climate, the Group launched various promotional events by offering more aggressive discount which in return had resulted in lower gross profit margin. The gross profit margin declined from 26.4% in previous year to 23.7% this year.

Commission income from the securities broking business decreased significantly by 65.8% to HK\$913,000 from previous year as the Group had applied for cessation of its securities broking business (the "Discontinued Operation") with effect from 31st July, 2013 in view of the losses suffered by this business. The projects which caused substantial loss to the construction services operation since the financial year ended 31st March, 2012 are nearly completed and revenue on construction contracts for the year dropped by 85.3% to HK\$1,502,000. Turnover of bullion trading was fairly stable at HK\$15,611,000 as compared with the previous year.

During the year, the Group had closed two *Masterpiece by king fook* shops in Mainland China (in Suzhou and Shanghai respectively) with unsatisfactory performance. The Group had consolidated the floor areas of its retail shops in Hong Kong at Windsor House (Causeway Bay), The One (Tsimshatusi) and Central Building (Central) in the first half of the year and will continue to do so for other shops in order to minimise operating expenses. The Group's consolidated loss attributable to the shareholders of the Company for the year from the continuing operations and the Discontinued Operation were about HK\$127,603,000 and HK\$3,626,000 respectively, as compared with the consolidated profit of about HK\$55,533,000 and the consolidated loss of about HK\$5,076,000 respectively for the previous year as the Group had disposed of a real estate property and available-for-sale investments, mostly shares of Hong Kong Exchanges and Clearing Limited, with a gain of about HK\$95,538,000 and HK\$72,702,000 respectively in the previous year.

PROSPECTS

During the year under review, the Group's performance was impacted significantly by the decelerated customer spending momentum especially the demand for higher price luxury items, coupled with substantial increase in lease rentals of the Group's retail shops. The Group expects the sluggish market conditions will continue and the challenge to luxury goods industry is severe. Profit margins will remain tight as the retail rentals, salaries and other operating costs are expected to remain at a high level in the coming year.

Looking forward, the Group will improve its competitiveness by consolidating its continuing operations and shops and will look for new opportunities to cope with the existing market environment. We will endeavour to expand our exposure in Mainland China by introducing e-Commerce and the wholesale business of exclusive premium watches and a one-of-a-kind diamond. We will also try to launch various marketing activities and promotional events to expand our customer base and closely monitor inventory at a reasonable level. The management will continue to take stringent cost control measures and improve operating efficiency by streamlining the operations and optimise internal resources.

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 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, with 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 meetings of the Company at least once every three years in accordance with the Articles of Association of the Company.

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 31st March, 2014.

SCOPE OF WORK OF BDO LIMITED

The figures in this preliminary announcement in respect of the Group’s results for the year ended 31st March, 2014 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on this preliminary announcement.

By order of the Board
Yeung Ping Leung, Howard
Chairman

Hong Kong, 27th June, 2014

As at the date of this announcement, the executive directors of the Company are Mr. Yeung Ping Leung, Howard, Mr. Tang Yat Sun, Richard, Mr. Cheng Ka On, Dominic, Mr. Yeung Bing Kwong, Kenneth and Ms. Fung Chung Yee, Caroline; the non-executive director is Mr. Wong Wei Ping, Martin; 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.