



TERN PROPERTIES
COMPANY LIMITED

STOCK CODE: 277

2016

ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chan Hoi Sow

Chairman and Managing Director

Chan Yan Tin, Andrew

NON-EXECUTIVE DIRECTOR

Chan Yan Mei, Mary-ellen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Kwok Wai

Leung Kui King, Donald

Tse Lai Han, Henry

AUDIT COMMITTEE

Chan Kwok Wai

Chairman

Leung Kui King, Donald

Tse Lai Han, Henry

REMUNERATION COMMITTEE

Chan Kwok Wai

Chairman

Chan Yan Tin, Andrew

Tse Lai Han, Henry

NOMINATION COMMITTEE

Chan Kwok Wai

Chairman

Chan Yan Tin, Andrew

Tse Lai Han, Henry

PRINCIPAL BANKERS

Credit Suisse Group AG

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

Nanyang Commercial Bank, Ltd.

REGISTERED OFFICE

26th Floor, Tern Centre, Tower I

237 Queen's Road Central

Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre, 183 Queen's Road East

Wan Chai

Hong Kong

COMPANY SECRETARY

Huen Po Wah

AUDITOR

HLM CPA Limited

SOLICITORS

Woo, Kwan, Lee & Lo

WEBSITE

www.tern.hk

STOCK CODE

277

Chairman's Statement

I am pleased to present to shareholders of Tern Properties Company Limited (the "Company") the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016.

FINANCIAL RESULTS

The revenue of the Group for 2016 was HK\$104.8 million, an increase of 5.3% from last year. The rise was primarily attributable to high rents from renewals both in office and retail properties.

The loss attributable to the owners of the Company for the year was HK\$58.1 million. Such loss was mainly attributable by the unrealised loss due to the decrease in fair value of the Group's investment properties as a result of the recent slowdown in Hong Kong economy. Loss per share amounted to HK19 cents.

DIVIDEND

The Board of Directors of the Company has resolved to recommend a final dividend of HK3.2 cents per share for the year ended 31 March 2016. Together with the interim dividend of HK2.2 cents per share that have already been paid, the total dividends for the year will amount to HK5.4 cents per share. The proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Thursday, 11 August 2016, will be payable on Thursday, 25 August 2016 to the shareholders on the Register of Members of the Company on Friday, 19 August 2016.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement of the shareholders to attend and vote at the 2016 Annual General Meeting, the Register of Members of the Company will be closed from Tuesday, 9 August 2016 to Thursday, 11 August 2016, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to be eligible to attend and vote at the 2016 Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 8 August 2016.

Subject to the approval of the shareholders at the 2016 Annual General Meeting, the proposed final dividend will be payable to the shareholders whose names appear on the Register of Members of the Company on 19 August 2016. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 17 August 2016 to Friday, 19 August 2016, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 16 August 2016.

Chairman's Statement (Cont'd)

BUSINESS OUTLOOK

The continuous sliding of the Chinese and Hong Kong stock markets in the past months, the fall in oil and minerals prices, the financial uncertainties regarding the pace of increase in interest rate in the United States and the instabilities in the European economy have all posed negative impact to the global financial and investment markets.

Hong Kong's decade-long increase in property price ended in the last quarter of 2015 when the property market started to adjust downward. Number of inbound tourists also recorded a decrease for the first time; and the high-end retail industry remained in a phase of adjustment, which exerted pressure on the rental income from investment properties of the Group. However, thanks to the advantageous locations of the Group's investment properties, our trade mix is not centered on tenants undertaking high-end retail business or those targeting tourists. Therefore, our rental income from investment properties for the year was satisfactory.

The leasing market for 2016 is expected to be challenging. The Group will continue to closely monitor the changes in local consumption pattern, perfect its trade mix and alleviate the negative impact caused by economic slowdown on our rental income of investment properties.

As before, the Group will adhere to prudent financial policies and maintain a low gearing ratio, ample liquidity and a healthy interest coverage ratio to cope with the impact of uncertain factors. The Group will remain prudent and proactive, constantly keep an eye on Hong Kong and overseas property markets for potential acquisition targets, expand its investment property portfolio, improve profits and build shareholders' value.

APPRECIATION

I would like to take this opportunity to express my gratitude to the directors and shareholders for their continued support and trust, and to express my sincere thanks to all staff members for their dedication and hard work.

Chan Hoi Sow

Chairman & Managing Director

Hong Kong, 16 June 2016

Management Discussion and Analysis

INTRODUCTION

The core business of the Company and its associates consist of property investment and treasury investment. Details of major properties held by the Group is shown in pages 91 and 92 to the consolidated financial statements.

FINANCIAL HIGHLIGHTS

In millions of Hong Kong dollars except per share amounts

		2016	2015
For the year	Revenue	104.8	99.5
	(Loss) profit for the year attributable to owners of the Company	(58.1)	266.7
As at 31 March	Capital & reserves attributable to owners of the Company	3,680.3	3,751.9
	Shares in issue (thousands)	307,759	307,759
Ratio	Return before changes in fair value of investment properties on capital & reserves attributable to owners of the Company	2.2%	4.3%
Per Share	Net worth per share (HK\$)	11.96	12.19
	Basic (loss) earnings per share (HK cents)	(18.87)	86.67
	Final dividend declared per share (HK cents)	3.20	4.50

FINANCIAL REVIEW

FINANCIAL RESULTS

Revenue

The revenue of the Group for the year was HK\$104.8 million (2015: HK\$99.5 million), an increase of HK\$5.3 million. This was primarily due to:

- most of the Group's commercial shop and office properties continued to record increase in rental rates upon renewal; and
- the Group's rental portfolio continued at an average occupancy rate of 99.5% during the year

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company for the year was HK\$58.1 million (2015: profit of HK\$266.7 million).

The decrease in profit attributable to the owners of the Company was primarily due to decrease in fair value of investment properties of HK\$138.6 million upon revaluation at the year end. Besides, there was an one-off gain of HK\$67.8 million from the disposal of the residential property in High Cliff in last year.

Management Discussion and Analysis (Cont'd)

FINANCIAL REVIEW (CONT'D)

FINANCIAL RESULTS (CONT'D)

Loss per share and dividend per share

Loss per share for the year ended 31 March 2016 were HK18.87 cents (2015: earnings per share were HK86.67 cents), a decrease of HK105.54 cents from last year. The proposed final dividend of HK3.2 cents (2015: HK4.5 cents) per share will make a total distribution of interim dividend and final dividend of HK5.4 cents (2015: a total distribution of interim dividend, special interim dividend and final dividend of HK12.7 cents) per share for the full year, a decrease of HK7.3 cents from last year.

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2016, the Group's net current assets, including bank deposits and cash of HK\$47.9 million (2015: HK\$46.1 million) amounted to HK\$17.3 million (2015: HK\$231.0 million), a decrease of HK\$213.7 million from last year mainly contributed by an increase of long term investment in debt securities.

At 31 March 2016, the Group's banking facilities amounting to HK\$110 million (2015: HK\$186.0 million) were fully secured by its investment properties, pledged bank deposits, available-for-sale investments and financial assets held for trading with an aggregate fair value amounting to HK\$614.5 million (2015: HK\$619.1 million). At 31 March 2016, no facilities were utilised (2015: HK\$141.0 million utilised).

At 31 March 2016, the Group did not have any borrowings. At 31 March 2015, the total amount of outstanding bank borrowings net of bank balances and cash were HK\$94.9 million. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 2.5%.

Of the total bank loans at 31 March 2015, HK\$60.0 million or 42.6% were repayable within one year. HK\$46.0 million or 32.6% were repayable after one year but within two years. HK\$35.0 million or 24.8% were repayable after two years but within five years.

The Group's finance costs for the year ended 31 March 2016 were HK\$1.0 million (2015: HK\$2.3 million), a decrease of 56.5% from last year. The decrease was due to the lower level of average bank borrowings during the year.

SHAREHOLDERS' FUNDS

At 31 March 2016, the Group's shareholders' funds amounted to HK\$3,680.3 million (2015: HK\$3,751.9 million), a decrease of 1.9% from last year. The net asset value per share was HK\$11.96 (2015: HK\$12.19). The decrease in shareholders' funds was primarily due to the decrease in the fair value of the investment properties of the Group upon revaluation at the end of the year.

SEGMENT INFORMATION

Detailed segmental information in respect of the revenue and profit or loss is shown in note 6 to the consolidated financial statements.

Management Discussion and Analysis (Cont'd)

FINANCIAL REVIEW (CONT'D)

RISK OF FOREIGN EXCHANGE FLUCTUATION

The Group is required to maintain foreign currency exposure to cater for its present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

PLEDGE OF ASSETS

Details regarding pledge of assets are set out in note 29 to the consolidated financial statements.

OPERATIONAL REVIEW

PROPERTIES

- The Group's rental income mainly derived from its Hong Kong property portfolio.
- The Group's rental income increased by 5.4% when compared to 2015.
- At 31 March 2016, the Group's held investment properties amounting to HK\$3,057.2 million a decrease of HK\$138.7 million from last year. The decrease was due to the decrease in fair value of the Group's properties portfolio during the year.
- No acquisitions or disposals of properties during the year.

TREASURY INVESTMENTS

- The Group's interest income mainly derived from its treasury investment portfolio.
- At 31 March 2016, the carrying value of the investment portfolio was HK\$217.6 million (2015: HK\$285.7 million). Interest income increased by 39% in 2016 resulted from the higher average carrying value of investment portfolio being held by the Group during the year.

Management Discussion and Analysis (Cont'd)

OPERATIONAL REVIEW (CONT'D)

EMPLOYEES

At 31 March 2016, the total number of staff of the Group was 17 (2015: 17). The total staff costs including Directors' remuneration amounted to HK\$20.8 million (2015: HK\$19.6 million).

The Group reviews staff remuneration packages annually, which is based on individual performance and merit. The benefits including contributions to employee provident funds, medical subsidies and a discretionary bonus. The Group recognises the importance of continuing professional education and development, and subsidies are granted to employees who take job-related courses.

RISK MANAGEMENT CONTROL AND INTERNAL CONTROL ENVIRONMENT

RESPONSIBILITY

Our Board of Directors has the overall responsibility to ensure that sound and effective internal controls are maintained, while management is charged with the responsibility to design and implement an internal controls system to manage risks. A sound system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance.

OUR RISK MANAGEMENT FRAMEWORK

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Audit Committee supports the Board in monitoring our risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems. Management assesses and represents regular reports to the Audit Committee on its own assessments of key risks, the strength and of the overall internal controls systems with action plans to address the weaknesses. The Group has outsourced the internal audit function to external service provider who will provide regular reports on reviews of the business process and activities, including action plans to address any identified control weaknesses. External auditors also report on any control issues identified in the course of their work. Taking these into consideration, the Audit Committee reviews the effectiveness of the Group's system of internal controls and reports to the Board on such reviews.

REVIEW OF INTERNAL CONTROL EFFECTIVENESS

In respect of the year ended 31 March 2016, the Board considered the internal controls system effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified.

Management Discussion and Analysis (Cont'd)

RISK MANAGEMENT CONTROL AND INTERNAL CONTROL ENVIRONMENT (CONT'D)

OUR RISK PROFILE

Our approach for managing risk is underpinned by our understanding of our current risks exposures, and how our risks are changing over time. The following illustrates the nature of our major risks. Further analysis of our strategies is set out in other sections of the Annual Report as indicated below:

BUSINESS RISK

We ensure our properties remain competitive and up to the highest standards by closely monitoring market trends and the business environment. Regular maintenance and renovation help us uphold the safety and quality of our properties. To protect the Group's assets, we employed professionals who oversee the design, progress and capital expenditures of major maintenance and renovation projects.

OPERATIONAL RISK

Operational risk is concerned with possible losses caused by inadequate or failed internal processes, people, systems or external events. Operational risk is mitigated and controlled through establishing robust internal controls, setting our clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis. Independent monitoring and reviews are conducted by the independent internal audit firm which reports regularly to the respective senior management and the Audit Committee.

FINANCIAL RISK

Financial risk included market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into equity risk, interest rate risk and foreign exchange risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit. Further discussion on financial risk management is outlined in note 32 to the consolidated financial statements.

ENVIRONMENTAL POLICIES

The Group is committed to building an eco-friendly corporation. It is the Group's aim to reduce the impacts of its operations on the environment. The environmental policies of the Group include minimizing consumption of paper and electricity, reducing waste and promoting the use of electric communication and storage.

Profile of Directors and Senior Management

CHAN HOI SOW

Mr. Chan, aged 82, has been the Chairman and Managing Director of the Group since 1987. Mr. Chan has more than 30 years of experience in property investment and development in Hong Kong, the Mainland China and overseas. He is the father of Mr. Chan Yan Tin, Andrew, an executive director of the Company and Ms. Chan Yan Mei, Mary-ellen, a non-executive director of the Company.

CHAN YAN TIN, ANDREW

Mr. Chan, aged 52, has been an executive director of the Company since January 2004. He was an executive director from October 1987 to April 2001 and a non-executive director from April 2001 to January 2004. He is also a member of the remuneration committee and a member of the nomination committee. He graduated from Simon Fraser University, and has extensive experience in property investment and development in Hong Kong, the Mainland China and overseas. Mr. Chan is a son of Mr. Chan Hoi Sow who is the Chairman and Managing Director of the Group and a controlling shareholder of the Company. He is also the elder brother of Ms. Chan Yan Mei, Mary-ellen, a non-executive director of the Company.

CHAN YAN MEI, MARY-ELLEN

Ms. Chan, aged 48, has been a non-executive director of the Company since June 2012. She holds a Bachelor of Science degree from the University of British Columbia in Canada and a Master of Business Administration degree from The Hong Kong University of Science and Technology. She has experience in supervisory and management roles. Ms. Chan is a daughter of Mr. Chan Hoi Sow who is the Chairman and Managing Director of the Group and a controlling shareholder of the Company. She is also the younger sister of Mr. Chan Yan Tin, Andrew, an executive director of the Company.

CHAN KWOK WAI

Mr. Chan, aged 57, has been an independent non-executive director of the Company since September 2004. He is also the chairman of the audit committee, the chairman of the remuneration committee and the chairman of the nomination committee. Mr. Chan holds a Bachelor Degree of Business Administration from the Monash University, Australia. He is a member of the CPA Australia and a member of the Hong Kong Securities and Investment Institute. He has extensive experience in finance and accounting industry.

Mr. Chan is currently a director of High Progress Consultants Limited. He is also an independent non-executive director of Chinese Estates Holdings Limited, China Investments Holdings Limited, Far East Consortium International Limited and National Electronics Holdings Limited respectively and was an independent non-executive director of Junefield Department Store Group Limited for the period from 31 December 2002 to the conclusion of its annual general meeting held on 29 May 2013, all of which are listed public company in Hong Kong.

Profile of Directors and Senior Management (Cont'd)

TSE LAI HAN, HENRY

Mr. Tse, aged 51, has been an independent non-executive director of the Company since September 2004. He is also a member of the audit committee, a member of the remuneration committee and a member of the nomination committee. He holds Bachelor and Master of Applied Science (Civil Engineering) degrees from the University of British Columbia in Canada. He has considerable experience in both construction and property development in Hong Kong and Overseas.

LEUNG KUI KING, DONALD

Mr. Leung, aged 60, has been an independent non-executive director of the Company since April 2008. He is also a member of the audit committee. He holds a Bachelor of Science degree in Business Administration from The University of California, Berkeley and completed Harvard University's Advanced Management Program. He started his career in banking with Bank of America in 1977 and joined Wardley Limited (a member of HSBC Group) in 1984. He then spent 20 years with Sun Hung Kai Properties Group and retired as Assistant to Chairman in January 2006.

Mr. Leung is currently an independent non-executive director of Sun Hung Kai Properties Limited, a listed public company in Hong Kong.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance. The Board believes that a high standard of corporate governance will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2016, except that the roles of chairman and chief executive are performed by the same individual which is a deviation from provision A.2.1 of the Code.

The Board will continuously review and improve the corporate governance policies and practices of the Company and monitor the compliance with the Code to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

The Board comprises six members, two of which are Executive Directors, namely Mr. Chan Hoi Sow as the Chairman of the Board and Mr. Chan Yan Tin, Andrew. One member is Non-Executive Director, namely Ms. Chan Yan Mei, Mary-ellen. Three members are Independent Non-Executive Directors, namely Mr. Chan Kwok Wai, Mr. Tse Lai Han, Henry and Mr. Leung Kui King, Donald.

The Board held four meetings during the year ended 31 March 2016. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors and management are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

The Board is responsible to review and monitor the Group's policies and practices on compliance with the legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management.

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice at the expense of the Company.

Mr. Chan Hoi Sow, the Chairman of the Board is the father of Mr. Chan Yan Tin, Andrew, an executive director of the Company and Ms. Chan Yan Mei, Mary-ellen, a non-executive director of the Company. Save as disclosed above, during the year, none of the other directors has or maintained any financial, business, family or other material relevant relationship with any of the other directors.

Corporate Governance Report (Cont'd)

CHAIRMAN AND CHIEF EXECUTIVE

Provision A.2.1 of the Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Chan Hoi Sow is the Chairman of the Board and Managing Director of the Company. Mr. Chan has been performing the duties of both the chairman and the chief executive since the establishment of the Company. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for the operation of the Company. As three members of the Board comprises Independent Non-Executive Directors who are professional accountant, engineer and manager respectively, the balance of power and authority between the Board and the management will not be compromised.

NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmation from each of the Independent Non-Executive Directors as regards to their independence to the Company as required under the Listing Rules. The Company considers that each of the Independent Non-Executive Directors is independent to the Company.

Provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term subject to re-election. All of the Non-executive Director and Independent Non-Executive Directors have been appointed for a period of three years. However, one-third of all the Directors are subject to retirement from office by rotation at the annual general meeting in accordance with Article 103 of the New Articles of Association of the Company.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Board recognises the benefits of a diverse Board with members possessing a balance of skills, experience and expertise which complement to the business success of the Group, and seeks to increase diversity at Board level to enhance the effectiveness of the Board and to achieve a sustainable and balanced development.

Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, having regard to the benefits of diversity of the Board.

The Board will consider setting measurable objectives to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

The Nomination Committee will review the policy from time to time to ensure its continued effectiveness.

Corporate Governance Report (Cont'd)

An analysis of the board diversity based on a range of diversity perspectives is set out below:–

Number of Directors					
6	Female	Executive Directors	60 or over	10 or over	2-4
5	Male	Non-Executive Director	50-59	5-9	0-1
4		Independent Non-Executive Directors	40-49		
3					
2					
1					
	Gender	Designation	Age Group	Directorship with the Company (number of years)	Directorship with other public companies (number of companies)

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been provided with "A Guide on Directors' Duties" issued by the Companies Registry, and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Directors have also been provided with updates on the latest development and amendments in the Listing Rules and the relevant regulatory and statutory requirements.

The Company makes available continuous professional development for all Directors at the expense of the Company to refresh and develop their knowledge and skills. The Directors have participated in the training on corporate governance, current economic and legal developments as follows:

Directors	Reading Regulatory Updates/Other Materials	Attending Seminars/Conferences/Briefings
Executive Directors		
Chan Hoi Sow <i>Chairman and Managing Director</i>	√	–
Chan Yan Tin, Andrew	√	–
Non-Executive Director		
Chan Yan Mei, Mary-ellen	√	–
Independent Non-Executive Directors		
Chan Kwok Wai	√	√
Tse Lai Han, Henry	√	√
Leung Kui King, Donald	√	–

Corporate Governance Report (Cont'd)

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and Officers.

BOARD COMMITTEES

The Company currently has three board committees (mainly Audit Committee, Remuneration Committee and Nomination Committee) with specific terms of references to oversee particular aspects of the Company's affairs. The Company retains in the Board the function of overseeing corporate governance issues. The Board is responsible for performing the corporate governance duties as set out in the Code.

During the year and up to the date of this report, the corporate governance duties performed by the Board were mainly set out below:

- (a) reviewed the Company's policies and practices on corporate governance;
- (b) reviewed the continuous professional development and training of the directors;
- (c) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) reviewed compliance with the Code and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE

The Audit Committee has been established since March 2005. It comprises three Independent Non-Executive Directors, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry and Mr. Leung Kui King, Donald. Mr. Chan Kwok Wai has extensive experience in finance and accounting industry with appropriate professional accounting qualification. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Audit Committee has adopted specific written terms of reference which are posted on the websites of the Company and the Stock Exchange. The principal duties of the Audit Committee are:

- (a) to make recommendations to the board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and to discuss with the external auditor the nature and scope of the audit and reporting obligations;

Corporate Governance Report (Cont'd)

AUDIT COMMITTEE (CONT'D)

- (c) to monitor the integrity of the Company's financial statements, annual report and accounts, and interim report, and to review significant financial reporting judgments contained in them. In reviewing these reports, the Committee will focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (d) to review the Company's financial controls, internal controls and risk management systems;
- (e) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditor may wish to discuss;
- (f) to review the external auditor's management letter and management's response;
- (g) to develop and implement policy on engaging an external auditor to supply non-audit services;
- (h) to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and appropriate follow-up action.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Three meetings were held during the year ended 31 March 2016. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of this report.

The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2015 and for the six months ended 30 September 2015 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures. The Audit Committee also approved the remuneration of the Company's auditor for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2016 with the Directors.

Corporate Governance Report (Cont'd)

REMUNERATION COMMITTEE

The Remuneration Committee has been established since March 2005. It comprises two Independent Non-Executive Directors and an Executive Director, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry and Mr. Chan Yan Tin Andrew. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Remuneration Committee has adopted specific written terms of reference which are posted on the websites of the Company and the Stock Exchange. The principal duties of the Remuneration Committee are:

- (a) to make recommendations to the board on the Company's remuneration policy and structure for all directors and senior management;
- (b) to make recommendations to the board on the remuneration packages of individual executive directors and senior management;
- (c) to make recommendations to the board on the remuneration of non-executive directors;
- (d) to ensure that no director is involved in deciding his own remuneration.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2016. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2016, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management, recommended specific remuneration packages for all the Directors and senior management to the Board, recommended the remuneration of non-executive directors.

NOMINATION COMMITTEE

The Nomination Committee has been established since 1 April 2012. It comprises two Independent Non-Executive Directors and an Executive Director, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Chan Yan Tin Andrew and Mr. Tse Lai Han, Henry. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

In accordance with the provisions set out in the Code, the Nomination Committee has adopted specific written terms of reference which are posted on the websites of the Company and the Stock Exchange. The principal duties of the Nomination Committee are:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;

Corporate Governance Report (Cont'd)

NOMINATION COMMITTEE (CONT'D)

- (b) to identify individuals suitably qualified to become board members and make recommendations to the board on the selection of individuals nominated for directorships;
- (c) to assess the independence of independent non-executive directors;
- (d) to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One meeting was held during the year ended 31 March 2016. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2016, the Nomination Committee reviewed the structure, size and composition of the board, made recommendations to the board on the selection of individuals nominated for directorships, and assessed the independence of independent non-executive directors.

ATTENDANCE OF DIRECTORS AT BOARD AND COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING

The attendance of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Annual General Meeting during the year ended 31 March 2016 is set out below:

Directors	Number of meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Chan Hoi Sow <i>(Chairman and Managing Director)</i>	4/4	3/3	–	–	1/1
Chan Yan Tin, Andrew	4/4	3/3	2/2	1/1	1/1
Non-Executive Director					
Chan Yan Mei, Mary-ellen	4/4	3/3	–	–	1/1
Independent Non-Executive Directors					
Chan Kwok Wai	4/4	3/3	2/2	1/1	1/1
Tse Lai Han, Henry	4/4	3/3	2/2	1/1	1/1
Leung Kui King, Donald	3/4	3/3	–	–	0/1

Corporate Governance Report (Cont'd)

DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2016.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the year ended 31 March 2016 in accordance with the Hong Kong Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditor of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditor's Report on pages 29 and 30.

INTERNAL CONTROLS

The Board is responsible for the Group's system of internal controls. The Board is committed to implement and maintain an effective and sound system of internal controls to safeguard the Group's assets and protect the interest of the shareholders.

The Board has conducted an annual review of the effectiveness of the internal control system of the Company and its subsidiaries. The review covered relevant financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

The Board has concluded that the Group's overall system of internal controls has effectively exercised its functions during the year, and will continue to improve the operation of the system.

AUDITORS' REMUNERATION

The remuneration payable to the Group's auditor, HLM CPA Limited for their audit services for the year ended 31 March 2016 amounted to HK\$460,000. The auditor did not provide any non-audit service to the Group during the year.

COMPANY SECRETARY

The Company engages an external service provider, Mr. Huen Po Wah, as its Company Secretary, and the Company Secretary may contact Mr. Lee Siu Kau, the Financial Controller of the Company. Pursuant to code provision F.1.1 of the Codes, Mr. Huen confirmed that he had taken not less than 15 hours' relevant professional training during the year.

Corporate Governance Report (Cont'd)

COMMUNICATION WITH SHAREHOLDERS

The objective of communications with shareholders is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a variety of means to communicate with its shareholders and ensure that they are kept well informed of its key business development. The tools include convening general meetings, despatching to the shareholders interim and annual reports, announcements and circulars which are also posted on the websites of the Company and the Stock Exchange.

2015 ANNUAL GENERAL MEETING

At the 2015 annual general meeting, the chairman of the meeting explained the procedures for conducting a poll to the shareholders. Separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors, re-appointment of auditor, general mandates respectively authorising the Directors to buy back shares or to issue shares of the Company and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and the Chairman of respective committees attended the annual general meeting to address enquiries raised by shareholders and ensure effective communication with shareholders.

GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Pursuant to Section 566 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect on 3 March 2014, shareholder(s) representing at least 5 per cent of the total voting rights of all shareholders having a right to vote at general meetings can make a request to call a general meeting.

The request:

- (a) must state the general nature of the business to be dealt with at the meeting;
- (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;
- (c) may consists of several documents in like form;
- (d) may be sent in hard copy form or electronic form; and
- (e) must be authenticated by the person or persons making it.

Pursuant to section 567 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), directors must call a general meeting within 21 days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than 28 days after the date of the notice convening the meeting. If the directors do not do so, the shareholders 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 meeting pursuant to section 568 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong), but the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting. The Company must reimburse any reasonable expenses incurred by the shareholders requesting the meeting by reason of the failure of the directors duly to call the meeting.

Corporate Governance Report (Cont'd)

PUTTING FORWARD PROPOSAL AT ANNUAL GENERAL MEETING ("AGM")

Pursuant to Section 615 of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which takes effect on 3 March 2014, shareholder(s) can make a request to circulate a resolution for an AGM if they represent-

- (a) at least 2.5 per cent of the total voting rights of all shareholders who have a right to vote on the resolution at the AGM to which the request relates: or
- (b) at least 50 shareholders who have a right to vote on the resolution at the AGM to which the request relates.

The request-

- (a) may be sent in hard copy form or electronic form;
- (b) must identify the resolution of which notice is to be given;
- (c) must be authenticated by the person or persons making it; and
- (d) must be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The procedures for shareholders to propose a person for election as a director have been uploaded to the website of the Company.

CONSTITUTIONAL DOCUMENTS

During the reporting year, there was no change in the Company's constitutional documents.

Directors' Report

The board of directors of the Company ("Board") presents its annual report and the audited consolidation financial statements of the Company and its subsidiaries (collectively "Group") for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company continues to act as an investment holding company. The principal activities of its principal subsidiaries and associates as at 31 March 2016 are set out in notes 33 and 19 to the consolidated financial statements respectively. The business of the Group for the year ended 31 March 2016, as well as further discussion and analysis required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 March 2016 and an indication of likely future development in the Group's business are set out in the section headed "Chairman's Statement" and "Management and Discussion Analysis" on pages 3 to 9 of the Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Group consolidated financial summary on page 90 of the Annual Report. In addition, a discussion on the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have significant impact on the Group and an account of the Group's relationship with its key stakeholders are contained in the section headed "Management Discussion and Analysis" and "Directors' Report" sections on pages 5 to 9 and pages 22 to 28 of the Annual Report respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 31.

An interim dividend of HK2.2 cents per share amounting to HK\$6,771,000 was paid on 9 December 2015. The Directors now recommend the payment of a final dividend of HK3.2 cents per share to be paid to the shareholders on the Register of Members on 19 August 2016 amounting to HK\$9,848,000.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the end of the reporting period. The net deficit arising on revaluation, which has been charged directly to the consolidated statement of profit or loss and other comprehensive income, amounted to HK\$138,621,000.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group and the Company are set out in notes 16 and 17 to the consolidated financial statements respectively.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2016 are set out on pages 91 to 92.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the distributable reserves of the Company amounted to HK\$433,491,000 (2015: HK\$352,674,000).

Directors' Report (Cont'd)

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 27 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Chan Hoi Sow

Mr. Chan Yan Tin, Andrew

Non-Executive Director

Ms. Chan Yan Mei, Mary-ellen

Independent Non-Executive Directors

Mr. Chan Kwok Wai

Mr. Tse Lai Han, Henry

Mr. Leung Kui King, Donald

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Pursuant to Article 103 of the Articles of Association, Mr. Chan Yan Tin, Andrew and Mr. Leung Kui King, Donald shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS OF SUBSIDIARIES

The names of person who have served on the board of the subsidiaries of the Company during the year and up to the date of the report are Mr. Chan Hoi Sow, Mr. Chan Yan Tin, Andrew, Ms. Chan Yan Mei, Mary-ellen, Mrs. Chan Loo Kuo Pin and Ms. Chan Yan Wai, Emily.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN SHARES

At 31 March 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Hoi Sow	Beneficial owner	Personal Interest	2,036,000	173,772,896	56.46
	Interest of controlled corporation	Corporate Interest (Note 1)	25,822,896		
	Founder of a discretionary trust	Other Interest (Notes 1 & 2)	171,736,896		
Chan Yan Tin, Andrew	Beneficial owner	Personal Interest	792,000	172,528,896	56.05
	Beneficiary of a trust	Other Interest (Notes 2 & 3)	171,736,896		
Chan Yan Mei, Mary-ellen	Beneficiary of a trust	Other Interest (Notes 2 & 4)	171,736,896	171,736,896	55.80
Chan Kwok Wai	-	-	-	-	-
Tse Lai Han, Henry	-	-	-	-	-
Leung Kui King, Donald	-	-	-	-	-

Notes:

- These 25,822,896 shares are held by Evergrade Investments Limited. The issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members. These 25,822,896 shares are also included in the 171,736,896 shares held by Mr. Chan Hoi Sow in the capacity as founder of a discretionary trust.
- The three references to 171,736,896 shares relate to the same block of shares in the Company. The 171,736,896 shares are held as to 145,914,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the founder of which is Mr. Chan Hoi Sow and the beneficiaries of which are Mr. Chan Hoi Sow and his family members. By virtue of the shareholdings as aforementioned, Mr. Chan Hoi Sow is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.
- Mr. Chan Yan Tin, Andrew is the son of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Mr. Chan Yan Tin, Andrew is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN SHARES (CONT'D)

- Ms. Chan Yan Mei, Mary-ellen is the daughter of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Ms. Chan Yan Mei, Mary-ellen is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 31 March 2016 or had been granted or exercised any such right during the period.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective associates have engaged in any business that competes or may compete with the business of the Group or have any other conflict of interest with the Group during the year.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangement or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract other than employment contract, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

PERMITTED INDEMNITY PROVISION

The Article of Associate of the Company provides that every director or other officers should be indemnified out of assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. Such provision was in force during the course of the year and remained in force as of the date of this Annual Report. The Company has arranged appropriate directors' and officers' insurance coverage for the Directors and officers of the Company and its subsidiaries.

Directors' Report (Cont'd)

SUBSTANTIAL SHAREHOLDERS

At 31 March 2016, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Loo Kuo Pin	Interest of Spouse	Family Interest (Note 1)	173,772,896	173,772,896	56.46
Credit Suisse Trust Limited as trustee of Sow Pin Trust	Trustee	Other Interest (Notes 2, 3 & 4)	171,736,896	171,736,896	55.80
Brock Nominees Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2 & 3)	171,736,896	171,736,896	55.80
Global Heritage Group Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2 & 3)	171,736,896	171,736,896	55.80
Beyers Investments Limited	Interest of Controlled Corporation	Corporate Interest (Notes 2, 3 & 4)	171,736,896	171,736,896	55.80
Noranger Company Limited	Beneficial Owner	Corporate Interest (Notes 2, 3 & 4)	145,914,000	145,914,000	47.41
Evergrade Investments Limited	Beneficial Owner	Corporate Interest (Notes 2, 3 & 4)	25,822,896	25,822,896	8.39
Edward Kew	Beneficial Owner Interest of Spouse Interest of Controlled Corporation	Personal Interest (Note 5) Family Interest (Note 5) Corporate Interest (Note 5)	5,461,200 8,856,494 11,650,800	25,968,494	8.44
Kew Youn Lunn	Beneficial Owner Interest of Spouse Interest of Controlled Corporation	Personal Interest (Note 6) Family Interest (Note 6) Corporate Interest (Note 6)	2,380,800 5,461,200 18,126,494	25,968,494	8.44

Directors' Report (Cont'd)

SUBSTANTIAL SHAREHOLDERS (CONT'D)

Notes:

1. The interest is the same block of shares already disclosed under the personal, corporate and other interests of her husband, Mr. Chan Hoi Sow as disclosed in the section headed "Directors' Interests".
2. All interests of Credit Suisse Trust Limited as trustee of Sow Pin Trust, Brock Nominees Limited, Global Heritage Group Limited, Beyers Investments Limited and the aggregate interests of Noranger Company Limited and Evergrade Investments Limited relate to the same block of shares in the Company.
3. Credit Suisse Trust Limited as trustee of Sow Pin Trust is the holding company of Brock Nominees Limited and is deemed to be interested in the shares owned by Sow Pin Trust, a discretionary trust as mentioned in Note 4 below through interests of corporations controlled by it as follows:-

Name of controlled corporation	Name of controlling shareholder	Percentage control
Brock Nominees Limited	Credit Suisse Trust Limited as trustee of Sow Pin Trust	0.00
Global Heritage Group Limited	Brock Nominees Limited	100.00
Beyers Investments Limited	Global Heritage Group Limited	100.00
Noranger Company Limited	Beyers Investments Limited	100.00
Evergrade Investments Limited	Beyers Investments Limited	50.00

4. Credit Suisse Trust Limited as trustee of Sow Pin Trust is interested in 171,736,896 shares which are held as to 145,914,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Beyers Investments Limited and as to 50% by Mr. Chan Hoi Sow. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members as disclosed in the section headed "Directors' Interests".
5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Madame Kew Youn Lunn, the wife of Mr. Edward Kew.
6. These interests in aggregate are in fact the same block of shares disclosed under the interests of Mr. Edward Kew, the husband of Madame Kew Youn Lunn.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2016, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Directors' Report (Cont'd)

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for 47.1% of total turnover of the Group and the five largest suppliers of the Group accounted for less than 30% of total purchases of the Group. The Directors do not consider any one customer or supplier to be influential to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

AUDITOR

The financial statements for the year have been audited by Messrs. HLM CPA Limited, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 16 June 2016

Independent Auditor's Report

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tern Properties Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 89, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report (Cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

HLM CPA Limited

Certified Public Accountants

Yuen Suk Ching

Practising Certificate Number: P1107

Hong Kong, 16 June 2016

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Turnover	5	104,841	99,480
Property expenses		(1,254)	(1,302)
Gross profit		103,587	98,178
Realised gain on disposal of financial assets held for trading		1,995	1,950
Unrealised loss on financial assets held for trading		–	(6,326)
Gain on disposal of a property		–	67,769
Dividend income		744	649
Interest income	7	19,670	14,093
Other operating income	8	1,812	213
(Decrease) increase in fair value of investment properties	16	(138,621)	105,700
Administrative expenses		(29,737)	(30,386)
(Loss) profit from operations	9	(40,550)	251,840
Finance costs	10	(997)	(2,306)
Share of results of associates, net of tax	19	(1,205)	28,561
(Loss) profit before taxation		(42,752)	278,095
Taxation	13	(15,320)	(11,352)
(Loss) profit for the year attributable to owners of the Company		(58,072)	266,743
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Net gain arising on revaluation of available-for-sale investments		7,075	–
Other comprehensive income for the year, net of tax		7,075	–
Total comprehensive (expense) income for the year attributable to owners of the Company		(50,997)	266,743
(Loss) earnings per share			
Basic and diluted	15	HK(18.87) cents	HK86.67 cents

Consolidated Statement of Financial Position

At 31 March 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Investment properties	16	3,057,213	3,195,912
Property, plant and equipment	17	10,241	8,395
Leasehold land	18	15,106	15,198
Interests in associates	19	386,272	401,250
Available-for-sale investments	20	217,590	2,161
Deferred rental income		541	816
		3,686,963	3,623,732
Current assets			
Trade and other receivables	21	8,001	8,665
Financial assets held for trading	22	–	283,559
Leasehold land – current portion	18	92	92
Deferred rental income – current portion		935	1,161
Tax recoverable		993	231
Pledged bank deposits	23	2,143	–
Bank balances and cash	23	45,750	46,087
		57,914	339,795
Current liabilities			
Trade and other payables	24	7,274	16,943
Rental deposits from tenants		29,452	29,387
Tax liabilities		3,859	2,486
Secured bank loans – due within one year	25	–	60,000
		40,585	108,816
Net current assets		17,329	230,979
Total assets less current liabilities		3,704,292	3,854,711

Consolidated Statement of Financial Position

At 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current liabilities			
Deferred tax liabilities	26	23,975	21,777
Secured bank loans – due after one year	25	–	81,000
		23,975	102,777
Net assets		3,680,317	3,751,934
Capital and reserves			
Share capital	27	229,386	229,386
Reserves		3,450,931	3,522,548
Total equity		3,680,317	3,751,934

The consolidated financial statements on pages 31 to 89 were approved and authorised for issue by the Board of Directors on 16 June 2016 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Yan Tin, Andrew
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	229,386	–	11,695	3,281,041	3,522,122
Profit and total comprehensive income for the year	–	–	–	266,743	266,743
Dividends declared (note 14)	–	–	39,085	(39,085)	–
Dividends paid	–	–	(36,931)	–	(36,931)
At 31 March 2015 and 1 April 2015	229,386	–	13,849	3,508,699	3,751,934
Loss for the year	–	–	–	(58,072)	(58,072)
<i>Other comprehensive income for the year:</i>					
Net gain arising on revaluation of available-for-sale investments	–	7,075	–	–	7,075
Total other comprehensive income (expense) for the year	–	7,075	–	(58,072)	(50,997)
Dividends declared (note 14)	–	–	16,619	(16,619)	–
Dividends paid	–	–	(20,620)	–	(20,620)
At 31 March 2016	229,386	7,075	9,848	3,434,008	3,680,317

The accumulated profits of the Group include approximately HK\$399,798,000 (2015: approximately HK\$401,003,000) retained by associates of the Group.

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Operating activities			
(Loss) profit for the year		(58,072)	266,743
Adjustment for:			
Share of results of associates	19	1,205	(28,561)
Interest income	7	(19,670)	(14,093)
Dividend income		(744)	(649)
Interest expenses	10	997	2,306
Tax expenses	13	15,320	11,352
Decrease (increase) in fair value of investment properties	16	138,621	(105,700)
Depreciation of property, plant and equipment	17	2,515	2,040
Amortisation of leasehold land	18	92	486
Realised gain on disposal of financial assets held for trading		(1,995)	(1,950)
Unrealised loss on financial assets held for trading		–	6,326
Gain on disposal of a property		–	(67,769)
(Gain) loss on disposal of plant and equipment		(135)	337
Realised gain on disposal of available-for-sale investments		(1,120)	–
Exchange adjustment on investment properties	16	78	525
Operating cash flows before movements in working capital		77,092	71,393
(Increase) decrease in trade and other receivables		(425)	695
Decrease in deferred rental income		501	1,131
(Decrease) increase in trade and other payables		(9,669)	2,651
Increase in rental deposits from tenants		65	3,770
Cash generated from operations		67,564	79,640
Profits Tax paid		(12,511)	(10,146)
Profits Tax refunded		–	4
Net cash generated from operating activities		55,053	69,498
Investing activities			
Interest received		20,759	11,152
Dividend received from investments		744	649
Dividend received from an associate		9,000	–
Repayment from an associate		247	8,450
(Placement) release of pledged bank deposits		(2,143)	20,002
Purchase of available-for-sale investments		(209,754)	–
Proceeds from disposal of available-for-sale investments		2,520	–
Purchase of financial assets held for trading		(106,637)	(239,875)
Proceeds from disposal of financial assets held for trading		392,191	72,935
Purchase of property, plant and equipment	17	(4,361)	(1,149)
Proceeds from disposal of property, plant and equipment		135	124,328
Net cash generated from (used in) investing activities		102,701	(3,508)

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Financing activities			
Dividends paid		(20,620)	(36,931)
Interest paid		(997)	(2,461)
New bank loans raised		70,000	135,000
Repayment of bank loans		(211,000)	(135,401)
Advance from an associate		4,526	–
Net cash used in financing activities		(158,091)	(39,793)
Net (decrease) increase in cash and cash equivalents		(337)	26,197
Cash and cash equivalents at beginning of the year		46,087	19,890
Cash and cash equivalents at end of the year			
Represented by bank balances and cash	23	45,750	46,087

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

1. GENERAL INFORMATION

General information

The Company is a public listed company incorporated in Hong Kong. Its shares are listed on The Stock Exchanges of Hong Kong Limited. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 33 and 19 to the consolidated financial statements respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of new and revised HKFRSs

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group’s financial statements for the year ended 31 March 2016, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no material impact on the Group’s financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to HKAS 19
Amendments to HKFRSs
Amendments to HKFRSs

Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010 – 2012 Cycle
Annual Improvements to HKFRSs 2011 – 2013 Cycle

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONT’D)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments: Hedge Accounting and Impairment ²
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKFRS 11	Accounting for Acquisition of Interest in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁴ Effective date yet to be determined.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost;
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9); or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONT’D)

New and revised HKFRSs issued but not yet effective (Cont’d)

Amendments to HKAS 27 Equity Method in Separate Financial Statements (Cont’d)

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group’s consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor’s financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONT’D)

New and revised HKFRSs issued but not yet effective (Cont’d)

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Cont’d)

Amendments to HKFRS 10: (Cont’d)

New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group’s consolidated financial statements.

The directors of the Company is in the process of making an assessment of the potential impact of these other new and revised HKFRSs upon initial application but is not yet in a position to state whether these other new and revised HKFRSs would have any significant impact on its results of operations and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of preparation (Cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of consolidation (Cont'd)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interests in subsidiaries

Interests in subsidiaries presented in the statement of financial position included in note 34 to the consolidated financial statements are stated at cost less any identified impairment loss.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interests in associates (Cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are initially measured at cost, including any direct transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land" in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Leasehold buildings	4% or over the terms of the lease, if higher
Furniture and office equipment	20%
Leasehold improvement	10%
Motor vehicles	25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Revenue recognition

Rental income is recognised on a straight-line basis over the respective lease terms. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amounts of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are recognised in profit or loss for the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Retirement benefits scheme

The retirement benefit costs charged to the consolidated statement of profit or loss and other comprehensive income represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme ("MPF Scheme").

Borrowing costs

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

Deferred tax (Cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposit, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 32 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss of financial assets below).

Club debentures included in AFS financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss of financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

Interest income from AFS equity and debt investments is calculated using the effective interest method and are recognised in profit or loss.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For financial assets measured at amortised cost, if, in a subsequent period, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and rental deposits from tenants) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related parties

A related is a person or an entity that is related to the Group.

- (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 the key management personnel of the Group and the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entities and the Group are the member 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 other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with an entity.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Depreciation

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight-line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Critical judgements in applying accounting policies (Cont'd)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2016 at their fair value of approximately HK\$3,057,213,000 (2015: approximately HK\$3,195,912,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. TURNOVER

Turnover represents the aggregate of amounts received and receivable from property rental income.

	2016 HK\$'000	2015 HK\$'000
Property rental income	104,841	99,480

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

6. OPERATING SEGMENTS

For management purposes, the Group is currently organised into two operating segments, namely property investment and treasury investment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For property investment, the segment represents the operations of property investment and property leasing. Discrete financial information is provided to the Board on a property by property basis. The information provided includes net rental income (including gross rental income and property expenses), valuation gains (losses), gain on disposal of a property and share of profit (loss) from associates. The individual properties with similar economic characteristics are aggregated into segments for presentation purposes.

For treasury investment, the segment represents the investment in debt and equity securities. Financial information is provided to the Board on a company-by-company basis. The information provided includes gain on disposal of financial assets held for trading, fair value changes in financial assets held for trading and interest income from debt securities.

Business information

For the year ended 31 March 2016

	Property investment HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Turnover	104,841	–	104,841
Property expenses	(1,254)	–	(1,254)
Gross profit	103,587	–	103,587
Realised gain on disposal of financial assets held for trading	–	1,995	1,995
Dividend income	–	744	744
Interest income	1	19,669	19,670
Other operating income	1,662	150	1,812
Decrease in fair value of investment properties	(138,621)	–	(138,621)
Administrative expenses	(29,447)	(290)	(29,737)
(Loss) profit from operations	(62,818)	22,268	(40,550)
Finance costs	(813)	(184)	(997)
Share of results of associates	(1,205)	–	(1,205)
(Loss) profit before taxation	(64,836)	22,084	(42,752)
Taxation	(13,761)	(1,559)	(15,320)
(Loss) profit for the year	(78,597)	20,525	(58,072)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

6. OPERATING SEGMENTS (CONT'D)

Business information (Cont'd)

At 31 March 2016

	Property investment HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Segment assets	3,512,272	232,605	3,744,877
Segment liabilities	(63,001)	(1,559)	(64,560)
Net assets	3,449,271	231,046	3,680,317
Other segment information:			
Depreciation and amortisation	2,607	–	2,607
Addition to property, plant and equipment	4,361	–	4,361

For the year ended 31 March 2015

	Property investment HK\$'000	Treasury investment HK\$'000	Total HK\$'000
Turnover	99,480	–	99,480
Property expenses	(1,302)	–	(1,302)
Gross profit	98,178	–	98,178
Realised gain on disposal of financial assets held for trading	–	1,950	1,950
Unrealised loss on financial assets held for trading	–	(6,326)	(6,326)
Gain on disposal of a property	67,769	–	67,769
Dividend income	–	649	649
Interest income	3	14,090	14,093
Other operating income	185	28	213
Increase in fair value of investment properties	105,700	–	105,700
Administrative expenses	(30,134)	(252)	(30,386)
Profit from operations	241,701	10,139	251,840
Finance costs	(2,257)	(49)	(2,306)
Share of results of associates	28,561	–	28,561
Profit before taxation	268,005	10,090	278,095
Taxation	(11,352)	–	(11,352)
Profit for the year	256,653	10,090	266,743

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

6. OPERATING SEGMENTS (CONT'D)

Business information (Cont'd)

At 31 March 2015

	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	3,659,266	304,261	3,963,527
Segment liabilities	(173,688)	(37,905)	(211,593)
Net assets	3,485,578	266,356	3,751,934

Other segment information:

Depreciation and amortisation	2,526	–	2,526
Addition to property, plant and equipment	1,149	–	1,149

Geographical information

Over 90% of the activities of the Group during the year were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

Information on major customers

Included in revenues arising from rental income of approximately HK\$104.8 million (2015: approximately HK\$99.5 million) are rental income of approximately HK\$20.3 million (2015: approximately HK\$19.1 million) which arose from the Group's largest tenant. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2016 and 2015.

7. INTEREST INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest income from:		
– bank deposits	3	5
– financial assets held for trading and AFS investments	19,667	14,088
Total	19,670	14,093

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

8. OTHER OPERATING INCOME

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Late payment service charges from tenants	116	111
Gain on disposal of plant and equipment	135	–
Realised gain on disposal of AFS investment	1,120	–
Other	441	102
Total	1,812	213

9. (LOSS) PROFIT FROM OPERATIONS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit from operations has been arrived at after charging:		
Auditor's remuneration	460	410
Exchange losses, net	591	535
Depreciation of property, plant and equipment	2,515	2,040
Amortisation of leasehold land	92	486
Staff costs (including directors' emoluments (<i>note 11</i>))	20,576	19,409
Mandatory provident fund ("MPF") contributions	229	190
Total staff costs	20,805	19,599
and after crediting:		
Dividend income	744	649
Gross rental income from investment properties	104,841	99,480
Less:		
Direct operating expenses from investment properties that generated rental income	(860)	(1,054)
Direct operating expenses from investment properties that did not generate rental income	(394)	(248)
Net rental income	103,587	98,178

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

10. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interests on bank borrowings	997	2,306

11. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the applicable Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2016

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:				
Chan Hoi Sow (<i>Note 1</i>)	–	7,918	–	7,918
Chan Yan Tin, Andrew	–	2,226	18	2,244
Non-executive director:				
Chan Yan Mei, Mary-ellen	105	–	–	105
Independent non-executive directors:				
Chan Kwok Wai	105	–	–	105
Tse Lai Han, Henry	105	–	–	105
Leung Kui King, Donald	105	–	–	105
	420	10,144	18	10,582

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

11. DIRECTORS' EMOLUMENTS (CONT'D)

2015

	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors:				
Chan Hoi Sow (<i>Note 1</i>)	–	8,848	–	8,848
Chan Yan Tin, Andrew	–	2,122	18	2,140
Chan Siu Keung, Leonard (<i>Note 2</i>)	–	3,667	13	3,680
Non-executive director:				
Chan Yan Mei, Mary-ellen	90	–	–	90
Independent non-executive directors:				
Chan Kwok Wai	90	–	–	90
Tse Lai Han, Henry	90	–	–	90
Leung Kui King, Donald	90	–	–	90
	360	14,637	31	15,028

Notes:

1. The amount includes rateable value of approximately HK\$1,033,000 (2015: approximately HK\$1,769,000), being rent-free accommodation provided to Mr. Chan Hoi Sow by the Group.
2. Resigned on 1 January 2015. The amount includes payments of superannuation gratuity of director of HK\$2,688,000.

None of the directors of the Company have waived any emoluments during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

11. DIRECTORS' EMOLUMENTS (CONT'D)

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2015: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2015: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2015: Nil).

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2015: Nil).

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees of the Group during the year included two (2015: three) directors of the Company whose emoluments were included in note 11 above. The emoluments of the remaining three (2015: two) individuals were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries, allowance and other benefits in kind	3,637	2,249
MPF contributions	54	35
	3,691	2,284

Their emoluments were within the following bands:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
HK\$Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$2,000,000	2	2
	3	2

During the years ended 31 March 2016 and 31 March 2015, no emoluments were paid by the Group to the five highest paid individuals, (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

13. TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	12,206	9,824
Under-provision in prior years	901	–
Other jurisdiction		
Under-provision in prior years	15	1
	13,122	9,825
Deferred tax (<i>note 26</i>)		
Current year	1,741	1,527
Under-provision in prior years	457	–
	2,198	1,527
Total	15,320	11,352

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

13. TAXATION (CONT'D)

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit before taxation	(42,752)	278,095
Tax at the Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	(7,054)	45,886
Tax effect of share of results of associates	199	(4,713)
Tax effect of expenses not deductible for tax purpose	23,115	1,666
Tax effect of income not taxable for tax purpose	(1,997)	(31,075)
Tax effect of deductible temporary differences not recognised	2	11
Tax effect of tax losses not recognised	254	171
Under-provision of taxation in respect of prior years	1,373	1
Utilisation of tax losses previously not recognised	(302)	(362)
Tax reduction	(260)	(240)
Effect of different tax rates of a subsidiary operating in other jurisdiction	(10)	7
Tax expenses for the year	15,320	11,352

14. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim, paid – HK2.2 cents (2015: HK2.2 cents) per share	6,771	6,771
Special interim, paid – HK\$Nil (2015: HK6.0 cents) per share	–	18,465
Final, proposed – HK3.2 cents (2015: HK4.5 cents) per share	9,848	13,849
	16,619	39,085

The final dividend of HK3.2 cents (2015: HK4.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

15. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on the loss for the year of HK\$58,072,000 (2015: profit for the year of HK\$266,743,000) and on number of 307,758,522 (2015: 307,758,522) ordinary shares in issue during the year.

Diluted (loss) earnings per share are the same as basic (loss) earnings per share for both years, as the Company had no dilutive potential ordinary shares outstanding in either year.

16. INVESTMENT PROPERTIES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At fair value		
At 1 April	3,195,912	3,090,737
Exchange adjustments	(78)	(525)
(Decrease) increase in fair value of investment properties recognised in the consolidated statement of profit or loss and other comprehensive income	(138,621)	105,700
At 31 March	3,057,213	3,195,912

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties shown above comprises:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Properties in Hong Kong		
Medium-term lease	1,830,700	1,847,300
Long-term lease	1,222,200	1,345,000
Property outside Hong Kong		
Freehold	4,313	3,612
At 31 March	3,057,213	3,195,912

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16. INVESTMENT PROPERTIES (CONT'D)

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties at 31 March 2016 and 31 March 2015 has been arrived at on the basis of a valuation of the properties situated in Hong Kong and Canada carried out on the respective dates by Jones Lang LaSalle Limited and Johnston, Ross & Cheng Ltd., who are independent qualified professional valuers not connected to the Group and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value of each investment property is individually determined at the end of each reporting period based on direct comparison method and/or income capitalisation method, as appropriate. The direct comparison method assumes the sale of the property interest in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The rental value and capitalisation rate to be adopted for the valuation are derived from an analysis of market transactions.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2016 are as follows:

	2016			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Commercial property units located in Hong Kong	-	-	3,052,900	3,052,900
Residential property located in Canada	-	-	4,313	4,313
	-	-	3,057,213	3,057,213

There were no transfers into or out of Level 3 during both year.

	2015			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Commercial property units located in Hong Kong	-	-	3,192,300	3,192,300
Residential property located in Canada	-	-	3,612	3,612
	-	-	3,195,912	3,195,912

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16. INVESTMENT PROPERTIES (CONT'D)

Fair value measurement of the Group's investment properties (Cont'd)

Details of valuation techniques used and key inputs to valuation on investment properties are as follows:

	Fair Value		Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs for fair value
	2016	2015			
	HK\$'000	HK\$'000			
Investment properties located in Hong Kong	3,052,900	3,192,300	Combination of direct comparison method and income capitalisation method	Estimated market unit rent per square foot HK\$22-HK\$494 (2015: HK\$21-HK\$431) and market unit sales prices per square foot	The increase in the market unit rent/sales price would result in an increase in fair value
Investment properties located in Canada	4,313	3,612	Direct comparison method	Estimated market unit sales price per square foot	The increase in the market unit rent/sales price would result in an increase in fair value

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17. PROPERTY, PLANT AND EQUIPMENT

	Buildings held under long-term lease in Hong Kong <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2014	8,205	5,925	6,911	6,505	27,546
Additions	–	35	1,114	–	1,149
Disposals	(5,000)	(740)	(998)	–	(6,738)
At 31 March 2015 and 1 April 2015	3,205	5,220	7,027	6,505	21,957
Additions	–	78	1,595	2,688	4,361
Disposals	–	–	–	(5,127)	(5,127)
At 31 March 2016	3,205	5,298	8,622	4,066	21,191
ACCUMULATED DEPRECIATION					
At 1 April 2014	4,191	1,889	1,833	6,427	14,340
Provided for the year	212	1,007	743	78	2,040
Eliminated upon disposals	(1,417)	(740)	(661)	–	(2,818)
At 31 March 2015 and 1 April 2015	2,986	2,156	1,915	6,505	13,562
Provided for the year	128	1,000	715	672	2,515
Eliminated upon disposals	–	–	–	(5,127)	(5,127)
At 31 March 2016	3,114	3,156	2,630	2,050	10,950
CARRYING AMOUNTS					
At 31 March 2016	91	2,142	5,992	2,016	10,241
At 31 March 2015	219	3,064	5,112	–	8,395

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18. LEASEHOLD LAND

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
CARRYING AMOUNTS		
At 1 April	15,290	68,752
Eliminated upon disposals	–	(52,976)
Amortisation	(92)	(486)
At 31 March	15,198	15,290
Current portion	(92)	(92)
Non-current portion	15,106	15,198

The leasehold land is held under long-term lease and situated in Hong Kong.

19. INTERESTS IN ASSOCIATES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Share of net assets	390,798	401,003
Amounts due from an associate	–	247
Amounts due to an associate	(4,526)	–
	386,272	401,250

The amounts due from (to) an associate are unsecured, interest-free and have no fixed repayment terms.

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19. INTERESTS IN ASSOCIATES (CONT'D)

Details of the Group's principal associates at 31 March 2016 are as follows:

Name of associates	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Win Easy Development Limited	Hong Kong	HK\$2	50.00%	Property investment
Easyman Limited*	The British Virgin Islands	US\$1	50.00%	Inactive
Home Easy Limited*	Hong Kong	HK\$1	50.00%	Property investment
Milsons Investment Limited*	Hong Kong	HK\$110	27.27%	Not yet commence business
Spirit Fidelity Limited*	Hong Kong	HK\$2	50.00%	Trustee

* a subsidiary of Win Easy Development Limited

All of the above associates are accounted for using the equity method in these consolidated financial statements. The financial statements of associates were prepared using accounting policies in conformity with the policies adopted by the Group.

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19. INTERESTS IN ASSOCIATES (CONT'D)

Summarised financial information in respect of the Group's material associate, Win Easy Development Limited ("Win Easy"), is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Financial position as at 31 March 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current assets	17,129	80,515
Non-current assets	787,521	803,214
Current liabilities	(10,581)	(25,728)
Non-current liabilities	(12,473)	(55,995)
Net assets	781,596	802,006
Proportion of the Group's ownership interest therein	50%	50%
Group's share of net assets of Win Easy	390,798	401,003

Profit or loss and other comprehensive income for the year ended 31 March 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	30,164	28,258
(Loss) profit for the year	(2,409)	57,121
Other comprehensive income	-	-
Total (loss) profit and total comprehensive (expense) income for the year	(2,409)	57,121
Dividend paid by Win Easy during the year	18,000	-
Share of results of associates comprises:		
Share of profits of associates	276	29,972
Share of taxation of associates	(1,481)	(1,411)
	(1,205)	28,561

The Company provided guarantee to secure the banking facilities granted to its associate.

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20. AVAILABLE-FOR-SALE INVESTMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Listed investments:		
Debt securities, at fair value (<i>note a</i>)	208,748	–
Equity securities, at fair value (<i>note a</i>)	8,081	–
	216,829	–
Unlisted investments:		
Club debentures, stated at cost (<i>note b</i>)	761	2,161
	217,590	2,161

Notes:

- (a) The fair value of the listed debt and equity securities are based on quoted market bid prices in active markets.
- (b) The club debenture does not have a quoted market price in an active market and their fair value cannot be reliably measured.

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21. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	176	220
Other receivables		
Interest receivables	4,359	5,448
Utilities deposits	1,860	2,019
Rental deposits	190	190
Prepayments	803	573
Others	613	215
	8,001	8,665

Included in trade receivables are rental receivables with defined credit policy. The rental income is billed in advance each month. Immediate settlement is expected upon receipt of billing by the tenants.

The rental receivables had an age of less than 30 days at the end of both reporting periods. No provision was required for the receivables.

22. FINANCIAL ASSETS HELD FOR TRADING

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Analysis of financial assets held for trading (<i>note</i>)		
Listed overseas debt securities	–	249,500
Listed overseas equity securities	–	8,125
Listed Hong Kong equity securities	–	25,934
	–	283,559

Note: The fair value of the financial assets held for trading are based on quoted market bid prices in active markets.

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23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Pledged bank deposits	2,143	–
Bank balances and cash	45,750	46,087

Pledged bank deposits represent deposits pledged to a bank to secure a loan facility granted to the Group.

Bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate of 0.01% per annum (2015: 0.01% per annum) with an original maturity of three months or less.

24. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	4,019	3,552
Other payables		
Accrued interest	–	45
Unclaimed dividend	297	2,542
Accrued expenses	2,595	2,691
Amount due on debt security trading account	–	7,896
Others	363	217
Total	7,274	16,943

Included in trade payables is prepaid rent from tenants. The following is an age analysis of prepaid rent from tenants at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	3,469	3,552
31 – 60 days	550	–
	4,019	3,552

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25. SECURED BANK LOANS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The secured bank loans are repayable as follows:		
Within one year	–	60,000
More than one year but not exceeding two years	–	46,000
More than two years but not exceeding five years	–	35,000
	–	141,000
Less: Amounts due within one year	–	(60,000)
	–	81,000

All of the bank loans were denominated in Hong Kong dollars with variable interest rate from 1.45% to 2.25% over HIBOR per annum.

26. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior reporting periods:

	<i>HK\$'000</i>
At 1 April 2014	20,250
Deferred tax charge for the year	1,527
At 31 March 2015 and 1 April 2015	21,777
Deferred tax charge for the year	1,741
Under-provision in prior years	457
At 31 March 2016	23,975

With regard to the Group's investment properties, as none of them is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, the Group has not recognised any deferred taxes on changes in fair value of the investment properties in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. For the Group's investment property in Canada, the deferred tax on changes in fair value of investment property is recognised taking into account the tax payable upon sale of this investment property in Canada.

At the end of the reporting period, the Group has unused tax losses of approximately HK\$2,075,000 (2015: approximately HK\$2,749,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

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27. SHARE CAPITAL

	2016		2015	
	Number of ordinary shares	HK\$'000	Number of ordinary shares	HK\$'000
Issued and fully paid	307,758,522	229,386	307,758,522	229,386

There were no movements in the share capital of the Company for the year ended 31 March 2016. None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

28. PENSIONS SCHEME

The Group operates MPF Scheme for all existing staff members of the Group.

The MPF Scheme is defined contribution scheme and the assets of the scheme are managed by the trustees.

The MPF Scheme is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK\$30,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group's cost for the MPF Scheme charged to the statement of comprehensive income for the year ended 31 March 2016 amounted to HK\$229,000 (2015: HK\$190,000). As at 31 March 2016, contributions due in respect of the reporting period had been fully paid over to the MPF Scheme.

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29. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounted to HK\$110,000,000 (2015: HK\$186,000,000).

The following assets were pledged to secure the banking facilities granted to the Group:

- i) Investment properties with carrying amounts of approximately HK\$422,900,000 (2015: approximately HK\$490,700,000);
- ii) Available-for-sale investments with carrying amounts of approximately HK\$189,484,000 (2015: HK\$Nil);
- iii) Pledged bank deposits with carrying amounts of approximately HK\$2,143,000 (2015: HK\$Nil); and
- iv) Financial assets held for trading with carrying amounts of HK\$Nil (2015: HK\$128,428,000).

At the end of the reporting period, the Group had not utilised any banking facilities (2015: HK\$141,401,000).

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30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	570	1,140
In the second to fifth year inclusive	–	570
	570	1,710

Operating lease payments represent rental payables by the Group for its director's quarter. Leases are fixed for two years.

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 3.43% (2015: approximately 3.11%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (2015: three years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	80,272	79,908
In the second to fifth year inclusive	29,834	42,352
	110,106	122,260

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31. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK\$654,000 (2015: HK\$531,500) and dividend income of HK\$9,000,000 (2015: HK\$Nil) from an associate of the Company, Win Easy.

The directors of the Group considered that they are the key management personnel of the Group and their remunerations are set out in note 11.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, financial assets held for trading, secured bank loans, trade and other receivables, pledged bank deposits, bank balance and cash, trade and other payables and rental deposits from tenants. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

One subsidiary of the Company has foreign currency assets and income which exposes the Group to foreign currency risk. Certain other receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	Liabilities	Assets	Liabilities
	2016	2016	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Renminbi ("RMB")	29,328	–	43,921	–
Canadian dollar ("CAD")	172	26	146	27
Euro ("EUR")	–	–	9,348	–
United States dollars ("USD")	198,095	–	208,304	–

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk management (Cont'd)

Sensitivity analysis

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB, CAD, EUR and USD against the Hong Kong dollars, the effect in the profit/loss for the year is as follows:

Increase/decrease in the profit/loss for the year:

	2016 HK\$'000	2015 HK\$'000
Renminbi ("RMB")	1,466	2,196
Canadian dollar ("CAD")	7	6
Euro ("EUR")	-	467
United States dollars ("USD")	9,905	10,415

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities. The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below:

	On demand HK\$'000	Within 1 year HK\$'000	2016 2-5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade and other payables	7,274	-	-	-	7,274
Rental deposits from tenants	29,452	-	-	-	29,452
Secured bank loans	-	-	-	-	-
	36,726	-	-	-	36,726

	On demand HK\$'000	Within 1 year HK\$'000	2015 2-5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade and other payables	16,943	-	-	-	16,943
Rental deposits from tenants	29,387	-	-	-	29,387
Secured bank loans	-	60,000	81,000	-	141,000
	46,330	60,000	81,000	-	187,330

Notes to the Consolidated Financial Statements

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that prompt follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has certain variable interest-bearing assets and liabilities including cash and cash equivalent and secured bank loans. The Group's exposure to changes in interest rates is mainly attributable to its cash and cash equivalent and secured bank loans. Cash and cash equivalent and secured bank loans at variable rates expose the Group to cash flow interest-rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's cash and cash equivalent and secured bank loans.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration of refinancing, renewal of existing position, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shifts is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest-bearing liabilities and deposits, have been determined based on the exposure to interest rates for non-derivative instrument at the end of the reporting period. A 100 basis points increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2016 would decrease/increase by approximately HK\$479,000 (2015: profit for the year ended 31 March 2015 would decrease/increase by approximately HK\$949,000).

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Market price risk management

The Group is exposed to market price risk because of investments in listed debt and equity securities held by the Group and classified on the consolidated statement of financial position either as available-for-sale at fair value or at fair value through profit or loss. The Group's market price risk primarily arises from listed debt and equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks and returns. In this regards, the management considers the Group's exposure to market price risk is reduced.

As at 31 March 2016, the exposure of club debentures included in available-for-sale investments held by the Group to market price risk is minimal.

Fair values

As at 31 March 2016, the carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and rental deposits from tenants approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets held for trading and listed debt and equity securities included in AFS investments are included in the statement of financial position at amounts approximating to their fair values. The following table gives information about how the fair values of these financial assets are determined:

	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 March 2016 HK\$'000	31 March 2015 HK\$'000		
AFS investments				
– Listed debt securities	208,748		– Level 1	Quoted bid prices in active markets
– Listed equity securities	8,081		– Level 1	Quoted bid prices in active markets
Financial assets held for trading				
– Listed debt securities	–	249,500	Level 1	Quoted bid prices in active markets
– Listed equity securities	–	34,059	Level 1	Quoted bid prices in active markets

There were no transfers between Levels 1, 2 and 3 during both years.

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Capital risk management

The management's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

As at 31 March 2016, the Group's strategy remained unchanged as compared to 31 March 2015. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

Gearing ratio of the Group at the year end date is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Secured bank loans	–	141,000
Total equity	3,680,317	3,751,934
Total debts to total equity ratio	N/A	0.04

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33. PRINCIPAL SUBSIDIARIES

Details of the Company's wholly owned principal subsidiaries at 31 March 2016 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia	HK\$2	Inactive
Funswin Investment Limited	Hong Kong	HK\$2	Securities investment
Grademark Limited	Hong Kong	HK\$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK\$2	Property investment
High Spark Properties Limited	Hong Kong	HK\$20	Property investment
Hokin Investment Limited	The British Virgin Islands	US\$1	Inactive
Kamillex Company Limited	Hong Kong	HK\$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK\$2	Property investment
Kimwui Investments Limited	Hong Kong	HK\$2	Inactive
Kinghale Investment Limited	Hong Kong	HK\$2	Inactive
Kingunit Company Limited	Hong Kong	HK\$2	Property investment
Laquinta Investments Limited	The British Virgin Islands/Canada	US\$1	Property investment
Longo Investment Company Limited	Hong Kong	HK\$2	Property investment
Pomeroy Company Limited	Hong Kong	HK\$2	Property investment
Spark View Limited	Hong Kong	HK\$20	Property investment
Strongfort Company Limited	Hong Kong	HK\$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK\$2	Property investment
Tech Target Investment Limited (note (i))	Hong Kong	HK\$1	Securities investment
Tern China Investments Limited	Hong Kong	HK\$2	Inactive
Tern Management Limited (note (i))	Hong Kong	HK\$10,000	Inactive
Tern Real Estate Agency Limited	Hong Kong	HK\$2	Inactive
Zepersing Limited	Hong Kong	HK\$2	Property investment

All subsidiaries are directly owned by the Company except for Zepersing Limited.

Note:

(i) Company incorporated during the year.

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34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AT 31 MARCH 2016

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Interests in subsidiaries (note a)	784,622	700,841
Interests in associates	–	247
	784,622	701,088
Current assets		
Trade and other receivables	878	293
Bank balances and cash	3,112	3,413
	3,990	3,706
Current liabilities		
Trade and other payables	310	2,542
Amount due to associates	3,053	–
	3,363	2,542
Net current assets	627	1,164
Total assets less current liabilities	785,249	702,252
Non-current liability		
Amounts due to subsidiaries (note a)	122,372	120,192
Net assets	662,877	582,060
Capital and reserves		
Share capital	229,386	229,386
Reserves	433,491	352,674
Total equity	662,877	582,060

The Company's statement of financial position was approved and authorised for issue by the board of directors on 16 June 2016 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Yan Tin, Andrew
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

Note a: Interests in subsidiaries

	2016 HK\$'000	2015 HK\$'000
Unlisted shares, at cost	48,548	48,528
Amounts due from subsidiaries	754,019	670,258
	802,567	718,786
Provision for impairment	(17,945)	(17,945)
	784,622	700,841
Amounts due to subsidiaries	122,372	120,192

The amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed term of repayment.

35. RESERVES OF THE COMPANY

	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2014	11,695	179,323	191,018
Profit and total comprehensive income for the year	–	198,587	198,587
Dividends declared	39,085	(39,085)	–
Dividends paid	(36,931)	–	(36,931)
At 31 March 2015 and 1 April 2015	13,849	338,825	352,674
Profit and total comprehensive income for the year	–	101,437	101,437
Dividends declared	16,619	(16,619)	–
Dividends paid	(20,620)	–	(20,620)
At 31 March 2016	9,848	423,643	433,491

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

Five-year Consolidated Financial Summary

RESULTS

	Year ended 31 March				
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	104,841	99,480	88,949	79,277	71,645
(Loss) profit for the year attributable to owners of the Company	(58,072)	266,743	250,846	702,471	394,744
Basic (loss) earnings per share (HK cents)	(18.87)	86.67	81.51	228.25	128.26

ASSETS AND LIABILITIES

	As at 31 March				
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Total assets	3,744,877	3,963,527	3,718,552	3,539,405	2,955,492
Total liabilities	64,560	211,593	196,430	250,587	353,141
Total equity attributable to owners of the Company	3,680,317	3,751,934	3,522,122	3,288,818	2,602,351

Particulars of Major Properties

Details of properties held by the Group at 31 March 2016 are as follows:

1. LEASEHOLD LAND AND BUILDINGS

Location	Use	Category of lease	Group's interest
Hong Kong			
1. The whole of 26th, 27th and 28th floors, Tower 1, Tern Centre, 237 Queen's Road Central, Hong Kong	Office	Long-term	100%
2. Flat 59 on 15th floor, Tower 9 and car parking spaces nos. 66 and 67 on car park entrance 4 (Level 3), Hong Kong Park View, 88 Tai Tam Reservoir Road, Hong Kong	Directors' quarters	Long-term	100%

2. INVESTMENT PROPERTIES

Location	Use	Category of lease	Group's interest
Hong Kong			
1. Shops no. G15, G16 and G17 on ground floor and shop no. 8, 9A and 11A on 1st floor, site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
2. Duplex shop F on ground floor and 1st floor, Burlington House, 90-94 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
3. Shop no. B and C on ground floor, the whole of upper ground floor and 1st floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
4. Shop no. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
5. Shops no. 5 on ground floor, Lee Fat Building, 30-36 Jardine's Crescent, Causeway Bay, Hong Kong	Commercial	Long-term	100%
6. The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%

Particulars of Major Properties (Cont'd)

2. INVESTMENT PROPERTIES (CONT'D)

Location	Use	Category of lease	Group's interest
Hong Kong			
7. The whole of the Wave, 184 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
8. The whole of ground floor and 1st, 2nd, 3rd and 5th floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
9. The whole of lower ground floor, ground floor and 1st floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
10. The whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
11. The whole of 6th, 12th and 20th floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
12. The whole of 11th, 16th and 18th floors, Unit 2 and Unit 3 of 13th floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
13. Carpark No. 31 on the podium of Level 2, 37 Repulse Bay Road, Hong Kong.	Carpark	Long-term	100%
14. Shops no. 1, 2 and 6 on ground floor and the whole of 1st, 2nd, 3rd, 4th, 5th, 6th, 8th and 9th floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
15. The whole of 9th floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
Location	Use	Category of lease	Group's interest
Canada			
1. Suite no. 2406 with one carpark, Point Claire, 1238 Melville Street Vancouver, British Columbia	Residential	Freehold	100%