Tern Properties Company Limited

STOCK CODE: 277

2014

Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hoi Sow
Chairman and Managing Director
Chan Yan Tin, Andrew
Chan Siu Keung, Leonard

Non-Executive Director

Chan Yan Mei, Mary-ellen

Independent Non-Executive Directors

Chan Kwok Wai
Tse Lai Han, Henry
Leung Kui King, Donald

AUDIT COMMITTEE

Chan Kwok Wai
Chairman
Tse Lai Han, Henry
Leung Kui King, Donald

REMUNERATION COMMITTEE

Chan Kwok Wai
Chairman
Tse Lai Han, Henry

NOMINATION COMMITTEE

Chan Kwok Wai
Chairman
Tse Lai Han, Henry
Chan Siu Keung, Leonard

COMPANY SECRETARY

Huen Po Wah

REGISTERED OFFICE

26th Floor, Tern Centre, Tower I,
237 Queen's Road Central,
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

Wing Lung Bank Limited
The Bank of East Asia, Limited
Nanyang Commercial Bank, Ltd.
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

HLM CPA Limited

SOLICITORS

Woo, Kwan, Lee & Lo

WEBSITE

www.tern.hk

STOCK CODE

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PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

CHAN Hoi Sow

Mr. Chan, aged 80, has been the Chairman and Managing Director of the Group since 1987. Mr. Chan has more than 30 years experience in property investment and development in Hong Kong, the Mainland China and overseas. He is the father of Mr. Chan Yan Tin, Andrew, an executive director of the Company and Ms. Chan Yan Mei, Mary-ellen, a non-executive director of the Company.

CHAN Yan Tin, Andrew

Mr. Chan, aged 50, has been an executive director of the Company since January 2004. He was an executive director from October 1987 to April 2001 and a non-executive director from April 2001 to January 2004. He graduated from Simon Fraser University, and has extensive experience in property investment and development in Hong Kong, the Mainland China and overseas. Mr. Chan is a son of Mr. Chan Hoi Sow who is the Chairman and Managing Director of the Group and a controlling shareholder of the Company. He is also the elder brother of Ms. Chan Yan Mei, Mary-ellen, a non-executive director of the Company.

CHAN Siu Keung, Leonard

Mr. Chan, aged 57, joined the Group in 1992. He has been an executive director of the Company since October 1994. He is also a member of the nomination committee. Mr. Chan is a member of the Institute of Chartered Accountants of Ontario in Canada. He has extensive experience in finance and investment. Mr. Chan is also an independent non-executive director of CSPC Pharmaceutical Group Limited, a listed public company in Hong Kong.

CHAN Yan Mei, Mary-ellen

Ms. Chan, aged 46, has been a non-executive director of the Company since June 2012. She holds a Bachelor of Science degree from the University of British Columbia in Canada and a Master of Business Administration degree from The Hong Kong University of Science and Technology. She has experience in supervisory and management roles. Ms. Chan is a daughter of Mr. Chan Hoi Sow who is the Chairman and Managing Director of the Group and a controlling shareholder of the Company. She is also the younger sister of Mr. Chan Yan Tin, Andrew, an executive director of the Company.

CHAN Kwok Wai

Mr. Chan, aged 55, has been an independent non-executive director of the Company since September 2004. He is also the chairman of the audit committee, the chairman of the remuneration committee and the chairman of the nomination committee. Mr. Chan holds a bachelor degree in Accounting and Commerce, and is an associate member of the CPA Australia and a member of the Hong Kong Securities Institute. He has extensive experience in finance and accounting industry. Mr. Chan is currently a director of High Progress Consultants Limited. He is also an independent non-executive director of Chinese Estates Holdings Limited, National Electronics Holdings Limited, Far East Consortium International Limited and China Investments Holdings Limited, and was an independent non-executive director of Junefield Department Store Group Limited for the period from 31 December 2002 to the conclusion of its annual general meeting held on 29 May 2013, all of which are listed public companies in Hong Kong.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

TSE Lai Han, Henry

Mr. Tse, aged 49, has been an independent non-executive director of the Company since September 2004. He is also a member of the audit committee, a member of the remuneration committee and a member of the nomination committee. He holds Bachelor and Master of Applied Science (Civil Engineering) degrees from the University of British Columbia in Canada. He has considerable experience in both construction and property development in Hong Kong and overseas.

LEUNG Kui King, Donald

Mr. Leung, aged 58, has been an independent non-executive director of the Company since April 2008. He is also a member of the audit committee. He graduated from The University of California, Berkeley and completed Harvard University's Advanced Management Program. Mr. Leung started his career in banking with Bank of America in 1977 and joined Wardley Limited (a member of HSBC Group) in 1984. He then spent 20 years with Sun Hung Kai Properties Group and retired as Assistant to Chairman in January 2006. He was an executive director of SUNeVision Holdings Ltd., a listed public company in Hong Kong, up to December 2005. Mr. Leung is also an independent non-executive director of Sun Hung Kai Properties Limited, a listed public company in Hong Kong.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report that the Group's audited consolidated profit for the year ended 31 March 2014, after providing for taxation, amounted to HK$250,846,000. Earnings per share for the year was HK$0.82.

DIVIDENDS

The Board of Directors of the Company has resolved to recommend a final dividend of HK3.8 cents per share for the year ended 31 March 2014. Together with the interim dividend of HK2.2 cents per share that has already been paid, the total dividends for the year will amount to HK6.0 cents per share. The proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Wednesday, 6 August 2014, will be payable on Wednesday, 20 August 2014 to the shareholders on the Register of Members of the Company on Thursday, 14 August 2014.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement of the shareholders to attend and vote at the 2014 Annual General Meeting, the Register of Members of the Company will be closed from Monday, 4 August 2014 to Wednesday, 6 August 2014, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to be eligible to attend and vote at the 2014 Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 1 August 2014.

Subject to the approval of the shareholders at the 2014 Annual General Meeting, the proposed final dividend will be payable to the shareholders whose names appear on the Register of Members of the Company on 14 August 2014. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Tuesday, 12 August 2014 to Thursday, 14 August 2014, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 11 August 2014.

OPERATION REVIEW

The Group continues its strategy of holding prime commercial properties for rental income. The Group also invests in debt securities and equity securities for treasury income.

The local economy has been pacing steadily throughout the year amid improving global economic conditions. Meanwhile the Group's rental income and the market value of the investment properties continued to increase during the year.

The Group's gross rental income for the year was HK$89.0 million, an increase of 12.2% from last year. In addition, the Group's share of gross rental income from an associate was HK$12.9 million, an increase of 12.8% from last year. Therefore the total gross rental income attributable to the Group amounted to HK$101.9 million. During the year, the Group recorded an increase in fair value of HK$158.4 million for its investment properties. The Group's profit for the year amounted to HK$250.8 million.

CHAIRMAN'S STATEMENT

During the year, the Group's entire commercial tower portfolio, Southgate Commercial Centre, The Wave and Tern Centre Tower II recorded a higher increase in rental income due to the substantial increase in rental rate for the retail shops. The office portion also recorded an increase in rental income. The rental rate of the Group's other commercial shop properties also increased for new lease or upon lease renewal.

The Group continued to invest in debt securities and equity securities during the year. The investments generated interest income and dividend income amounting to HK$11.7 million for the year.

PROSPECTS

The global economy has broadly strengthened albeit with varying degree in different regions. In the United States the recovery momentum has been getting stronger while the economic performance in the Euro zone varied significantly among member states. The respective economies are expected to improve with different pace ahead. On the other hand the emerging economies will continue to experience financial and economic turbulence with the tapering off quantitative easing. In China the authority has to adjust its credit after years of excessive measures which in turn may impact on its economy.

The price and trading activities of local residential properties have been drifting downward and are expected to remain at a low level with the forecast of increasing supply and financing cost. Trading activities of commercial properties will also remain slow until the authority relaxes its restraining measures. The rental value of retail shops will continue to move downward amid falling retail sales and increasing vacant lots. On the other hand the rental market of office properties will continue to sustain at the current level in view of the demand and limited supply.

The Group's rental income from its investment properties is expected to continue to increase next year. The Group has an excellent financial position with very low gearing, and will search for suitable investment opportunities.

Finally I would like to take this opportunity to express my gratitude to all the Directors and staff members of the Group for their valuable contribution and continued support throughout the year.

Chan Hoi Sow
Chairman

Hong Kong, 13 June 2014

FINANCIAL OPERATION REVIEW

OPERATION

The Group's gross rental income for the year ended 31 March 2014 amounted to HK$89.0 million (2013: HK$79.3 million), an increase of 12.2% from last year. During the year, the two shops on the ground floor of Ka Wing Building recorded over 60% increase in rental income while the shop on the upper ground floor of Ka Wing Building and that on the ground floor of The Bodynits Building recorded 12% increase in rental income. Meanwhile Southgate Commercial Centre, The Wave and Tern Centre Tower II recorded an increase in rental income in the range of 11% to 16%. All of the Group's commercial shop and office properties continued to record increase in rental rates upon lease renewal. The Group's share of gross rental income from an associate amounted to HK$12.9 million (2013: HK$11.4 million), an increase of 12.8% from last year. The Group's rental portfolio achieved an average occupancy rate of 99% for the year.

At 31 March 2014, the Group held investment properties amounting to HK$3,090.7 million (2013: HK$2,932.7 million), an increase of HK$158.0 million from last year. The increase was due to the increase in fair value of the Group's property portfolio during the year.

The Group's interest income and dividend income for the year ended 31 March 2014 amounted to HK$11.7 million (2013: HK$13.7 million), a decrease of HK$2.0 million from last year. At 31 March 2014, the securities investments amounted to HK$113.1 million (2013: HK$124.2 million), a decrease of HK$11.1 million from last year.

RESULTS

The Group's profit for the year ended 31 March 2014 amounted to HK$250.8 million (2013: HK$702.5 million), a decrease of 64.3% from last year. The decrease was due primarily to the lesser increase in the fair value of investment properties upon revaluation at the end of the year, the loss on disposal and the unrealised loss on holding of debt securities investment partially offset by the increase in rental income of the Group. The Group's share of profit of associates after taxation amounted to HK$38.1 million (2013: HK$78.3 million), a decrease of 51.4% from last year due primarily to the lesser increase in fair value of investment properties partially offset by the increase in rental income.

Earnings per share for the year ended 31 March 2014 were HK$0.82 (2013: HK$2.28), a decrease of HK$1.46 from last year. The proposed final dividend of HK3.8 cents (2013: HK3.5 cents) per share will make a total distribution of interim dividend and final dividend of HK6.0 cents (2013: HK5.5 cents) per share for the full year, an increase of HK0.5 cent from last year.

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2014, the Group's net current assets including bank deposits, balances and cash of HK$39.9 million amounted to HK$101.9 million (2013: HK$124.1 million), a decrease of HK$22.2 million from last year. At 31 March 2014, the Group's banking facilities amounting to HK$278.2 million (2013: HK$373.2 million) were fully secured by its investment properties, leasehold land and buildings, financial assets held for trading and bank deposits with an aggregate carrying value amounting to HK$917.3 million (2013: HK$1,113.6 million). At 31 March 2014, these facilities were utilised to the extent of HK$141.4 million (2013: HK$197.4 million).

At 31 March 2014, the total amount of outstanding bank borrowings net of bank deposits, balances and cash were HK$101.5 million (2013: HK$159.0 million), a decrease of HK$57.5 million from last year. The decrease was due to the use of retained profit and proceeds from the sale of securities investments to repay bank loans during the year. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds, was at 2.9% (2013: 4.8%).

FINANCIAL OPERATION REVIEW

Of the total bank loans at 31 March 2014, HK$25.3 million or 17.9% were repayable within one year. HK$65.3 million or 46.2% were repayable after one year but within two years. HK$44.1 million or 31.2% were repayable after two years but within five years. HK$6.7 million or 4.7% were repayable after five years.

The Group's finance costs for the year ended 31 March 2014 were HK$2.5 million (2013: HK$4.2 million), a decrease of 40.6% from last year. The decrease was due to the lower level of average bank borrowings during the year.

SHAREHOLDERS' FUNDS

At 31 March 2014, the Group's shareholders' funds amounted to HK$3,522.1 million (2013: HK$3,288.8 million), an increase of 7.1% from last year. The net asset value per share was HK$11.4 (2013: HK$10.7). The increase in shareholders' funds was due primarily to the retained profit and the increase in the fair value of the investment properties of the Group upon revaluation at the end of the year.

RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk prevailing inside the organisation and the external environment with active management participation and effective internal control procedures for the best interest of the Group and its shareholders.

EMPLOYEES AND REMUNERATION POLICY

At 31 March 2014, the total number of staff of the Group was 16 (2013: 16). The total staff costs including Directors' remuneration amounted to HK$15.4 million (2013: HK$14.4 million).

The Group reviews staff remuneration annually. The review is based on individual performance and merit.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2014, except that the roles of chairman and chief executive are performed by the same individual which is a deviation from provision A.2.1 of the Code.

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

BOARD OF DIRECTORS

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

The Board held four meetings during the year ended 31 March 2014. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors and management are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

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

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

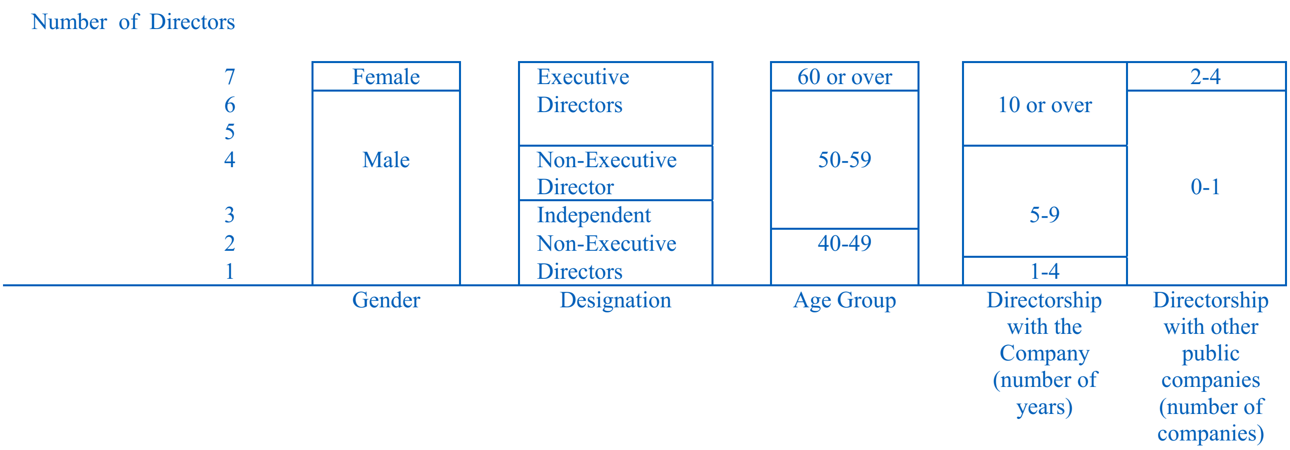
BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Pursuant to the policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

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

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

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



CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

DIRECTORS' AND OFFICERS' INSURANCE

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

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

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

(a) formulated disclosure of inside information policy;

(b) reviewed the corporate governance practices;

(c) reviewed the continuous professional development and training of the directors;

(d) reviewed compliance with the Code and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE

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

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

(a) to make recommendations to the board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and to discuss with the external auditor the nature and scope of the audit and reporting obligations;

(c) to monitor the integrity of the Company's financial statements, annual report and accounts, and interim report, and to review significant financial reporting judgments contained in them. In reviewing these reports, the Committee will focus particularly on:

  (i) any changes in accounting policies and practices;
  (ii) major judgmental areas;
  (iii) significant adjustments resulting from audit;
  (iv) the going concern assumptions and qualifications;
  (v) compliance with accounting standards; and
  (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(d) to review the Company's financial controls, internal controls and risk management systems;

(e) to discuss problems and reservations arising from the interim review and final audits, and any matters the auditor may wish to discuss;

(f) to review the external auditor's management letter and management's response;

(g) to develop and implement policy on engaging an external auditor to supply non-audit services;

(h) to review arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and appropriate follow-up action.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2014. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committees Meetings" of this report.

The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2013 and for the six months ended 30 September 2013 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures. The Audit Committee also approved the remuneration of the Company's auditor for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2014 with the Directors.

REMUNERATION COMMITTEE

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

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

(a) to make recommendations to the board on the Company's remuneration policy and structure for all directors and senior management;

(b) to make recommendations to the board on the remuneration packages of individual executive directors and senior management;

(c) to make recommendations to the board on the remuneration of non-executive directors;

(d) to ensure that no director is involved in deciding his own remuneration.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One meeting was held during the year ended 31 March 2014. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committees Meetings" of the report.

During the year ended 31 March 2014, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management and recommended specific remuneration packages for all the Directors and senior management to the Board.

For the year ended 31 March 2014, the remuneration of the members of the senior management by band is set out below:

Remuneration band (HK$)	**Number of person**
$1,000,001 to $2,000,000	2

Note: The members of the senior management disclosed above refer to those employees other than directors.

NOMINATION COMMITTEE

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

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

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

(b) to identify individuals suitably qualified to become board members and make recommendations to the board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors;

(d) to make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One meeting was held during the year ended 31 March 2014. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committees Meetings" of the report.

During the year ended 31 March 2014, the Nomination Committee reviewed the structure, size and composition of the board, made recommendations to the board on the selection of individuals nominated for directorships, and assessed the independence of independent non-executive directors.

CORPORATE GOVERNANCE REPORT

ATTENDANCE OF DIRECTORS AT BOARD AND COMMITTEE MEETINGS

The attendance of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Annual General Meeting during the year ended 31 March 2014 is set out below:

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

DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2014.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the year ended 31 March 2014 in accordance with the Hong Kong Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditor of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditor's Report on pages 25 and 26.

INTERNAL CONTROLS

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

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

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

AUDITORS' REMUNERATION

The remuneration payable to the Group's auditor, HLM CPA Limited for their audit services for the year ended 31 March 2014 amounted to HK$380,000. The auditor did not provide any non-audit service to the Group during the year.

COMPANY SECRETARY

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

COMMUNICATION WITH SHAREHOLDERS

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

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

2013 ANNUAL GENERAL MEETING

At the 2013 annual general meeting, the chairman of the meeting explained the procedures for conducting a poll to the shareholders. Separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors, re-appointment of auditor, general mandates respectively authorising the Directors to repurchase shares or to issue shares of the Company and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and the Chairman of respective committees attended the annual general meeting to address enquiries raised by shareholders and ensure effective communication with shareholders.

GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

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

The request–

(a) must state the general nature of the business to be dealt with at the meeting;

(b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(c) may consists of several documents in like form;

(d) may be sent in hard copy form or electronic form; and

(e) must be authenticated by the person or persons making it.

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

PUTTING FORWARD PROPOSAL AT ANNUAL GENERAL MEETING (“AGM”)

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

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

(b) at least 50 shareholders who have a right to vote on the resolution at the AGM to which the request relates.

The request–

(a) may be sent in hard copy form or electronic form;

(b) must identify the resolution of which notice is to be given;

(c) must be authenticated by the person or persons making it; and

(d) must be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

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

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

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 19 and 20 to the consolidated financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 27.

An interim dividend of HK2.2 cents per share amounting to HK$6,771,000 was paid on 19 December 2013. The Directors now recommend the payment of a final dividend of HK3.8 cents per share to be paid to the shareholders on the Register of Members on 14 August 2014 amounting to HK$11,695,000.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the end of the reporting period. The net surplus arising on revaluation, which has been credited directly to the consolidated statement of profit or loss and other comprehensive income, amounted to HK$158,410,000.

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

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2014 are set out on pages 95 to 96.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 29 to the consolidated financial statements.

DIRECTORS

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

Executive Director
Mr. Chan Hoi Sow
Mr. Chan Yan Tin, Andrew
Mr. Chan Siu Keung, Leonard

Non-Executive Director
Ms. Chan Yan Mei, Mary-ellen

Independent Non-Executive Director
Mr. Chan Kwok Wai
Mr. Tse Lai Han, Henry
Mr. Leung Kui King, Donald

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

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

DIRECTORS' INTERESTS IN SHARES

At 31 March 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

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

REPORT OF THE DIRECTORS

Notes:

1. These 25,822,896 shares are held by Evergrade Investments Limited. The issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Mr. Chan Hoi Sow and as to 50% by Beyers Investments Limited which is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members. These 25,822,896 shares are also included in the 171,736,896 shares held by Mr. Chan Hoi Sow in the capacity as founder of a discretionary trust.

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

3. Mr. Chan Yan Tin, Andrew is the son of Mr. Chan Hoi Sow and is a beneficiary of Sow Pin Trust, a discretionary trust as referred to in Note 2 above. By virtue of the shareholdings as mentioned in Note 2 above, Mr. Chan Yan Tin, Andrew is deemed to be interested in 171,736,896 shares indirectly owned by Sow Pin Trust.

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

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 31 March 2014 or had been granted or exercised any such right during the period.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries 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.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2014, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the share capital
Chan Loo Kuo Pin	Interest of spouse	Family interest *(Note 1)*	173,772,896	173,772,896	56.46
HSBC Holdings plc	Interest of controlled Corporation	Corporate interest *(Notes 2, 3 & 5)*	171,736,896	171,736,896	55.80
Hang Seng Bank Limited	Interest of controlled Corporation	Corporate interest *(Notes 2, 4 & 5)*	171,736,896	171,736,896	55.80
Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust	Trustee	Other interest *(Notes 2, 5 & 6)*	171,736,896	171,736,896	55.80
Global Heritage Group Limited	Interest of controlled corporation	Corporate interest *(Notes 2, 5 & 6)*	171,736,896	171,736,896	55.80
Beyers Investments Limited	Interest of controlled corporation	Corporate interest *(Notes 2, 5 & 6)*	171,736,896	171,736,896	55.80
Noranger Company Limited	Beneficial owner	Corporate interest *(Notes 2, 5 & 6)*	145,914,000	145,914,000	47.41
Evergrade Investments Limited	Beneficial owner	Corporate interest *(Notes 2, 5 & 6)*	25,822,896	25,822,896	8.39
Edward Kew	Beneficial owner	Personal interest *(Note 7)*	5,461,200	25,968,494	8.44
	Interest of spouse	Family interest *(Note 7)*	8,856,494		
	Interest of controlled corporation	Corporate interest *(Note 7)*	11,650,800		
Kew Youn Lunn	Beneficial owner	Personal interest *(Note 8)*	2,380,800	25,968,494	8.44
	Interest of spouse	Family interest *(Note 8)*	5,461,200		
	Interest of controlled corporation	Corporate interest *(Note 8)*	18,126,494		

REPORT OF THE DIRECTORS

Notes:

1. The interest is the same block of shares already disclosed under the personal, corporate and other interests of her husband, Mr. Chan Hoi Sow as disclosed in the section headed "Directors' Interests".

2. All interests of HSBC Holdings plc, Hang Seng Bank Limited, Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust, Global Heritage Group Limited, Beyers Investments Limited and the aggregate interests of Noranger Company Limited and Evergrade Investments Limited relate to the same block of shares in the Company.

3. HSBC Holdings plc is the holding company of Hang Seng Bank Limited and is deemed to be interested in the shares in which Hang Seng Bank Limited is deemed to be interested through interests of corporations controlled by it as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage control
HSBC Finance (Netherlands)	HSBC Holdings plc	100.00
HSBC Holdings BV	HSBC Finance (Netherlands)	100.00
HSBC Asia Holdings (UK) Limited	HSBC Holdings BV	100.00
HSBC Asia Holdings BV	HSBC Asia Holdings (UK) Limited	100.00
The Hongkong and Shanghai Banking Corporation Limited	HSBC Asia Holdings BV	100.00
Hang Seng Bank Limited	The Hongkong and Shanghai Banking Corporation Limited	62.14
Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust	Hang Seng Bank Limited	100.00
Global Heritage Group Limited	Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust	100.00

4. Hang Seng Bank Limited is the holding company of Hang Seng Bank Trustee International Limited and is deemed to be interested in the shares in which Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust is interested through interests of corporations controlled by it as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage control
Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust	Hang Seng Bank Limited	100.00
Global Heritage Group Limited	Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust	100.00
Beyers Investments Limited	Global Heritage Group Limited	100.00
Noranger Company Limited	Beyers Investments Limited	100.00
Evergrade Investments Limited	Beyers Investments Limited	50.00

5. Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust is deemed to be interested in the shares owned by Sow Pin Trust, a discretionary trust as mentioned in Note 6 below through interests of corporation controlled by it as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage control
Global Heritage Group Limited	Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust	100.00
Beyers Investments Limited	Global Heritage Group Limited	100.00
Noranger Company Limited	Beyers Investments Limited	100.00
Evergrade Investments Limited	Beyers Investments Limited	50.00

6. Hang Seng Bank Trustee International Limited as trustee of Sow Pin Trust is interested in 171,736,896 shares which are held as to 145,914,000 shares by Noranger Company Limited and as to 25,822,896 shares by Evergrade Investments Limited. The issued share capital of Noranger Company Limited is beneficially wholly owned by Beyers Investments Limited and the issued share capital of Evergrade Investments Limited is beneficially owned as to 50% by Beyers Investments Limited and as to 50% by Mr. Chan Hoi Sow. Beyers Investments Limited is indirectly owned by Sow Pin Trust, a discretionary trust, the beneficiaries of which are Mr. Chan Hoi Sow and his family members as disclosed in the section headed "Directors' Interests".

7. These interests in aggregate are in fact the same block of shares disclosed under the interests of Madame Kew Youn Lunn, the wife of Mr. Edward Kew.

8. These interests in aggregate are in fact the same block of shares disclosed under the interests of Mr. Edward Kew, the husband of Madame Kew Youn Lunn.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2014, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for 47.4% of total turnover of the Group and the five largest suppliers of the Group accounted for less than 30% of total purchases of the Group. The Directors do not consider any one customer or supplier to be influential to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 13 June 2014

INDEPENDENT AUDITOR'S REPORT

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

Room 305, Arion Commercial Centre,
2-12 Queen's Road West, Hong Kong.
香港皇后大道西 2-12 號聯發商業中心 305 室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
Email 電郵: info@hlm.com.hk

TO THE MEMBERS OF TERN PROPERTIES COMPANY LIMITED
太興置業有限公司
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Tern Properties Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 93, which comprise the consolidated and the Company's statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2014, and of its profits and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants

Chan Lap Chi
Practising Certificate Number: P04084
Hong Kong, 13 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	5	**88,969**	79,277
Property expenses		**(1,442)**	(1,290)
Gross profit		**87,527**	77,987
Realised loss on disposal of loans and receivables		**–**	(360)
Realised (loss) gain on disposal of financial assets held for trading		**(2,670)**	5,834
Unrealised (loss) gain on financial assets held for trading		**(4,072)**	11,102
Dividend income		**620**	620
Interest income	7	**11,056**	13,095
Other operating income	8	**440**	318
Increase in fair value of investment properties	16	**158,410**	550,257
Administrative expenses		**(25,969)**	(21,883)
Profit from operations	9	**225,342**	636,970
Finance costs	10	**(2,501)**	(4,207)
Share of results of associates	20	**38,062**	78,303
Profit before taxation		**260,903**	711,066
Taxation	13	**(10,057)**	(8,595)
Profit and total comprehensive income for the year and attributable to owners of the Company		**250,846**	702,471
Earnings per share			
Basic and diluted	15	**HK$0.82**	HK$2.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	16	**3,090,737**	2,932,664
Property, plant and equipment	17	**13,206**	13,284
Leasehold land	18	**67,716**	68,752
Interests in associates	20	**381,139**	350,233
Available-for-sale investments	21	**2,161**	2,161
Deferred rental income		**1,640**	660
		3,556,599	3,367,754
Current assets			
Trade and other receivables	22	**6,419**	7,132
Financial assets held for trading	23	**113,098**	124,163
Leasehold land – current portion	18	**1,036**	1,036
Deferred rental income – current portion		**1,468**	751
Tax recoverable		**40**	123
Pledged bank deposits	24	**20,002**	–
Bank balances and cash	25	**19,890**	38,446
		161,953	171,651
Current liabilities			
Trade and other payables	26	**6,550**	5,860
Rental deposits from tenants		**25,617**	26,631
Tax liabilities		**2,612**	2,106
Secured bank loans – due within one year	27	**25,281**	12,910
		60,060	47,507
Net current assets		**101,893**	124,144
Non-current liabilities			
Deferred tax liabilities	31	**20,250**	18,577
Secured bank loans – due after one year	27	**116,120**	184,503
		136,370	203,080
Net assets		**3,522,122**	3,288,818
Capital and reserves			
Share capital	29	**229,386**	153,879
Reserves		**3,292,736**	3,134,939
		3,522,122	3,288,818

The consolidated financial statements on pages 27 to 93 were approved and authorised for issue by the Board of Directors on 13 June 2014 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Interests in subsidiaries	19	**577,829**	635,003
Interests in associates	20	**8,697**	6,852
		586,526	641,855
Current assets			
Trade and other receivables		**109**	109
Bank balances and cash		**1,929**	1,627
		2,038	1,736
Current liability			
Trade and other payables		**252**	237
Net current assets		**1,786**	1,499
Non-current liability			
Amounts due to subsidiaries	28	**167,908**	214,201
Net assets		**420,404**	429,153
Capital and reserve			
Share capital	29	**229,386**	153,879
Reserves	30	**191,018**	275,274
		420,404	429,153

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Dividend reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 April 2012	153,879	72,818	2,689	9,848	2,363,117	2,602,351
Profit and total comprehensive income for the year	–	–	–	–	702,471	702,471
Dividends declared	–	–	–	16,927	(16,927)	–
Dividends paid	–	–	–	(16,004)	–	(16,004)
At 31 March 2013 and 1 April 2013	153,879	72,818	2,689	10,771	3,048,661	3,288,818
Profit and total comprehensive income for the year	–	–	–	–	250,846	250,846
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	75,507	(72,818)	(2,689)	–	–	–
Dividends declared	–	–	–	18,466	(18,466)	–
Dividends paid	–	–	–	(17,542)	–	(17,542)
At 31 March 2014	**229,386**	**–**	**–**	**11,695**	**3,281,041**	**3,522,122**

The accumulated profits of the Group includes approximately HK$372,442,000 (2013: HK$343,381,000) retained by associates of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Operating activities			
Profit for the year		**250,846**	702,471
Adjustment for:			
Share of results of associates	*20*	**(38,062)**	(78,303)
Interest income		**(11,056)**	(13,095)
Dividend income		**(620)**	(620)
Interest expenses	*10*	**2,501**	4,207
Tax expenses	*13*	**10,057**	8,595
Increase in fair value of investment properties	*16*	**(158,410)**	(550,257)
Depreciation		**1,969**	1,239
Amortisation of leasehold land	*18*	**1,036**	1,036
Realised loss on disposal of loans and receivables		**–**	360
Realised loss (gain) on disposal of financial assets held for trading		**2,670**	(5,834)
Unrealised loss (gain) on financial assets held for trading		**4,072**	(11,102)
Exchange adjustment on investment properties	*16*	**337**	105
Operating cash flows before movements in working capital		**65,340**	58,802
Decrease in trade and other receivables		**826**	518
Increase in deferred rental income		**(1,697)**	(586)
Increase (decrease) in trade and other payables		**670**	(1,457)
(Decrease) increase in rental deposits from tenants		**(1,014)**	5,220
Cash generated from operations		**64,125**	62,497
Profits Tax paid		**(7,795)**	(6,084)
Profits Tax refunded		**–**	353
Net cash generated from operating activities		**56,330**	56,766
Investing activities			
Interest received		**10,943**	14,379
Dividend received		**620**	620
Repayment from an associate		**7,156**	8,052
Acquisition of investment properties		**–**	(22,288)
Proceeds from disposal of loans and receivables		**–**	7,750
Increase in pledged bank deposits		**(20,002)**	–
Proceeds from disposal of financial assets held for trading		**69,330**	96,941
Purchase of financial assets held for trading		**(65,007)**	(48,690)
Purchase of property, plant and equipment		**(1,891)**	(8,254)
Net cash generated from investing activities		**1,149**	48,510

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Financing activities			
Repayment of bank loans		**(196,012)**	(298,310)
Dividends paid		**(17,542)**	(16,004)
Interest paid		**(2,481)**	(4,316)
New bank loans raised		**140,000**	189,937
Net cash used in financing activities		**(76,035)**	(128,693)
Net decrease in cash and cash equivalents		**(18,556)**	(23,417)
Cash and cash equivalents at beginning of the year		**38,446**	61,863
Cash and cash equivalents at end of the year	*25*	**19,890**	38,446
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**19,890**	38,446

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office of the Company is disclosed in the corporate information section of the annual report.

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

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 19 and 20 respectively.

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

New and revised HKFRSs applied with no material effects on the consolidated financial statements

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group's financial statements for the year ended 31 March 2013, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs applied with no material effects on the consolidated financial statements (Continued)

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 19 and 20 for details).

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs applied with no material effects on the consolidated financial statements (Continued)

HKFRS 13 Fair Value Measurement *(Continued)*

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see notes 16 and 38 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective

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

HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employer Contribution[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 cycle[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2016
[4] No mandatory effective date yet determined but is available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting 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) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

No mandatory effective date for HKFRS 9 but is available for adoption.

The directors anticipate that the adoption of HKFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 addresses the issues of financial reporting requirements for rate-regulated assets and liabilities (which are termed "regulatory deferral account balances") that arises when an entity is subject to rate regulation.

The directors anticipate that the application of HKFRS 14 will have no material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

Control is achieved when the Company:

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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 interests 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 and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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;

- 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 (see the accounting policy below); 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 present 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.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that exited at the acquisition date that, if known, have affected the amounts recognised at that date.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Interests in associates

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

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

Investment properties

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

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

Leasehold land

Leasehold land is up-front payments to acquire long-term interests in lessee-occupied properties. Leasehold land is stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated statement of profit or loss and other comprehensive income.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful life, using the straight-line method, at the following rates per annum:

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

Assets held under finance leases are depreciated over their expected useful life on the same basis as owned assets or, where shorter, the term of the relevant lease.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Revenue recognition

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

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from financial assets held for trading is recognised when the Group's right to receive payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised 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 and recognised on a straight-line basis over the lease term.

Leasehold land for own use

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, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- 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 repayment of the monetary items.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

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

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.

Taxation

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

Current tax

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

Deferred tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

***Deferred tax** (Continued)*

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

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

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

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

Current and deferred tax for the year

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

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

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

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

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.

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

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 as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 38.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

AFS financial assets (Continued)

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

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 (see the accounting policy in respect of impairment loss on financial assets below).

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 trade and other receivables, time deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when 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 investment have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (Continued)

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments *(Continued)*

Other financial liabilities

Other financial liabilities (including trade and other payables, rental deposits from tenants and secured bank loans) 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.

Derecognition

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

(a) A person, or a close member of that person's family, is related to the Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company and the Company's parent.

(b) An entity is related to the Company if any of the following conditions applies:

(i) the entities and the Company are the member of the same Company (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 Company of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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 following are the critical judgements, apart from those involving estimations (see below), that management 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.

Depreciation

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

Allowance for bad and doubtful debts

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2014 at their fair value of HK$3,090,737,000 (2013: HK$2,932,664,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. TURNOVER

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

	2014	2013
	HK$'000	*HK$'000*
Property rental income	**88,969**	79,277

6. OPERATING SEGMENTS

For management purposes, the Group is currently organised into two operating segments, namely property investment and treasury investment.

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

For treasury investment, the segment represents the investment result in debt and equity securities. Financial information is provided to the Board on a company basis. The information provided include the investments in financial assets held for trading, bank balances and fair value change in financial assets held for trading.

Business information

2014

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Turnover	88,969	–	88,969
Property expenses	(1,442)	–	(1,442)
Gross profit	87,527	–	87,527
Realised loss on disposal of financial assets held for trading	–	(2,670)	(2,670)
Unrealised loss on financial assets held for trading	–	(4,072)	(4,072)
Dividend income	–	620	620
Interest income	1	11,055	11,056
Other operating income	314	126	440
Increase in fair value of investment properties	158,410	–	158,410
Administrative expenses	(25,921)	(48)	(25,969)
Profit from operations	220,331	5,011	225,342
Finance costs	(2,450)	(51)	(2,501)
Share of results of associates	38,062	–	38,062
Profit before taxation	255,943	4,960	260,903
Taxation	(10,057)	–	(10,057)
Profit for the year	245,886	4,960	250,846

6. OPERATING SEGMENTS (Continued)

Business information (Continued)

At 31 March 2014

	Property investment *HK$'000*	**Treasury investment** *HK$'000*	**Total** *HK$'000*
Segment assets	**3,579,597**	**138,955**	**3,718,552**
Segment liabilities	**(176,377)**	**(20,053)**	**(196,430)**
Net assets	**3,403,220**	**118,902**	**3,522,122**
Other segment information:			
Depreciation and amortisation	**3,005**	**–**	**3,005**
Addition to property, plant and equipment	**1,891**	**–**	**1,891**

2013

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Turnover	79,277	–	79,277
Property expenses	(1,290)	–	(1,290)
Gross profit	77,987	–	77,987
Realised loss on disposal of loans and receivables	–	(360)	(360)
Realised gain on disposal of financial assets held for trading	–	5,834	5,834
Unrealised gain on financial assets held for trading	–	11,102	11,102
Dividend income	–	620	620
Interest income	2	13,093	13,095
Other operating income	318	–	318
Increase in fair value of investment properties	550,257	–	550,257
Administrative expenses	(21,809)	(74)	(21,883)
Profit from operations	606,755	30,215	636,970
Finance costs	(4,028)	(179)	(4,207)
Share of results of associates	78,303	–	78,303
Profit before taxation	681,030	30,036	711,066
Taxation	(8,595)	–	(8,595)
Profit for the year	672,435	30,036	702,471

6. OPERATING SEGMENTS (Continued)

Business information (Continued)

At 31 March 2013

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Segment assets	3,391,555	147,850	3,539,405
Segment liabilities	(250,584)	(3)	(250,587)
Net assets	3,140,971	147,847	3,288,818
Other segment information:			
Depreciation and amortisation	2,275	–	2,275
Addition to investment properties	24,638	–	24,638
Addition to property, plant and equipment	8,254	–	8,254

Geographical information

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

Information on major customers

Included in revenues arising from rental income of HK$89.0 million (2013: HK$79.3 million) are rental revenues of approximately HK$18.3 million (2013: HK$17.1 million) which arose from the Group's largest tenant. No other single customers contributed 10% or more to the Group's revenue for both 2014 and 2013.

7. INTEREST INCOME

	2014 ***HK$'000***	2013 *HK$'000*
Interest income from:		
– bank deposits and balances	**5**	3
– financial assets held for trading	**11,051**	13,092
Total interest income	**11,056**	13,095

8. OTHER OPERATING INCOME

	2014	2013
	HK$'000	*HK$'000*
Late payment service charges from tenant	**145**	108
Other	**295**	210
Total other operating income	**440**	318

9. PROFIT FROM OPERATIONS

	2014	2013
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Auditor's remuneration	**380**	350
Exchange loss	**393**	106
Depreciation	**1,969**	1,239
Amortisation of leasehold land	**1,036**	1,036
Staff costs (including Directors' remuneration)	**15,228**	14,265
Mandatory provident fund contributions	**159**	107
Total staff costs	**15,387**	14,372
and after crediting:		
Dividend income	**620**	620
Gross rental income from investment properties	**88,969**	79,277
Less:		
Direct operating expenses from investment properties that generated rental income	**(1,018)**	(783)
Direct operating expenses from investment properties that did not generate rental income	**(424)**	(507)
Net rental income	**87,527**	77,987

10. FINANCE COSTS

	2014 *HK$'000*	2013 *HK$'000*
Interest on bank borrowings:		
wholly repayable within five years	**2,156**	3,804
not wholly repayable within five years	**345**	403
	2,501	4,207

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2013: seven) directors were as follows:

2014

	Fees *HK'000*	Salaries and other benefits *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Chan Hoi Sow *(Note 1)*	**–**	**9,114**	**–**	**9,114**
Chan Yan Tin, Andrew	**–**	**2,021**	**15**	**2,036**
Chan Siu Keung, Leonard	**–**	**1,225**	**15**	**1,240**
Chan Yan Mei, Mary-ellen	**80**	**–**	**–**	**80**
Chan Kwok Wai	**80**	**–**	**–**	**80**
Tse Lai Han, Henry	**80**	**–**	**–**	**80**
Leung Kui King, Donald	**80**	**–**	**–**	**80**
	320	**12,360**	**30**	**12,710**

11. DIRECTORS' EMOLUMENTS (Continued)

2013

	Fees *HK'000*	Salaries and other benefits *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Chan Hoi Sow *(Note 1)*	–	8,856	–	8,856
Chan Yan Tin, Andrew	–	1,925	15	1,940
Chan Siu Keung, Leonard	–	1,167	15	1,182
Chan Yan Mei, Mary-ellen *(Note 2)*	49	–	–	49
Chan Kwok Wai	75	–	–	75
Tse Lai Han, Henry	75	–	–	75
Leung Kui King, Donald	75	–	–	75
	274	11,948	30	12,252

Notes:

1. The amount includes rateable value of HK$2,867,000 (2013: HK$2,860,000), being rent-free accommodation provided to Mr. Chan Hoi Sow by the Company.

2. Appointed on 29 June 2012.

12. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2013: three) were Directors of the Company whose emoluments were included in note 11. The emoluments of the remaining two (2013: two) individuals were as follows:

	2014	2013
	HK\$'000	*HK\$'000*
Salaries and other benefits	**2,142**	2,039
Mandatory provident fund contributions	**30**	30
	2,172	2,069

The aggregate emoluments of each of the remaining two (2013: two) highest paid individuals during the year ended 31 March 2014 were within the HK\$1,000,001 to HK\$2,000,000 band (2013: HK\$1,000,001 to HK\$2,000,000 band).

During the years ended 31 March 2014 and 31 March 2013, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. TAXATION

	2014	2013
	HK\$'000	*HK\$'000*
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	**8,392**	6,636
Other jurisdiction		
(Over) under provision in previous years	**(8)**	20
	8,384	6,656
Deferred tax expenses *(note 31)*		
Current year	**1,673**	1,939
	10,057	8,595

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

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

Details of the potential deferred tax not provided for in the year are set out in note 31.

13. TAXATION (Continued)

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

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation	**260,903**	711,066
Tax at the Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	**43,049**	117,326
Tax effect of share of profits of associates	**(6,280)**	(12,920)
Tax effect of expenses not deductible for tax purpose	**1,393**	338
Tax effect of income not taxable for tax purpose	**(28,107)**	(96,207)
Tax effect of deductible temporary differences not recognised	**–**	–
Tax effect of tax losses not recognised	**127**	152
(Over) under provision in respect of prior year	**(8)**	20
Tax effect on tax reduction	**(120)**	(120)
Effect of different tax rates of a subsidiary operating in other jurisdiction	**3**	6
Tax expenses for the year	**10,057**	8,595

14. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Interim, paid – HK2.2 cents per share (2013: HK2.0 cents per share)	**6,771**	6,156
Final, proposed – HK3.8 cents per share (2013: HK3.5 cents per share)	**11,695**	10,771
	18,466	16,927

The final dividend of HK3.8 cents per share (2013: HK3.5 cents per share) has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

15. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK$250,846,000 (2013: HK$702,471,000) and on weighted average number of 307,758,522 (2013: 307,758,522) ordinary shares in issue during the year.

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

16. INVESTMENT PROPERTIES

	2014	2013
	HK$'000	*HK$'000*
At fair value		
At 1 April	**2,932,664**	2,357,874
Exchange adjustments	**(337)**	(105)
Additions	**–**	24,638
Disposals	**–**	–
Increase in fair value of investment properties recognised in the consolidated statement of profit or loss and other comprehensive income	**158,410**	550,257
At 31 March	**3,090,737**	2,932,664

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

The carrying amount of investment properties shown above comprises:

	2014	2013
	HK$'000	*HK$'000*
Properties in Hong Kong		
Medium-term lease	**1,766,200**	1,647,800
Long-term lease	**1,320,400**	1,280,600
Properties outside Hong Kong		
Freehold	**4,137**	4,264
At 31 March	**3,090,737**	2,932,664

16. INVESTMENT PROPERTIES (Continued)

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties at 31 March 2014 and 31 March 2013 has been arrived at on the basis of a valuation of the properties situated in Hong Kong and Canada carried out on the respective dates by Jones Lang LaSalle Limited and Johnston, Ross & Cheng Ltd. which are independent qualified professional valuers not connected to the Group. The valuers have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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

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

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2014 are as follows:

		2014		
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Commercial property units located in Hong Kong	–	–	**3,086,600**	**3,086,600**
Residential property located in Canada	–	–	**4,137**	**4,137**
	–	–	**3,090,737**	**3,090,737**

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

16. INVESTMENT PROPERTIES (Continued)

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

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

	Fair value	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs and fair value
	HK$'000			
Investment properties located in Hong Kong	3,086,600	Combination of direct comparison method and income capitalization method	Estimated market unit rent per square foot; (HK$26-HK$510) and market unit sales price per square foot	The increase in the market unit rent/sales price would result in an increase in fair value.
Investment properties located in Canada	4,137	Direct comparison method	Estimated market unit sales price per square foot	

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings held under long-term lease in Hong Kong	Furniture and office equipment	Leasehold improvement	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 April 2012	8,205	1,378	1,727	6,505	17,815
Additions	–	3,241	5,013	–	8,254
Disposals	–	(414)	–	–	(414)
At 31 March 2013 and 1 April 2013	8,205	4,205	6,740	6,505	25,655
Additions	–	1,720	171	–	1,891
At 31 March 2014	**8,205**	**5,925**	**6,911**	**6,505**	**27,546**
ACCUMULATED DEPRECIATION					
At 1 April 2012	3,535	1,229	671	6,111	11,546
Provided for the year	328	280	473	158	1,239
Eliminated upon disposals	–	(414)	–	–	(414)
At 31 March 2013 and 1 April 2013	3,863	1,095	1,144	6,269	12,371
Provided for the year	328	794	689	158	1,969
At 31 March 2014	**4,191**	**1,889**	**1,833**	**6,427**	**14,340**
CARRYING AMOUNTS					
At 31 March 2014	**4,014**	**4,036**	**5,078**	**78**	**13,206**
At 31 March 2013	4,342	3,110	5,596	236	13,284

18. LEASEHOLD LAND

	2014 HK$'000	2013 HK$'000
CARRYING AMOUNTS		
At 1 April	**69,788**	70,824
Amortisation	**(1,036)**	(1,036)
At 31 March	**68,752**	69,788
Current portion	**(1,036)**	(1,036)
Non-current portion	**67,716**	68,752

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

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost less impairment loss	**48,529**	48,529
Amounts due from subsidiaries less allowance	**529,300**	586,474
	577,829	635,003

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repaid within twelve months from the end of the reporting period and the amounts are therefore classified as non-current.

19. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2014 are as follows:

Name of subsidiary	Place of incorporation/ operation	Paid up or ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK$2	Investment holding
Funswin Investment Limited	Hong Kong	HK$2	Securities investment
Grademark Limited	Hong Kong	HK$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK$2	Property investment
High Spark Properties Limited	Hong Kong	HK$20	Property investment
Hokin Investment Limited	The British Virgin Islands/ Hong Kong	US$1	Securities investment
Kamillex Company Limited	Hong Kong	HK$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK$2	Property investment
Kimwui Investments Limited	Hong Kong	HK$2	Inactive
Kinghale Investment Limited	Hong Kong	HK$2	Property investment
Kingunit Company Limited	Hong Kong	HK$2	Property investment
Laquinta Investments Limited	The British Virgin Islands/ Hong Kong	US$1	Property investment
Longo Investment Company Limited	Hong Kong	HK$2	Property investment
Pomeroy Company Limited	Hong Kong	HK$2	Property investment
Spark View Limited	Hong Kong	HK$20	Property investment
Strongfort Company Limited	Hong Kong	HK$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK$2	Property investment
Tern China Investments Limited	Hong Kong	HK$2	Inactive
Tern Real Estate Agency Limited	Hong Kong	HK$2	Inactive
Zepersing Limited	Hong Kong	HK$2	Property investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

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

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**372,442**	343,381	**–**	–
Amounts due from an associate	**8,697**	6,852	**8,697**	6,852
	381,139	350,233	**8,697**	6,852

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

Details of the Group's associates at 31 March 2014 are as follows:

Name of subsidiary	Place of incorporation/ operation	Paid up or ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Easyman Limited	The British Virgin Islands/ Hong Kong	US$1	50.00%	Securities investment
Home Easy Limited	Hong Kong	HK$1	50.00%	Property investment
Milsons Investment Limited	Hong Kong	HK$110	27.27%	Not yet commence business
Spirit Fidelity Limited	Hong Kong	HK$2	50.00%	Trustee
Win Easy Development Limited	Hong Kong	HK$2	50.00%	Property investment

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

20. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the audited consolidated financial statements of the Group's material associate, Win Easy Development Limited ("Win Easy"):

WIN EASY DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	2014	2013
	HK$'000	*HK$'000*
Turnover	**25,753**	22,823
Property expenses	**(15)**	(24)
Gross profit	**25,738**	22,799
Realised gain on financial assets held for trading	**64**	3,047
Unrealised (loss) gain on financial assets held for trading	**(161)**	2,036
Other operating income	**2,350**	3,936
Increase in fair value of investment properties	**60,800**	137,100
Administrative expenses	**(9,927)**	(9,725)
Profit from operations	**78,864**	159,193
Finance costs	**(172)**	(526)
Profit before taxation	**78,692**	158,667
Taxation	**(2,569)**	(2,062)
Profit and total comprehensive income for the year and attributable to owners of the Company	**76,123**	156,605
Profit and total comprehensive income for the year attributable to the Group	**38,062**	78,303

20. INTERESTS IN ASSOCIATES (Continued)

WIN EASY DEVELOPMENT LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2014

	2014 *HK$'000*	2013 *HK$'000*
Non-current assets		
Investment properties	**764,300**	703,500
Deferred rental income	**132**	242
	764,432	703,742
Current assets		
Trade and other receivables	**1,633**	11,450
Deferred rental income	**246**	207
Financial assets held for trading	**19,301**	25,810
Bank balances and cash	**4,146**	8,127
	25,326	45,594
Current liabilities		
Trade and other payables	**741**	648
Rental deposits from tenants	**7,496**	6,625
Tax liabilities	**487**	586
Secured bank loans – due within one year	**8,000**	3,000
	16,724	10,859
Net current assets	**8,602**	34,735
Non-current liabilities		
Deferred tax liabilities	**10,756**	10,011
Amounts due to shareholders	**17,394**	13,705
Secured bank loans – due after one year	**–**	28,000
	28,150	51,716
Net assets	**744,884**	686,761
Capital and reserve		
Share capital	**–**	–
Accumulated profits	**744,884**	686,761
	744,884	686,761

20. INTERESTS IN ASSOCIATES (Continued)

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

	2014 *HK$'000*	2013 *HK$'000*
Net assets of the associate	**744,884**	686,761
Proportion of the Group's ownership interest in Win Easy	**50%**	50%
Carrying amount of the Group's interest in Win Easy	**372,442**	343,381

Aggregate financial information of associates that are not individually material are not presented, as those associates have not yet commenced business since incorporations.

The Company provided guarantee to secure bank loans granted to its associates. Details are disclosed in note 34.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2014 *HK$'000*	2013 *HK$'000*
Club debentures	**2,161**	2,161

The directors consider that the carrying amounts of available-for-sale investments approximate their fair value.

22. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**141**	242
Other receivables		
Interest receivables	**2,507**	2,394
Utilities deposits	**3,047**	3,368
Prepayments	**658**	983
Others	**66**	145
	6,419	7,132

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

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

The directors consider that the carrying amounts of trade and other receivables approximate their fair value.

23. FINANCIAL ASSETS HELD FOR TRADING

	2014	2013
	HK$'000	*HK$'000*
Analysis of financial assets held for trading		
Listed overseas debt securities	**104,759**	115,453
Listed overseas equity securities	**8,339**	8,710
	113,098	124,163
Market value	**113,098**	124,163

Market values are determined with reference to quoted market bid prices in active markets.

24. PLEDGED BANK DEPOSIT

The amount represents deposit pledged to a bank to secure a loan facility granted to the Group and is therefore classified as current asset.

The pledged bank deposit carried an interest rate 0.1% (2013: Nil) and will be released upon the settlement of relevant bank borrowing. The carrying amount of the bank deposit at 31 March 2014 approximates to the fair value.

25. BANK BALANCES AND CASH

	2014	2013
	HK$'000	*HK$'000*
Bank balances and cash	**19,890**	38,446

Bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate of 0.01% per annum (2013: 0.01% per annum) with an original maturity of three months or less.

26. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**2,440**	1,807
Other payables		
Accrued interest	**200**	180
Unclaimed dividend	**253**	237
Accrued expenses	**3,366**	3,414
Others	**291**	222
	6,550	5,860

Included in trade payables are prepaid rental from tenants. The prepaid rental from tenants had an age of less than 30 days at the end of both reporting periods.

The directors consider that the carrying amounts of trade and other payables approximate their fair value.

27. SECURED BANK LOANS

	2014	2013
	HK$'000	*HK$'000*
The secured bank loans are repayable as follows:		
Within one year	**25,281**	12,910
More than one year but not exceeding two years	**65,313**	67,841
More than two years but not exceeding five years	**44,137**	108,232
More than five years	**6,670**	8,430
	141,401	197,413
Less: Amounts due within one year	**(25,281)**	(12,910)
	116,120	184,503

All of the bank loans are denominated in Hong Kong dollars with variable interest rate from 1.0% to 1.45% over HIBOR (2013: from 1.0% to 1.95% over HIBOR) per annum.

28. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repaid within twelve months from the end of the reporting period and the amounts are therefore classified as non-current.

29. SHARE CAPITAL

	2014		2013	
	Number of ordinary shares with no par value		Number of ordinary shares of HK$0.5 each	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
	Note a	***Note a***		
Maximum number of shares can be issued:				
At 1 April and 31 March	**N/A**	**N/A**	400,000	200,000
Paid up:				
At 1 April	**307,759**	**153,879**	307,759	153,879
Transfer from share premium and capital redemption reserve upon abolition of par value *(Note b)*	**–**	**75,507**	–	–
At 31 March	**307,759**	**229,386**	307,759	153,879

None of the Company's subsidiaries repurchased, sold or redeemed any of the Company's shares during the year.

Notes:

(a) The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance on 3 March 2014.

(b) An entirely new Companies Ordinance (Cap.622) ("new CO") came into effect on 3 March 2014. The new CO abolishes authorised share capital, par value, share premium and capital redemption reserve in respect of the share capital of Hong Kong companies. As a result, the amounts of share premium and capital redemption reserve of the Company are transferred to the share capital.

30. RESERVES

	Share premium HK$'000	Capital redemption reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY					
At 1 April 2012	72,818	2,689	9,848	199,291	284,646
Total comprehensive income for the year	–	–	–	6,632	6,632
Dividends declared	–	–	16,927	(16,927)	–
Dividends paid	–	–	(16,004)	–	(16,004)
At 31 March 2013 and 1 April 2013	72,818	2,689	10,771	188,996	275,274
Total comprehensive income for the year	–	–	–	8,793	8,793
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	(72,818)	(2,689)	–	–	(75,507)
Dividends declared	–	–	18,466	(18,466)	–
Dividends paid	–	–	(17,542)	–	(17,542)
At 31 March 2014	**–**	**–**	**11,695**	**179,323**	**191,018**

Reserves of the Company available for distribution to equity shareholders of the Company as at 31 March 2014 amounted to HK$191,018,000 (2013: HK$199,767,000).

31. DEFERRED TAX LIABILITIES

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

	HK$'000
At 1 April 2012	16,638
Deferred tax expenses for the year	1,939
Over provision in prior year	–
At 31 March 2013 and 1 April 2013	18,577
Deferred tax expenses for the year	1,673
Over provision in prior year	–
At 31 March 2014	**20,250**

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

At the end of the reporting period, the Group has unused tax losses of HK$11,686,000 (2013: HK$11,388,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Those tax losses may be carried forward indefinitely.

32. PENSIONS SCHEME

The Group operates Mandatory Provident Fund scheme (the "MPF") for all existing staff members of the Group.

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

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK$25,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group's cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014 amounted to HK$159,000 (2013: HK$107,000). As at 31 March 2014, contributions due in respect of the reporting period had been fully paid over to the MPF.

33. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounted to HK$278,248,000 (2013: HK$373,248,000).

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

i) Investment properties with a carrying amount of HK$727,738,000 (2013: HK$940,864,000);

ii) Leasehold land and buildings with a carrying amount of HK$72,766,000 (2013: HK$74,130,000);

iii) Financial assets held for trading with a carrying amount of HK$96,783,000 (2013: HK$91,503,000);

iv) Bank deposit of HK$20,002,000 (2013: HK$Nil).

At the end of the reporting period, the Group has utilised banking facilities with an amount of HK$141,401,000 (2013: HK$197,413,000).

34. CONTINGENT LIABILITIES

At the end of the reporting period, there were contingent liabilities, so far as not provided for in the financial statements, in respect of guarantees for the banking facilities made available to:

	THE GROUP		**THE COMPANY**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subsidiaries	**–**	–	**141,401**	197,413
Associates	**4,000**	15,500	**4,000**	15,500
	4,000	15,500	**145,401**	212,913

The Company has not recognised any deferred income in respect of the guarantees as their fair value and transaction price cannot be reliably measured.

35. OPERATING LEASE ARRANGEMENTS

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 2.88% (2013: 2.70%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

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

	2014	2013
	HK$'000	*HK$'000*
Within one year	**69,604**	75,931
In the second to fifth year inclusive	**30,892**	60,325
	100,496	136,256

36. CAPITAL COMMITMENTS

At 31 March 2014, the Group had no outstanding capital commitments (2013: HK$Nil).

37. RELATED PARTY TRANSACTIONS

During the year, the Group received office rental income of HK$360,000 (2013: HK$360,000) and dividend income of HK$9,000,000 (2013: HK$7,000,000) from an associate of the Company, Win Easy Development Limited.

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include financial assets held for trading, borrowings, trade and other receivables and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk management

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

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

	Assets 2014 *HK$'000*	**Liabilities 2014 *HK$'000***	Assets 2013 *HK$'000*	Liabilities 2013 *HK$'000*
Renminbi	**12,283**	**–**	17,775	–
Canadian dollars	**136**	**52**	222	692

Sensitivity analysis

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

Increase/(decrease) in the profit for the year:

	2014 *HK$'000*	2013 *HK$'000*
Renminbi	**614**	889
Canadian dollars	**4**	(23)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk management

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

			2014		
	On demand	**Within 1 year**	**2-5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Trade and other payables	**6,550**	**–**	**–**	**–**	**6,550**
Rental deposits from tenants	**25,617**	**–**	**–**	**–**	**25,617**
Secured bank loans	**–**	**25,281**	**109,450**	**6,670**	**141,401**
	32,167	**25,281**	**109,450**	**6,670**	**173,568**

			2013		
	On demand	Within 1 year	2-5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	5,860	–	–	–	5,860
Rental deposits from tenants	26,631	–	–	–	26,631
Secured bank loans	–	12,910	176,073	8,430	197,413
	32,491	12,910	176,073	8,430	229,904

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2014 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Interest rate risk management

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

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

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

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest-bearing liabilities and deposits, have been determined based on the exposure to interest rates for non-derivative instrument at the end of the reporting period. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2014 would increase/decrease by approximately HK$1,015,000 (2013: HK$1,505,000).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market price risk management

The Group is exposed to market price risk through its investments in debt and equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks and returns. The Group's market price risk is primarily arising from overseas listed debt securities and locally listed equity securities. In this regards, the management considers the Group's exposure to market price risk is reduced.

At 31 March 2014, all loans and receivables and available-for-sale investments held by the Group were stated at costs, therefore, future market price risk would not materially affect the Group.

Fair values

As at 31 March 2014, the carrying amount of cash and cash equivalents, prepayments, deposits and other receivables, accrued liabilities and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets held for trading are included in the statement of financial position at amounts approximating to their fair values. The following table gives information about how the fair values of these financial assets are determined:

	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 March 2014	31 March 2013		
Financial assets held for trading				
– Debt securities	**Listed overseas debt securities HK$104,759,000**	Listed overseas debt securities HK$115,453,000	Level 1	Quoted bid prices in active markets
– Equity securities	**Listed overseas equity securities HK$8,339,000**	Listed overseas equity securities HK$8,710,000	Level 1	Quoted bid prices in active market

There were no transfers between Level 1, Level 2 and Level 3 in the current year.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital risk management

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

As at 31 March 2014, the Group's strategy remained unchanged as compared to 31 March 2013. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

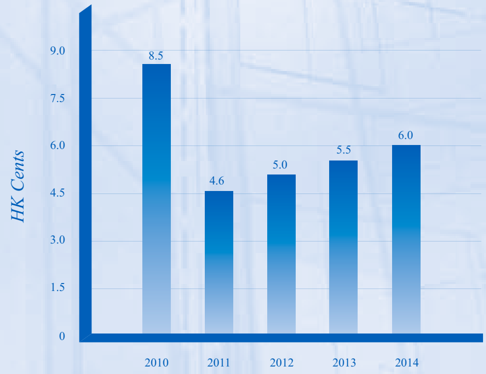
The gearing ratio of the Group at the year end date is as follows:

	2014	2013
	HK$'000	*HK$'000*
Bank loans	**141,401**	197,413
Total equity	**3,522,122**	3,288,818
Total debts to total equity ratio	**0.04**	0.06

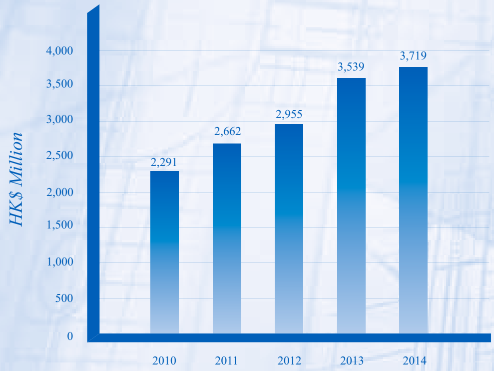
FIVE-YEAR FINANCIAL SUMMARY

	2010 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	**2014** ***HK$'000***
Turnover	66,145	68,200	71,645	79,277	**88,969**
Profit for the year	443,138	411,956	394,744	702,471	**250,846**
Earnings per share	HK$1.44	HK$1.34	HK$1.28	HK$2.28	**HK$0.82**
Dividends per share	HK8.5 cents	HK4.6 cents	HK5.0 cents	HK5.5 cents	**HK6.0 cents**
Total assets	2,290,703	2,662,145	2,955,492	3,539,405	**3,718,552**
Total liabilities	452,260	440,368	353,141	250,587	**196,430**
Total shareholders' funds	1,838,443	2,221,777	2,602,351	3,288,818	**3,522,122**

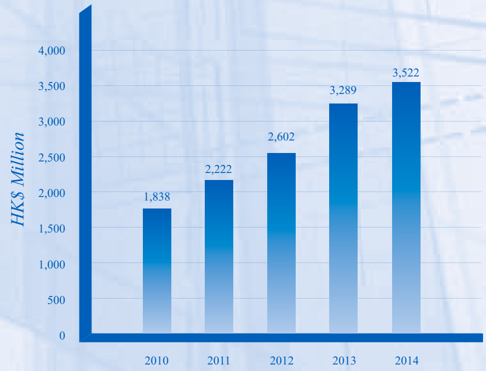
EARNINGS PER SHARE



DIVIDENDS PER SHARE



TOTAL ASSETS



TOTAL SHAREHOLDERS' FUNDS

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of properties held by the Group at 31 March 2014 are as follows:

I. LEASEHOLD LAND AND BUILDINGS

Location		Use	Category of lease	Group's interest
Hong Kong				
1.	The whole of 26th, 27th and 28th floors, Tower I, Tern Centre, 237 Queens Road Central, Hong Kong	Office	Long-term	100%
2.	Flat No. 59 on 15th floor, Tower 9 and car parking spaces nos. 66 and 67 on Car Park Entrance 4 (Level 3), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Directors' quarters	Long-term	100%
3.	Flat A on 43rd floor and car parking spaces Nos. 44 and 45 on 5th floor, HighCliff, 41D Stubbs Road, Hong Kong	Directors' quarters	Long-term	100%

II. INVESTMENT PROPERTIES

Location		Use	Category of lease	Group's interest
Hong Kong				
1.	Shops No. G15 and G16 on ground floor and Shop No. 8 on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
2.	Shop No. G17 on ground floor and Shop No. 9A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
3.	Shop No. G21 on ground floor and Shop No. 11A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
4.	Duplex Shop F on ground floor and 1st floor, Burlington House, 90-94C Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
5.	Shops No. B and C on ground floor, the whole of upper ground floor and 1st floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
6.	Shop No. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%

PARTICULARS OF PROPERTIES HELD BY THE GROUP

II. INVESTMENT PROPERTIES (Continued)

Location		Use	Category of lease	Group's interest
Hong Kong				
7.	Shop No. 5 on ground floor, Lee Fat Building, 30-36 Jardine's Crescent, Causeway Bay, Hong Kong	Commercial	Long-term	100%
8.	The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
9.	The whole of The Wave, 184 Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
10.	The whole of ground floor and 1st, 2nd, 3rd and 5th floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
11.	The whole of lower ground floor, ground floor and 1st floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
12.	The whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	Commercial	Long-term	100%
13.	The whole of 6th, 12th and 20th floors, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
14.	The whole of 11th, 16th and 18th floors, Unit 2 and Unit 3 of 13th floor, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
15.	Carpark No. 31 on the podium of Level 2, 37 Repulse Bay Road, Hong Kong	Carpark	Long-term	100%
16.	Shops no. 1, 2 and 6 on ground floor and the whole of 1st, 2nd, 3rd, 4th, 5th, 6th, 8th and 9th floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
17.	The whole of 9th floor, The Bodynits Building, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%

Location		Use	Category of lease	Group's interest
Canada				
1.	Suite No. 2406 with one carpark, Pointe Claire, 1238 Melville Street, Vancouver, British Columbia	Residential	Freehold	100%