



SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

Stock code : 252

Annual Report

**2016-17**



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chua Nai Tuen  
(Chairman and Managing Director)  
Mr. Chua Nai King  
(Deputy Chairman)  
(retired on 26 August 2016)  
Mr. Nelson Junior Chua  
Mr. Gilson Chua

### Non-Executive Directors

Mr. Chan Man Hon, Eric  
Mr. Jimmy Siy Tiong  
Mr. Rene Siy Chua  
Mr. Samuel Siy Yap  
Mr. Tsai Han Yung  
Ms. Vivian Chua

### Independent Non-Executive Directors

Mr. Chan Siu Ting  
Mr. James L. Kwok  
Mr. Wong Shek Keung  
Mr. Tsui Ka Wah  
Mr. Tsai Sui Cheung, Andrew

## AUDIT COMMITTEE

Mr. Chan Siu Ting (Chairman)  
Mr. Chan Man Hon, Eric  
Mr. James L. Kwok  
Mr. Tsai Han Yung  
Mr. Wong Shek Keung  
Mr. Tsui Ka Wah

## REMUNERATION COMMITTEE

Mr. Wong Shek Keung (Chairman)  
Mr. Chua Nai Tuen  
Mr. Chan Siu Ting  
Mr. Tsai Sui Cheung, Andrew

## NOMINATION COMMITTEE

Mr. Chua Nai Tuen (Chairman)  
Mr. James L. Kwok  
Mr. Tsui Ka Wah  
Mr. Tsai Sui Cheung, Andrew

## PRINCIPAL BANKERS

China Construction Bank (Asia)  
Corporation Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
Industrial and Commercial  
Bank of China (Asia) Limited  
OCBC Wing Hang Bank Limited

## SOLICITORS

Vincent T. K. Cheung, Yap & Co.

## AUDITORS

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

## COMPANY SECRETARY

Mr. Kwok Tung Fai  
(appointed on 23 February 2017)  
Mr. Lau Ka Chung  
(resigned on 23 February 2017)

## REGISTERED OFFICE

Units 407-410, 4th Floor, Tower 2,  
Silvercord, No. 30 Canton Road,  
Tsimshatsui, Kowloon, Hong Kong.

## SHARE REGISTRAR

General Secretarial Services Limited,  
26th Floor, KP Tower,  
93 King's Road, North Point,  
Hong Kong

## STOCK CODE

252

## INTERNET ADDRESS HOMEPAGE

<http://www.seapnf.com.hk>



# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Mr. Chua Nai Tuen**, aged 65, was appointed as an Executive Director and Managing Director in 1973 and was further appointed as Chairman of the Company in 2000. He was appointed as the Chairman of the Nomination Committee on 16 March 2012 and a member of the Remuneration Committee on 25 March 2013 respectively. Mr. Chua is responsible for the formulation and execution of the Group's overall strategic planning, business development and seeking business opportunities for the Group. He is also the Director of other companies in the Group. He has over 40 years' experience in finance, property investment and development, hotel, manufacturing and distribution of plastics packaging materials business.

**Mr. Nelson Junior Chua**, aged 38, was appointed as a Non-executive Director of the Company on 15 April 2008 and was redesignated as an Executive Director on 16 July 2010. He has been appointed as an Authorized Representative of the Company with effect from 1 April 2014. He is also the Director of other companies in the Group. Mr. Chua has over 15 years' experience in financial information analysis and research. He graduated from the Queen Mary & Westfield College in United Kingdom and obtained a Bachelor's degree in Molecular Biology.

**Mr. Gilson Chua**, aged 37, was appointed as an Executive Director of the Company on 15 April 2008. He joined the Group in 2002. He is the Director and Deputy General Manager of Nan Sing Plastics Limited and he is also the Director of other companies in the Group. He graduated from the University of Warwick in United Kingdom and obtained a Bachelor's degree in Computer and Business Studies.

**Mr. Chua Nai King**, aged 67, was appointed as an Executive Director in 1972 and was further appointed as Deputy Chairman of the Company in 2000. He retired on 26 August 2016. He was also the Director of other companies in the Group. He has over 35 years' experience in finance, property investment, property development and hotel business.

## NON-EXECUTIVE DIRECTORS

**Mr. Chan Man Hon, Eric**, aged 60, was appointed as a Non-executive Director of the Company in 1994 and was further appointed as a member of the Audit Committee and the Remuneration Committee in 2001 and 2005 respectively. Mr. Chan is a practising solicitor in Hong Kong. He obtained a Bachelor of Laws degree from the University of Hong Kong and was admitted as a solicitor in Hong Kong in 1981. He was further admitted as a solicitor in England and Australia in 1984 and 1985 respectively. He is a consultant of Vincent T. K. Cheung, Yap & Co.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### NON-EXECUTIVE DIRECTORS (Cont'd)

**Mr. Jimmy Siy Tiong**, aged 81, was appointed as a Non-executive Director of the Company in 1978. Mr. Siy was the former President of Sanyo Philippines Inc., a company incorporated in the Philippines.

**Mr. Rene Siy Chua**, aged 59, was appointed as a Non-executive Director of the Company in 2000. Mr. Chua is the General Manager of Mindanao Textile Corporation, a company incorporated in the Philippines.

**Mr. Samuel Siy Yap**, aged 58, was appointed as a Non-executive Director of the Company on 30 September 2008. Mr. Siy is a businessman with over 30 years of experience in manufacturing and product distribution. He graduated from Ateneo De Manila University in the Philippines and obtained a Bachelor's degree of Science in Management Engineering.

**Mr. Tsai Han Yung**, aged 51, was appointed as a Non-executive Director of the Company in 2000 and was further appointed as a member of the Audit Committee in 2001. Mr. Tsai holds management positions in certain companies in Taiwan.

**Ms. Vivian Chua**, aged 37, was appointed as a Non-executive Director of the Company on 15 April 2008. Ms. Chua joined the Group in 2005. She is a Marketing and Planning Analyst of Nan Sing Plastics Limited and an Assistant Manager responsible for the Group's property management. She graduated from The University of British Columbia in Canada and obtained a Bachelor's degree in Commerce.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Siu Ting**, aged 65, was appointed as an Independent Non-executive Director of the Company and Chairman of the Audit Committee in 2006 and a member of the Nomination Committee in 2012 respectively. Mr. Chan has been practising as a Certified Public Accountant in Hong Kong for over 20 years. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a member of The Institute of Chartered Accountants in England and Wales. He is currently a Director of Wong Chan Lau C.P.A. Company Limited, Certified Public Accountants (Practising).

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

**Mr. James L. Kwok**, aged 65, was appointed as an Independent Non-executive Director of the Company in 1994 and was further appointed as a member of the Audit Committee in 2001. He was also appointed as a member of the Nomination Committee on 16 March 2012. Mr. Kwok obtained a MBA degree from the Wharton School, University of Pennsylvania. He started his career in banking and had held the position of manager of the Asian portfolios of a major American bank in Hong Kong. For the past two decades, he held a management position in a group of private companies in Hong Kong and North America which were involved in general trading, property investment and garment business.

**Mr. Wong Shek Keung**, aged 74, was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee and Remuneration Committee in 2005. On 25 November 2010, Mr. Wong was appointed as Chairman of the Remuneration Committee. Mr. Wong has over 40 years' extensive experience in banking, finance and administration. He had held a senior position of a reputable French bank's Hong Kong Branch and had been an advisor to the Chairman of a down manufacturing company in Mainland China.

**Mr. Tsui Ka Wah**, aged 64, was appointed as an Independent Non-executive Director of the Company on 21 September 2012 and a member of the Audit Committee and the Nomination Committee on 25 March 2013. Mr. Tsui has extensive experience in banking industry with US-based and local banks, and has held various managerial positions in corporate, retail and private banking. He was the President of the Greater China Region of a US-based bank, overseeing operations in Taiwan, PRC and Hong Kong. Mr. Tsui holds a Bachelor of Arts degree and a Master of Business Administration from the Chinese University of Hong Kong. Currently, Mr. Tsui is an Independent Non-executive Director of Oriental Explorer Holdings Limited (stock code: 430), Multifield International Holdings Limited (stock code: 898) and Grand Ming Group Holdings Limited (stock code: 1271) respectively whose shares are listed on the Stock Exchange of Hong Kong. Mr. Tsui is presently the CEO of SME Credit Company Ltd.

**Mr. Tsai Sui Cheung, Andrew**, aged 61, was appointed as an Independent Non-executive Director of the Company on 30 November 2012 and a member of the Remuneration Committee and the Nomination Committee on 25 March 2013. Mr. Tsai has over 28 years of working experience in banking industry primarily in sales and trading area and held the position of Managing Director of a respectable U.S. Investment Bank. He graduated from The University of Calgary in Canada and obtained a Bachelor's degree in Commerce.



# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## SENIOR MANAGEMENT

**Mr. Choy Tin Woo, Johnnie**, aged 62, is the Executive Director and Responsible Officer of Stockwell Securities Limited and Stockwell Commodities Limited. He is also the Director of other companies in the Group. Mr. Choy joined the Group in 1976 and is responsible for the Group's securities and commodities dealings.

**Mr. Fu Ka Tsang**, aged 59, is the General Manager of the Company and he is also a Director of other companies in the Group. Mr. Fu joined the Group in 1995 and is responsible for the Group's manufacturing and property investment and development business.

**Ms. Tsai Sui Chiong**, aged 60, was graduated from the University of the Philippines with a Bachelors of Science Degree in Hotel and Restaurant Management. Ms. Tsai has over 30 years solid experience in hotel industry. Ms. Tsai joined the Group in May 2014 and presently is the manager of Hotel Benito.

**Mr. Kwok Tung Fai**, aged 44, is the Group Financial Controller, Company Secretary and Authorized Representative of the Company. Mr. Kwok joined the Group as Group Financial Controller at 19 December 2016 and was further appointed as Company Secretary and Authorized Representative of the Company with effect from 23 February 2017. Mr. Kwok is primarily responsible for all accounting, finance operations and company secretary matters of the Group. Mr. Kwok is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Chartered Association of Certified Accountants. Mr. Kwok obtained a Master of Finance degree from Hong Kong University of Science and Technology in 2010 and a bachelor degree in Business Administration from The Chinese University of Hong Kong in 1997. Apart from working with the Company, Mr. Kwok has over 19 years of experience working in various corporations, including multinational financial institution and listed companies in Hong Kong and Singapore. He has previously held positions of Chief Financial Officer/Financial Controller and Company Secretary in listed companies in Hong Kong and Singapore for over 5 years.

**Mr. Lau Ka Chung**, aged 41, was previously the Group Financial Controller and Company Secretary of the Company. Mr. Lau joined the Group in 2014 and left the Group on 23 February 2017. He was primarily responsible for all accounting and finance operations of the Group. Mr. Lau graduated from The Hong Kong University of Science and Technology with a Bachelor's degree in Business majoring in Accounting. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants. Over the course of his career, Mr. Lau has accumulated over sixteen years of extensive experience in auditing and accounting field.

Messrs. Chua Nai Tuen, Chua Nai King, Jimmy Siy Tiong, Rene Siy Chua and Tsai Han Yung are brothers. Both Mr. Nelson Junior Chua and Mr. Gilson Chua are the sons of Mr. Chua Nai Tuen and Ms. Vivian Chua is the daughter of Mr. Chua Nai King. Mr. Samuel Siy Yap is the nephew of Messrs. Chua Nai Tuen, Chua Nai King, Jimmy Siy Tiong, Rene Siy Chua and Tsai Han Yung and he is the cousin of Mr. Nelson Junior Chua, Mr. Gilson Chua and Ms. Vivian Chua. Save as disclosed, the directors and senior management do not have any relationships as set out in Rule 12 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to submit to the Shareholders the Annual Report of the Group for the year ended 31 March 2017.

## RESULTS

During the year, revenue was HK\$532.1 million (2015/2016: HK\$505.0 million), the profit attributable to owners of the Company was HK\$95.8 million (2015/2016: HK\$37.2 million) and earnings per share was HK\$44.1 cents (2015/2016: HK\$17.1 cents).

During the year, the Group's profit before tax was HK\$107.0 million (2015/2016: HK\$42.4 million). Given below is an analysis of the profit from operations of the Group's principal activities:

	2017 HK\$'000	2016 HK\$'000
Property investment, development and leasing/hotel operation	17,682	19,219
Manufacturing and distribution of plastics packaging materials	28,230	20,517
Broking and securities margin financing	17,162	8,699
Gain arising on change in fair value of investment properties	51,629	5,371
Profit from operations	114,703	53,806
Impairment loss recognised in respect of available-for-sale financial assets	–	(6,425)
Cumulative gains arising on change in fair value of disposed available-for-sale financial assets	–	1,091
Finance costs	(7,870)	(7,834)
Share of results of associates	216	1,715
Profit before tax	107,049	42,353



# CHAIRMAN'S STATEMENT

## DIVIDENDS

The Board has recommended the payment of a final dividend of HK4.5 cents per ordinary share with scrip dividend alternative (2015/2016: HK3 cents per ordinary share) and the payment of a special dividend of HK10 cents per ordinary share with scrip dividend alternative (2016: Nil), in respect of the year ended 31 March 2017 to all shareholders of the Company whose name appear on the register of members of the Company on 1 September 2017. The shareholders of the Company are given an option to elect to receive such final dividend and special dividend, all in new shares, or all in cash, or partly in new shares and partly in cash (the "Scrip Dividend Scheme")

The Scrip Dividend Scheme is subject to (1) the approval of the proposed final dividend and special dividend at the forthcoming annual general meeting; (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto; and (3) the white wash waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his/her delegate.

A circular containing full details of the Scrip Dividend Scheme together with one form of election for both final dividend and special dividend will be sent out to the shareholders on or around Monday, 11 September 2017. It is expected that the final dividend and the special dividend for the new shares or cash (as appropriate) will be dispatched to the shareholder on or around Friday, 17 November 2017.

## ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") will be convened to be held on Friday, 25 August, 2017. The Notice of AGM will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and sent to the shareholders of the Company, together with the Company's 2016/17 Annual Report, in due course.

## CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Tuesday, 22 August 2017 to Friday, 25 August, 2017, both days inclusive, during which period no share transfers can be registered. In order to be eligible to attend and vote at the AGM, all transfer, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, General Secretarial Services Limited at 26th Floor, KP Tower, 93 King's Road, North Point, Hong Kong, not later than 4:30 p.m. on Monday, 21 August 2017.

# CHAIRMAN'S STATEMENT

## CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND AND SPECIAL DIVIDEND

The register of members of the Company will be closed from Thursday, 31 August 2017 to Friday, 1 September 2017, both dates inclusive, during which period no share transfers can be registered. In order to qualify for the proposed final dividend and special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, General Secretarial Services Limited at 26th Floor, KP Tower, 93 King's Road, North Point, Hong Kong, not later than 4:30 p.m. on Wednesday, 30 August 2017.

## DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

### Financial and Business Review

For the year ended 31 March 2017, the Group recorded revenue of HK\$532.1 million, an increase of 5.4% as compared with HK\$505.0 million in the preceding year, and the Group's profit for the year was HK\$97.6 million, an increase of 156.8% as compared with HK\$38.0 million in the preceding year.

The annual results of the Group for the year ended 31 March 2017 recorded a significant increase in profit as compared with the preceding year. It was mainly attributable to the increase of approximately HK\$46.2 million in the gain arising on change in fair value of the Group's investment properties, reduction of approximately HK\$7.8 million in administrative expenses due to effective cost control measures implemented, and reduction of approximately HK\$6.4 million in impairment loss recognized in respect of available-for-sale financial assets due to improved stock market conditions.

# CHAIRMAN'S STATEMENT

## *Property Investment, Development and Leasing/Hotel Operation*

This segment comprises property investment, development and leasing in Hong Kong and China and provision of hotel services in Hong Kong. For the year ended 31 March 2017, this segment recorded revenue of HK\$45.1 million, an increase of 3.0% as compared with HK\$43.8 million in the preceding year, and the segment result was HK\$17.7 million, a decrease of 7.8% as compared with HK\$19.2 million in the preceding year. Including the gain arising on change in fair value of investment properties of HK\$51.6 million, due to hot market sentiment in both Hong Kong and China properties sectors, the profit from operation was HK\$69.3 million, an increase of 181.7% as compared with HK\$24.6 million in the preceding year.

### *(i) Property Investment, Development and Leasing*

The Everglory Centre, located at Tsim Sha Tsui, Kowloon, Hong Kong, which was acquired in August 2015, was being renovated from office to business centre in three phases. Phase 1 renovation, with 6 floors being converted into business centre, was proceeding during the year.

The bare site of No. 121 King's Road, Fortress Hill, Hong Kong, was under construction into office building of six floors, since January 2017. The construction period is estimated to take around 1 year.

Most of the Group's investment properties were leased out to generate rental income for the Group. For the year ended 31 March 2017, the Group's rental income and rental related income amounted HK\$23.2 million, an increase of 2.7% as compared with HK\$22.6 million in the preceding year. It was mainly attributed by the rental income and rental related income generated from the newly acquired investment property in August 2015. Certain rental leases have been adjusted during contract renewal according to market conditions.

### *(ii) Hotel Operation*

For the year ended 31 March 2017, the Group's hotel operation income amounted to HK\$22.0 million, an increase of 3.8% as compared with HK\$21.2 million in the preceding year. Supported by the increase of visitor arrivals to Hong Kong from South East Asia, our hotel achieved an occupancy of 92.3%, which increased slightly as compared with 89.0% of the preceding year and it was better than the industry average of 89.7%. The average room rate remained stable as compared with the preceding year. The slowdown of global economy and the strong United States Dollars against other currencies are making shopping and travelling to Hong Kong less appealing.



# CHAIRMAN'S STATEMENT

## ***Manufacturing and Distribution of Plastic Packaging Materials***

For the year ended 31 March 2017, this segment recorded a revenue of HK\$453.2 million, an increase of 7.8% as compared with HK\$420.5 million in the preceding year, and the segment profit was HK\$28.2 million, an increase in 37.6% as compared with HK\$20.5 million in the preceding year. The increase in sales was primarily led by a growth in sales volume in Greater China and Australia market. The increase in segment profit was mainly due to improvement in gross profit margin and reduction of administrative expenses.

Operating environment remained challenging as competitions intensified due to excess capacity and stagnant demand globally, however, our manufacturing business was generally robust as we began to reap the benefits from some of the innovative initiatives implemented in the production processes to increase operational efficiency and efficacy. We have installed the latest technology to monitor and control the product quality automatically minimising the workload of our operators.

Furthermore, we adopted cleaner production practices by using water-based ink instead of solvent-based ink to reduce the volatile organic compounds ("VOCs"). We have proactively reduced waste, optimised the utilization of resources and monitored our energy consumption level to minimise our impact to the environment and promote a circular and more sustainable economy.

## ***Broking and Securities Margin Financing***

Our business is still facing keen competition. Hong Kong stock market was so stagnant at the first three quarters of the financing year due to worldwide uncertainties. In the forth quarter during the period, the market become more energetic, one of the major reasons was that fund from China inflow to the market through "Shenzhen/Shanghai-Hong Kong Connect" which generated market turnover about 80-100 billion daily. And also the US stock market was pushed up greatly by the "Donald Trump Effect", which favors the investment market.

For the year ended 31 March 2017, this segment recorded brokerage commission of HK\$15.1 million, a decrease of 32.0% as compared with HK\$22.2 million in the preceding year, and interest income received from clients of HK\$17.4 million, an increase of 1.2% as compared with HK\$17.2 million in the preceding year. The segment profit was HK\$17.1 million, an increase of 96.6% as compared with HK\$8.7 million in the preceding year. The increase in segment profit was mainly due to increase of HK\$4.0 million in fair value change on trading securities, reduction of cost of sales by HK\$1.5 million, reduction of rental cost by HK\$1.6 million and staff cost by HK\$1.5 million respectively.

# CHAIRMAN'S STATEMENT

## Liquidity and Financial Resources

The Group takes a consistent capital management strategy, providing adequate liquidity to meet the requirement of the Group's developments and operations and monitors its capital on the basis of net debt to equity ratio.

As at 31 March 2017, cash and cash equivalents were HK\$81.8 million (2016: HK\$81.4 million) and trade and other receivables were HK\$170.3 million (2016: HK\$158.0 million). Trade and other payables were HK\$168.1 million (2016: HK\$160.3 million). The increase in trade and other receivables was mainly attributed to the increase in receivables from clearing house and cash clients.

As at 31 March 2017, the Group's bank loans and overdraft decreased from HK\$349.5 million as at 31 March 2016 to HK\$317.4 million, in which the short term borrowings amounted to HK\$95.4 million (2016: HK\$106.1 million) and long term borrowings amounted to HK\$222.0 million (2016: HK\$243.4 million). The Group's current year net debt to equity ratio was 19.2% (2016: 23.4%), calculated on the basis of the Group's bank loans and overdraft less cash and cash equivalents divided by total equity attributable to owners of the Company. The decrease in the net debt to equity ratio was mainly due to the profitable business operations and then repayment of bank loans during the year.

## Capital Structure

As at 31 March 2017, the total equity attributable to owners of the Company amounted to HK\$1,225.6 million (2016: HK\$1,147.4 million). The Group's consolidated net assets per share as at the reporting date was HK\$5.73 (2016: HK\$5.37).

## Foreign Exchange Exposure

The Group operates in Hong Kong and the PRC and majority of transactions are denominated in Hong Kong dollars ("HK\$"), United State dollars ("US\$") and Renminbi ("Rmb"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group and the Company.

The Group is not exposed to foreign exchange risk in respect of HK\$ against the US\$ as long as US\$ is pegged.

To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in HK\$ and US\$. The Group has no significant exposure to foreign exchange rate fluctuations.

The transactions and monetary assets and liabilities denominated in Rmb outside the PRC is minimal, the Group consider that there is no significant foreign exchange risk in respect of Rmb.

# CHAIRMAN'S STATEMENT

## **Material Acquisitions and Disposals**

During the year ended 31 March 2017, there was no material acquisitions or disposals of subsidiaries or associated companies.

## **STRATEGIES AND PROSPECTS**

Looking ahead, as the unstable and the volatility of global economic environment, our businesses may be adversely affected. To cope with the uncertainties, we will cautiously review and adjust our business strategies from time to time.

### ***Property Investment, Development and Leasing***

In Hong Kong, the factors of low interest rate environment and limitation of land supply will continue to benefit the local property market. Rental income from the Group's investment properties is expected to face mild price pressure.

### ***Hotel Operation***

Despite the global political and financial uncertainties, the increase of hotel room supply, the increase in competition from other countries and the slow economic recovery of China, our hotel continued to perform steadily for the first 3 months of 2017. To maintain competitive, we will continue to stay focus on flexible rate strategies, diversify our customer base and market segment, control operating costs, maintain service quality and improve the physical conditions of our hotel to deliver better guest experience.

### ***Manufacturing and Distribution of Plastic Packaging Materials***

The global economy in the coming year will remain unpredictable as leaders around the world attempt to revive their own economy with all possible economic and political measures, which would inevitably affect the outlook of our manufacturing business.

In Hong Kong, the Environment Bureau has announced a municipal solid waste ("MSW") charging scheme, which will incentivise people to reduce waste at source and recover more resources from the waste stream to divert recyclables from landfills. It is based on the principal of "Polluter pays" and anyone who uses Food Environment Hygiene Department ("FEHD") and its contractors' service must dispose their MSW in the designated garbage bags. This bill will affect all sectors in Hong Kong, drive behavioural change and revolutionize the waste industry.



## CHAIRMAN'S STATEMENT

In addition, we acknowledge the traditional linear economic model underscored by “take, make, use and dispose” poses a tremendous challenge to the sustainable development of our society. Our future has to be found on a circular economy that optimizes the utilisation of resources and reduces waste while driving growth. As socially responsible businesses, we are conscious of the need to reduce waste and actively participate in recycling and waste treatment to turn waste into resources.

In this fiercely competitive environment, we will continue to strive for better quality of our products and services and explore new business opportunities in the ongoing green trend. We will continue to modernize our manufacturing facilities, automate our workflow to improve operational efficiency and adopt innovative technologies to strengthen our productivity and capability.

### ***Broking and Securities Margin Financing***

In 2017, many uncertain issues will affect the investment environment given that the contraction of QE program and the frequency of increase in interest rate by the US Federal Reserve. And the development of “Brexit” and the re-election year of many countries, that all would make investors speculate.

Despite facing challenge from competitors, we will continue to strive for better quality of services to our clients. In view of this, we have launched a new trading platform early this year in order to improve speed efficiency and to provide an informative interface. Our business is mostly related to the market performance. We would take prudent measures on our strategies and always beware of the market situation.

### **APPRECIATION**

Finally, I would like to thank the Board and all the staff for their diligence and dedication in the past year.

**Chua Nai Tuen**

*Chairman*

Hong Kong, 16 June 2017

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to attaining and maintaining high standards of corporate governance. The directors of the Company (the “Directors”) recognise that good corporate governance practices and procedures are essential to ensure the Company’s transparency and accountability and to its long term success as well as to enhance the value of the Shareholders and safeguard their interests. The Company has adopted the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange as its own code of corporate governance.

Throughout the year ended 31 March 2017, the Company has complied with the CG Code save as disclosed in the paragraph headed “Chairman and Chief Executive Officer”, and “Annual General Meeting” below.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all Directors of the Company, they have confirmed that they have complied with the Model Code during the year.

## THE BOARD OF DIRECTORS

### (i) **Composition of the Board, number of Board meetings and Directors’ attendance**

The Board comprises fourteen Directors as at the date of this report. Biographical details of Directors and relationship among Directors are disclosed in “Directors and Senior Management Profile” of the Annual Report. The Company’s Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four full board meetings were held during the year. Senior management executives may, from time to time, be invited to attend the board meetings for making presentation and/or answering any queries that may be raised by the Board. All Directors have access to the advice and services of the company secretary and independent professional advice may be sought by the Directors if required.

Each Director of the Company has been appointed on the strength of his/her calibre, experience and his/her potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

The Board has set up three committees, namely the audit committee, the remuneration committee and the nomination committee to oversee particular aspects of the Group’s affairs. The committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

# CORPORATE GOVERNANCE REPORT

The attendance of individual Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Remuneration Committee Meetings (RCM), Nomination Committee Meeting (NCM) and Annual General Meeting (AGM) during the financial year is set out below:

	BM	ACM	RCM	NCM	AGM
Chua Nai Tuen	4/4	–	1/1	1/1	1/1
Chua Nai King	2/2	–	–	–	1/1
Nelson Junior Chua	4/4	–	–	–	1/1
Gilson Chua	4/4	–	–	–	1/1
Chan Man Hon, Eric	4/4	4/4	–	–	0/1
Jimmy Siy Tiong	0/4	–	–	–	0/1
Rene Siy Chua	2/4	–	–	–	0/1
Samuel Siy Yap	3/4	–	–	–	1/1
Tsai Han Yung	4/4	3/4	–	–	1/1
Vivian Chua	4/4	–	–	–	1/1
Chan Siu Ting	4/4	4/4	1/1	–	1/1
James L. Kwok	3/4	4/4	–	1/1	1/1
Wong Shek Keung	4/4	3/4	1/1	–	1/1
Tsui Ka Wah	4/4	4/4	–	1/1	1/1
Tsai Sui Cheung, Andrew	4/4	–	1/1	1/1	1/1

## (ii) The Operation of the Board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are briefed during Board Meetings to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive information on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company. Decisions on important matters, including those affecting the Group's strategic policies, major investments and funding decisions are specifically reserved to the Board whereas decisions on the Group's general operations are delegated to the management.

Moreover, the Company has maintained a procedure for its directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.



# CORPORATE GOVERNANCE REPORT

## **(iii) Directors' and Officers' Liability**

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and Officers of the Group from their risk exposure arising from the businesses of the Group.

## **(iv) Directors' Continuous Training and Development**

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are regularly briefed on the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime with written materials. All Directors have provided record of training and the Company will continue to arrange the training in accordance with paragraph A.6.5 of the Code Provisions.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Mr. Chua Nai Tuen serves as the Chairman and also the Chief Executive Officer of the Company. This is a deviation from the Code Provision A.2.1 with respect to the roles of Chairman and Chief Executive Officer to be performed by different individuals.

After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairman of the Board alone. Further, there is a clear division of responsibilities with independent operations between the Board members and the management of the day-to-day business of the Company.

As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group.

## **ANNUAL GENERAL MEETING**

Pursuant to Code Provision A.6.7, independent non-executive directors and non-executive directors, as equal board members, should attend general meeting of the Company. During the year, certain non-executive directors were unable to attend the annual general meeting of the Company held on 26 August 2016 as they had other business engagements.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION OF DIRECTORS

The Company has set up a Remuneration Committee consisting of three independent non-executive directors and one executive director. Mr. Wong Shek Keung is currently the Chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Remuneration Committee:

- (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;
- (ii) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;
- (iii) to review and approve the remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;
- (v) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct; and
- (vi) to ensure that no director or any of his associates is involved in deciding his own remuneration.

The work performed by the Remuneration Committee during the year is summarised below:

- (i) review of the Company's policy and structure of all remuneration of Directors and senior management;
- (ii) consideration of the emoluments for all Directors and senior management; and
- (iii) review of the level of Directors' fees.

The basis of determining the emoluments payable to its Directors and senior management by the Company ties with their duties and responsibilities within the Group. The Directors' fees are from time to time approved by the Shareholders of the Company and they are regularly reviewed and compared with other listed companies in Hong Kong.

# CORPORATE GOVERNANCE REPORT

## NOMINATION OF DIRECTORS

The Company has established the Nomination Committee in compliance with the Listing Rules. The Nomination Committee currently comprises one executive Director and three independent non-executive Directors. Mr. Chua Nai Tuen is currently the Chairman of the Nomination Committee.

The Nomination Committee is primarily responsible for considering and nominating suitable candidates to become members of the Board. Criteria adopted by the Nomination Committee in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

During the year ended 31 March 2017, the Nomination Committee had convened one meeting during which it had reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company and assessed the independence of all the independent non-executive directors of the Company.

Pursuant to code provision A.5.6 of the CG Code, the Board has adopted a board diversity policy and the Nomination Committee is responsible for monitoring the achievement of the measurable objectives set out in the policy.

The Company recognises and seizes the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

## AUDITORS' REMUNERATION

The fees in relation to the audit services provided by external auditors of the Company for the financial year ended 31 March 2017 are as follows:

	2017	2016
– Audit service	HK\$1,030,754	HK\$1,419,864
– Non-audit service		
Compliance for acquisition project	HK\$ –	HK\$253,000



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTION

The Board delegated the Audit Committee to perform corporate governance duties and Audit Committee has adopted written terms of reference on its corporate governance functions.

The duties of the Audit Committee in respect of the corporate governance functions include:

- (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Audit Committee has performed the corporate governance duties in accordance with its terms of reference.

## AUDIT COMMITTEE

The Audit Committee currently consists of four independent non-executive directors and two non-executive directors.

All members have sufficient experience in reviewing audited consolidated financial statements as aided by the external auditor of the Group whenever required. In addition, Mr. Chan Siu Ting has the appropriate professional qualifications and experience in financial matters.

The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

- (i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors;
- (ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

# CORPORATE GOVERNANCE REPORT

- (iii) to review the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, the Audit Committee should focus particularly on:
  - (a) any changes in accounting policies and practices;
  - (b) major judgmental areas;
  - (c) significant adjustments resulting from audit;
  - (d) the going concern assumptions and any qualifications;
  - (e) compliance with accounting standards; and
  - (f) compliance with the Listing Rules and other legal requirements in relation to financial reporting;
- (iv) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss;
- (v) to review the audit programme, and ensure co-ordination with external auditors, of the internal audit function; and
- (vi) corporate governance function.

The work performed by the Audit Committee during the year is summarized below:

- (i) review of the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (ii) review of half-year and annual consolidated financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (iii) above regarding the duties of the Audit Committee;
- (iii) discussion with the external auditors, the nature and scope of the audit;
- (iv) review of the Group's internal control and risk management systems; and
- (v) corporate governance function.

The Company's annual report for the year ended 31 March 2017 has been reviewed by the audit committee. The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The audit committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for the year ended 31 March 2017, which give a true and fair view in accordance with Hong Kong Financial Reporting Standard, Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## INTERNAL CONTROLS AND RISK MANAGEMENT

### 1. The Purpose of Risk Management

Effective management of risks is essential for the long-term growth and sustainability of the Group's business; it blends seamlessly into strategic, operational and financial management in our Group's holistic approach to management control. It is always a challenge to determinately identify and manage the pertinent risks so that they are treated, transferred, terminated or simply taken, where appropriate. To achieve this, the Board delegates to the Audit Committee to ensure that there is a framework of continuous risk management process of identifying, evaluating and managing significant risks faced by the Group.

### 2. The Approach and Processes of Risk Management and Risk Categories

#### *The Approach*

The Group adopts an integrated top-down approach complemented by a bottom-up approach in the risk management process. The top-down approach involves the corporate view from the Board and management on risks which may have significant impact to the Group. The bottom-up approach identifies, evaluates and manages key risks of each business units. Our process is designed to manage risks and not eliminate all risks.

# CORPORATE GOVERNANCE REPORT

## *The Process*

The processes used to identify, evaluate and manage significant risks faced by the Group, are summarized as follows:

### *Risk Identification*

- Identifies risks that may potentially affect the Group's business and operations.

### *Risk Evaluation*

- Evaluate the risks identified by using the criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

### *Risk Response*

- Prioritizes the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

### *Risk Monitoring and Reporting*

- Performs ongoing and periodic monitoring of the risk and ensures the appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

Control procedures have been designed to (i) safeguard assets against misappropriation and disposition; (ii) ensure compliance with relevant laws, rules and regulations; (iii) ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and (iv) to provide reasonable assurance against material misstatement, loss or fraud.



# CORPORATE GOVERNANCE REPORT

## *The Risk Categories, Risk Mitigating measures, and Risk level assessed*

During the year, the risk management process assessed the following risk aspects, under 16 different categories, in term of their impact on financial performance, reputation, health and safety, legal and compliance and staffing towards our business objectives. They are summarized as follows:

Risk Categories	Key Risks	Risk Mitigating measures	Risk Level
1 Investment Strategy	Return on acquisitions/investments/developments of business could turn out to be uncertain due to uncontrollable external factors and may result in financial loss.	<ul style="list-style-type: none"> <li>Investment decisions are supported by detailed integration plan and business strategies with management approval.</li> <li>Potential projects/investment are subject to an extensive due diligence review by in-house specialists and external advisors, if any.</li> <li>Continuous monitoring and review of all aspects of development, planning and progress by experienced managers.</li> <li>Controls over projects/investment are reviewed by Finance Department.</li> </ul>	Medium
2 Economic and Political Outlook	A significant portion of the Group's businesses and operations are in Hong Kong and PRC; adverse changes in economic and political environments in Hong Kong and PRC could have a direct or indirect impact to the Group's earnings.	<ul style="list-style-type: none"> <li>Constantly evaluate the economic environment it operates in and promptly respond to any changes.</li> <li>Continuous monitoring of changes in the political agenda in Hong Kong and PRC.</li> <li>Marketing strategy to cater to changes in economic and political outlook.</li> </ul>	Medium

# CORPORATE GOVERNANCE REPORT

Risk Categories	Key Risks	Risk Mitigating measures	Risk Level
3 Credit Risk	The borrower or counterparty may fail to perform its obligation to pay in a timely manner, or that its ability to perform such obligation may get impaired before delivery date. Therefore, the Group faces bad debts and incur financial loss.	<ul style="list-style-type: none"> <li>– Set up <b>Credit Committee</b>, to put in place credit policies and procedures for approving lending including those for approving credit and trading limits for customers and approving individual stocks acceptable for <b>margin lending</b> at specified ratios.</li> <li>– The Credit Committee <b>meets both regularly</b> and timely to review the developments and status of past due accounts and to ensure appropriate actions are taken in a timely manner.</li> <li>– Regular independent review by <b>Internal Audit</b> function conducted by external and reputable CPA firm to ensure that the Group is operating according to the established policies, procedures and credit limits.</li> </ul>	Medium
4 Liquidity Risk	The Group is also exposed to liquidity risk arising from timing difference between settlements with clearing houses or brokers and customers.	<ul style="list-style-type: none"> <li>– Active liquidity risk management to ensure the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant Financial Resources Rules applying to various licensed subsidiaries.</li> <li>– The Group's Finance Department and the management will review and monitor the Group's liquidity position on daily basis to ensure availability of sufficient liquid funds.</li> <li>– The Group has maintained sufficient stand-by banking and other facilities in order to meet any contingency in its operations.</li> </ul>	Medium

# CORPORATE GOVERNANCE REPORT

Risk Categories	Key Risks	Risk Mitigating measures	Risk Level
5 Product defects	The Group could be exposed to significant liability claims from customers and therefore incurs financial loss in the event that its products are found to be defective.	<ul style="list-style-type: none"> <li>The Group has implemented sound systems to monitor its products at various stages of its production processes. No assurance can be given that the Group's products are free of defects. Any significant liability claims could have an adverse impact on the results of operations and reputation of the Group.</li> </ul>	Medium
6 Customer contracts	The Group typically enters into one-off purchase orders with its customers. As such, the amount of purchase orders may vary significantly from time to time, and it is difficult to forecast the amount of orders to be received by the Group in the future. No assurance can be given that the Group's customers will continue to place purchase orders with it in the future in similar amounts to prior periods, if at all. As a result, the results of operations of the Group may vary significantly in the future.	<ul style="list-style-type: none"> <li>The Group maintains stringent controls over product quality to preserve its reputation over 60 years.</li> </ul>	Medium
7 Competitive industry	The business segments in which the Group operates are highly competitive. No assurance can be given that the Group will be able to compete successfully against its current competitors or emerging companies in the future. If the Group fails to compete effectively, the Group's results of operations, financial condition and business prospects may be materially and adversely affected.	<ul style="list-style-type: none"> <li>The Group monitors the market competition closely and take suitable actions in response.</li> </ul>	Medium

# CORPORATE GOVERNANCE REPORT

	Risk Categories	Key Risks	Risk Mitigating measures	Risk Level
8	Legal and Compliance	Regulatory uncertainty and/or change of legal and regulatory requirements may lead to non-compliance of local/foreign regulations, leading to reputational damage and financial loss.	<ul style="list-style-type: none"> <li>– Actively engage with regulatory bodies and external advisors on any upcoming new legal and regulatory requirements.</li> <li>– Encourage staff to attend seminar to update relevant knowledge.</li> <li>– Establish related policies and procedures to provide clear guideline to staff.</li> <li>– Regular independent review by Internal Audit function conducted by external and reputable CPA firm to ensure its compliance.</li> </ul>	Medium
9	Human Resource	Our core businesses are in people intensive industries and loss of key staff would affect the Group's ability to deliver on its strategies.	<ul style="list-style-type: none"> <li>– Maintain succession plans for key positions.</li> <li>– Regular review on the competitiveness of our compensation and benefit arrangement.</li> <li>– Development platform and trainings have been provided to staff.</li> </ul>	Low
10	Tenant and Customer	Loss of income due to change in customer spending behavior.	<ul style="list-style-type: none"> <li>– Enhance marketing and promotion to attract customers.</li> <li>– Actively engage with current and potential tenants to strengthen strategic relationships.</li> <li>– Maintain a well-balanced tenant mix and trade mix.</li> <li>– Continuously update with the market trend and promptly respond.</li> </ul>	Low



# CORPORATE GOVERNANCE REPORT

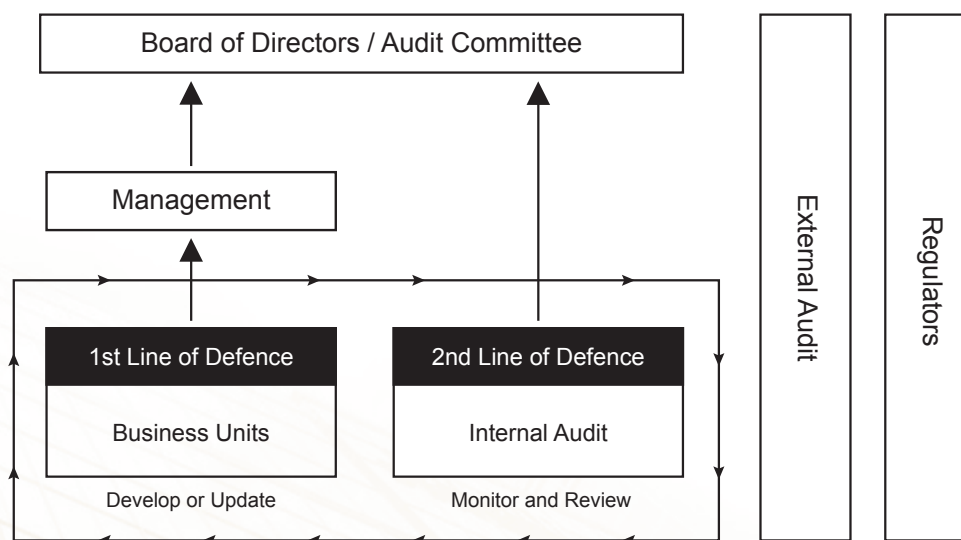
Risk Categories	Key Risks	Risk Mitigating measures	Risk Level
11 Contractor and Supplier	Association with problematic/ substandard contractors/ suppliers may cause financial and reputation loss.	<ul style="list-style-type: none"> <li>– All key vendors are required to go through the well-established prequalification mechanism.</li> <li>– Closely monitoring of the performance of contractors/suppliers.</li> <li>– Mechanism on picking out and deregistering problematic vendors from the list is in place.</li> </ul>	Low
12 Management & Operational Activities	Insufficient/ineffective internal controls in daily operations leading to financial loss and reputational damage, e.g. contractual risks, abusive use of discount, cash misappropriation, fraud committed with external parties, loss of physical assets, etc.	<ul style="list-style-type: none"> <li>– Approval authority has been set up and well communicated among all staff.</li> <li>– Policies and procedures of key controls have been established and published on intranet.</li> <li>– Monitoring procedures, e.g. stocktaking/cash count by Group Finance, are in place.</li> <li>– Whistle-blowing channel has been set up.</li> <li>– Regular independent review by Internal Audit function conducted by external and reputable CPA firm to enhance control.</li> </ul>	Low
13 Information Technology	Business operations may be adversely affected and sensitive information may be leaked out by cyber-attack by internal/external hackers or security breach due to information technology infrastructure/system failure.	<ul style="list-style-type: none"> <li>– Enforce security measures such as periodic change of password, updating antivirus and firewall protection.</li> <li>– Establish information technology security policy on use of information technology equipment and installation on application software.</li> </ul>	Low
14 Brand and Reputation	Protecting the Group's brand and reputation from negative public attention which could result in significant decline in our tenant and customer base and financial loss.	<ul style="list-style-type: none"> <li>– Continuous monitoring of media coverages, with actions taken where necessary.</li> <li>– Crisis management mechanism is in place with the formation of Crisis Management Committee as steered by Executive Directors, on need basis.</li> </ul>	Low

# CORPORATE GOVERNANCE REPORT

Risk Categories	Key Risks	Risk Mitigating measures	Risk Level
15 Environmental	Threats of adverse effects on environment by effluents, emissions, wastes, resource depletion, etc., arising out of daily operations.	<ul style="list-style-type: none"> <li>Environmental Policy have been established.</li> <li>Environmental Committees have been set up to enhance environmental protection.</li> <li>Green purchasing practices.</li> <li>Closely monitoring on energy usage.</li> </ul>	Low
16 Equity Risk	Equity risk arises from fluctuation in the price and volatility of equities such as stocks, equity portfolio and stock index futures. The Group has proprietary equity investments and may incur financial loss.	<ul style="list-style-type: none"> <li>The Group conducts detailed analysis of the issuer's fundamentals and pricing against market conditions and appetites.</li> </ul>	Low

## 3. Our framework of Risk Management

Our framework of risk management is “Two Lines of Defence” model as depicted below:



# CORPORATE GOVERNANCE REPORT

## **3.1 Board of Directors/Audit Committee**

The Board has overall responsibility for the system of risk management and internal controls of the Group and has reviewed its effectiveness. Our Board has delegated the responsibility for overseeing overall risk management and internal control systems to Audit Committee.

The Audit Committee has engaged external and reputable CPA firm, as its risk management and internal control review adviser (“External adviser”) to conduct the annual review of the risk management and internal control systems for the year ended 31 March 2017. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Audit Committee. The external adviser has reported findings and areas for improvement to the Audit Committee and the management. The Board and the Audit Committee are of the view that there are no material internal control deficiencies noted. All recommendations from the external adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Audit Committee and the Board, therefore, considered that the risk management and internal control systems are effective and adequate.

## **3.2 Two Lines of Defence**

Our framework is not a standalone program. It is an integrated and continuous process, in which elements in the framework are integrated into the Group’s day-to-day operations and are continually applied under cycles of developing, monitoring, reviewing and updating.

### **3.2a 1st Line of Defence – Operational Management and Internal Controls**

Key internal control activities are integrated into daily operations with clear policies and procedures with the elements of governance, risk management and compliance. The policies and procedures are reviewed and updated on a regular basis to ensure their effectiveness, and shared with our employees and appropriate training.

#### **Key Group Policies and Procedures**

Key Group Policies and Procedures apply to the employees:

- **Whistle-blowing Policy** provides a proper reporting channel for employees to raise genuine concerns about malpractice or suspected wrongdoing.

# CORPORATE GOVERNANCE REPORT

- **Inside Information Policy** ensures inside information of the Group is to be kept in strict confidence or otherwise disseminated to the public in a timely manner in accordance with the applicable laws and regulations.
- **Connected Transactions Policy** provides a clear guideline to employees for handling connected transaction in order to comply with the listing rules requirement.
- **Code of Conduct** stipulates the Group policy on matter of personal conduct and relationships.
- **Approval Authority** sets clear authority limits on business decision and daily operations.
- **Operational Policies and Procedures** are set in each business and functional units to provide guideline in daily operations within the corporate governance framework.

The key functions of Finance Department with direct access to Audit Committee, include:

- Establish and maintain appropriate and effective risk management system to facilitate the business units to continuously identify, evaluate and monitor risks to business objectives;
- Support management to assess and respond to emerging risks;
- Lead in modifying the control procedures of identified and/or potential irregularities at the business units;
- Assist in developing and updating the policies and procedures to ensure that key control and monitoring procedures over compliance and risk management have been integrated into the daily operations; and
- Regularly report key risks and advise mitigating strategies to the management and Audit Committee.



# CORPORATE GOVERNANCE REPORT

## **3.2b 2nd Line of Defence – Internal Audit**

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business.

As alternative, the Audit Committee as delegated by the Board, has engaged external and reputable CPA firm, as its risk management and internal control review adviser to conduct the annual review of the risk management and internal control systems for the year ended 31 March 2017. For details, please refer to section 3.1 Board of Directors/Audit Committee.

## **3.2c External Auditor**

The external auditor further supplements the Internal Audit, the 2nd Line of Defence, by providing independent review on internal controls in relation to financial reporting process during the course of its audit work. The external auditor would report on any control issues to the Audit Committee.

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

The Environmental, Social and Governance Report will be separately published on the Stock Exchange's website and the Company's website, within three months after publication of the Company's annual report.

## **COMPANY SECRETARY**

Company secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provides advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assists the Board in implementing the corporate governance practices. Company secretary has provided his training records to the Company indicating his compliance with the training requirement under Rule 3.29 of the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard laid down in the Model Code.

# CORPORATE GOVERNANCE REPORT

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2017, there are no changes in the Company's constitutional documents.

## SHAREHOLDERS' RIGHTS

Under the Articles of Association of the Company and Hong Kong Companies Ordinance, shareholders holding not less than 5% of the paid up capital of the Company ("5% Shareholder") may convene an extraordinary general meeting by requisition stating the objects of the meeting, and deposit the signed requisition at the Company's registered office (Units 407-10, Tower 2, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong. Attention: The Company Secretary). Any 5% Shareholder may also requisition for the circulation of resolutions to be moved at a general meeting; and circulation of statements regarding resolution proposed. The special documents should be deposited at the Company's registered address as detailed above.

## SHAREHOLDERS COMMUNICATION POLICY

To enhance transparency, the Company endeavours to maintain an on-going dialogue with shareholders through a variety of communication channels.

The annual general meeting is used as an opportunity to communicate with all shareholders. The Company is also committed to providing clear and full performance information in its annual report, interim report and press releases. The Company also maintains a website at <http://www.seapnf.com.hk>, where detailed information of the Company's business developments, operations, financial and other information are posted.

**Chua Nai Tuen**

*Chairman and Managing Director*

Hong Kong, 16 June 2017

# PRINCIPAL RISKS AND UNCERTAINTIES

The Group's core businesses span property investment, development and leasing, hotel operation, manufacturing and distribution of plastic packaging materials, broking and securities margin financing.

There are several principal risks and uncertainties which may directly or indirectly affects the Group's business operations and financial conditions, and future prospect of the business. The magnitude of impact arising from these risks on the Group depends on severity, duration and locality of the event should it occurs. Risk is a function of many dynamic forces and factors at play in the environment the Group operates. As such, there are risks that are not significant now but can turn significant, risk we are not aware of, and/or new risk emerging from time to time in the future. We continually monitor, review, evaluate these risks and update all concerned staff accordingly. Outlined here are the principal risks that may affect the Group's businesses, and it is not intended to be exhaustive or comprehensive.

## 1. Investment Uncertainty, Economic Downturn and Competitive markets:

The Group core businesses and investments are susceptible to, amongst others, elements that impact consumer and investor confidence, retail spending, property prices, interest rates and visitor arrivals. A significant portion of the Group's operations and core assets are in Hong Kong and People's Republic of China ("PRC") and its revenue largely derived from Hong Kong and PRC. In this context, PRC and Hong Kong's government policies and economic conditions and developments, global political & social conditions, global economic & investment sentiments, fiscal and monetary policies similarly, have direct or indirect impact on the Group's businesses and investments, by virtue of PRC opening door for global investors and economies, and Hong Kong being an open economy. The Group closely monitors the economic environment it operates in, and constantly evaluates our risk profile and takes appropriate actions to mitigate these risks and adjusts our strategies, operations and policies where appropriate.

## 2. Credit Risk:

The borrower or counterparty may fail to perform its obligation to pay in a timely manner, or that its ability to perform such obligation may get impaired before delivery date. Therefore, the Group faces bad debts and incurs financial loss.

The Company set up **Credit Committee**, to put in place credit policies and procedures for approving lending including those for approving credit and trading limits for customers and approving individual stocks acceptable for **margin lending** at specified ratios.

# PRINCIPAL RISKS AND UNCERTAINTIES

## 3. Liquidity Risk:

The Group is also exposed to liquidity risk arising from timing difference between settlements with clearing houses or brokers and customers.

The Group's Finance Department and the management will review and monitor the Group's liquidity position on daily basis to ensure availability of sufficient liquid funds.

The Group has maintained sufficient stand-by banking and other facilities in order to meet any contingency in its operations.

## 4. Product defects:

The Group could be exposed to significant liability claims from customers and therefore incurs financial loss in the event that its products are found to be defective.

The Group has implemented sound systems to monitor its products at various stages of its production processes.

## 5. Customer contracts:

The Group typically enters into one-off purchase orders with its customers. As such, the amount of purchase orders may vary significantly from time to time, and it is difficult to forecast the amount of orders to be received by the Group in the future.

The Group maintains stringent controls over product quality to preserve its reputation over 60 years.

## 6. Legal and Compliance:

The Group is committed to complying with the relevant legal and regulatory requirements. The compliance costs are projected to be rising in the coming years due to imposition of new standards and requirements by government and regulatory bodies. The costs expected, include appointment of external consultants for training, establishment/update of policies and procedures in response to the new requirements. The Group actively engages with the regulatory bodies and external advisors, on need basis, on any upcoming new requirements to ensure compliance.



# REPORT OF THE DIRECTORS

The directors submit their report and the audited consolidated financial statements for the year ended 31 March 2017.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are investment holding and property investment. The activities of the subsidiaries are set out in note 46 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated financial statements on pages 52 to 160 of the annual report.

The directors has recommended the payment of a final dividend of HK4.5 cents per ordinary share with scrip dividend alternative (2015/2016: HK3 cents per ordinary share) and the payment of a special dividend of HK10 cents per ordinary share with scrip dividend alternative (2016: Nil), in respect of the year ended 31 March 2017 to all shareholders of the Company whose name appear on the register of members of the Company on 1 September 2017. The shareholders of the Company are given an option to elect to receive such final dividend and special dividend, all in new shares, or all in cash, or partly in new shares and partly in cash (the "Scrip Dividend Scheme")

The Scrip Dividend Scheme is subject to (1) the approval of the proposed final dividend and special dividend at the forthcoming annual general meeting; (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto; and (3) the white wash waiver granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any of his/her delegate.

A circular containing full details of the Scrip Dividend Scheme together with one form of election for both final dividend and special dividend will be sent out to the shareholders on or around Monday, 11 September 2017. It is expected that the final dividend and the special dividend for the new shares or cash (as appropriate) will be dispatched to the shareholder on or around Friday, 17 November 2017.

## DONATIONS

Charitable and other donations made by Group amounted to HK\$5,000 (2015/16: HK\$500,000).

## INVESTMENT PROPERTIES, OTHER PROPERTY, PLANT AND EQUIPMENT

Details of movements in investment properties, other property, plant and equipment are set out in note 15 and 16 respectively to the financial statements.

# REPORT OF THE DIRECTORS

## BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2017 are provided in the Chairman's Statement of this annual report.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 164 of the annual report.

## SHARE ISSUED AND SHARE CAPITAL

Details of the shares issued in the year ended 31 March 2017 are set out in note 35 to the consolidated financial statements. No share was issued during the year.

## PRINCIPAL PROPERTIES

Details of the properties held for investment, under development and held for own use are set out on page 161 to 163 of the annual report.

## Employees and Remuneration Policies

The Group had 456 employees as at 31 March 2017. Employees were remunerated according to nature of the job and market trend.

The Group's policy concerning the remuneration of the directors is that the amount of remuneration is determined by reference to the relevant director's experience, workload and the time devoted to the Group.

The Group contributes toward retirement income protection for its employees through the provision of retirement benefits schemes. These benefits form an important part of the group's total compensation and benefits program that is designed to attract and retain highly skilled and talented employees.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2017, calculated under Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$118,829,970 (2016: HK\$11,971,030).

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings as at 31 March 2017 are stated in note 32 and 33 respectively to the consolidated financial statements.

# REPORT OF THE DIRECTORS

## PARTICULARS OF DEBT SECURITIES, CONVERTIBLE SECURITIES OR OPTIONS ISSUED BY THE COMPANY AND ITS SUBSIDIARIES

The Company and its subsidiaries have not issued, during the year ended 31 March 2017, any debt securities, convertible securities or options.

## BORROWING COST CAPITALISATION

No borrowing was capitalised by the company and its subsidiaries during the year ended 31 March 2017 (2016: HK\$Nil).

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and sales for the year attributable to the major suppliers and customers respectively were as follows:

Percentage of purchases attributable to the group's largest supplier	47%
Percentage of purchases attributable to the group's five largest suppliers	70%
Percentage of sales attributable to the group's largest customer	10%
Percentage of sales attributable to the group's five largest customers	36%

None of the directors or their associates, nor does any shareholder owning (to the knowledge of the directors) more than 5% of the Company's issued share capital hold, any interest in the share capital of the suppliers and customers noted above.

The Group believes that good relationships with both customers and suppliers are key for the Group's success. To improve the Group's overall performance, the group has closely monitoring its customers and suppliers through setting rules and policies.

## DIRECTORS

### (a) Directors of the Company

The directors of the Company during the year and up to the date of this report were:

#### Executive Directors:

Mr. Chua Nai Tuen (*Chairman and Managing Director*)  
Mr. Chua Nai King (*Deputy Chairman*) (*retired on 26 August 2016*)  
Mr. Nelson Junior Chua  
Mr. Gilson Chua

# REPORT OF THE DIRECTORS

## **Non-executive Directors:**

Mr. Chan Man Hon, Eric  
Mr. Jimmy Siy Tiong  
Mr. Rene Siy Chua  
Mr. Samuel Siy Yap  
Mr. Tsai Han Yung  
Ms. Vivian Chua

## **Independent Non-executive Directors:**

Mr. Chan Siu Ting  
Mr. James L. Kwok  
Mr. Wong Shek Keung  
Mr. Tsui Ka Wah  
Mr. Tsai Sui Cheung, Andrew

In accordance with Article 107(A) of the Company's Articles of Association, Mr. Chua Nai Tuen, Mr. Neison Junior Chua, Mr. Chan Man Hon, Eric, Mr. Jimmy Siy Tiong and Mr. Chan Siu Ting shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the 2017 AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## **(b) Directors of the company's subsidiaries**

During the year and up to the date of this report, Mr. Chua Nai Tuen, Mr. Chua Nai King, Mr. Nelson Junior Chua and Mr. Gilson Chua are also the directors in certain subsidiaries of the Company.

Other directors of the Company's subsidiaries during the year and up to the date of this report include: Mr. Choy Tin Woo, Johnnie, Mr. Fu Ka Tsang, Ms. Siu Mei Wan, Ms. Tse Oi Ling and Mr. Wong Wing Sang.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Brief biographical details of directors and senior management are set out in page 3 to 6 of this annual report.



# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 March 2017, the directors of the Company had the following beneficial interests, all being long positions, in the share capital of the Company, the subsidiaries and associates of the Company:

		Number of shares held			
	Personal Interests	Family Interests	Corporate Interests	Other Interests	% of the Issued Share Capital
(a) <b>The Company</b>					
(Ordinary shares of HK\$1.00 per share)					
Chua Nai Tuen	2,362,158	–	88,487,045 (Note 1)	–	41.79
Nelson Junior Chua	2,173,800	–	–	–	1.00
Gilson Chua	2,239,031	–	–	–	1.03
Jimmy Siy Tiong	7,029,875	–	–	–	3.23
Rene Siy Chua	9,566,429	2,200	–	–	4.40
Samuel Siy Yap	1,410,678	–	–	–	0.65
Tsai Han Yung	4,976,029	–	–	–	2.29
Vivian Chua	1,000,000	–	–	–	0.46
(b) <b>Nan Sing Plastics Limited</b>					
(Ordinary shares of HK\$100.00 per share)					
Chua Nai Tuen	–	–	6,965	–	4.64
(c) <b>Titan Dragon Properties Corporation</b>					
(Capital stock of Peso1,000.00 per share)					
Chua Nai Tuen	7,200	13,600	4,000 (Note 1)	–	31.00
Jimmy Siy Tiong	1,600	–	–	–	2.00
Rene Siy Chua	6,400	–	–	–	8.00

*Note 1:* The shares regarding 'Corporate interests' in which Messrs. Chua Nai Tuen was taken to be interested as stated above were the interests of corporations in general meetings of which he was either entitled to exercise (or was taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

## REPORT OF THE DIRECTORS

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers:

- (a) there were no interests, both long and short positions, held as at 31 March 2017 by any of the directors or chief executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), and
- (b) there existed during the financial year no rights to subscribe for shares, underlying shares or debentures of the Company which were held by any of the directors or chief executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than persons who are directors of the Company, which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31 March 2017 as recorded in the register kept by the Company under section 336 of the SFO:

	No. of Ordinary Shares held	% of the Issued Share Capital
J & N International Limited ("J & N")	53,136,808	24.44
Sonliet Investment Company Limited ("Sonliet Investment")	35,178,257	14.64
Loriking Limited ("Loriking")	16,200,246	7.45

For the avoidance of doubts and double counting, it should be noted that J & N's and Sonliet Investment's interests are entirely duplicated with Mr. Chua Nai Tuen's interests as recorded in the preceding note.

All the interests stated above represented long positions and as at 31 March 2017, there were no short positions recorded in the said register.

# REPORT OF THE DIRECTORS

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

## RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to transactions entered into by the Group in the ordinary course of business and on an arm’s length basis. Details are set out in note 45 to the consolidated financial statements.

## DIRECTORS’ INTERESTS IN CONTRACTS

The Group paid consultancy fee of HK\$581,500 to Sonliet Investment Company Limited (“Sonliet Investment”), in which Mr. Chua Nai Tuen, the Director of the Company, is the controlling shareholder and also director. The Group paid consultancy fees of HK\$410,000 during the period from April 2016 to August 2016, and HK\$287,000 during the period from September 2016 to March 2017, to Tonwell Investment Company (Hong Kong) Limited (“Tonwell”), in which Mr. Chua Nai King, who retired as Director of the Company at 26 August 2016, is the controlling shareholder and also director.

During the year, a tenancy agreement was made on arm’s length basis in connection with the leasing of a premises owned by Sonliet Realty Company Limited, a company controlled by Mr. Chua Nai Tuen, to Nan Sing Warehouse Limited, a subsidiary of the Company. The total amount of rental paid by the Group during the year was HK\$1,137,585.

During the year, there was unsecured financial assistance provided from Sonliet Investment on an arm’s length basis. The total amount of interests paid by the Group during the year was HK\$3,669.

Save for contracts amongst the Group and the aforementioned transaction, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

The above transactions also fall within the continuing connected transactions under the Rule 14A.33 of the Listing Rules and were exempted from the reporting, announcement and independent shareholders’ approval requirements.

# REPORT OF THE DIRECTORS

## DIRECTOR'S AND MANAGEMENT EMOLUMENTS

Particulars of director's emoluments and the five highest paid individuals in the Group are set out in notes 12 to the financial statements.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2017, none of the Directors nor their respective associates was interested in any business which is considered to compete or is likely to compete, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries a party to any arrangements 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.

## PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the directors of the Company (whether made by the company or otherwise) or an associated company (if made by the Company).

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover the certain legal actions brought against its directors and officers.



# REPORT OF THE DIRECTORS

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

## PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 March 2017.

## AUDITORS

The consolidated financial statements of the Company have been audited by HLB Hodgson Impey Cheng Limited who retire and, being eligible, offer themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the company for the subsequent year is to be proposed at the forthcoming annual general meeting.

## FORWARD-LOOKING STATEMENTS

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

On behalf of the Board  
**Chua Nai Tuen**  
*Managing Director*

Hong Kong, 16 June 2017

# INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司  
**Hodgson Impey Cheng Limited**

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

*(Incorporated in Hong Kong with limited liability)*

### OPINION

We have audited the consolidated financial statements of Southeast Asia Properties & Finance Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 52 to 160, which comprise the consolidated statement of financial position at 31 March 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### *Valuation of investment properties*

*Refer to notes 3, 5, 15 and 18 to the consolidated financial statements respectively.*

At 31 March 2017, the Group had investment properties with the fair value amounts of HK\$871,554,798, with gain on fair value change of investment properties for the year ended 31 March 2017 recognised in the consolidated income statement of HK\$51,628,869. Independent external valuations were obtained in order to support management's estimates. The valuations depend on certain key assumptions that require management's significant judgement, including market selling price and market rental.

Our audit procedures in relation to management's valuation of investment properties included:

- evaluating the competence, capabilities and objectivity of the independent qualified valuers;
- assessing the methodology adopted by management and the appropriateness of the key assumptions based on our knowledge of the relevant industry; and
- checking, on a sample basis, the accuracy and relevance of the input data used.

We found the key assumptions were supported by the available evidence.

# INDEPENDENT AUDITORS' REPORT

## KEY AUDIT MATTERS (Cont'd)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### ***Impairment assessment of trade receivables***

*Refer to notes 3, 5 and 25 to the consolidated financial statements respectively.*

The impairment of trade receivables is estimated by the management through the application of judgement and use of subjective assumptions.

The carrying amounts of trade receivables was significant to the Group's assets and determination of whether there is objective evidence of impairment involves significant management judgement.

Our audit procedures in relation to the management's impairment assessment of trade receivables included:

- discussing the Group's procedures on credit limits and credit periods given to customers with the management;
- evaluating the management's impairment assessment of trade receivables;
- assessing, validating and discussing with the management and evaluating their assessment on the recoverability of the outstanding debts and the adequacy of allowance made based on the trade receivables aging analysis, collections subsequent to the end of the reporting period, past collection history and trend analysis and knowledge of the businesses, with focus on long outstanding debts and debts which are past due but not impaired; and
- checking, on a sample basis, the accuracy and relevance of information included in the impairment assessment of trade receivables.

We considered the management conclusion to be consistent with the available information.



# INDEPENDENT AUDITORS' REPORT

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Yu Chi Fat.

**HLB Hodgson Impey Cheng Limited**  
Certified Public Accountants

**Yu Chi Fat**  
Practising Certificate Number: P05467

Hong Kong, 16 June 2017



# CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017 (in HK Dollars)

	Notes	2017	2016
<b>Revenue</b>	7	<b>532,100,660</b>	505,012,541
Cost of sales		<b>(421,431,993)</b>	(393,521,579)
<b>Gross profit</b>		<b>110,668,667</b>	111,490,962
Other revenue and other income	8	<b>9,671,157</b>	7,149,812
Gain arising on change in fair value of investment properties		<b>51,628,869</b>	5,370,771
Gain (loss) arising on change in fair value of financial assets at fair value through profit or loss		<b>1,814,506</b>	(2,179,222)
Selling and distribution expenses		<b>(9,327,238)</b>	(9,239,984)
Administrative expenses		<b>(50,051,044)</b>	(57,932,178)
Other operating income (expenses)		<b>298,366</b>	(854,216)
<b>Profit from operations</b>	9	<b>114,703,283</b>	53,805,945
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss		–	(6,425,279)
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets		–	1,091,633
Finance costs	10	<b>(7,870,024)</b>	(7,834,407)
Share of results of associates		<b>215,484</b>	1,715,190
<b>Profit before tax</b>		<b>107,048,743</b>	42,353,082
Income tax expense	11	<b>(9,494,912)</b>	(4,322,296)
<b>Profit for the year</b>		<b>97,553,831</b>	38,030,786
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>95,807,428</b>	37,168,950
Non-controlling interests		<b>1,746,403</b>	861,836
		<b>97,553,831</b>	38,030,786
<b>Earnings per share</b>			
Basic and diluted (HK cents)	14	<b>44.1</b>	17.1

The accompanying notes form an integral part of the consolidated financial statements. Details of dividends are set out in note 13 to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017 (in HK Dollars)

	2017	2016
<b>Profit for the year</b>	<b>97,553,831</b>	38,030,786
<b>Other comprehensive loss</b>		
Item that will not be reclassified to profit or loss:		
Gain on revaluation of property	–	2,200,458
Items that may be reclassified subsequently to profit or loss:		
Gain (loss) arising on fair value change of available-for-sale financial assets	<b>4,304,390</b>	(5,481,146)
Exchange differences on translation of foreign operations	<b>(9,836,758)</b>	(9,127,614)
Share of exchange reserve of associates	<b>(2,734,325)</b>	–
Reclassification adjustments relating to available-for-sale financial assets impaired of	–	6,425,279
Reclassification adjustments relating to available-for-sale financial assets disposed of	–	(1,091,633)
<b>Other comprehensive loss for the year</b>	<b>(8,266,693)</b>	(7,074,656)
<b>Total comprehensive income for the year</b>	<b>89,287,138</b>	30,956,130
<b>Total comprehensive income for the year attributable to:</b>		
Owners of the Company	<b>87,997,554</b>	29,406,134
Non-controlling interests	<b>1,289,584</b>	1,549,996
	<b>89,287,138</b>	30,956,130

The accompanying notes form an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 March 2017 (in HK Dollars)

	Notes	2017	2016
<b>Non-current assets</b>			
Investment properties	15	871,554,798	932,155,668
Property, plant and equipment	16	183,578,321	191,346,807
Leasehold land and land use right	17	14,509,334	15,890,009
Interests in associates	19	80,612,015	81,592,537
Available-for-sale financial assets	20	21,771,316	17,276,256
Intangible assets	21	3,702,706	3,702,706
Deferred tax assets	34	942,118	1,402,126
Other assets	22	3,017,873	2,928,094
		<b>1,179,688,481</b>	<b>1,246,294,203</b>
<b>Current assets</b>			
Inventories	23	64,947,335	59,032,659
Stock of property	24	114,870,000	–
Trade and other receivables	25	170,339,688	158,019,353
Financial assets at fair value through profit or loss	26	7,169,750	5,485,293
Loan receivables	27	19,000,000	19,000,000
Deposits and prepayments		9,888,985	7,550,205
Prepaid tax		1,036,544	2,812,125
Restricted cash	28	4,100,000	4,100,000
Trust accounts of shares dealing clients	29	106,320,931	104,776,670
Cash and cash equivalents	30	81,832,677	81,359,380
		<b>579,505,910</b>	<b>442,135,685</b>
<b>Current liabilities</b>			
Amount due to an associate	19	997,760	478,907
Amount due to a related company	33	11,164,633	–
Trade and other payables	31	168,119,374	160,263,490
Bank loans	32	95,419,484	106,143,788
Tax payable		3,789,832	1,639,160
		<b>279,491,083</b>	<b>268,525,345</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 March 2017 (in HK Dollars)

	Notes	2017	2016
<b>Net current assets</b>		<b>300,014,827</b>	173,610,340
<b>Total assets less current liabilities</b>		<b>1,479,703,308</b>	1,419,904,543
<b>Non-current liabilities</b>			
Bank loans	32	222,029,209	243,387,421
Amounts due to non-controlling interests	33	2,960,000	2,960,000
Deferred tax liabilities	34	8,634,395	6,980,708
		<b>233,623,604</b>	253,328,129
<b>Net assets</b>		<b>1,246,079,704</b>	1,166,576,414
<b>Capital and reserves</b>			
Share capital	35	217,418,850	217,418,850
Reserves		1,008,151,108	929,937,402
<b>Equity attributable to owners of the Company</b>		<b>1,225,569,958</b>	1,147,356,252
Non-controlling interests		20,509,746	19,220,162
<b>Total equity</b>		<b>1,246,079,704</b>	1,166,576,414

The consolidated financial statements were approved and authorised for issue by the board of directors on 16 June 2017 and are signed on its behalf by:

**Chua Nai Tuen**  
Director

**Nelson Junior Chun**  
Director

The accompanying notes form an integral part of the consolidated financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017 (in HK Dollars)

	Attributable to owners of the Company							Total HK\$
	Share capital HK\$	Property revaluation reserve HK\$ (Note a)	Exchange reserve HK\$ (Note b)	Available- for-sale financial assets revaluation reserve HK\$ (Note c)	Retained earnings HK\$	Subtotal HK\$	Non- controlling interests HK\$	
At 1 April 2015	217,418,850	3,178,526	52,462,512	299,000	851,113,795	1,124,472,683	17,287,760	1,141,760,443
Profit for the year	-	-	-	-	37,168,950	37,168,950	861,836	38,030,786
Other comprehensive income (loss) for the year	-	1,100,229	(8,715,545)	(147,500)	-	(7,762,816)	688,160	(7,074,656)
Total comprehensive income (loss) for the year	-	1,100,229	(8,715,545)	(147,500)	37,168,950	29,406,134	1,549,996	30,956,130
Non-controlling interests written off upon deregistration of subsidiary	-	-	-	-	-	-	(2,262)	(2,262)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(5)	(5)
Capital contribution from non-controlling interest	-	-	-	-	-	-	384,673	384,673
Dividend paid (note 13)	-	-	-	-	(6,522,565)	(6,522,565)	-	(6,522,565)
At 31 March 2016 and at 1 April 2016	217,418,850	4,278,755	43,746,967	151,500	881,760,180	1,147,356,252	19,220,162	1,166,576,414
Profit for the year	-	-	-	-	95,807,428	95,807,428	1,746,403	97,553,831
Other comprehensive (loss) income for the year	-	-	(12,114,264)	4,304,390	-	(7,809,874)	(456,819)	(8,266,693)
Total comprehensive (loss) income for the year	-	-	(12,114,264)	4,304,390	95,807,428	87,997,554	1,289,584	89,287,138
Dividend paid (note 13)	-	-	-	-	(9,783,848)	(9,783,848)	-	(9,783,848)
At 31 March 2017	217,418,850	4,278,755	31,632,703	4,455,890	967,783,760	1,225,569,958	20,509,746	1,246,079,704

## Notes:

- Property revaluation reserve relates the property reclassified from owner-occupied to investment properties. For such reclassifications, the accumulative increase in fair value at the date of reclassification in excess of any previous impairment losses is included in the property revaluation reserve, and will be transferred to retained earnings upon the retirement or disposal of the relevant property.
- Exchange reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on disposal of the foreign operations.
- Available-for-sale financial assets revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to the profit or loss when those financial assets have been disposed of or are determined to be impaired.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017 (in HK Dollars)

	Notes	2017	2016
<b>Cash generated from operations</b>	39	<b>56,148,027</b>	296,606,793
Profit tax paid		(3,505,752)	(8,580,093)
<b>Net cash generated from operating activities</b>		<b>52,642,275</b>	288,026,700
<b>Cash flows from investing activities</b>			
Interest received		1,154,383	2,203,293
Dividend received from listed equity securities		1,135,149	1,383,365
Dividend received from unlisted equity securities		29,874	28,763
(Additional contribution to) refund of the compensation fund with the Stock Exchange		(269,541)	198,706
Advance to associates		(1,538,319)	(1,614,852)
Refund of (contribution paid for) admission fee and guarantee fund to Hong Kong Securities Clearing Company Limited		179,762	(100,109)
Purchase of available-for-sale financial assets		(190,670)	(5,174,667)
Net proceeds from disposal of available-for-sale financial assets		–	9,838,349
Purchases of property, plant and equipment		(9,538,801)	(9,743,592)
Additions to investment properties		(2,640,261)	(5,283,922)
Purchases of leasehold land and land use right		–	(1,673,391)
Net cash outflow for acquisition of assets through acquisition of a subsidiary		–	(337,617,704)
Proceeds from disposal of property, plant and equipment		60,000	16,693
<b>Net cash used in investing activities</b>		<b>(11,618,424)</b>	(347,539,068)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017 (in HK Dollars)

	<i>Note</i>	<b>2017</b>	<b>2016</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(9,783,848)	(6,522,565)
Interest paid		(7,552,016)	(7,660,710)
Other finance costs paid		(301,515)	(600,234)
New bank loans raised		–	588,830,234
Repayment of bank loans		(32,082,516)	(508,799,867)
Capital contribution from non-controlling interests		–	384,673
Acquisition of additional interest in a subsidiary		–	(5)
Advance from a related company		11,164,633	–
Advance from non-controlling interests		–	25,000
<b>Net cash (used in) generated from financing activities</b>		<b>(38,555,262)</b>	<b>65,656,526</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,468,589</b>	<b>6,144,158</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>81,359,380</b>	<b>81,712,293</b>
<b>Effect of foreign exchange rate changes, net</b>		<b>(1,995,292)</b>	<b>(6,497,071)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>81,832,677</b>	<b>81,359,380</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and cash equivalents	30	81,832,677	81,359,380

The accompanying notes form an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## I. GENERAL INFORMATION

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of the Company are located at Units 407-410, 4th Floor, Tower 2, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Group are principally engaged in investment holding, property investment, development and leasing, hotel operations, manufacturing and distribution of plastic packaging materials and broking and securities margin financing.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company.

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

In the current year, the Group has applied, for the first time, the following new and amendments standards and interpretations (collectively referred to as the “new and amendments to HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning from 1 April 2016. A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

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

HKAS 7 (Amendments)	Disclosure Initiative <sup>1</sup>
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
HKAS 40 (Amendments)	Transfers of Investment Property <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle <sup>5</sup>
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
HKFRS 4 (Amendments)	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 <i>Revenue from Contracts with Customers</i> <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

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

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

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

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 2018, as appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

### **HKFRS 9 *Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading investments) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss is presented in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

### **HKFRS 9 *Financial Instruments* (Cont’d)**

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies at 31 March 2017, the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group’s financial assets. The Group’s available-for-sale financial assets, including those currently stated at cost less any identified impairment losses, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost.

### **HKFRS 15 *Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

### **HKFRS 15 *Revenue from Contracts with Customers* (Cont’d)**

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

### **HKFRS 16 *Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

### **HKFRS 16 Leases (Cont’d)**

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17 the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lease accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK\$4,637,453 as disclosed in note 42 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except disclosed above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have a material impact on the Group’s financial performance and financial positions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rule”) on the Stock Exchange and the Hong Kong Companies Ordinance.

### 3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out 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 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.2 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 the 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 over the investee to affect the amount of the investor's 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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.3 Basis of consolidation (Cont'd)

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 profit or loss 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 owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to 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 into 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.

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.3 Basis of consolidation (Cont'd)

#### *Interests in subsidiaries*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend receivable.

### 3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.4 Business combinations (Cont'd)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are presenting ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.5 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 not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

### 3.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.8 Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) 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.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

If an owned-occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in equity under the heading of “property revaluation reserve”. On the subsequent sale or retirement of the asset, the property revaluation reserve will be transferred directly to retained earnings.

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 are as follows:

Buildings	Over the shorter of its estimated useful life or unexpired period of the lease of land
Plant and machinery	10%
Furniture, fixtures and equipment	10% – 25%
Motor vehicle	20%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.8 Property, plant and equipment (Cont'd)

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 asset and is recognised in profit or loss.

### 3.9 Leasehold land and land use right

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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, interests in leasehold land that is accounted for as an operating lease is presented as “leasehold land and land use right” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

### 3.10 Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.10 Intangible assets (Cont'd)

#### *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

### 3.11 Impairment of tangible and intangible 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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.11 Impairment of tangible and intangible assets (Cont'd)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### 3.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method as appropriate. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is offset against the cost of sales in the period in which the reversal occurs.

### 3.13 Stock of property

Stock of property, which is held for trading, is stated at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

#### ***Property under development held for sale***

The costs of property under development held for sale comprise specifically identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised, material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is determined by reference to the sale proceeds of property sold in ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.15 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

##### *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 at FVTPL, of which interest income is included in net gains or losses.

##### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FTVPL.

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 a 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

#### *Financial assets at FVTPL (Cont'd)*

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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated 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 excludes any dividend or interest earned on the financial assets and is included in the other revenue and other income line item. Fair value is determined in the manner described in note 4 to the consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

##### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) 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 monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in equity under the heading of “available-for-sale financial assets revaluation reserve”. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the AFS financial assets revaluation reserve is reclassified to profit or loss.

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 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. Loans and receivables (including amounts due from associates, trade and other receivables, loan receivable, deposits paid, restricted cash, trust accounts of shares dealing clients and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses.

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

##### *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.

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 becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

#### *Impairment of financial assets (Cont'd)*

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, 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 the 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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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.

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 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 Financial instruments (Cont'd)

#### *Financial assets (Cont'd)*

##### *Impairment of financial assets (Cont'd)*

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 in equity under the heading of “available-for-sale financial assets revaluation reserve”. In respect of AFS debt securities, 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*

##### *Classification as financial liabilities or equity*

Financial liabilities 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 Financial instruments (Cont'd)

#### *Financial liabilities and equity instruments (Cont'd)*

##### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated at FVTPL, are subsequently measured at the higher of:

- the amounts of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

##### *Other financial liabilities*

Other financial liabilities (including amount due to an associate, amount due to a related company, trade and other payables (excluding receipt in advance), bank loans and amounts due to non-controlling interests) 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 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 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, 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 the 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 the profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.15 Financial instruments (Cont'd)

#### *Offsetting financial instrument*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, net of value-added tax, returns, rebates and discounts.

- Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.
- Rental income is recognised over the periods of the respective leases on a straight-line basis.
- Revenue from hotel accommodation is recognised upon the provision of the accommodation services has been rendered.
- Brokerage income is recognised when the relevant contract note is made and properly executed.
- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.16 Revenue recognition (Cont'd)

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### 3.17 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 income statement 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 the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.17 Taxation (Cont'd)

#### *Deferred tax (Cont'd)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in associates, 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.

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 is realised, based on tax rate (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 taxes 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.17 Taxation (Cont'd)

#### *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 are also recognised in other comprehensive income or directly in equity respectively.

### 3.18 Leasing

All leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in the consolidated income statement 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 amount of the leased asset.

#### *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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, 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 asset are consumed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.19 Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on 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 on 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 the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "exchange reserve" (attributed to non-controlling interests as appropriate).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 3.21 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, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, 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 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.22 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

### 3.23 Employee benefits

#### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *Retirement benefit obligations*

Payments to the Mandatory Provident Fund Scheme (the “MPF Scheme”) and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.23 Employee benefits (Cont'd)

#### *Retirement benefit obligations (Cont'd)*

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and are vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in the People's Republic of China (the "PRC") are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

### 3.24 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.25 Related parties

A party is considered to be related to the Group if:

- (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 or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 3.25 Related parties (Cont'd)

A party is considered to be related to the Group if: (Cont'd)

- (b) An entity is related to the Group if any of the following conditions applies: (Cont'd)
  - (vii) a person identified in (a)(i) has significant influence over entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

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

## 4. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2017	2016
<b>Financial assets</b>		
Financial assets at FVTPL	7,169,750	5,485,293
AFS financial assets	21,771,316	17,276,256
Loans and receivables	419,598,931	403,870,479
	<b>448,539,997</b>	<b>426,632,028</b>
<b>Financial liabilities</b>		
Amortised cost	500,591,063	512,652,661



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 4. FINANCIAL INSTRUMENTS (Cont'd)

### (a) Categories of financial instruments (Cont'd)

The Group's major financial instruments include financial assets at FVTPL, AFS financial assets, amounts due from associates, trade and other receivables, loan receivable, deposits paid, restricted cash, trust accounts of shares dealing clients, cash and cash equivalents, amount due to an associate, amount due to a related company, trade and other payables (excluding receipt in advance), bank loans and amounts due to non-controlling interests.

Details of the financial instruments for the Group are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include market risk (foreign exchange risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

### (b) Financial risk management objectives and policies

#### *Market risk*

##### *(i) Foreign exchange risk*

The Group operates in Hong Kong and PRC and majority of transactions are denominated in HK\$, United States Dollar ("US\$") and Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to foreign exchange risk in respect of HK\$ against the US\$ as long as this currency is pegged.

The transactions and monetary assets and liabilities denominated in RMB outside the PRC are minimal, the directors of the Company consider that there is no significant foreign exchange risk in respect of RMB.

The Group has no significant exposure to foreign exchange rate fluctuations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 4. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Market risk (Cont'd)*

##### *(ii) Interest rate risk*

The Group is exposed to interest rate risk related primarily to variable rate borrowings (see note 32 and 33 to the consolidated financial statements for the details of bank loans and amount due to a related company). The Group's income and operating cash flow are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2016: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2016: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 would decrease/increase by HK\$685,980 (2016: decrease/increase by HK\$729,646) respectively. This is mainly attributable to the Group's interest rates on its variable rate on bank loans and amount due to a related company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 4. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Market risk (Cont'd)*

#### *(iii) Equity price risk*

The Group is exposed to equity price risk arising from equity investments classified as financial assets at FVTPL and AFS financial assets which are measured at fair value at the end of each reporting period. The directors of the Company manage the exposure by maintaining a portfolio of securities with different risk class and monitor the performance regularly. In addition, the directors of the Company will monitor the price risk and consider hedging the risk exposure should the need arise.

#### Sensitivity analysis

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year end and on equity as a result of a change in equity price, assuming the change had occurred at the reporting period and had been applied to the exposure to the equity price for the relevant financial instruments in existence at that date. The changes in equity price represent management's assessment of a reasonably possible change in equity price at that date over the period until the next annual reporting period.

	2017 Effect on post-tax profit for the year	2016 Effect on post-tax profit for the year	2017 Effect on equity	2016 Effect on equity
10% increase (decrease) in market price of listed equity securities	<u>598,674</u>	<u>458,022</u>	<u>2,049,022</u>	<u>1,599,516</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 4. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk*

The Group's credit risk is primarily attributable to trade and other receivables, loan receivable, restricted cash, trust accounts of shares dealing clients and cash and cash equivalents. At 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

At 31 March 2017, the Group had loan receivable due from a single borrower. The directors of the Company considered the credit risk is limited since the Group only provides loan to borrower with an appropriate credit history and good reputation. The directors of the Company monitored the financial background and creditability of borrow on an ongoing basis.

In respect of amounts due from clients, individual credit evaluations are performed on all clients (including cash and margin clients). Cash clients are required to place deposits as prescribed in the Group's credit policy before execution of any purchase transactions. Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account and futures account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

Trade receivables of the Group from other customer consist of a large number of customers, spread across diverse industries and geographical areas.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 4. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Credit risk (Cont'd)*

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of the Company reviews the recoverable amount of each individual trade debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group deposited its restricted cash, trust accounts of shares dealing clients and cash and cash equivalents with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to restricted cash, trust accounts of shares dealing clients and cash and cash equivalents held to be delayed or limited. The directors of the Company monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk at 31 March 2017 and 31 March 2016 were minimal.

The Group do not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

#### *Liquidity risk*

The Group is exposed to liquidity risk on financial liabilities. The directors of the Company adopts a prudent policy to maintain a sufficient level of cash and cash equivalent and financial assets to meet continuous operational need. Various banking facilities and credit lines have also been arranged with different banks in order to fund any liquidity requirements in the short term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the can be required to pay.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 4. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

#### *Liquidity risk (Cont'd)*

The maturity dates for non-derivative financial liabilities are prepared based on the agreed repayment dates. The amounts disclosed in the table are based on the contractual undiscounted payments, are as follows:

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amounts at the end of the reporting period
<b>2017</b>						
Amount due to an associate	997,760	–	–	–	997,760	997,760
Amount due to a related company	11,499,572	–	–	–	11,499,572	11,164,633
Trade and other payables	168,019,977	–	–	–	168,019,977	168,019,977
Bank loans	109,546,257	22,080,541	166,096,315	41,365,177	339,088,290	317,448,693
Amounts due to non-controlling interests	–	–	2,960,000	–	2,960,000	2,960,000
	<b>290,063,566</b>	<b>22,080,541</b>	<b>169,056,315</b>	<b>41,365,177</b>	<b>522,565,599</b>	<b>500,591,063</b>
<b>2016</b>						
Amount due to an associate	478,907	–	–	–	478,907	478,907
Trade and other payables	159,682,545	–	–	–	159,682,545	159,682,545
Bank loans	107,732,556	22,004,673	181,089,310	46,937,647	357,764,186	349,531,209
Amounts due to non-controlling interests	–	–	2,960,000	–	2,960,000	2,960,000
	<b>267,894,008</b>	<b>22,004,673</b>	<b>184,049,310</b>	<b>46,937,647</b>	<b>520,885,638</b>	<b>512,652,661</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 4. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair values of derivative instruments are calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are input for which market data are not available; and
- Level 3 valuations: fair value measured using significant unobservable inputs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 4. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value of financial instruments (Cont'd)

	Level 1	Level 2	Level 3	Total
<b>2017</b>				
<b>Financial assets</b>				
<i>Fair value on a recurring basis</i>				
AFS financial assets:				
– Listed equity securities	20,490,216	–	–	20,490,216
Financial assets at FVTPL:				
– Listed equity securities	7,169,750	–	–	7,169,750
	<u>27,659,966</u>	<u>–</u>	<u>–</u>	<u>27,659,966</u>
<b>2016</b>				
<b>Financial assets</b>				
<i>Fair value on a recurring basis</i>				
AFS financial assets:				
– Listed equity securities	15,995,156	–	–	15,995,156
Financial assets at FVTPL:				
– List equity securities	5,485,293	–	–	5,485,293
	<u>21,480,449</u>	<u>–</u>	<u>–</u>	<u>21,480,449</u>

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 in the current year and prior years.

The Group's policy is to recognise transfers between levels of fair value hierarchy as of the date of the events or change in circumstances that cause the transfer.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 5. CRITICAL ACCOUNTING ESTIMATES AND 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, the directors of the Company are 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 ongoing 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 followings are the critical judgements, apart from those involving estimations, that the directors of the Company has 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.

### ***Deferred tax 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 of the Company have reviewed the Group's investment properties 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 tax on investment properties, the directors of the Company have determined that the presumption that the carrying amount 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 tax on changes in fair value of investment properties as the Group are not subject to any income taxes on disposal of investment properties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### Critical judgements in applying accounting policies (Cont'd)

#### *Impairment of AFS financial assets*

The directors of the Company follows the guidance of HKAS 39 to determine when an AFS financial asset is impaired. This determination requires significant judgement. In making this judgement, the directors of the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### *Control over Nice Profit Hong Kong Investment Limited (“Nice Profit”)*

The Group holds 50% interest and voting right in Nice Profit while the remaining 50% interests and voting right is hold by an independent third party. With regard of the board of directors of Nice Profit, it is composed of three directors in which two of them are the senior management of the Group and the remaining one is the independent third party who hold 50% interests and voting right of Nice Profit. This independent third party has agreed to act in accordance with the Group for daily operation of the Nice Profit and the decision made by Group for Nice Profit in all matters including but not limited to dividend policy, funding structure and selecting, acquiring or disposing of assets. Thus, the Group has rights to variable returns from its involvement with Nice Profit and has the ability to affect those returns through its power over Nice Profit and therefore the Group has control over Nice Profit.

### Key sources of estimation uncertainty

The followings 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.

#### *Impairment of intangible assets*

Intangible assets are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the greater of the fair value less costs of disposal and value in use. An estimation of the value in use of the asset involves estimating the future cash flows expected to arise from its continuing use and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### Key sources of estimation uncertainty (Cont'd)

#### *Impairment loss on trade and other receivables and loan receivable*

The policy for impairment loss on trade and other receivables and loan receivable of the Group is based on the evaluation of collectibility and aging 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 impairment loss may be required.

#### *Income tax*

The Group is subject to income tax in Hong Kong and the PRC. Significant judgement is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

#### *Assessment of economic useful lives of fixed assets*

Fixed assets are depreciated or amortised over their economic useful lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

### **Key sources of estimation uncertainty (Cont'd)**

#### ***Net realisable value of inventories***

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience on selling goods of similar nature. It could change significantly as a result of change in market condition. The directors of the Company will re-assess the estimations at the end of each reporting period.

#### ***Valuation of investment properties***

The Group's investment properties are stated at fair value based on the valuation performed by independent qualified valuers. In determining the fair value, the surveyors have based on methods of valuation which involves certain estimates. In relying on the valuation report, the directors have exercised its judgement and are satisfied that the method of valuation is reflective of the current market conditions. Should there be any changes in assumptions due to change of market conditions, the fair value of the investment properties will change in future.

#### ***Estimated net realisable value on property under development classified as stock of property***

In determining whether allowances should be made for the Group's property under development, the Group considers the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses) less estimated costs of completion of the property. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on property under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, may result in material provision for impairment loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 6. SEGMENT INFORMATION

The Group determines operating segments based on internal reports that are regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance between segments and that are used to make strategic decisions.

The CODM has been identified as the directors of the Company. The CODM review the Group’s internal reporting for the purposes of resources allocation and the assessment of segment performance and have determined the operating segments based on these reports.

The CODM consider the business from both a geographic and product perspective. From geographic and product perspective, the CODM assess as the performance of property investment, development and leasing, hotel operations, manufacturing and distribution of plastic packaging materials and broking and securities margin financing.

In a manner consistent with the way in which information is reported internally to the CODM for the purposes of resources allocation and assessment of segment performance, the Group is currently organised into the following operating segments:

Property investment, development and leasing/hotel operations	Provision of hotel services in Hong Kong and investing, developing and leasing properties in Hong Kong and the PRC
Manufacturing and distribution of plastic packaging materials	Manufacturing and distribution of plastic packaging materials
Broking and securities margin financing	Provision of stock and futures broking and provision of securities margin financing

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 6. SEGMENT INFORMATION (Cont'd)

### I) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Property investment, development and leasing/hotel operations		Manufacturing and distribution of plastic packaging materials		Broking and securities margin financing		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	45,141,520	43,840,999	453,236,943	420,461,770	33,722,197	40,709,772	532,100,660	505,012,541
Segment results	17,682,258	19,218,702	28,230,472	20,517,780	17,161,684	8,698,692	63,074,414	48,435,174
Gain arising on change in fair value of investment properties	51,628,869	5,370,771	-	-	-	-	51,628,869	5,370,771
Profit from operations	69,311,127	24,589,473	28,230,472	20,517,780	17,161,684	8,698,692	114,703,283	53,805,945
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss							-	(6,425,279)
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets							-	1,091,633
Unallocated finance costs							(7,870,024)	(7,834,407)
Share of results of associates							215,484	1,715,190
Profit before tax							107,048,743	42,353,082
Unallocated income tax expense							(9,494,912)	(4,322,296)
Profit for the year							97,553,831	38,030,786

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment results represent the profit earned by each segment without allocation of impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss and cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets, finance costs, share of results of associates and income tax expense. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 6. SEGMENT INFORMATION (Cont'd)

### II) Segment assets and liabilities

	Property investments and leasing of rental development/hotel		Manufacturing and distribution of plastic packaging materials		Stock broking, futures and finance		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Assets</b>								
Reportable segment assets	1,138,045,532	1,077,873,528	263,925,455	260,100,542	274,632,727	264,649,030	1,676,603,714	1,602,623,100
Unallocated corporate assets							82,590,677	85,806,788
Total assets							1,759,194,391	1,688,429,888
<b>Liabilities</b>								
Reportable segment liabilities	26,877,877	15,839,424	38,615,988	29,489,736	117,747,902	117,894,330	183,241,767	163,223,490
Unallocated corporate liabilities							329,872,920	358,629,984
Total liabilities							513,114,687	521,853,474

For the purposes of monitoring resources allocation and assessment of segment performance between segments:

- all assets are allocated to reportable segments, other than interests in associates, deferred tax assets and prepaid tax; and
- all liabilities are allocated to reportable segments, other than bank loans, tax payable and deferred tax liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 6. SEGMENT INFORMATION (Cont'd)

### III) Other segment information

	Property investment, development and leasing/hotel operation		Manufacturing and distribution of plastic packaging materials		Broking and securities margin financing		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Amounts included in the measure of segment results or segment assets:</b>								
Additions to non-current assets (Note)	5,237,466	350,238,878	6,649,716	8,848,637	291,880	1,794,030	12,179,062	360,881,545
Amortisation of leasehold land and land use right	23,085	23,085	465,972	495,321	-	-	489,057	518,406
Depreciation of property, plant and equipment	6,038,826	5,123,606	6,417,805	7,004,682	396,826	321,062	12,853,457	12,449,350
Gain arising on change in fair value of investment properties	51,628,869	5,370,771	-	-	-	-	51,628,869	5,370,771
(Gain) loss on disposal of property, plant and equipment	(52,459)	-	-	19,137	-	349,389	(52,459)	368,526
<b>Amount regularly provided to the CODM but not included in the measure of segment results or segment assets:</b>								
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss	-	-	-	-	-	-	-	6,425,279
Cumulative gains reclassified from equity to profit or loss upon derecognition of available-for- sale financial assets	-	-	-	-	-	-	-	1,091,633
Interests in associates	-	-	-	-	-	-	80,612,015	81,592,537
Finance costs	-	-	-	-	-	-	7,870,024	7,834,407
Income tax expense	-	-	-	-	-	-	9,494,912	4,322,296
Share of results of associates	-	-	-	-	-	-	215,484	1,715,190

**Note:** Additions to non-current assets consist of additions to investment properties, property, plant and equipment, leasehold land and land use right.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 6. SEGMENT INFORMATION (Cont'd)

### IV) Geographical segment

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the physical location of the assets.

	Revenue from external customer	
	2017	2016
Hong Kong	175,541,867	229,073,938
North America	30,141,684	32,128,100
Oceania	36,242,875	30,098,018
Europe	42,180,157	41,939,164
PRC	198,272,293	112,651,439
Other asian countries	49,721,784	59,121,882
	<b>532,100,660</b>	<b>505,012,541</b>

	Non-current assets (Note)	
	2017	2016
Hong Kong	1,030,993,356	1,098,020,387
PRC	93,772,636	98,924,698
	<b>1,124,765,992</b>	<b>1,196,945,085</b>

*Note:* Non-current assets excluded amounts due from associates, available-for-sale financial assets and deferred tax assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 6. SEGMENT INFORMATION (Cont'd)

### V) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of revenue of the Group is as follows:

	2017	2016
Manufacturing and distribution of plastic packaging materials		
Customer A	N/A	75,257,165

Revenue derived from Customer A did not contribute over 10% of revenue of the Group during the year ended 31 March 2017.

Except for the above, no other single customers contributed 10% or more to the Group's revenue for both years.

## 7. REVENUE

	2017	2016
Sale of goods	453,236,943	420,461,770
Rental income and rental related income	23,157,017	22,607,613
Brokerage commission	15,102,693	22,214,250
Interest income received from client	17,446,750	17,244,273
Hotel operation income	21,984,503	21,233,386
Dividend income from listed equity securities	1,142,880	1,222,486
Dividend income from unlisted equity securities	29,874	28,763
	<b>532,100,660</b>	<b>505,012,541</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 8. OTHER REVENUE AND OTHER INCOME

	2017	2016
Interest income	1,154,383	2,203,261
Other income ( <i>Note</i> )	8,464,315	4,940,551
Gain on disposal of property, plant and equipment	52,459	–
Reversal of impairment loss recognised in respect of trade receivables	–	6,000
	<b>9,671,157</b>	<b>7,149,812</b>

*Note:* Other income mainly consists of handling fee income generated from stock broking, sales of computer software and sales of scrap materials.

### 9. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	2017	2016
Amortisation of leasehold land and land use right	489,057	518,406
Auditors' remuneration:		
– Audit services	1,030,754	1,419,864
– Non-audit services	–	253,000
	<b>1,030,754</b>	<b>1,672,864</b>
Cost of inventories sold	356,910,256	326,497,999
Depreciation of property, plant and equipment	12,853,457	12,449,350
Direct operating expenses for generating rental income	2,290,765	1,616,927
Exchange (gain) loss, net	(353,543)	456,439
(Gain) loss on disposal of property plant and equipment	(52,459)	368,526
Operating lease rental in respect of premises and computer software	1,343,017	2,997,227
Staff costs (including directors' remuneration):		
– Salaries, wages and allowances	52,206,540	53,255,175
– Staff benefits	926,992	2,471,008
– Retirement benefit schemes contributions	955,670	952,825
	<b>54,089,202</b>	<b>56,679,008</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 10. FINANCE COSTS

	2017	2016
Interest expenses on:		
Bank loans and overdraft	7,557,354	7,205,080
Amounts due to related companies	3,669	19,678
Other borrowings	7,486	9,415
Bank charges	301,515	600,234
	<b>7,870,024</b>	<b>7,834,407</b>

## 11. INCOME TAX EXPENSE

The income tax expense is as follow:

	2017	2016
Hong Kong Profits Tax		
– Current tax	6,638,859	4,917,279
– Under provision in prior years	98,782	448,398
	<b>6,737,641</b>	<b>5,365,677</b>
PRC Enterprise Income Tax		
– Current tax	694,364	–
Deferred tax charge (credit) (note 34)	2,062,907	(1,043,381)
Total income tax expense for the year	<b>9,494,912</b>	<b>4,322,296</b>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

No provision for the PRC Enterprise Income Tax for the year ended 31 March 2016 has been made as taxable profits were wholly absorbed by tax losses brought forward.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### II. INCOME TAX EXPENSE (Cont'd)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2017	2016
Profit before tax	<b>107,048,743</b>	42,353,082
Tax at domestic income tax rate	<b>18,499,342</b>	8,367,147
Tax effect of:		
Expenses not deductible for tax purpose	<b>318,847</b>	3,539,336
Accelerated accounting depreciation over tax depreciation	<b>47,018</b>	129,130
Income not taxable for tax purpose	<b>(9,692,444)</b>	(3,130,407)
Under provision in prior years	<b>98,782</b>	448,398
Current year's tax losses not recognised	<b>691,127</b>	804,542
Share of results of associates	<b>(35,555)</b>	(283,006)
Previous tax losses utilised in current year	<b>(432,205)</b>	(5,552,844)
Total income tax expense for the year	<b>9,494,912</b>	4,322,296

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' REMUNERATION

The remuneration paid or payable to each of the 15 (2016: 15) directors for the year ended 31 March 2017.

The remuneration of each director for the year ended 31 March 2017 and 2016 disclosed pursuant to the applicable Listing Rules and the Hong Kong Company Ordinance are as follows:

Name of directors	Salaries, allowance and other benefits	Director fees	Retirement benefit schemes contributions	Total
<b>2017</b>				
<i>Executive directors</i>				
Chua Nai Tuen	3,329,980	65,000	41,975	3,436,955
Chua Nai King (retirement on 26 August 2016)	697,000	30,000	–	727,000
Nelson Junior Chua	867,875	30,000	31,000	928,875
Gilson Chua	1,239,995	30,000	18,000	1,287,995
<i>Non-executive directors</i>				
Chan Man Hon, Eric	–	40,000	–	40,000
Jimmy Siy Tiong	–	30,000	–	30,000
Rene Siy Chua	–	30,000	–	30,000
Tsai Han Yung	–	40,000	–	40,000
Samuel Siy Yap	–	30,000	–	30,000
Vivian Chua	474,375	30,000	18,000	522,375
<i>Independent non-executive directors</i>				
Chan Siu Ting	–	55,000	–	55,000
James L. Kwok	–	50,000	–	50,000
Wong Shek Keung	–	55,000	–	55,000
Tsui Ka Wah	–	50,000	–	50,000
Tsai Sui Cheung, Andrew	–	50,000	–	50,000
	<b>6,609,225</b>	<b>615,000</b>	<b>108,975</b>	<b>7,333,200</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' REMUNERATION (Cont'd)

Name of directors	Salaries, allowance and other benefits	Director fees	Retirement benefit schemes contributions	Total
<b>2016</b>				
<i>Executive directors</i>				
Chua Nai Tuen	2,687,708	65,000	13,975	2,766,683
Chua Nai King (retirement on 26 August 2016)	984,000	30,000	–	1,014,000
Nelson Junior Chua	750,978	30,000	23,000	803,978
Gilson Chua	742,157	30,000	18,000	790,157
<i>Non-executive directors</i>				
Chan Man Hon, Eric	–	40,000	–	40,000
Jimmy Siy Tiong	–	30,000	–	30,000
Rene Siy Chua	–	30,000	–	30,000
Tsai Han Yung	–	40,000	–	40,000
Samuel Siy Yap	–	30,000	–	30,000
Vivian Chua	457,917	30,000	18,000	505,917
<i>Independent non-executive directors</i>				
Chan Siu Ting	–	55,000	–	55,000
James L. Kwok	–	50,000	–	50,000
Wong Shek Keung	–	55,000	–	55,000
Tsui Ka Wah	–	50,000	–	50,000
Tsai Sui Cheung, Andrew	–	50,000	–	50,000
	<u>5,622,760</u>	<u>615,000</u>	<u>72,975</u>	<u>6,310,735</u>

Mr. Chua Nai Tuen is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During the year ended 31 March 2017, the Group had provided a staff quarter to Mr. Chua Nai Tuen with the amount of HK\$1,908,980 (2016: HK\$1,907,980) and included in salaries, allowance and other benefits.

No emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors of the Company has waived any emoluments for both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' REMUNERATION (Cont'd)

### **Directors' material interests in transactions, arrangements and contracts of significance**

During the year ended 31 March 2017, the consultancy fees of HK\$581,500 (2016: HK\$500,228) and HK\$697,000 (2016: HK\$984,000) were paid by the Group to Sonliet Investment Company Limited ("Sonliet Investment") and Tonwell Investment Company (Hong Kong) Limited ("Tonwell"), being a part of the salaries, allowance and other benefits, in which Mr. Chua Nai Tuen is the controlling shareholder and the director of Sonliet Investment while Mr. Chua Nai King is the controlling shareholder and the director of Tonwell, respectively.

During the year ended 31 March 2017, a tenancy agreement was made on arm's length basis in connection with the leasing of a premises owned by Sonliet Realty Company Limited, a company controlled by Mr. Chua Nai Tuen, to Nan Sing Warehouse Limited, a subsidiary of the Company, and the total amount of rental paid by the Group during the year ended 31 March 2017 was HK\$1,137,585 (2016: HK\$1,155,111).

During the years ended 31 March 2017, there were unsecured financial assistance provided from Sonliet Investment in which Mr. Chua Nai Tuen had controlling interest in these companies on an arm's length basis. The total amount of interests paid by the Group during the years ended 31 March 2017 was HK\$3,669 (2016: HK\$19,678).

Save for contracts amongst the Group and the aforementioned transaction, no other significant transactions, arrangements and contracts of significance to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' REMUNERATION (Cont'd)

#### Five highest paid employees

The five highest paid employees of the Group during the year included three (2016: three) directors, details of whose remuneration are disclosed above. The remuneration of the other two (2016: two) employees disclosed were as follows:

	2017	2016
Salaries, allowances and other benefits	1,908,625	1,897,817
Retirement benefit schemes contributions	46,229	36,000
	<b>1,954,854</b>	<b>1,933,817</b>

The remuneration of the other two employees fell within the following band:

	2017 Number of employees	2016 Number of employees
Nil – HK\$1,000,000	<b>2</b>	<b>2</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 12. DIRECTORS', CHIEF EXECUTIVE AND EMPLOYEES' REMUNERATION (Cont'd)

### Senior management's (excluding directors) emoluments by band

The emoluments of senior management (excluding directors) fell within the following band:

	2017 Number of individual	2016 Number of individual
Nil – HK\$1,000,000	5	4

## 13. DIVIDENDS

	2017	2016
Dividends recognised as distribution during the year		
– Final dividend – HK3 cents (2016: HK3 cents) per ordinary share	6,522,565	6,522,565
– Interim dividend – HK1.5 cents (2016: Nil) per ordinary share	3,261,283	–
	<u>9,783,848</u>	<u>6,522,565</u>

Subsequent to the end of the reporting period, a final dividend of HK4.5 cents per ordinary share with scrip dividend alternative, and a special dividend of HK10 cents per ordinary share with scrip dividend alternative, in respect of the year ended 31 March 2017 have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on profit attributable to owners of the Company of HK\$95,807,428 (2016: HK\$37,168,950) and on the weighted average number of 217,418,850 (2016: 217,418,850) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 March 2017 and 2016 was the same as basic earnings per share as there was no potential outstanding shares for both years.

## 15. INVESTMENT PROPERTIES

At 1 April 2015	620,717,335
Addition	5,283,922
Acquisition through business combination	344,180,640
Transfer from property, plant and equipment	11,022,542
Increase in carrying amount of the investment property transferred from property, plant and equipment	2,200,458
Transfer to property, plant and equipment	(56,620,000)
Gain arising on change in fair value	5,370,771
	<hr/>
At 31 March 2016 and at 1 April 2016	932,155,668
Addition	2,640,261
Transfer to stock of properties	(114,870,000)
Gain arising on change in fair value	51,628,869
	<hr/>
<b>At 31 March 2017</b>	<b>871,554,798</b>
	<hr/>

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

At 31 March 2017, an investment property was transferred to stock of property at its fair value of HK\$114,870,000 as a result of commencement of development with view of directors of the Company were intended for sale. The fair value was determined on the basis of a valuation carried out by an independent qualified valuers, K.T. Liu Surveyors Limited as at the date of transfer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 15. INVESTMENT PROPERTIES (Cont'd)

At 1 December 2015, a building located in Hong Kong under long-term leases with carrying amounts of HK\$11,022,542 was transferred to investment properties as a result of the change of usage by the end of owner-occupation. An increase in carrying amount through revaluation of the property of HK\$2,200,458 was recognised in property revaluation reserve, which was determined on the basis of a valuation carried out by an independent qualified valuers, K.T. Liu Surveyors Limited, at fair value of HK\$13,223,000 at the date of transfer.

At 1 October 2015, an investment property was transferred to property, plant and equipment at its fair value of HK\$56,620,000, which was determined on the basis of a valuation carried out by an independent qualified valuers, K.T. Liu Surveyors Limited as at the date of transfer.

The Group's investment properties with carrying amounts of HK\$515,150,000 (2016: HK\$478,650,000) have been pledged to secure general banking facilities granted to the Group (see note 43 to the consolidated financial statements).

The carrying amounts of investment properties shown above comprises:

	2017	2016
Inside Hong Kong, held under medium – term lease	852,500,000	816,000,000
Inside Hong Kong, held under long – term lease	12,650,000	110,650,000
Outside Hong Kong, held under medium – term lease	6,404,798	5,505,668
	<b>871,554,798</b>	<b>932,155,668</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings		Plant and machinery	Furniture, fixtures & equipment	Motor vehicle	Total
	Medium and long-term lease in Hong Kong	Medium term lease in the PRC				
<b>Cost</b>						
At 1 April 2015	103,314,554	102,676,380	145,494,497	29,346,182	7,026,230	387,857,843
Additions	–	3,794,428	1,778,025	3,609,504	561,635	9,743,592
Transfer from investment property	56,620,000	–	–	–	–	56,620,000
Transfer to investment property	(12,300,001)	–	–	–	–	(12,300,001)
Disposals and written off	–	–	(143,781)	(965,585)	(381,244)	(1,490,610)
Exchange alignments	–	(5,261,401)	(12,613,050)	(911,723)	(220,366)	(19,006,540)
At 31 March 2016 and at 1 April 2016	147,634,553	101,209,407	134,515,691	31,078,378	6,986,255	421,424,284
Additions	–	3,330,507	2,197,943	1,133,047	2,877,304	9,538,801
Disposals and written off	–	–	–	(18,808)	(1,119,992)	(1,138,800)
Exchange alignments	–	(6,098,603)	(7,639,710)	(754,685)	(264,614)	(14,757,612)
At 31 March 2017	147,634,553	98,441,311	129,073,924	31,437,932	8,478,953	415,066,673
<b>Accumulated depreciation and impairment</b>						
At 1 April 2015	36,264,400	41,170,843	129,820,285	22,946,027	5,115,832	235,317,387
Charge for the year	4,262,738	2,476,051	3,477,367	1,625,192	608,002	12,449,350
Written back on disposals	–	–	(108,861)	(616,196)	(381,244)	(1,106,301)
Transfer to investment property	(1,277,459)	–	–	–	–	(1,277,459)
Exchange alignments	–	(2,329,483)	(12,018,122)	(756,355)	(201,540)	(15,305,500)
At 31 March 2016 and at 1 April 2016	39,249,679	41,317,411	121,170,669	23,198,668	5,141,050	230,077,477
Charge for the year	5,012,674	2,418,884	2,979,697	1,728,430	713,772	12,853,457
Written back on disposals	–	–	–	(11,267)	(1,119,992)	(1,131,259)
Exchange alignments	–	(2,549,996)	(6,987,405)	(546,328)	(227,594)	(10,311,323)
At 31 March 2017	44,262,353	41,186,299	117,162,961	24,369,503	4,507,236	231,488,352
<b>Carrying amounts</b>						
At 31 March 2017	103,372,200	57,255,012	11,910,963	7,068,429	3,971,717	183,578,321
At 31 March 2016	108,384,874	59,891,996	13,345,022	7,879,710	1,845,205	191,346,807

The Group's buildings with carrying amounts of HK\$103,372,200 (2016: HK\$108,384,874) have been pledged to secure general banking facilities granted to the Group (see note 43 to the consolidated financial statement).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 17. LEASEHOLD LAND AND LAND USE RIGHT

### Cost

At 1 April 2015	22,241,335
Additions	1,673,391
Exchange alignment	(1,012,686)
	<hr/>
At 31 March 2016 and at 1 April 2016	22,902,040
Exchange alignment	(1,294,600)
	<hr/>
At 31 March 2017	21,607,440
	<hr/>

### Accumulated amortisation

At 1 April 2015	6,812,742
Charged for the year	518,406
Exchange alignment	(319,117)
	<hr/>
At 31 March 2016 and at 1 April 2016	7,012,031
Charged for the year	489,057
Exchange alignment	(402,982)
	<hr/>
At 31 March 2017	7,098,106
	<hr/>

### Carrying amounts

At 31 March 2017	<b>14,509,334</b>
	<hr/>
At 31 March 2016	15,890,009
	<hr/>

The carrying amounts of leasehold land and land use right shown above comprise:

	2017	2016
Land outside Hong Kong, held under medium-term lease	<b>14,509,334</b>	15,890,009

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 18. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES

### (i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3 valuations: fair value measured using significant unobservable inputs.

	Level 1	Level 2	Level 3	Total
<b>At 31 March 2017</b>				
<i>Fair value on a recurring basis</i>				
Investment properties:				
– Located in Hong Kong	–	31,150,000	834,000,000	865,150,000
– Located outside Hong Kong	–	4,739,280	1,665,518	6,404,798
<b>At 31 March 2016</b>				
<i>Fair value on a recurring basis</i>				
Investment properties:				
– Located in Hong Kong	–	28,650,000	898,000,000	926,650,000
– Located outside Hong Kong	–	4,082,720	1,422,948	5,505,668

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 18. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES (Cont'd)

### (i) Fair value hierarchy (Cont'd)

There were no transfers between Level 1 and Level 2 in the current year and prior years. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the date of the events or change in circumstance that caused the transfer.

The fair value of the Group's investment properties at 31 March 2017 and 31 March 2016 has been arrived at on the basis of a valuation carried out on the respective dates by K.T. Liu Surveyors Limited, an independent qualified valuers who are not connected to the Group.

K.T. Liu Surveyors Limited are members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

At each financial year end, the management will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) holds discussion with the independent qualified valuers.

There were no changes to the valuation techniques during the year.

In estimating their fair value of the investment properties, the highest and best use of the investment properties is their current use.

### (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of investment properties located in Hong Kong and outside Hong Kong are determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available without significant adjustments being made to the market observable data.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 18. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES (Cont'd)

### (iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range
Investment properties located outside Hong Kong	Investment method	Reversionary yield	2017: 12% (2016: 12%)
Investment properties located in Hong Kong	Investment method	Reversionary yield	2017: 2.4% to 3.5% (2016: 2.4% to 2.8%)
	Market comparison approach	(Discount) premium on characteristic of the property	2017: -11% to 16% (2016: 15% to 73%)

The market comparison approach by reference to historical sales price of comparable properties on a price per square foot basis. The valuations take into account the characteristic of the investment properties which included the location, size, shape, view, floor level, year of completion and other factors collectively. The fair value measurements are positively correlated to the discount on characteristic of the property.

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. The fair value measurements are negatively correlated to the reversionary yield.

Valuation used market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's investment properties compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The Group believes that any possible changes in input values would not cause significant change in fair value of investment properties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 18. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES (Cont'd)

### (iii) Information about Level 3 fair value measurements (Cont'd)

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 investment properties, measured at fair value using a valuation technique with significant unobservable inputs:

#### *Investment properties located in Hong Kong:*

At 1 April 2015	546,030,000
Addition	5,283,922
Acquisition of asset through acquisition of a subsidiary	344,180,640
Gain arising on change in fair value	2,505,438
	<hr/>
At 31 March 2016 and at 1 April 2016	898,000,000
Addition	2,640,261
Transfer to stock of property	(114,870,000)
Gain arising on change in fair value	48,229,739
	<hr/>
<b>At 31 March 2017</b>	<b>834,000,000</b>
	<hr/>

#### *Investment property located outside Hong Kong:*

At 1 April 2015	1,927,226
Loss arising on change in fair value	(504,278)
	<hr/>
At 31 March 2016 and at 1 April 2016	1,422,948
Gain arising on change in fair value	242,570
	<hr/>
<b>At 31 March 2017</b>	<b>1,665,518</b>
	<hr/>

Fair value adjustment of investment properties is recognised in the line item "gain arising on change in fair value of investment properties" on the face of the consolidated income statement.

Changes in level 2 and 3 fair values are analysed at the end each reporting period by the management.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 19. INTERESTS IN ASSOCIATES

	2017	2016
Interests in associates	50,921,801	49,206,611
Share of (loss) profit and other comprehensive (loss) income	(2,518,841)	1,715,190
	48,402,960	50,921,801
Amounts due from associates	36,543,737	35,005,418
Less: Impairment losses recognised	(4,334,682)	(4,334,682)
	80,612,015	81,592,537

Amounts due from associates are unsecured, interest-free and have no fixed repayment terms.

Amount due to an associate is unsecured, interest-free and repayable on demand.

All of these associates are accounted for using the equity method in the consolidated financial statements.

Particulars of the Group's associates at the end of the reporting period are set out below:

Name of associates	Place/country of incorporation/operation	Issued and fully paid share capital	Class of share held	Proportion of ownership interest and voting power held by the Group:		Principal activities
				2017 %	2016 %	
Wisestar Holdings Limited	Hong Kong	HK\$2	Ordinary	47.7	47.7	Trading of plastics products
Ongoing Investments Limited	British Virgin Islands/PRC	US\$100	Ordinary	20	20	Property investment
Sequin Development Limited	British Virgin Islands/PRC	US\$100	Ordinary	20	20	Property investment
Titan Dragon Properties Corporation ("Titan Dragon")	Philippines	Peso\$80,000,000	Ordinary	49	49	Property investment

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 19. INTERESTS IN ASSOCIATES (Cont'd)

30% equity interests of Titan Dragon is directly held by the Company and 19% equity interests of Titan Dragon is indirectly held by the Company. All other equity interests in the associates are indirectly held by the Company.

Summarised financial information in respect of each of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

### Titan Dragon

	2017	2016
Current assets	<b>1,609,851</b>	1,866,342
Non-current assets	<b>164,360,436</b>	173,944,492
Current liabilities	<b>320,992</b>	248,293
Non-current liabilities	<b>78,382,701</b>	80,698,188

	2017	2016
Revenue	–	–
(Loss) profit for the year	<b>(2,017,503)</b>	2,035,398
Other comprehensive loss for the year	<b>(5,580,256)</b>	–
Total comprehensive (loss) income for the year	<b>(7,597,759)</b>	2,035,398



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 19. INTERESTS IN ASSOCIATES (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Titan Dragon recognised in the consolidated financial statements:

	2017	2016
Net assets of Titan Dragon	87,266,594	94,864,353
Proportion of the Group's ownership interest in Titan Dragon	49%	49%
Carrying amount of the Group's interest in Titan Dragon	42,760,631	46,483,533

Aggregate information of associates that are not individually material:

	2017	2016
The Group's share of profit and total comprehensive income	1,204,061	717,845
Aggregate carrying amounts of the Group's interests in these associates	5,642,329	4,438,268

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
Unlisted investments:		
– Equity securities in Hong Kong	946,000	946,000
– Equity securities outside Hong Kong	335,100	335,100
	1,281,100	1,281,100
Listed investments:		
– Equity securities listed in Hong Kong	20,490,216	15,995,156
	21,771,316	17,276,256

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Cont'd)

During the year ended 31 March 2017, gain on fair value change of AFS financial assets recognised in other comprehensive loss amounted to HK\$4,304,390 (2016: loss on fair value change of AFS financial assets amounted to HK\$5,481,146).

The unlisted investments are measured at cost less impairment at the end of reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair values cannot be measured reliably.

At 31 March 2017 and 31 March 2016, the directors of the Company assessed the recoverable amount of unlisted equity securities with the basis of past performance, management expectation for market development and certain key assumption. Based on the above assessment, the directors of the Company considered that there is no indication that material decline or adverse changes in the market in which investees operated occurred and the directors of the Company considered that the cost of investments are still considered to be recoverable, thus no impairment loss was recognised for both years.

Fair values of listed securities are determined with reference to quoted market bid prices at the end of the reporting period. At 31 March 2016, the Group's AFS financial assets listed in Hong Kong were determined to be impaired on the basis of material decline in their fair value. The directors of the Company considered that such a decline is significant to its original cost and indicated that the listed securities had been impaired. Therefore, impairment loss on these investment with the amount of HK\$6,425,279 was recognised in the profit or loss.

At 31 March 2017, AFS financial assets with carrying amount of HK\$1,769,045 (2016: HK\$15,116,427) have been pledged to secure general banking facilities granted to the Group (see note 43 to the consolidated financial statement).

The market value of the Group's AFS financial assets listed in Hong Kong at the date of approval of these consolidated financial statements were HK\$21,425,342.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 21. INTANGIBLE ASSETS

	Stock Exchange trading right	Futures Exchange trading right	Membership of The Chinese Gold & Silver Exchange Society	Club membership	Total
<b>Cost</b>					
At 1 April 2015,					
at 31 March 2016,					
at 1 April 2016 and					
at 31 March 2017	5,030,001	201,205	1,475,000	981,500	7,687,706
<b>Accumulated impairment losses</b>					
At 1 April 2015,					
at 31 March 2016,					
at 1 April 2016 and					
at 31 March 2017	(2,810,000)	–	(1,175,000)	–	(3,985,000)
<b>Carrying amounts</b>					
<b>At 31 March 2017</b>	<b>2,220,001</b>	<b>201,205</b>	<b>300,000</b>	<b>981,500</b>	<b>3,702,706</b>
At 31 March 2016	2,220,001	201,205	300,000	981,500	3,702,706

### Indefinite useful life

The Group classified the above intangible assets with indefinite life in accordance with HKAS 38 *Intangible Assets*. In the opinion of the directors of the Company, the above intangible assets except club membership are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. The club membership is assessed to have indefiniteness of useful lives. Under HKAS 38, the Group reassesses the useful life of the intangible assets at the end of the reporting period to determine whether events or circumstances continue to support the view of the indefinite useful life of the asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 21. INTANGIBLE ASSETS (Cont'd)

### Impairment

The Group performed impairment test for the intangible assets by comparing its recoverable amounts to their carrying amounts at the end of the reporting period in accordance with HKAS 36 *Impairment of Assets*. The recoverable amounts of the intangible assets are determined based on fair value less cost of disposal. The fair values of intangible assets are determined based on the current market conditions and the directors of the Company consider that no impairment loss was recognised for both years.

## 22. OTHER ASSETS

	2017	2016
Contribution to the compensation fund with the Stock Exchange	1,817,873	1,548,332
Statutory deposits with Hong Kong Securities Clearing Company Limited	600,000	600,000
Admission fee & guarantee fund to Hong Kong Securities Clearing Company Limited	600,000	779,762
	<b>3,017,873</b>	<b>2,928,094</b>

## 23. INVENTORIES

	2017	2016
Raw material	37,755,400	32,223,126
Work in progress	6,641,923	5,319,340
Finished goods	20,550,012	21,490,193
	<b>64,947,335</b>	<b>59,032,659</b>

Inventories are expected to be recovered within one year.

The cost of inventories sold of approximately HK\$356,910,256 (2016: \$326,497,999) are recognised as expenses and included in cost of sales.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 24. STOCK OF PROPERTY

	2017 HK\$	2016 HK\$
Property under development held for sales	<b>114,870,000</b>	–

The stock of property is located in Hong Kong and held under long-term leases.

Property under development held for sales is expected to be recovered after more than one year.

### 25. TRADE AND OTHER RECEIVABLES

The Group's trade receivables arose from (i) property investments and development/hotel, (ii) manufacturing and distribution of plastic packaging materials, and (iii) stock broking, futures and finance for the year.

	2017	2016
Trade receivables from:		
– Clearing house and cash clients	<b>44,169,264</b>	28,562,736
– Secured margin clients	<b>72,902,154</b>	79,726,183
– Other customers	<b>48,749,797</b>	39,687,088
	<b>165,821,215</b>	147,976,007
Less: Allowance for doubtful debts	<b>(9,410,948)</b>	(9,410,948)
	<b>156,410,267</b>	138,565,059
Other receivables	<b>13,929,421</b>	19,454,294
	<b>170,339,688</b>	158,019,353

Trade receivables from other customer are comprised of sales of goods and rental income.

The Group allows a credit period up to the respective settlement dates for securities transactions (normally two business days after the respective trade date for cash clients). Each secured margin client has a credit limit.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 25. TRADE AND OTHER RECEIVABLES (Cont'd)

Trade receivables of manufacturing and distribution of plastic packaging materials fall into the general credit term ranged from 0-90 days except for a credit period mutually agreed between the Group and the customers.

Room guests are requested to settle all outstanding balances before they check out. Normally, upon check-in, the Group will request its room guests for cash deposit or credit card debit authorisation. Other than that, the Group does not obtain any other collateral from its room guests.

### (a) Aging analysis

The following is an aging analysis of trade receivables of the Group arose from clearing house and cash clients and other customers, presented based on the invoice date, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

	2017	2016
0-30 days	44,999,534	37,343,942
31-60 days	16,144,233	4,458,331
Over 60 days	22,364,346	17,036,603
	<b>83,508,113</b>	<b>58,838,876</b>

Margin loans due from margin clients are repayable on demand. Margin loans are required to be secured by clients' listed securities held by the Group as collateral and bears interest at 8.25% for the year ended 31 March 2017 (2016: 8.25%). The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. At 31 March 2017, the total market value of securities pledged as collateral by the customers in respect of the loans to margin clients was HK\$167,377,629 (2016: HK\$169,171,622). At 31 March 2017, the pledged value of securities of margin clients to bank for banking facilities granted to the Group was HK\$16,119,542. No aging analysis of secured margin clients is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of business of securities margin financing.

Amounts of HK\$17,305,137 (2016: HK\$17,407,542) included in trade receivables from clearing house and cash clients is secured by debtor's property.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 25. TRADE AND OTHER RECEIVABLES (Cont'd)

#### (b) Movement in the allowance for bad and doubtful debts

The movement in the allowance for bad and doubtful debts during the year is as follows:

	2017	2016
At 1 April	9,410,948	9,416,948
Impairment loss reversed	–	(6,000)
At 31 March	9,410,948	9,410,948

#### (c) Aging of trade receivables which are past due but not impaired

Trade receivables disclosed above include amounts (see below for aging analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

The following is an aging analysis of trade receivables of the Group which are past due but not impaired:

	2017	2016
Neither past due nor impaired	51,777,287	13,859,097
Less than one month past due	11,086,348	14,547,088
One to three months past due	3,345,666	11,420,753
More than three months past due	17,298,812	19,011,938
	83,508,113	58,838,876

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 25. TRADE AND OTHER RECEIVABLES (Cont'd)

### (c) Aging of trade receivables which are past due but not impaired (Cont'd)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to large number of diversified customers that have a good track of record with the Group. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

In determining the recoverability of a trade receivable, the directors of the Company considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the large and unrelated customer base.

## 26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
Listed securities classified as held for trading investment:		
– Equity securities listed in Hong Kong, at fair value	<u>7,169,750</u>	<u>5,485,293</u>

At the end of the reporting period, all financial assets at FVTPL are stated at fair value. Fair values of listed securities are determined with reference to quoted market bid prices.

At 31 March 2017, equity securities listed in Hong Kong with carrying amounts of HK\$3,755,750 (2016: HK\$4,902,475) have been pledged to secure general banking facilities granted to the Group (see note 43 to the consolidated financial statements).

The market values of the Group's equity securities listed in Hong Kong at the date of approval of these consolidated financial statements were HK\$7,978,600.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 27. LOAN RECEIVABLE

	2017	2016
Variable-rate loan receivable shown under current assets	<b>19,000,000</b>	19,000,000

Loan receivable is secured by borrower's two properties and borrower's personal guarantee with unlimited amount as collateral.

Loan receivable is interest bearing at Hong Kong dollar prime rate, quoted by a local bank, and loan interest is repayable by 60 consecutive months during the loan period. Loan receivable will be repaid on or before 29 April 2018 and contains a clause of repayable on demand and thus classified as current assets.

### 28. RESTRICTED CASH

	2017	2016
Restricted deposit held at bank	<b>4,100,000</b>	4,100,000

The effective interest rates on time deposits ranged from 0.3% p.a. (2016: 0.3% p.a.) and mature within 181 days (2016: 184 days).

Restricted cash are reserved for serving of debt for bank overdraft provided by a bank.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 29. TRUST ACCOUNTS OF SHARES DEALING CLIENTS

	2017	2016
Trust accounts	<b>106,320,931</b>	104,776,670

From the Group's ordinary business of securities and future dealing, it receives and holds money from clients and other institutions in the course of conducting its regulated activities. These client's monies are maintained in one or more trust accounts. The Group has recognised the corresponding trade payables to respective clients and other institutions.

At 31 March 2017, the Group's trust accounts denominated in RMB is HK\$155,301 (2016: HK\$127,919).

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the PRC government. The Group's trust accounts denominated in RMB are located in Hong Kong which is not subject to the foreign exchange control.

Trust accounts earn interests at floating rates based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

## 30. CASH AND CASH EQUIVALENTS

	2017	2016
Cash on hand and cash at bank	<b>81,832,677</b>	81,359,380

At 31 March 2017, the Group's cash and cash equivalents denominated in RMB and USD are HK\$14,675,754 (2016: HK\$17,399,938) and HK\$12,455,741 (2016: HK\$25,762,411) respectively.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the PRC government. Majority of the Group's cash and bank balances denominated in RMB are located in Hong Kong which is not subject to the foreign exchange control.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 31. TRADE AND OTHER PAYABLES

The Group's trade payables arose from (i) hotel management, (ii) manufacturing and distribution of plastic packaging materials, and (iii) stock broking, futures and finance for the year.

	2017	2016
Trade payables to:		
– Clearing house and cash clients	94,262,615	93,272,104
– Secured margin clients	20,750,237	19,462,165
– Other creditors	23,470,798	11,355,168
	<b>138,483,650</b>	124,089,437
Other payables	29,635,724	36,174,053
	<b>168,119,374</b>	160,263,490

Trade payables to other creditors are comprised of purchases of materials and supplies.

The following is an aging analysis of the trade payables at the end of the reporting period:

	2017	2016
0-30 days	138,058,440	122,971,703
31-60 days	26,647	809,950
Over 60 days	398,563	307,784
	<b>138,483,650</b>	124,089,437

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 32. BANK LOANS

	2017	2016
Secured bank loans	307,448,693	339,531,209
Unsecured bank loans	10,000,000	10,000,000
	<b>317,448,693</b>	<b>349,531,209</b>
Carrying amounts repayable:		
Within one year	95,419,484	106,143,788
More than one year, but not exceeding two years	21,532,000	21,461,296
More than two years, but not exceeding five years	161,571,413	176,166,739
Over five years	38,925,796	45,759,386
	<b>317,448,693</b>	<b>349,531,209</b>
Less: Amounts due within one year shown under current liabilities	(95,419,484)	(106,143,788)
Amounts shown under non-current liabilities	<b>222,029,209</b>	<b>243,387,421</b>

The secured bank loans were secured by the Group's assets as described in note 43 to the consolidated financial statements. Bank loans bear interest rate at rates ranging from 1.68% to 3.09% (2016: 1.57% to 2.88%) per annum.

## 33. AMOUNTS DUE TO A RELATED COMPANY/NON-CONTROLLING INTERESTS

The amount due to a related company is interest bearing at Hong Kong dollar prime rate, quoted by a local bank, minus 2% and repayable on demand and classified as current liabilities.

The amounts due to non-controlling interests are unsecured, interest-free and has no fixed repayment terms and classified as non-current liabilities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 34. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017	2016
Deferred tax assets	942,118	1,402,126
Deferred tax liabilities	(8,634,395)	(6,980,708)
	<b>(7,692,277)</b>	<b>(5,578,582)</b>

The followings are the deferred tax balances recognised in the consolidated statement of financial position and the movements thereon:

	Accelerated tax depreciation	Revaluation of investment properties	Tax loss	Others	Total
At 1 April 2015	1,373,186	686,693	–	273,788	2,333,667
Arising from acquisition of asset through acquisition of a subsidiary	4,253,971	–	–	–	4,253,971
Charge (credit) to the consolidated income statement ( <i>note 11</i> )	250,986	142,084	(1,436,451)	–	(1,043,381)
Exchange alignment	–	–	34,325	–	34,325
At 31 March 2016 and at 1 April 2016	5,878,143	828,777	(1,402,126)	273,788	5,578,582
Charge to the consolidated income statement ( <i>note 11</i> )	1,428,904	224,783	409,220	–	2,062,907
Exchange alignment	–	–	50,788	–	50,788
At 31 March 2017	<b>7,307,047</b>	<b>1,053,560</b>	<b>(942,118)</b>	<b>273,788</b>	<b>7,692,277</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 34. DEFERRED TAX (Cont'd)

At the end of the reporting period, the Group had unused estimated tax losses arising in Hong Kong and the PRC of HK\$22,397,310 (2016: HK\$20,828,086) and HK\$5,209,370 (2016: HK\$11,831,953) available for offset against future profits. No deferred tax assets has been recognised in respect of tax losses other than stated as below due to unpredictability of future profit streams. The unrecognised tax losses could be carry forward indefinitely except for the tax losses arising in the PRC that will expire in one to five years for offsetting against future taxable profits.

The Group had recognised deferred tax assets of HK\$942,118 (2016: HK\$1,402,126) in respect of losses amounting to HK\$5,709,806 (2016: HK\$5,608,652) incurring in one of the subsidiaries located in the Hong Kong (2016: PRC) as the related tax benefit through future taxable profits is probable.

## 35. SHARE CAPITAL

	2017		2016	
	Number of share	HK\$	Number of share	HK\$
<b>Issued and fully paid:</b>				
<i>Voting ordinary shares:</i>				
At the beginning and the end of the reporting period	<u>217,418,850</u>	<u>217,418,850</u>	<u>217,418,850</u>	<u>217,418,850</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 36. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY

### (a) Statement of financial position of the Company

	2017	2016
<b>Non-current assets</b>		
Investment property	1,665,518	1,422,948
Property, plant and equipment	567,648	2,809
Interests in subsidiaries	127,142,730	125,367,856
Interest in an associate	35,374,167	33,557,467
Available-for-sale financial assets	810,000	810,000
	<b>165,560,063</b>	161,161,080
<b>Current assets</b>		
Amounts due from subsidiaries	343,753,424	342,952,970
Trade and other receivables	1,448,436	919,576
Deposits and prepayments	503,449	796,129
Loan receivable	19,000,000	19,000,000
Cash and cash equivalents	4,056,326	1,743,041
	<b>368,761,635</b>	365,411,716
<b>Current liabilities</b>		
Other payables	3,217,130	2,842,604
Amounts due to subsidiaries	172,693,355	283,861,405
Amount due to an associate	997,760	478,907
Amount due to a related company	11,164,633	–
Bank loans	10,000,000	10,000,000
	<b>198,072,878</b>	297,182,916
<b>Net current assets</b>	<b>170,688,757</b>	68,228,800
<b>Net assets</b>	<b>336,248,820</b>	229,389,880

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 36. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY (Cont'd)

### (a) Statement of financial position of the Company (Cont'd)

	2017	2016
<b>Capital and reserves</b>		
Share capital	217,418,850	217,418,850
Retained earnings	118,829,970	11,971,030
<b>Total equity</b>	<b>336,248,820</b>	<b>229,389,880</b>

On behalf of the board of directors:

**Chua Nai Tuen**  
*Director*

**Nelson Junior Chua**  
*Director*



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 36. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY (Cont'd)

#### (b) Movement of reserve of the Company

Movement of reserve of the Company is as follow:

	Retained earnings
At 1 April 2015	16,503,767
Profit and total comprehensive income for the year	1,989,828
Dividend paid	(6,522,565)
At 31 March 2016 and at 1 April 2016	11,971,030
Profit and total comprehensive income for the year	116,642,788
Dividend paid	(9,783,848)
<b>At 31 March 2017</b>	<b>118,829,970</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 37. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

### *Acquisition of Strong Bright Technology Limited (“Strong Bright”)*

*For the year ended 31 March 2016*

On 29 May 2015, the Group entered into a sale and purchase agreement to acquire 100% equity interest and shareholders’ loan of HK\$118,918,195 in Strong Bright at a total consideration of HK\$337,617,704. Strong Bright is engaged in property investment and its major asset is investment properties. The acquisition was completed on 31 July 2015.

#### **Consideration:**

Cash consideration	337,617,704
Less: Shareholders’ loan assigned to the Group	(118,918,195)
	<u>218,699,509</u>

The acquisition has been accounted for as an acquisition of asset. The effect of the acquisition is summarised as follows:

#### **Net asset acquired:**

Investment properties ( <i>note 15</i> )	344,180,640
Trade receivable	17,989
Deposits and prepayment	36,409
Prepaid tax	1,699
Other payable	(2,365,062)
Shareholders’ loan	(118,918,195)
Deferred tax liabilities	(4,253,971)
	<u>218,699,509</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 38. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain the Group's ability to continue operating as a going concern and to preserve healthy capital structure ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, issue of new shares and repurchase of existing shares as well as issue of new debt or redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

Consistently, the Group monitors capital on the basis of net debt to equity ratio calculated on the basis of the Group's net debt over equity attributable to owners of the Company. The Group's policy is to keep the net debt to equity ratio at a reasonable level.

The Group is not subject to any external imposed capital requirements, except for certain subsidiaries of the Group licensed by the Securities and Futures Commission are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules at all times.

The net debt to equity ratio at the end of the reporting period are as follows:

	2017	2016
Total debts ( <i>note</i> )	328,613,326	349,531,209
Less:		
Restricted cash	(4,100,000)	(4,100,000)
Cash and cash equivalent	(81,832,677)	(81,359,380)
Net debt	242,680,649	264,071,829
Equity attributable to owners of the Company	1,225,569,958	1,147,356,252
Net debt to equity ratio	20%	23%
Total debt to equity ratio	27%	30%

*Note:* Debts comprises bank loans and amount due to a related company as detailed in notes 32 and 33 to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 39. CASH GENERATED FROM OPERATIONS

	2017	2016
Profit before tax	<b>107,048,743</b>	42,353,082
Adjustments for:		
Gain arising on change in fair value of investment properties	<b>(51,628,869)</b>	(5,370,771)
(Gain) loss arising on change in fair value of financial assets at fair value through profit or loss	<b>(1,814,506)</b>	2,179,222
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets	–	(1,091,633)
Non-controlling interests written off upon deregistration of a subsidiary	–	(2,262)
Share of results of associates	<b>(215,484)</b>	(1,715,190)
Dividend income from unlisted equity securities	<b>(29,874)</b>	(28,763)
Dividend income from listed equity securities	<b>(1,142,880)</b>	(1,222,486)
Reversal of impairment loss recognised in respect of trade receivables	–	(6,000)
Interest income	<b>(1,154,383)</b>	(2,203,261)
Finance costs	<b>7,870,024</b>	7,834,407
Impairment loss recognised in respect of available-for-sale financial assets reclassified from equity to profit or loss	–	6,425,279
Depreciation of property, plant and equipment	<b>12,853,457</b>	12,449,350
Amortisation of leasehold land and land use right	<b>489,057</b>	518,406
(Gain) loss on disposal of property, plant and equipment	<b>(52,459)</b>	368,526
Operating cash flows before movements in working capital	<b>72,222,826</b>	60,487,906
(Increase) decrease in inventories	<b>(8,864,663)</b>	15,936,050
(Increase) decrease in trade and other receivables	<b>(12,703,022)</b>	229,847,912
Decrease (increase) in financial assets at fair value through profit or loss	<b>130,049</b>	(279,325)
Increase in deposits and prepayments	<b>(2,583,511)</b>	(2,684,321)
Increase in trust accounts of shares dealing clients	<b>(1,544,261)</b>	(3,329,373)
Increase (decrease) in trade and other payables	<b>8,971,756</b>	(1,795,383)
Increase (decrease) in amount due to an associate	<b>518,853</b>	(1,576,673)
Cash generated from operations	<b>56,148,027</b>	296,606,793



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 40. RETIREMENT BENEFIT SCHEMES

The Group operates MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all employees employed in Hong Kong. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible employees' monthly relevant income but limited to the mandatory cap of HK\$30,000. The contributions are charged to profit or loss as incurred. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC government is made the specified contributions under the schemes. The contributions are charged to profit or loss as incurred.

## 41. MAJOR NON-CASH TRANSACTIONS

The Group entered into the following major non-cash investing activity which is not reflected in the consolidated statement of cash flows:

During the year ended 31 March 2016, capital contribution from non-controlling interests with amounts of HK\$384,673 was used to offset against amounts due to non-controlling interests with HK\$125,000.

## 42. LEASE COMMITMENTS

### *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:

	2017	2016
Within one year	2,225,164	1,091,434
In the second to fifth year inclusive	2,412,289	64,004
	<u>4,637,453</u>	<u>1,155,438</u>

Operating lease payments represent rentals payable by the Group for certain of its premises and computer software. Leases are negotiated at terms which range from 1 to 3 years. The Group does not have an option to purchase the leased premises and computer software at the expiry of the lease period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 42. LEASE COMMITMENTS (Cont'd)

### *The Group as lessor*

Rental income and rental related income earned during the year was HK\$23,157,017 (2016: HK\$22,607,613). Investment properties held by the Group's are for rental purposes and are expected to generate annual rental yields of 2% to 25% (2016: 1% to 26%) on an ongoing basis respectively. All of the properties held have committed tenants for the next 2 years.

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

	2017	2016
Within one year	17,563,398	21,084,269
In the second to fifth year inclusive	2,848,576	15,578,462
	<b>20,411,974</b>	<b>36,662,731</b>

## 43. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities of the Group, set out in note 32 to the consolidated financial statements:

	2017	2016
Investment properties	515,150,000	478,650,000
Property, plant and equipment	103,372,200	108,384,874
Available-for-sale financial assets	1,769,045	15,116,427
Financial assets at fair value through profit or loss	3,755,750	4,902,475
Restricted cash	4,100,000	4,100,000
Fair value of marketable securities of margin clients	30,404,460	—
	<b>658,551,455</b>	<b>611,153,776</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 44. CAPITAL COMMITMENTS

	2017	2016
Authorised and contracted for but not provided for:		
– Acquisition of property, plant and equipment	2,507,720	987,044
– Development expenditure of properties	27,881,137	–
	<b>30,388,857</b>	<b>987,044</b>

### 45. MATERIAL RELATED PARTY TRANSACTION

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties at normal commercial terms:

	2017	2016
(a) Payment to a company in which a director of the Company has controlling interest and constituted as exempted continuing connected transaction under the Listing Rules:		
– Interest expense	3,669	19,678
– Rental expenses	1,137,585	1,155,111
Payment to a company in which a key management personnel has equity interest.		
– Consultancy fee paid	368,419	–
(b) In addition to the directors' remuneration as disclosed in note 12, remuneration of the other key management personnel was disclosed as follows:		
– Salaries, allowances and other benefits	3,762,687	3,647,768
– Retirement benefit schemes contributions	111,677	97,963

The remuneration of directors of the Company and key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

Details of the balances with related parties at the end of the reporting period are set out in notes 19 and 33 to the consolidated financial statements respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 46. PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of company	Country/place of incorporation/operation	Class of share/ registered capital held	Issued and fully paid share capital/ registered	Proportion of ownership interest and voting power held by the Company		Principal activities
				2017 %	2016 %	
Always Best Company Limited	British Virgin Islands/PRC	Ordinary	US\$1	95	95	Trading of plastic product
Dongguan Nan Sing Plastics Limited (Note a)	PRC	Registered	HK\$160,000,000	95	95	Manufacture of plastics products
Dongguan Nanryo Super Plastics Limited (Note a)	PRC	Registered	HK\$20,000,000	95	95	Manufacture of plastics products
Fortune State Investments Limited	Hong Kong	Ordinary	HK\$2	100	100	Investment holding
Happy Dragon Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Investment holding
Hotel Benito Management Limited	Hong Kong	Ordinary	HK\$1,000	100	100	Hotel operation
K.W. & Associates Company Limited	Hong Kong	Ordinary	HK\$2,000,000	100	100	Property investment
Merit Ascent International Limited	British Virgin Islands	Ordinary	US\$10	100	100	Investment holding
Nan Sing Holdings Limited	Hong Kong	Ordinary	HK\$10,000	100	100	Investment holding
Nan Sing Plastics Limited ("Nan Sing Plastics")	Hong Kong	Ordinary	HK\$15,000,000	95	95	Trading of plastic products
Nan Sing Realty Company Limited ("Nan Sing Realty")	Hong Kong	Ordinary	HK\$100	95	95	Property investment
Nanryo Super Plastics (Hong Kong) Limited	Hong Kong	Ordinary	HK\$19,500,000	95	95	Trading of plastic products
Nice Profit (Note b)	Hong Kong	Ordinary	HK\$100	50	50	Property investment
SAP Realty Company Limited	Hong Kong	Ordinary	HK\$100	100	100	Property investment
Southeast Asia Properties & Finance (China) Limited	Hong Kong/PRC	Ordinary	HK\$2	100	100	Property investment and development
Southeast Asia Properties Finance (Nominees) Limited	Hong Kong	Ordinary	HK\$10,000	100	100	Nominees



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 46. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of company	Country/place of incorporation/operation	Class of share/ registered capital held	Issued and fully paid share capital/ registered	Proportion of ownership interest and voting power held by the Company		Principal activities
				2017 %	2016 %	
Stockwell Securities Limited	Hong Kong	Ordinary	HK\$30,000,000	100	100	Stock broking
Stockwell Commodities Limited	Hong Kong	Ordinary	HK\$15,000,000	100	100	Commodities dealing
Strong Bright Technology Limited	Hong Kong	Ordinary	HK\$10,000	100	100	Property investment
Tanpar Company Limited	Hong Kong	Ordinary	HK\$100	95	95	Trading and Nominee
Top Epoch Limited	Hong Kong	Ordinary	HK\$1	100	100	Property investment
Tsen Hsin Industrial Company Limited	Hong Kong	Ordinary	HK\$400,000	95	95	Property investment
Winways Solution (HK) Co. Limited ("Winways") (Note c)	Hong Kong	Ordinary	HK\$100	100	100	Providing information technology services

Notes:

- (a) Wholly foreign-owned enterprise
- (b) The directors of the Company considered the Group has ability to direct the relevant activities of Nice Profit and concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Nice Profit. Therefore, Nice Profit is considered as a subsidiary of the Company.
- (c) On 2 January 2016, the Group further acquired 5% equity interest of the issued share capital in Winways at a total consideration of HK\$5. As a results of the acquisition, the Group's shareholding in Winways increased from 95% to 100%. The Group recognised a decrease in non-controlling interests of HK\$5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 46. PRINCIPAL SUBSIDIARIES (Cont'd)

Always Best Company Limited, Dongguan Nan Sing Plastics Limited, Dongguan Nanryo Super Plastics Limited, Nan Sing Plastics, Nan Sing Realty, Nanryo Super Plastics (Hong Kong) Limited, Tanpar Company Limited and Tsen Hsin Industrial Company Limited are indirectly held by the Company. All other subsidiaries on the above table are directly held by the Company.

None of the subsidiaries had debt securities outstanding at the end of the reporting period or at any time during the year.

The following table lists out the information relating to Nan Sing Plastics and Nan Sing Realty, subsidiaries of the Company with material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

### Nan Sing Plastics

	2017 HK\$	2016 HK\$
Current assets	<b>69,020,380</b>	62,085,893
Non-current assets	<b>434,603,312</b>	435,631,698
Current liabilities	<b>85,461,611</b>	81,821,838
Non-current liabilities	<b>80,296,339</b>	88,346,245
Equity attributable to owners of the Company	<b>323,316,397</b>	313,479,248
Non-controlling interests	<b>14,549,345</b>	14,070,260

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 46. PRINCIPAL SUBSIDIARIES (Cont'd)

#### Nan Sing Plastics (Cont'd)

	2017 HK\$	2016 HK\$
Revenue	<b>487,291,207</b>	484,458,711
Expenses	<b>476,974,983</b>	484,598,134
Profit (loss) attributable to owners of the Company	<b>9,837,139</b>	(132,948)
Profit (loss) attributable to non-controlling interests	<b>479,085</b>	(6,475)
Profit (loss) for the year	<b>10,316,224</b>	(139,423)
Total comprehensive income (loss) attributable to owners of the Company	<b>9,837,139</b>	(132,948)
Total comprehensive income (loss) attributable to non-controlling interests	<b>479,085</b>	(6,475)
Total comprehensive income (loss) for the year	<b>10,316,224</b>	(139,423)
Dividend paid to non-controlling interests	–	–
Net cash generated from (used in) operating activities	<b>25,404,219</b>	(97,820,622)
Net cash generated from (used in) investing activities	<b>1,061,051</b>	(30,898,818)
Net cash (used in) generated from financing activities	<b>(22,726,255)</b>	73,321,242
Net cash inflow (outflow)	<b>3,739,015</b>	(55,398,198)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

## 46. PRINCIPAL SUBSIDIARIES (Cont'd)

### Nan Sing Realty

	2017 HK\$	2016 HK\$
Current assets	<b>114,955,953</b>	166,866
Non-current assets	–	98,000,000
Current liabilities	<b>251,057</b>	32,280
Non-current liabilities	<b>81,376,330</b>	79,020,331
Equity attributable to owners of the Company	<b>32,199,983</b>	18,659,276
Non-controlling interests	<b>1,128,583</b>	454,979
Revenue	<b>1,492,000</b>	1,570,000
Expenses	<b>1,216,910</b>	1,393,386
Profit attributable to owners of the Company	<b>13,831,226</b>	8,066,644
Profit attributable to non-controlling interests	<b>673,604</b>	392,504
Profit for the year	<b>14,504,830</b>	8,459,148
Total comprehensive income attributable to owners of the Company	<b>13,831,226</b>	7,898,224
Total comprehensive income attributable to non-controlling interests	<b>673,604</b>	384,310
Total comprehensive income for the year	<b>14,504,830</b>	8,282,534



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017 (in HK Dollars)

### 46. PRINCIPAL SUBSIDIARIES (Cont'd)

#### Nan Sing Realty (Cont'd)

	2017 HK\$	2016 HK\$
Dividend paid to non-controlling interests	–	–
Net cash generated from operating activities	217,983	368,464
Net cash used in investing activities	(2,640,261)	(397,466)
Net cash generated from financing activities	2,356,000	144,500
Net cash (outflow) inflow	(66,278)	115,498

Except for Nan Sing Plastics and Nan Sing Realty, the directors of the Company consider that the non-controlling interests of other non-wholly owned subsidiaries during the year ended 31 March 2017 and 31 March 2016 were insignificant to the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of these non-wholly owned subsidiaries are required to be presented.

### 47. EVENTS AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to the end of the reporting period.

### 48. APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 16 June 2017.

## SUMMARY OF PROPERTIES HELD FOR INVESTMENT

For the year ended 31 March 2017 (in HK Dollars)

Location	Existing Use	Category of lease term
(1) Shops, G/F, 7-7B, Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term lease
(2) 9/F, Chao Shan Building, Dong Men Nan Road, Shenzhen, PRC	Commercial	Medium-term lease
(3) Flat C & D, 2/F., Block 2, Kwai Tak Industrial Centre, Kwai Chung, New Territories	Industrial	Medium-term lease
(4) Flat 15E Tower 1, Ming Yue Hua Yuan, Yitian Road, Futian Shenzhen, PRC	Residential	Medium-term lease
(5) Everglory Centre, No. 1B Kimberly Street, Tsimshatsui Kowloon	Commercial	Medium-term lease
(6) Unit 1902, 19/F., Star House, 3 Salisbury Road, Kowloon	Commercial	Long-term lease
(7) Nam Sing Building Town Centre Zhangmutou Dongguan PRC ( <i>note</i> )	Residential/ Commercial	Medium-term lease

*Note:* Development plans are pending for approval by relevant authority.

## SUMMARY OF PROPERTY UNDER DEVELOPMENT

For the year ended 31 March 2017 (in HK Dollars)

Location		Intended use	Approximate site area (square feet)	Group's interest
(1)	Bare Site No. 121 King's Road, North Point	Commercial	9,336	100%

## SUMMARY OF PROPERTIES HELD FOR OWN USE

For the year ended 31 March 2017 (in HK Dollars)

Location	Usage	Category of lease term	Group's interest
(1) Residential Block, 7-7B Cameron Road, Tsimshatsui, Kowloon	Hotel operation	Medium-term lease	100%
(2) Room 406-410, 4/F, Tower 2, Slivercord, 30 Canton Road, Tsimshatsui, Kowloon	Commercial	Medium-term lease	100%
(3) 24, Essex Crescent, Kowloon Tong, Kowloon	Residential	Medium-term lease	100%
(4) Nan Sing Industrial Estate, Nan Shan Development Zone Zhangmutou, Dongguan, PRC	Industrial	Medium-term lease	95%
(5) Car Park Space No. 20 on G/F., Kwai Tak Industrial Centre, Kwai Chung, N.T.	Carpark	Medium-term lease	95%
(6) Nan Shan Development Zone Zhangmutou Dongguan PRC	Industrial	Medium-term lease	95.36%



## FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 March 2017 (in HK Dollars)

The consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements are as follows:

	2017	2016	2015	2014	2013
<b>Results</b>					
Revenue	<b>532,100,660</b>	505,012,541	522,171,598	430,592,612	392,889,485
Profit for the year attributable to:					
Owners of the Company	<b>95,807,428</b>	37,168,950	161,311,725	95,930,602	145,312,570
Non-controlling interests	<b>1,746,403</b>	861,836	5,059,609	2,787,874	1,662,846
	<b>97,553,831</b>	38,030,786	166,371,334	98,718,476	146,975,416
<b>Assets and liabilities</b>					
Total assets	<b>1,759,194,391</b>	1,688,429,888	1,599,573,116	1,566,965,875	1,390,914,857
Total liabilities	<b>(513,114,687)</b>	(521,853,474)	(457,812,673)	(534,203,052)	(451,453,808)
	<b>1,246,079,704</b>	1,166,576,414	1,141,760,443	1,032,762,823	939,461,049
Equity attributable to:					
Owners of the Company	<b>1,225,569,958</b>	1,147,356,252	1,124,472,683	1,017,750,987	927,253,967
Non-controlling interests	<b>20,509,746</b>	19,220,162	17,287,760	15,011,836	12,207,082
	<b>1,246,079,704</b>	1,166,576,414	1,141,760,443	1,032,762,823	939,461,049
<b>EARNINGS PER SHARE</b>					
Basic and diluted	<b>44.1 cents</b>	17.1 cents	74.2 cents	44.1 cents	66.8 cents
<b>DIVIDEND PER SHARE</b>	<b>14.5 cents</b>	3 cents	28 cents	3 cents	3 cents