



SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

Stock code : 252

2015-16

Annual Report

家家戶戶 GAGAHOHU
HOKKAN CURSINE

삼계문1호



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chua Nai Tuen
(Chairman and Managing Director)
Mr. Chua Nai King
(Deputy Chairman)
Mr. Nelson Junior Chua
Mr. Gilson Chua

Non-Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKERS

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

SOLICITORS

Vincent T. K. Cheung, Yap & Co.

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPANY SECRETARY

Mr. Lau Ka Chung

REGISTERED OFFICE

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

SHARE REGISTRAR

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

STOCK CODE

252

INTERNET ADDRESS HOMEPAGE

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chua Nai Tuen, aged 64, was appointed as an Executive Director and Managing Director in 1973 and was further appointed as Chairman of the Company in 2000. He was appointed as the Chairman of the Nomination Committee on 16 March 2012 and a member of the Remuneration Committee on 25 March 2013 respectively. Mr. Chua is responsible for the formulation and execution of the Group's overall strategic planning, business development and seeking business opportunities for the Group. He is also the Director of other companies in the Group. He has over 35 years' experience in finance, property investment and development, hotel, manufacturing and distribution of plastics packaging materials business.

Mr. Chua Nai King, aged 66, was appointed as an Executive Director in 1972 and was further appointed as Deputy Chairman of the Company in 2000. He is also the Director of other companies in the Group. He has over 35 years' experience in finance, property investment, property development and hotel business.

Mr. Nelson Junior Chua, aged 37, was appointed as a Non-executive Director of the Company on 15 April 2008 and was redesignated as an Executive Director on 16 July 2010. He is also the Director of other companies in the Group. Mr. Chua has about 10 years' experience in financial information analysis and research. He graduated from the Queen Mary & Westfield College in United Kingdom and obtained a Bachelor's degree in Molecular Biology.

Mr. Gilson Chua, aged 36, was appointed as an Executive Director of the Company on 15 April 2008. He joined the Group in 2002. He is the Director and Deputy General Manager of Nan Sing Plastics Limited and he is also the Director of other companies in the Group. He graduated from the University of Warwick in United Kingdom and obtained a Bachelor's degree in Computer and Business Studies.

NON-EXECUTIVE DIRECTORS

Mr. Chan Man Hon, Eric, aged 59, was appointed as a Non-executive Director of the Company in 1994 and was further appointed as a member of the Audit Committee and the Remuneration Committee in 2001 and 2005 respectively. Mr. Chan is a practising solicitor in Hong Kong. He obtained a Bachelor of Laws degree from the University of Hong Kong and was admitted as a solicitor in Hong Kong in 1981. He was further admitted as a solicitor in England and Australia in 1984 and 1985 respectively. He is a consultant of Vincent T. K. Cheung, Yap & Co.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. Jimmy Siy Tiong, aged 80, was appointed as a Non-executive Director of the Company in 1978. Mr. Siy was the former President of Sanyo Philippines Inc., a company incorporated in the Philippines.

Mr. Rene Siy Chua, aged 58, was appointed as a Non-executive Director of the Company in 2000. Mr. Chua is the General Manager of Mindanao Textile Corporation, a company incorporated in the Philippines.

Mr. Samuel Siy Yap, aged 57, was appointed as a Non-executive Director of the Company on 30 September 2008. Mr. Siy Yap is a businessman with over 30 years of experience in manufacturing and product distribution. He graduated from Ateneo De Manila University in the Philippines and obtained a Bachelor's degree of Science in Management Engineering.

Mr. Tsai Han Yung, aged 50, was appointed as a Non-executive Director of the Company in 2000 and was further appointed as a member of the Audit Committee in 2001. Mr. Tsai holds management positions in certain companies in Taiwan.

Ms. Vivian Chua, aged 36, was appointed as a Non-executive Director of the Company on 15 April 2008. Ms. Chua joined the Group in 2005. She is a Marketing and Planning Analyst of Nan Sing Plastics Limited and an Assistant Manager responsible for the Group's property management. She graduated from The University of British Columbia in Canada and obtained a Bachelor's degree in Commerce.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Ting, aged 64, was appointed as an Independent Non-executive Director of the Company and Chairman of the Audit Committee in 2006 and a member of the Nomination Committee in 2012 respectively. Mr. Chan has been practising as a Certified Public Accountant in Hong Kong for over 20 years. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a member of The Institute of Chartered Accountants in England and Wales. He is currently a Director of Wong Chan Lau C.P.A. Company Limited, Certified Public Accountants (Practising).

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

Mr. James L. Kwok, aged 64, was appointed as an Independent Non-executive Director of the Company in 1994 and was further appointed as a member of the Audit Committee in 2001. He was also appointed as a member of the Nomination Committee on 16 March 2012. Mr. Kwok obtained a MBA degree from the Wharton School, University of Pennsylvania. He started his career in banking and had held the position of manager of the Asian portfolios of a major American bank in Hong Kong. For the past two decades, he held a management position in a group of private companies in Hong Kong and North America which were involved in general trading, property investment and garment business.

Mr. Wong Shek Keung, aged 73, was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee and Remuneration Committee in 2005. On 25 November 2010, Mr. Wong was appointed as Chairman of the Remuneration Committee. Mr. Wong has over 30 years' extensive experience in banking, finance and administration. He had held a senior position of a reputable French bank's Hong Kong Branch and had been an advisor to the Chairman of a down manufacturing company in Mainland China.

Mr. Tsui Ka Wah, aged 63, was appointed as an Independent Non-executive Director of the Company on 21 September 2012 and a member of the Audit Committee and the Nomination Committee on 25 March 2013. Mr. Tsui has extensive experience in banking industry with US-based and local banks, and has held various managerial positions in corporate, retail and private banking. He was the President of the Greater China Region of a US-based bank, overseeing operations in Taiwan, PRC and Hong Kong. Mr. Tsui holds a Bachelor of Arts degree and a Master of Business Administration from the Chinese University of Hong Kong. Currently, Mr. Tsui is an Independent Non-executive Director of Multifield International Holdings Limited and Oriental Explorer Holdings Limited, the shares of both companies are listed on the Stock Exchange of Hong Kong. Mr. Tsui is presently the CEO of SME Credit Company Ltd.

Mr. Tsai Sui Cheung, Andrew, aged 60, was appointed as an Independent Non-executive Director of the Company on 30 November 2012 and a member of the Remuneration Committee and the Nomination Committee on 25 March 2013. Mr. Tsai has over 25 years of working experience in banking industry primarily in sales and trading area and held the position of Managing Director of a respectable U.S. Investment Bank. He graduated from The University of Calgary in Canada and obtained a Bachelor's degree in Commerce.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Choy Tin Woo, Johnnie, aged 61, is the Executive Director and Responsible Officer of Stockwell Securities Limited and Stockwell Commodities Limited. He is also the Director of other companies in the Group. Mr. Choy joined the Group in 1976 and is responsible for the Group's securities and commodities dealings.

Mr. Fu Ka Tsang, aged 58, is the General Manager of the Company and he is also a Director of other companies in the Group. Mr. Fu joined the Group in 1995 and is responsible for the Group's manufacturing and property investment and development business.

Ms. Tsai Sui Chiong, Maria, aged 58, was graduated from the University of the Philippines with a Bachelors of Science Degree in Hotel and Restaurant Management. Ms. Tsai has 30 years solid experience in hotel industry. Ms. Tsai joined the Group in May 2014 and presently is the manager of Hotel Benito.

Mr. Lau Ka Chung, aged 40, is the Group Financial Controller and Company Secretary of the Company. Mr. Lau joined the Group in 2014 and is primarily responsible for all accounting and finance operations of the Group. Mr. Lau graduated from The Hong Kong University of Science and Technology with a Bachelor's degree in Business majoring in Accounting. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants. Over the course of his career, Mr. Lau has accumulated over fifteen years of extensive experience in auditing and accounting field.

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

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to submit to the Shareholders the Annual Report of the Group for the year ended 31 March 2016.

RESULTS

During the year, revenue was HK\$505.0 million (2014/2015: HK\$522.2 million), the profit attributable to owners of the Company was HK\$37.2 million (2014/2015: HK\$161.3 million) and earnings per share was HK\$17.1 cents (2014/2015: HK\$74.2 cents).

During the year, the Group's profit before tax was HK\$42.4 million (2014/2015: HK\$171.7 million). Given below is an analysis of the profit from operations of the Group's principal activities:

	2016 HK\$'000	2015 HK\$'000
Property investment, development and leasing/hotel operation	19,219	21,575
Manufacturing and distribution of plastics packaging materials	20,517	6,215
Broking and securities margin financing	8,699	6,232
Gain on disposal of investment property	–	107,714
Gain arising on change in fair value of investment properties	5,371	44,358
Profit from operations	53,806	186,094
Impairment loss recognised in respect of available-for-sale financial assets	(6,425)	(10,321)
Cumulative gains arising on change in fair value of disposed available-for-sale financial assets	1,091	–
Finance costs	(7,834)	(5,891)
Share of results of associates	1,715	1,770
Profit before tax	42,353	171,652

DIVIDENDS

The Board of Directors has recommended the payment of a final dividend of HK3 cents per ordinary share (2014/2015: HK3 cents per ordinary share) in respect of the year ended 31 March 2016 to all shareholders of the Company whose name appear on the register of members of the Company on 2 September 2016. Subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM"), the payment of the final dividend will be made on or about 30 September 2016.

CHAIRMAN'S STATEMENT

DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

Financial and Business Review

For the year ended 31 March 2016, the Group recorded revenue of HK\$505.0 million, a decrease of 3.3% as compared with HK\$522.2 million in the preceding year, and the Group's profit for the year was HK\$38.0 million, a decrease of 77.2% as compared with HK\$166.4 million in the preceding year.

The annual results of the Group for the year ended 31 March 2016 recorded a significant decrease in profit as compared with the preceding year. It was mainly attributable to the decrease in the gain arising on change in fair value of the Group's investment properties of HK\$39.0 million and an one-off gain on disposal of one of the Group's investment properties of HK\$107.7 million incurred in the preceding year.

Property Investment, Development and Leasing/Hotel Operation

This segment comprises property investment, development and leasing in Hong Kong and China and provision of hotel services in Hong Kong. For the year ended 31 March 2016, this segment recorded revenue of HK\$43.8 million, a decrease of 3.3% as compared with HK\$45.3 million in the preceding year, and the segment result was HK\$19.2 million, a decrease of 11.1% as compared with HK\$21.6 million in the preceding year. Including the gain arising on change in fair value of investment properties of HK\$5.4 million, the profit from operation was HK\$24.6 million, a decrease of 85.8% as compared with HK\$173.6 million in the preceding year.

(i) Property Investment, Development and Leasing

During the year, the Group acquired the whole block of Everglory Centre located at Tsim Sha Tsui, Kowloon, Hong Kong. This acquisition enlarges the investment properties portfolio of the Group and enhances source of rental income.

All of the Group's investment properties were leased out to generate rental income for the Group. For the year ended 31 March 2016, the Group's rental income and rental related income amounted HK\$22.6 million, an increase of 15.3% as compared with HK\$19.6 million in the preceding year. It is attributed by the rental income generated from the newly acquired investment property during the year.

The fair value of investments properties of the Group increased slightly by HK\$5.4 million as compared with the preceding year due to the economic downturn in both Hong Kong and China.

CHAIRMAN'S STATEMENT

(ii) Hotel Operation

For the year ended 31 March 2016, the Group's hotel operation income amounted to HK\$21.2 million, a decrease of 17.5% as compared with HK\$25.7 million in the preceding year. Supporting by the increase of visitor arrivals to Hong Kong from South East Asia, our hotel achieved an occupancy of 88.9%, which decrease slightly as compared with 90.1% in the preceeding year, but it was better than the market average of 86.0%. The shortfall in hotel operation income was due to the significant drop in room rate by 16.6% as compared with the preceding year. The slowdown in the global economic growth, and the strengthening of the United States Dollars against other currencies making shopping and travelling to Hong Kong less appealing, leads to the negative growth in total visitors arrivals.

Manufacturing and Distribution of Plastic Packaging Materials

For the year ended 31 March 2016, this segment recorded a revenue of HK\$420.5 million, a decrease of 4.9% as compared with HK\$442.2 million in the preceding year, and the segment profit was HK\$20.5 million, an increase in 2.3 times as compared with HK\$6.2 million in the preceding year.

The second half of this financial year saw the price of resin slumped to USD1,100/MT affecting our turnover as resin remains a significant part of our costs; however, we were able to minimize the effect with an overall growth in sales volume primarily led by Greater China market.

Our manufacturing business was generally robust as we continued to modernise our manufacturing facilities and adopted innovative technologies to strengthen our productivity and capability.

Our retail business in Mainland China was faced with intense market competition as we continued to protect our existing channels, launched new products and expedited our marketing campaigns on both offline and online to build brand awareness and capture market shares.

Broking and Securities Margin Financing

For the year ended 31 March 2016, this segment recorded brokerage commission of HK\$22.2 million, an increase of 22.7% as compared with HK\$18.1 million in the preceding year, and interest income received from clients of HK\$17.2 million, an increase of 19.4% as compared with HK\$14.4 million in the preceding year. The segment profit was HK\$8.7 million, an increase of 40.3% as compared with HK\$6.2 million in the preceding year.

CHAIRMAN'S STATEMENT

During the first half of the year, the 'Mad Bull' market appeared which boosted the Hang Seng Index to its highest point of 28,589 with the average daily turnover over HK\$150 billion. After sequential measures taken by the China Securities Regulatory Commission to suppress the overwhelming of the stock market, and the foreign investors harvested and withdrawn from the market, Hong Kong stock market dropped by 36% to the lowest point of the financial year of 18,279 on February 2016. Average daily turnover drop to around HK\$50 billion. The low trading volume adversely affected our business in the second half of this financial year.

We have integrated some of our branches and commodities sections to our head office in October this year. It would significantly reduce the rental expenses and provide the flexibility in deploying manpower and sharing in resources and make efficient in control and management.

According to the statistics provided by HKFE, Stockwell Commodities Limited ranks 30th among the 150 futures trading participants.

Strategies and Prospects

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

Property Investment, Development and Leasing

In Hong Kong, the factors of low interest rate environment and limitation of land supply will continue to benefit the local property market. Rental income from the Group's investment properties is expected to remain stable while certain rental leases have been adjusted during contract renewal according to market conditions.

Hotel Operation

The market conditions for the tourist and hotel industry in Hong Kong is expected to be competitive and challenging. Unstable economic and political environment in Hong Kong, the slow down of the pace of economic growth in China, the opening of Disneyland in Shanghai this summer and the increasing supply of boutique hotels are creating uncertainties in the tourist and hotel industry. To maintain competitive, we gear towards mobile bookings to drive for occupancy growth and focus on controlling costs and improving the physical conditions of our hotel for offering the best service to our guests.

CHAIRMAN'S STATEMENT

Manufacturing and Distribution of Plastic Packaging Materials

The global economy in the coming year will be more volatile given that it is the reelection year for many countries coupled with a downturn in China which will have a significant impact on the rest of the world. The Chinese government announced the country's next five-year plan of national economic and social development, set growth targets and defined development blueprint for 2016-20 at the fifth plenary session back in October. However, it is expected that the operating environment will be full of challenges as leaders around the world attempt to revive their own economy with all possible economic and political measures.

Despite the current difficult economic conditions, we will continue to strive for better quality of our products and services and to modernise our manufacturing facilities, automate our workflow to improve operational efficiency and adopt innovative technologies to strengthen our productivity and capability.

As always, we remained committed to strengthen our foothold in the retail business in Mainland China and will allocate more resources to conduct promotional activities, grow our product portfolio and expand our distribution network.

Broking and Securities Margin Financing

Our business is inevitably affected by the external market volatility like the schedule of rise in interest rate by the US Government, fears of the slowdown in worldwide economy, the achievement of "One Belt One Road" initiative, and the boundless bond issued in China.

Despite facing difficult moment of the industry, we continue to enhance our trading platform in order to provide quality services in cope with our long-term strategic plan.

Employees and Remuneration Policies

The Group had 483 employees as at 31 March 2016. Employees were remunerated according to nature of the job and market trend.

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

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

CHAIRMAN'S STATEMENT

Environmental policies

The Group considers the importance of environmental protection affairs and believes business growth and environment protection affairs are highly related. The Group has pursued several policies in its offices, hotel and factory to reduce waste and improve efficient use of resources. It includes installing eco-light bulbs, turning off lighting and air-conditioning when the guest room in hotel is not in use, adopting duplex printing, etc..

Anti-corruption/Anti-money laundering

In order to build up an ethical corporate culture and practices, the Group has established policies and procedures for preventing corruption and anti-money laundering. The Group also adopted a whistle-blowing system and reporting procedures for reporting concerns raised in connection with, inter alia, possible criminal offence and misconduct such as corruption and money-laundering or other matters within the Group.

During the year, no legal case regarding corruption or money laundering was brought against the Group or its employees. As well, no whistle-blowing concerning criminal offence or misconduct was reported.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board members are responsible to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

APPRECIATION

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

Chua Nai Tuen
Chairman

Hong Kong, 3 June 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

Throughout the year ended 31 March 2016, the Company has complied with the CG Code save as disclosed in the paragraph headed “Chairman and Chief Executive Officer”, “Non-Executive Directors” and “Annual General Meeting” below.

DIRECTORS’ SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

(ii) The Operation of the Board

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

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

CORPORATE GOVERNANCE REPORT

(iii) Directors' and Officers' Liability

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

(iv) Directors' Continuous Training and Development

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

NON-EXECUTIVE DIRECTORS

Pursuant to the Code Provision A.4.1, non-executive directors should be appointed for a specific term. Currently, non-executive directors are not appointed for a specific term but they are subject to retirement by rotation under the articles of association of the Company. The deviation is deemed appropriate as the retirement by rotation has given the Company's Shareholders the right to approve or disapprove the continuation of the service of non-executive directors.

ANNUAL GENERAL MEETING

Pursuant to Code Provision A.6.7, independent non-executive directors and non-executive directors, as equal board members, should attend general meeting of the Company. During the year, certain executive director and non-executive directors were unable to attend the annual general meeting of the Company held on 21 August 2015 as they had other business engagements.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

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

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

During the year ended 31 March 2016, the Nomination Committee had convened one meeting during which it had reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company and assessed the independence of all the independent non-executive directors of the Company.

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

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

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

AUDITORS' REMUNERATION

The fees in relation to the audit services provided by external auditors of the Company for the financial year ended 31 March 2016 amounted to HK\$1,672,864.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing corporate governance duties and has adopted written terms of reference on its corporate governance functions.

The duties of the Board in respect of the corporate governance functions include:

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

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

AUDIT COMMITTEE

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

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

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

- (i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors;

CORPORATE GOVERNANCE REPORT

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

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

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

The Company's annual report for the year ended 31 March 2016 has been reviewed by the audit committee. The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The audit committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for the year ended 31 March 2016, which give a true and fair view in accordance with Hong Kong Financial Reporting Standard, Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls and risk management. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout the year and up to the date of this report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control and risk management systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the year, the Board has conducted a review and assessment of the effectiveness of the Company's internal control and risk management systems including financial, operational and compliance controls and risk management, through the Audit Committee. Such review covered the financial, compliance and operational controls as well as risk management mechanisms and assessment was made by discussions with the management of the Company and its external auditors. The Board believes that the existing internal control and risk management systems are adequate and effective.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS

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

SHAREHOLDERS COMMUNICATION POLICY

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

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

Chua Nai Tuen

Chairman and Managing Director

Hong Kong, 3 June 2016

REPORT OF THE DIRECTORS

The directors submit their report and the audited consolidated financial statements for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are investment holding and property investment. The activities of the subsidiaries are set out in note 45 to the consolidated financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated financial statements on pages 33 to 140 of the annual report.

The directors have recommended the payment of a final dividend of HK3 cents per ordinary share of the Company in respect of the year ended 31 March 2016 to all shareholders of the Company whose names appear on the register of members of the Company on 2 September 2016. Subject to the approval of the shareholders at the forthcoming annual general meeting, the payment of the final dividend will be made on or about 30 September 2016.

DONATIONS

Charitable and other donations made by Group amounted to HK\$500,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2016 are provided in the Chairman's Statement of this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 144 of the annual report.

REPORT OF THE DIRECTORS

SHARE ISSUED IN THE YEAR

Details of the shares issued in the year ended 31 March 2016 are set out in note 34 to the consolidated financial statements. No share was issued during the year.

PRINCIPAL PROPERTIES

Details of the properties held for investment, under development and held for own use are set out on page 141 to 143 of the annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2016, calculated under Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$11,971,030 (2015: HK\$16,503,767).

BANK LOANS AND OVERDRAFTS

Particulars of bank loans and overdrafts as at 31 March 2016 are stated in note 31 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

Percentage of purchases attributable to the group's largest supplier	53%
Percentage of purchases attributable to the group's five largest suppliers	82%
Percentage of sales attributable to the group's largest customer	15%
Percentage of sales attributable to the group's five largest customers	44%

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

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

REPORT OF THE DIRECTORS

DIRECTORS

(a) Directors of the Company

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

Executive Directors:

Mr. Chua Nai Tuen (*Chairman and Managing Director*)

Mr. Chua Nai King (*Deputy Chairman*)

Mr. Nelson Junior Chua

Mr. Gilson Chua

Non-executive Directors:

Mr. Chan Man Hon, Eric

Mr. Jimmy Siy Tiong

Mr. Rene Siy Chua

Mr. Samuel Siy Yap

Mr. Tsai Han Yung

Ms. Vivian Chua

Independent Non-executive Directors:

Mr. Chan Siu Ting

Mr. James L. Kwok

Mr. Wong Shek Keung

Mr. Tsui Ka Wah

Mr. Tsai Sui Cheung, Andrew

In accordance with Article 107(A) of the Company's Articles of Association, Mr. Chua Nai King, Mr. Gilson Chua, Ms. Vivian Chua, Mr. Wong Shek Keung, Mr. Tsui Ka Wah and Mr. Tsai Sui Cheung, Andrew shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

None of the directors has a service contract with the Company or its subsidiaries, which is not determinable by the employer within one year without payment of compensation.

REPORT OF THE DIRECTORS

(b) Directors of the company's subsidiaries

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 March 2016, the directors of the Company had the following beneficial interests, all being long positions, in the share capital of the Company, the subsidiaries and associates of the Company:

	Number of shares held				% of the Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
(a) The Company					
(Ordinary shares of HK\$1.00 per share)					
Chua Nai Tuen	2,402,158	-	88,315,045 (Note 1)	-	41.72
Chua Nai King	3,426,155	-	2,814,365 (Note 1)	16,200,246 (Note 2)	10.32

REPORT OF THE DIRECTORS

	Number of shares held				% of the Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Nelson Junior Chua	2,173,800	–	–	–	1.00
Gilson Chua	2,239,031	–	–	–	1.03
Jimmy Siy Tiong	7,029,875	–	–	–	3.23
Rene Siy Chua	9,566,429	2,200	–	–	4.40
Samuel Siy Yap	1,410,678	–	–	–	0.65
Tsai Han Yung	4,976,029	–	–	–	2.29
Vivian Chua	1,000,000	–	–	–	0.46
(b) Nan Sing Plastics Limited					
(Ordinary shares of HK\$100.00 per share)					
Chua Nai Tuen	–	–	6,965	–	4.64
(c) Titan Dragon Properties Corporation					
(Capital stock of Pes1,000.00 per share)					
Chua Nai Tuen	7,200	13,600	4,000 <i>(Note 1)</i>	–	31.00
Jimmy Siy Tiong	1,600	–	–	–	2.00
Rene Siy Chua	6,400	–	–	–	8.00

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

Note 2: The shares regarding ‘Other Interests’ against the name of Mr. Chua Nai King represented an interest comprised in trust properties in which Mr. Chua was taken, under provisions in Part XV of the SFO which are applicable to a director or chief executive of a listed company, to be interested.

REPORT OF THE DIRECTORS

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

- (a) there were no interests, both long and short positions, held as at 31 March 2016 by any of the directors or chief executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), and
- (b) there existed during the financial year no rights to subscribe for shares, underlying shares or debentures of the Company which were held by any of the directors or chief executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than persons who are directors of the Company, which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31 March 2016 as recorded in the register kept by the Company under section 336 of the SFO:

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

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

All the interests stated above represented long positions and as at 31 March 2016, there were no short positions recorded in the said register.

REPORT OF THE DIRECTORS

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to transactions entered into by the Group in the ordinary course of business and on an arm’s length basis. Details are set out in note 44 to the consolidated financial statements.

DIRECTORS’ INTERESTS IN CONTRACTS

During the year, consultancy fees of HK\$500,228 and HK\$984,000 were paid by the Group to Sonliet Investment and Tonwell Investment Company (Hong Kong) Limited (“Tonwell”) in which Mr. Chua Nai Tuen is the controlling shareholder and the director of Sonliet Investment while Mr. Chua Nai King is the controlling shareholder and the director of Tonwell.

During the year, a tenancy agreement was made on arm’s length basis in connection with the leasing of a premises owned by Sonliet Realty Company Limited, a company controlled by Mr. Chua Nai Tuen, to Nan Sing Warehouse Limited, a subsidiary of the Company. The total amount of rental paid by the Group during the year was HK\$1,155,111.

During the year, there was unsecured financial assistance provided from Sonliet Investment on an arm’s length basis. The total amount of interests paid by the Group during the year was HK\$19,678.

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

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

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISIONS

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 March 2016.

REPORT OF THE DIRECTORS

AUDITORS

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

On behalf of the Board
Chua Nai Tuen
Managing Director

Hong Kong, 3 June 2016

INDEPENDENT AUDITORS' REPORT



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

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

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

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Southeast Asia Properties & Finance Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 33 to 140, which comprise the consolidated statement of financial position at 31 March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY (Cont'd)

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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of the 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 of the Company, 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.

OPINION

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

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Yu Chi Fat

Practising Certificate Number: P05467

Hong Kong, 3 June 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016 (in HK Dollars)

	Notes	2016	2015
Revenue	7	505,012,541	522,171,598
Cost of sales		(393,521,579)	(419,735,613)
Gross profit		111,490,962	102,435,985
Other revenue and other income	8	7,149,812	7,000,545
Gain on disposal of investment property		–	107,714,185
Gain arising on change in fair value of investment properties		5,370,771	44,358,065
(Loss) gain arising on change in fair value of financial assets at fair value through profit or loss		(2,179,222)	1,130,186
Selling and distribution expenses		(9,239,984)	(9,215,317)
Administrative expenses		(57,932,178)	(65,999,417)
Other operating expenses		(854,216)	(1,329,389)
Profit from operations	9	53,805,945	186,094,843
Items reclassified from consolidated statement of comprehensive income:			
Impairment loss recognised in respect of available-for-sale financial assets		(6,425,279)	(10,321,028)
Cumulative gain arising on change in fair value of disposed available-for-sale financial assets		1,091,633	–
Finance costs	10	(7,834,407)	(5,891,357)
Share of results of associates		1,715,190	1,769,988
Profit before tax		42,353,082	171,652,446
Income tax expense	11	(4,322,296)	(5,281,112)
Profit for the year		38,030,786	166,371,334
Profit for the year attributable to:			
Owners of the Company		37,168,950	161,311,725
Non-controlling interests		861,836	5,059,609
		38,030,786	166,371,334
Earnings per share			
Basic and diluted (HK cents)	14	17.1	74.2

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016 (in HK Dollars)

	2016	2015
Profit for the year	38,030,786	166,371,334
Other comprehensive (loss) income		
Item that will not be reclassified subsequently to consolidated income statement:		
Increase in carrying amount of a property transferred from an owned-occupied to investment property	2,200,458	–
Items that may be reclassified subsequently to consolidated income statement:		
Loss arising on change in fair value of available-for-sale financial assets	(5,481,146)	(4,188,693)
Exchange differences on translation foreign operations	(9,127,614)	157,230
Items reclassified to consolidated income statement:		
Impairment loss recognised in respect of available-for-sale financial assets	6,425,279	10,321,028
Cumulative gains arising on change in fair value of disposed available-for-sale financial assets	(1,091,633)	–
Other comprehensive (loss) income for the year	(7,074,656)	6,289,565
Total comprehensive income for the year	<u>30,956,130</u>	<u>172,660,899</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	29,406,134	167,598,975
Non-controlling interests	1,549,996	5,061,924
	<u>30,956,130</u>	<u>172,660,899</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016 (in HK Dollars)

	<i>Notes</i>	2016	2015
Non-current assets			
Investment properties	15	932,155,668	620,717,335
Property, plant and equipment	16	191,346,807	152,540,456
Leasehold land and land use right	17	15,890,009	15,428,593
Interests in associates	19	81,592,537	78,262,495
Available-for-sale financial assets	20	17,276,256	27,421,084
Intangible assets	21	3,702,706	3,702,706
Deferred tax assets	33	1,402,126	–
Other assets	22	2,928,094	3,026,691
		1,246,294,203	901,099,360
Current assets			
Inventories	23	59,032,659	73,115,686
Trade and other receivables	24	158,019,353	387,365,427
Financial assets at fair value through profit or loss	25	5,485,293	7,385,190
Loan receivable	26	19,000,000	19,000,000
Deposits and prepayments		7,550,205	4,711,616
Prepaid tax		2,812,125	300,956
Restricted cash	27	4,100,000	4,100,000
Trust accounts of shares dealing clients	28	104,776,670	101,447,297
Cash and cash equivalents	29	81,359,380	101,047,584
		442,135,685	698,473,756
Current liabilities			
Amount due to an associate	19	478,907	2,055,580
Trade and other payables	30	160,263,490	159,308,187
Bank loans and overdrafts	31	106,143,788	192,420,519
Tax payable		1,639,160	2,344,106
		268,525,345	356,128,392
Net current assets		173,610,340	342,345,364
Total assets less current liabilities		1,419,904,543	1,243,444,724

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016 (in HK Dollars)

	<i>Notes</i>	2016	2015
Non-current liabilities			
Bank loans	31	243,387,421	96,415,614
Amounts due to non-controlling interests	32	2,960,000	2,935,000
Deferred tax liabilities	33	6,980,708	2,333,667
		253,328,129	101,684,281
Net assets		1,166,576,414	1,141,760,443
Capital and reserves			
Share capital	34	217,418,850	217,418,850
Reserves		929,937,402	907,053,833
Total equity attributable to owners of the Company		1,147,356,252	1,124,472,683
Non-controlling interests		19,220,162	17,287,760
Total equity		1,166,576,414	1,141,760,443

The consolidated financial statements were approved and authorised for issue by the board of directors on 3 June 2016 and are signed on its behalf by:

Chua Nai Tuen
Director

Nelson Junior Chua
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016 (in HK Dollars)

	Attributable to owners of the Company							Total
	Share capital	Property revaluation reserve (Note a)	Exchange reserve (Note b)	Available-for-sale financial assets revaluation reserve (Note c)	Retained earnings	Subtotal	Non-controlling interests	
At 1 April 2014	217,418,850	3,178,526	52,307,597	(5,833,335)	750,679,349	1,017,750,987	15,011,836	1,032,762,823
Profit for the year	-	-	-	-	161,311,725	161,311,725	5,059,609	166,371,334
Other comprehensive income for the year	-	-	154,915	6,132,335	-	6,287,250	2,315	6,289,565
Total comprehensive income for the year	-	-	154,915	6,132,335	161,311,725	167,598,975	5,061,924	172,660,899
Dividend paid (note 13)	-	-	-	-	(60,877,279)	(60,877,279)	-	(60,877,279)
Dividend paid to non-controlling interest	-	-	-	-	-	-	(2,786,000)	(2,786,000)
At 31 March 2015 and at 1 April 2015	217,418,850	3,178,526	52,462,512	299,000	851,113,795	1,124,472,683	17,287,760	1,141,760,443
Profit for the year	-	-	-	-	37,168,950	37,168,950	861,836	38,030,786
Other comprehensive (loss) income for the year	-	1,100,229	(8,715,545)	(147,500)	-	(7,762,816)	688,160	(7,074,656)
Total comprehensive (loss) income for the year	-	1,100,229	(8,715,545)	(147,500)	37,168,950	29,406,134	1,549,996	30,956,130
Non-controlling interests written off upon deregistration of subsidiary	-	-	-	-	-	-	(2,262)	(2,262)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(5)	(5)
Capital contribution from non-controlling interest	-	-	-	-	-	-	384,673	384,673
Dividend paid (note 13)	-	-	-	-	(6,522,565)	(6,522,565)	-	(6,522,565)
At 31 March 2016	217,418,850	4,278,755	43,746,967	151,500	881,760,180	1,147,356,252	19,220,162	1,166,576,414

Notes:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016 (in HK Dollars)

	<i>Notes</i>	2016	2015
Cash generated from (used in) operations	38	296,606,793	(58,486,635)
Profit tax paid		(8,580,093)	(6,028,513)
Net cash generated from (used in) operating activities		288,026,700	(64,515,148)
Cash flows from investing activities			
Interest received		2,203,293	2,112,402
Dividend received from listed equity securities		1,383,365	1,640,265
Dividend received from unlisted equity securities		28,763	525,000
Refund of contribution to the compensation fund for the Stock Exchange		198,706	156,553
Advances to associates		(1,614,852)	(1,714,608)
(Contribution paid for) refund of admission fee and guarantee fund to Hong Kong Securities Clearing Company Limited		(100,109)	544,601
Purchase of available-for-sale financial assets		(5,174,667)	–
Net proceeds from disposal of available-for-sale financial assets		9,838,349	–
Purchases of property, plant and equipment		(9,743,592)	(2,108,483)
Additions to investment properties		(5,283,922)	(78,801,310)
Purchases of leasehold land and land use right		(1,673,391)	(788,928)
Net cash outflow for acquisition of assets through acquisition of a subsidiary		(337,617,704)	–
Net proceeds from disposal of investment property		–	377,714,185
Proceeds from disposal of property, plant and equipment		16,693	4,758
Net cash (used in) generated from investing activities		(347,539,068)	299,284,435

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016 (in HK Dollars)

<i>Notes</i>	2016	2015
Cash flows from financing activities		
Dividend paid	(6,522,565)	(60,877,279)
Dividend paid to non-controlling interests	–	(2,786,000)
Interest paid	(7,660,710)	(5,476,346)
Other finance costs paid	(600,234)	(415,011)
New bank loans raised	588,830,234	410,371,095
Repayment of bank loans	(508,799,867)	(515,598,292)
Capital contribution by non-controlling interests	384,673	–
Acquisition of additional interest in a subsidiary	(5)	–
Advance from non-controlling interests	25,000	–
Net cash generated from (used in) financing activities	65,656,526	(174,781,833)
Net increase in cash and cash equivalents	6,144,158	59,987,454
Cash and cash equivalents at the beginning of the reporting period	81,712,293	21,698,688
Effect of foreign exchange rate changes, net	(6,497,071)	26,151
Cash and cash equivalents at the end of the reporting period	81,359,380	81,712,293
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents	29 81,359,380	101,047,584
Bank overdrafts	31 –	(19,335,291)
	81,359,380	81,712,293

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

I. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in investment holding, property investment, development and leasing, hotel operation, manufacturing and distribution of plastic packaging materials and broking and securities margin financing during the year.

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

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

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning from 1 April 2015. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the new and revised HKFRSs in the current years has had no significant impact on the Group’s financial performance and financial positions for the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

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

HKAS 1 (Amendments)	Disclosure Initiative ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
HKFRS 9	Financial Instruments ³
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴

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

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁵ Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs would be in the period of initial application, but not yet in a position to state whether these new and revised HKFRSs would have a material impact on the Group’s financial performance and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.2 Basis of preparation (Cont'd)

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.

3.3 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 over the investee to affect the amount of its returns.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.3 Basis of consolidation (Cont'd)

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.3 Basis of consolidation (Cont'd)

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.

3.4 Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.4 Business combinations (Cont'd)

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; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.4 Business combinations (Cont'd)

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 interests were disposed of.

3.5 Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.5 Interests in associates (Cont'd)

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

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 retained earnings (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. There is no remeasurement to fair value upon such changes in ownership interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.5 Interests in associates (Cont'd)

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, 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.

3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any and is presented separately in the consolidated statement of the financial position.

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

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of the reporting period. If the recoverable amount of the CGU 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 CGU, the attributable amount of goodwill is included in the determination of the amount of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are initially measured at cost, including any directly attributable expenditure. 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 for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from 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.

An investment property is transferred at fair value to property, plant and equipment when the property, begins to be occupied by the owner. Gain or loss arising from change in fair value of the investment property upon the transfer is included in profit or loss.

3.8 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.8 Property, plant and equipment (Cont'd)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Property transferred from investment property is stated at deemed cost, which is equal to its fair value at the date of change in use.

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.9 Leasehold land and land use right

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as leasehold land and land use right in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. 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.

3.10 Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.10 Intangible assets (Cont'd)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.11 Impairment of tangible and intangible assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

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

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

3.12 Inventories

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

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

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset classified as held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at financial assets at fair value through profit or loss 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 financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments (Cont'd)

Financial assets (Cont'd)

Financial assets at fair value through profit or loss (Cont'd)

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 4 to the consolidated financial statements.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale 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 available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial assets revaluation reserve is reclassified to profit or loss.

Dividend on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments (Cont'd)

Financial assets (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including amounts due from associates, trade and other receivables, deposits paid, loan receivables, restricted cash, trust accounts of shares dealing clients and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses.

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

Impairment of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

In respect of available-for-sale 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 available-for-sale financial assets revaluation reserve. In respect of available-for-sale 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 financial liabilities or equity

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial guarantee contracts

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

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

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

Other financial liabilities

Other financial liabilities (including amount due to an associate, trade and other payables (excluding receipt in advance), bank loans and overdrafts and amounts due to non-controlling interests) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments (Cont'd)

Derecognition

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.14 Financial instruments (Cont'd)

Offsetting financial instrument

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

3.15 Revenue recognition

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

- Revenue from sales of goods is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.
- Rental income is recognised over the periods of the respective leases on a straight-line basis.
- Revenue from hotel operation is recognised upon the provision of the accommodation services has been rendered.
- Brokerage fee is recognised when the relevant contract note is made and properly executed.
- Dividend income from unlisted equity securities is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed equity securities is recognised when the share price of the investment goes ex-dividend.
- Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.16 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated income statement because it excludes 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 the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.16 Taxation (Cont'd)

Deferred tax (Cont'd)

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

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

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

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

Current and deferred tax for the year

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.17 Leasing

Leases are classified as finance leases whenever the terms of the leases 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.

The Group as lessee

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.18 Translation of foreign currency

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

Exchange differences 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 translations entered into in order to hedge certain foreign currency risks; 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 dollar) 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 exchange reserve (attributed to non-controlling interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.19 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 the consolidated income statement in the period in which they are incurred.

3.20 Provisions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.21 Contingent liabilities and contingent assets

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

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

3.22 Employee benefits

Short term employee benefits

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

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.22 Employee benefits (Cont'd)

Retirement benefit obligations

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.23 Segment reporting

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

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

3.24 Related parties

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

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

3.24 Related parties (Cont'd)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016	2015
Financial assets		
Financial assets at fair value		
through profit or loss	5,485,293	7,385,190
Available-for-sale financial assets	17,276,256	27,421,084
Loans and receivables	403,870,479	648,402,717
	<u>426,632,028</u>	<u>683,208,991</u>
Financial liabilities		
Amortised cost	512,652,661	453,134,900

The Group's major financial instruments include financial assets at fair value through profit or loss, available-for-sale financial assets, amounts due from associates, trade and other receivables, loan receivable, deposits paid, restricted cash, trust accounts of shares dealing clients, cash and cash equivalents, amount due to an associate, trade and other payables (excluding receipt in advance), bank loans and overdrafts and amounts due to non-controlling interests.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS (Cont'd)

(b) Financial risk management objectives and policies

Market risk

(i) *Foreign exchange risk*

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

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

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

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

(ii) *Interest rate risk*

The Group is exposed to interest rate risk related primarily to variable rate borrowings (see note 31 to the consolidated financial statements for the details of bank loans and overdrafts). The Group’s income and operating cash flow are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2015: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2015: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2016 would decrease/increase by HK\$729,646 (2015: decrease/increase by HK\$602,945) respectively. This is mainly attributable to the Group's interest rates on its variable rate on bank loans and overdrafts.

(iii) Equity price risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(iii) Equity price risk (Cont'd)

Sensitivity analysis

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

	2016 Effect on post-tax profit for the year	2015 Effect on post-tax profit for the year	2016 Effect on equity	2015 Effect on equity
10% increase (decrease) in market price of listed equity securities	<u>458,022</u>	<u>616,663</u>	<u>1,599,516</u>	<u>2,613,998</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, loan receivable, restricted cash, trust accounts of shares dealing clients and cash and cash equivalents. At 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

At 31 March 2016, the Group had loan receivable due from single borrower. The directors of the Company considered the credit risk is limited since the Group only provides loan to borrower with an appropriate credit history and good reputation. The directors of the Company monitored the financial background and creditability of borrower on an ongoing basis.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk (Cont'd)

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

The Group deposited its restricted cash, trust accounts of shares dealing clients and cash and cash equivalents with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. The directors of the Company monitor the credit rating of these banks on an ongoing basis, and consider that the Group's exposure to credit risk at 31 March 2016 and 31 March 2015 were minimal.

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

Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

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

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount at the end of the reporting period
2016						
Amount due to an associate	478,907	-	-	-	478,907	478,907
Trade and other payables	159,682,545	-	-	-	159,682,545	159,682,545
Amounts due to non-controlling interests	-	-	2,960,000	-	2,960,000	2,960,000
Bank loans and overdrafts	107,732,556	22,004,673	181,089,310	46,937,647	357,764,186	349,531,209
	<u>267,894,008</u>	<u>22,004,673</u>	<u>184,049,310</u>	<u>46,937,647</u>	<u>520,885,638</u>	<u>512,652,661</u>
2015						
Amount due to an associate	2,055,580	-	-	-	2,055,580	2,055,580
Trade and other payables	159,308,187	-	-	-	159,308,187	159,308,187
Amounts due to non-controlling interests	-	2,935,000	-	-	2,935,000	2,935,000
Bank loans and overdrafts	195,022,663	11,415,948	33,290,620	54,032,904	293,762,135	288,836,133
	<u>356,386,430</u>	<u>14,350,948</u>	<u>33,290,620</u>	<u>54,032,904</u>	<u>458,060,902</u>	<u>453,134,900</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS (Cont'd)

(c) Fair value of financial instruments

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

4. FINANCIAL INSTRUMENTS (Cont'd)

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

	Level 1	Level 2	Level 3	Total
2016				
Financial assets				
<i>Fair value on a recurring basis</i>				
Available-for-sale financial assets:				
– Listed equity securities	15,995,156	–	–	15,995,156
Financial assets at fair value through profit or loss:				
– Listed equity securities held for trading	5,485,293	–	–	5,485,293
	<u>21,480,449</u>	<u>–</u>	<u>–</u>	<u>21,480,449</u>
2015				
Financial assets				
<i>Fair value on a recurring basis</i>				
Available-for-sale financial assets:				
– Listed equity securities	26,139,984	–	–	26,139,984
Financial assets at fair value through profit or loss:				
– Listed equity securities held for trading	7,385,190	–	–	7,385,190
	<u>33,525,174</u>	<u>–</u>	<u>–</u>	<u>33,525,174</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, 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 financial statements.

Deferred tax on investment properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

Critical judgements in applying accounting policies (Cont'd)

Impairment of available-for-sale financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

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.

Impairment of intangible assets

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

Impairment loss on trade and other receivables and loan receivable

The policy for impairment loss on trade and other receivables and loan receivable of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

Income tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

Key sources of estimation uncertainty (Cont'd)

Assessment of economic useful lives of fixed assets

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

Net realisable value of inventories

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

Valuation of investment properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

6. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

6. SEGMENT INFORMATION (Cont'd)

I) Segment revenue and results

	Property investment, development and leasing/hotel operation		Manufacturing and distribution of plastic packaging materials		Broking and securities margin financing		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenue	43,840,999	45,326,432	420,461,770	442,179,293	40,709,772	34,665,873	505,012,541	522,171,598
Segment results	19,218,702	21,574,980	20,517,780	6,215,758	8,698,692	6,231,855	48,435,174	34,022,593
Gain arising on change in fair value of investment properties	5,370,771	44,358,065	-	-	-	-	5,370,771	44,358,065
Gain on disposal of investment property	-	107,714,185	-	-	-	-	-	107,714,185
Profit from operations	24,589,473	173,647,230	20,517,780	6,215,758	8,698,692	6,231,855	53,805,945	186,094,843
Impairment loss recognised in respect of available-for-sale financial assets							(6,425,279)	(10,321,028)
Cumulative gain arising on change in fair value of disposed available-for sale financial assets							1,091,633	-
Unallocated finance costs							(7,834,407)	(5,891,357)
Share of results of associates							1,715,190	1,769,988
Profit before tax							42,353,082	171,652,446
Unallocated income tax expense							(4,322,296)	(5,281,112)
Profit for the year							38,030,786	166,371,334

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

Segment results represent the profit generated by each segment without allocation of impairment loss recognised in respect of available-for-sale finance assets, cumulative gain arising on change in fair value of disposed available-for-sale financial assets, finance costs, share of results of associates and income tax expense. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

6. SEGMENT INFORMATION (Cont'd)

II) Segment assets and liabilities

	Property investment, development and leasing/hotel operation		Manufacturing and distribution of plastic packaging materials		Broking and securities margin financing		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Reportable segment assets	<u>1,077,873,528</u>	<u>727,431,611</u>	<u>260,100,542</u>	<u>301,670,525</u>	<u>264,649,030</u>	<u>464,486,445</u>	<u>1,602,623,100</u>	<u>1,493,588,581</u>
Unallocated corporate assets							<u>85,806,788</u>	<u>105,984,535</u>
Total assets							<u>1,688,429,888</u>	<u>1,599,573,116</u>
Liabilities								
Reportable segment liabilities	<u>15,839,424</u>	<u>13,329,407</u>	<u>29,489,736</u>	<u>25,911,522</u>	<u>117,894,330</u>	<u>123,002,258</u>	<u>163,223,490</u>	<u>162,243,187</u>
Unallocated corporate liabilities							<u>358,629,984</u>	<u>295,569,486</u>
Total liabilities							<u>521,853,474</u>	<u>457,812,673</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

6. SEGMENT INFORMATION (Cont'd)

III) Other segment information

	Property investment, development and leasing/hotel operation		Manufacturing and distribution of plastic packaging materials		Broking and securities margin financing		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Amounts included in the measure of segment results or segment assets:								
Additions to non-current assets (Note)	350,238,878	79,848,282	8,848,637	1,575,984	1,794,030	274,455	360,881,545	81,698,721
Amortisation of leasehold land and land use right	23,085	23,085	495,321	452,718	-	-	518,406	475,803
Depreciation of property, plant and equipment	5,123,606	4,353,510	7,004,682	7,117,928	321,062	539,991	12,449,350	12,011,429
Gain arising on change in fair value of investment properties	5,370,771	44,358,065	-	-	-	-	5,370,771	44,358,065
Gain on disposal of investment property	-	107,714,185	-	-	-	-	-	107,714,185
Impairment loss recognised in respect of trade receivables	-	-	-	1,179,481	-	30,868	-	1,210,349
Loss on disposal of property, plant and equipment	-	62,091	19,137	-	349,389	5,105	368,526	67,196
Amount regularly provided to the CODM but not included in the measure of segment results or segment assets:								
Impairment loss recognised in respect of available-for-sale financial assets	-	-	-	-	-	-	6,425,279	10,321,028
Cumulative gains arising on change in fair value of disposed of available-for-sale financial assets	-	-	-	-	-	-	1,091,633	-
Interests in associates	-	-	-	-	-	-	81,592,537	78,262,495
Finance costs	-	-	-	-	-	-	7,834,407	5,891,357
Income tax expense	-	-	-	-	-	-	4,322,296	5,281,112
Share of results of associates	-	-	-	-	-	-	1,715,190	1,769,988

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

6. SEGMENT INFORMATION (Cont'd)

IV) Geographical segment

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

	Revenue from external customer	
	2016	2015
Hong Kong	229,073,938	166,983,108
North America	32,128,100	38,404,089
Oceania	30,098,018	30,406,126
Europe	41,939,164	46,134,484
PRC	112,651,439	173,647,000
Other asian countries	59,121,882	66,596,791
	505,012,541	522,171,598

	Non-current assets (Note)	
	2016	2015
Hong Kong	1,098,020,387	745,108,014
PRC	98,924,698	99,514,379
	1,196,945,085	844,622,393

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

6. SEGMENT INFORMATION (Cont'd)

V) Information about major customers

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

	2016	2015
Manufacturing and distribution of plastic packaging materials		
Customer A	N/A	56,502,800
Customer B	N/A	100,932,332
Customer C	75,257,165	N/A

Revenue derived from Customer A and B did not contribute over 10% of the Group's revenue during the year ended 31 March 2016. Revenue derived from Customer C did not contribute over 10% of the Group's revenue during the year ended 31 March 2015.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

7. REVENUE

	2016	2015
Sale of goods	420,461,770	442,179,293
Rental income and rental related income	22,607,613	19,593,558
Brokerage fee	22,214,250	18,061,194
Interest income received from client	17,244,273	14,389,655
Hotel operation income	21,233,386	25,732,874
Dividend income from listed equity securities	1,222,486	1,690,024
Dividend income from unlisted equity securities	28,763	525,000
	<u>505,012,541</u>	<u>522,171,598</u>

8. OTHER REVENUE AND OTHER INCOME

	2016	2015
Interest income	2,203,261	2,116,783
Other income (<i>Note</i>)	4,940,551	4,856,001
Reversal of impairment loss recognised in respect of trade receivables	6,000	27,761
	<u>7,149,812</u>	<u>7,000,545</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

9. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2016	2015
Amortisation of leasehold land and land use right	518,406	475,803
Auditors' remuneration		
– Audit service	1,419,864	810,870
– Non-audit service	253,000	202,088
	1,672,864	1,012,958
Cost of inventories sold	326,497,999	360,566,691
Depreciation of property, plant and equipment	12,449,350	12,011,429
Direct operating expenses for generating rental income and rental related income	1,616,927	130,696
Exchange loss	456,439	1,189,281
Impairment loss recognised in respect of trade receivables	–	1,210,349
Loss on disposal of property plant and equipment	368,526	67,196
Operating lease rental in respect of office premises	2,997,227	4,195,894
Staff costs (including directors' remuneration):		
– Salaries, wages and allowances	53,255,175	50,112,068
– Staff benefits	2,471,008	3,278,478
– Retirement benefit schemes contributions	952,825	871,154
	56,679,008	54,261,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

10. FINANCE COSTS

	2016	2015
Interest expenses on:		
Bank loans and overdraft	7,205,080	5,260,620
Amounts due to related companies	19,678	209,413
Other borrowings	9,415	6,313
Bank charges	600,234	415,011
	<u>7,834,407</u>	<u>5,891,357</u>

11. INCOME TAX EXPENSE

	2016	2015
Current tax:		
Provision for the year	4,917,279	5,276,348
Under provision in prior years	448,398	–
Deferred tax (credit) charge (<i>note 33</i>)	(1,043,381)	4,764
	<u>4,322,296</u>	<u>5,281,112</u>

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

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

No provision for the PRC Enterprise Income Tax has been made for both years as taxable profits were wholly absorbed by tax losses brought forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

II. INCOME TAX EXPENSE (Cont'd)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the domestic income tax rate applicable to the consolidated entities as follows:

	2016	2015
Profit before tax	42,353,082	171,652,446
Tax at domestic income tax rate	8,367,147	27,507,660
Tax effect of:		
Expenses not deductible for tax purpose	3,539,336	3,809,927
Accelerated accounting depreciation over (under) tax depreciation	129,130	(738,042)
Income not taxable for tax purpose	(3,130,407)	(26,555,221)
Under provision in prior years	448,398	–
Current year's tax losses not recognised	804,542	4,071,957
Share of results of associates	(283,006)	(292,048)
Previous tax losses utilised	(5,552,844)	(2,523,121)
Income tax expense for the year	4,322,296	5,281,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The remuneration paid or payable to each of the 15 (2015: 15) directors for the year ended 31 March 2016.

Directors' and chief executive's emoluments disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

Name of directors	Salary and other benefits	Director fees	Retirement benefit schemes	Total
2015				
<i>Executive directors</i>				
Chua Nai Tuen	3,008,110	65,000	13,969	3,087,079
Chua Nai King	984,000	30,000	–	1,014,000
Nelson Junior Chua	608,130	30,000	17,500	655,630
Gilson Chua	680,479	30,000	17,500	727,979
<i>Non-executive directors</i>				
Chan Man Hon, Eric	–	40,000	–	40,000
Jimmy Siy Tiong	–	30,000	–	30,000
Rene Siy Chua	–	30,000	–	30,000
Tsai Han Yung	–	40,000	–	40,000
Samuel Siy Yap	–	30,000	–	30,000
Vivian Chua	443,917	30,000	17,500	491,417
<i>Independent non-executive directors</i>				
Chan Siu Ting	–	55,000	–	55,000
James L. Kwok	–	50,000	–	50,000
Wong Shek Keung	–	55,000	–	55,000
Tsui Ka Wah	–	50,000	–	50,000
Tsai Sui Cheung, Andrew	–	50,000	–	50,000
	<u>5,724,636</u>	<u>615,000</u>	<u>66,469</u>	<u>6,406,105</u>

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

During the year, the Group had provided a staff quarter to Mr. Chua Nai Tuen with the amount of HK\$1,907,980 (2015: HK\$1,909,980) and included in salary and other benefits.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

Directors' material interests in transactions, arrangements or contracts

During the year ended 31 March 2016, consultancy fees of HK\$500,228 (2015: HK\$818,755) and HK\$984,000 (2015: HK\$984,000) were paid by the Group to Sonliet Investment Company Limited ("Sonliet Investment") and Tonwell Investment Company (Hong Kong) Limited ("Tonwell") in which Mr. Chua Nai Tuen is the controlling shareholder and the director of Sonliet Investment while Mr. Chua Nai King is the controlling shareholder and the director of Tonwell, respectively.

During the year ended 31 March 2016, a tenancy agreement was made on arm's length basis in connection with the leasing of a premises owned by Sonliet Realty Company Limited, a company controlled by Mr. Chua Nai Tuen, to Nan Sing Warehouse Limited, a subsidiary of the Company, and the total amount of rental paid by the Group during the year ended 31 March 2016 was HK\$1,155,111 (2015: HK\$926,076).

During the years ended 31 March 2016 and 2015, there were unsecured financial assistance provided from Sonliet Investment and Tritex Global Export Limited in which Mr. Chua Nai Tuen had controlling interest in these companies on an arm's length basis. The total amount of interests paid by the Group during the years ended 31 March 2016 and 2015 were HK\$19,678 and HK\$209,413, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

12. DIRECTORS' AND SENIOR MANAGERMENTS' EMOLUMENTS (Cont'd)

Five highest paid employees

The five highest paid employees of the Group during the year included three (2015: three) directors, details of whose remuneration are disclosed above. The remuneration of the other two (2015: two) employees disclosed were as follows:

	2016	2015
Salaries and other allowances	1,897,817	1,607,089
Retirement benefit schemes	36,000	34,725
	<u>1,933,817</u>	<u>1,641,814</u>

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

	2016 Number of employees	2015 Number of employees
Nil – HK\$1,000,000	<u>2</u>	<u>2</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

Senior management's (excluding directors) emoluments by band

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

	Number of individual 2016	Number of individual 2015
Nil – HK\$1,000,000	4	4

13. DIVIDENDS

	2016	2015
Dividends recognised as distribution during the year		
– 2015 final dividend – HK3 cents (2015: 2014 final dividend HK3 cents) per ordinary share	6,522,565	6,522,565
– Special dividend – Nil (2015: HK25 cents) per ordinary share	–	54,354,714
	6,522,565	60,877,279

The Board has recommended the payment of a final dividend of HK3 cents per ordinary share (2015: HK3 cents per ordinary share) in respect of the year ended 31 March 2016 to all shareholders of the Company whose name appear on the register of members of the Company on 2 September 2016. Subject to the approval of shareholders at the forthcoming annual general meeting, the payment of the final dividend will be made on or about 30 September 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on profit attributable to owners of the Company of HK\$37,168,950 (2015: HK\$161,311,725) and on the weighted average number of 217,418,850 (2015: 217,418,850) ordinary shares in issue during the year.

The diluted earnings per share for the years ended 31 March 2016 and 2015 was the same as basic earnings per share as there was no potential outstanding shares for the years.

15. INVESTMENT PROPERTIES

Fair value

At 1 April 2014	767,557,960
Addition	78,801,310
Disposal	(270,000,000)
Gain arising on change in fair value	44,358,065
	<hr/>
At 31 March 2015 and at 1 April 2015	620,717,335
Addition	5,283,922
Acquisition through acquisition of a subsidiary (note 36)	344,180,640
Transferred from property, plant and equipment (note 16)	11,022,542
Increase in carrying amount of the investment property transferred from property, plant and equipment	2,200,458
Transferred to property, plant and equipment (note 16)	(56,620,000)
Gain arising on change in fair value	5,370,771
	<hr/>
At 31 March 2016	932,155,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

15. INVESTMENT PROPERTIES (Cont'd)

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

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

The Group's investment properties with carrying amounts of HK\$478,650,000 (2015: HK\$526,460,000) have been pledged to secure general banking facilities granted to the Group (see note 42 to the consolidated financial statements).

The carrying amounts of investment properties shown above comprises:

	2016	2015
Inside Hong Kong, held under medium – term lease	816,000,000	526,460,000
Inside Hong Kong, held under long – term lease	110,650,000	89,320,000
Outside Hong Kong, held under medium – term lease	5,505,668	4,937,335
	<u>932,155,668</u>	<u>620,717,335</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings		Construction in progress	Plant and machinery	Furniture, fixtures and equipment	Motor vehicle	Total
	Medium and long-term lease in Hong Kong	Medium term lease in the PRC					
Cost							
At 1 April 2014	103,314,554	102,308,880	2,066,771	154,242,196	33,112,928	6,569,125	401,614,454
Additions	-	281,839	-	382,310	499,523	944,811	2,108,483
Transfer to leasehold land and land use right	-	-	(2,066,771)	-	-	-	(2,066,771)
Disposals and written off	-	-	-	(9,221,014)	(4,313,324)	(490,849)	(14,025,187)
Exchange alignments	-	85,661	-	91,005	47,055	3,143	226,864
At 31 March 2015 and at 1 April 2015	103,314,554	102,676,380	-	145,494,497	29,346,182	7,026,230	387,857,843
Additions	-	3,794,428	-	1,778,025	3,609,504	561,635	9,743,592
Transfer from investment property	56,620,000	-	-	-	-	-	56,620,000
Transfer to investment property	(12,300,001)	-	-	-	-	-	(12,300,001)
Disposals and written off	-	-	-	(143,781)	(965,585)	(381,244)	(1,490,610)
Exchange alignments	-	(5,261,401)	-	(12,613,050)	(911,723)	(220,366)	(19,006,540)
At 31 March 2016	147,634,553	101,209,407	-	134,515,691	31,078,378	6,986,255	421,424,284
Accumulated depreciation and impairment							
At 1 April 2014	32,854,098	38,702,682	-	135,094,160	25,333,576	5,136,418	237,120,934
Charge for the year	3,410,302	2,435,396	-	3,863,894	1,834,435	467,402	12,011,429
Written back on disposals	-	-	-	(9,221,014)	(4,241,369)	(490,850)	(13,953,233)
Exchange alignments	-	32,765	-	83,245	19,385	2,862	138,257
At 31 March 2015 and at 1 April 2015	36,264,400	41,170,843	-	129,820,285	22,946,027	5,115,832	235,317,387
Charge for the year	4,262,738	2,476,051	-	3,477,367	1,625,192	608,002	12,449,350
Disposals and written off	-	-	-	(108,861)	(616,196)	(381,244)	(1,106,301)
Transfer to investment property	(1,277,459)	-	-	-	-	-	(1,277,459)
Exchange alignments	-	(2,329,483)	-	(12,018,122)	(756,355)	(201,540)	(15,305,500)
At 31 March 2016	39,249,679	41,317,411	-	121,170,669	23,198,668	5,141,050	230,077,477
Carrying amounts							
At 31 March 2016	108,384,874	59,891,996	-	13,345,022	7,879,710	1,845,205	191,346,807
At 31 March 2015	67,050,154	61,505,537	-	15,674,212	6,400,155	1,910,398	152,540,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

At 31 March 2015, long-term lease buildings of Hong Kong HK\$11,227,541 is included in buildings show as medium and long-term lease.

The Group's buildings with carrying amounts of HK\$108,384,874 (2015: HK\$67,050,154) have been pledged to secure general banking facilities granted to the Group (see note 42 to the consolidated financial statement).

17. LEASEHOLD LAND AND LAND USE RIGHT

Cost

At 1 April 2014	19,373,172
Additions	788,928
Transfer from property, plant and equipment	2,066,771
Exchange alignment	12,464
	<hr/>
At 31 March 2015 and at 1 April 2015	22,241,335
Additions	1,673,391
Exchange alignment	(1,012,686)
	<hr/>
At 31 March 2016	22,902,040
	<hr/>
Accumulated amortisation	
At 1 April 2014	6,332,355
Charge for the year	475,803
Exchange alignment	4,584
	<hr/>
At 31 March 2015 and at 1 April 2015	6,812,742
Charge for the year	518,406
Exchange alignment	(319,117)
	<hr/>
At 31 March 2016	7,012,031
	<hr/>
Carrying amounts	
At 31 March 2016	15,890,009
	<hr/> <hr/>
At 31 March 2015	15,428,593
	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

17. LEASEHOLD LAND AND LAND USE RIGHT (Cont'd)

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

	2016	2015
Land outside Hong Kong, held under medium-term lease	<u>15,890,009</u>	<u>15,428,593</u>

18. FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES

(i) Fair value hierarchy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

(i) Fair value hierarchy (Cont'd)

	Level 1	Level 2	Level 3	Total
At 31 March 2016				
<i>Fair value on a recurring basis</i>				
Investment properties:				
– Located in Hong Kong	–	28,650,000	898,000,000	926,650,000
– Located outside Hong Kong	–	4,082,720	1,422,948	5,505,668
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At 31 March 2015
Fair value on a recurring basis

Investment properties:				
– Located in Hong Kong	–	69,750,000	546,030,000	615,780,000
– Located outside Hong Kong	–	3,010,109	1,927,226	4,937,335
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

The fair value of the Group's investment properties at 31 March 2016 and 31 March 2015 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs K.T. Liu Surveyors Limited, an independent surveyors who are not connected to the Group.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

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

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

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range
Investment properties located outside Hong Kong	Investment method	Reversionary yield	2016: 12% (2015: 12%)
Investment properties located in Hong Kong	Investment method	Reversionary yield	2016: 2.4%-2.8% (2015: 2.3%-2.5%)
	Market comparison approach	Discount on characteristic of the property	2016: 15%-73% (2015: N/A)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

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

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

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

Investment properties located in Hong Kong:

At 1 April 2014	710,600,000
Addition	78,801,310
Disposal	(270,000,000)
Gain arising on change in fair value	43,628,690
Transfer to level 2 fair value measurement	(17,000,000)
	<hr/>
At 31 March 2015 and at 1 April 2015	546,030,000
Addition	5,283,922
Acquisition of asset through acquisition of a subsidiary	344,180,640
Gain arising on change in fair value	2,505,438
	<hr/>
At 31 March 2016	898,000,000

Investment property located outside Hong Kong:

At 1 April 2014	4,807,960
Gain arising on change in fair value	129,375
Transfer to level 2 fair value measurement	(3,010,109)
	<hr/>
At 31 March 2015	1,927,226
Loss arising on change in fair value	(504,278)
	<hr/>
At 31 March 2016	1,422,948

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

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

During the year ended 31 March 2015, certain investment properties were changed from fair value hierarchy from level 3 to level 2 because of the new market information becomes available for those particular investment properties. The fair value of certain investment properties located in Hong Kong and outside Hong Kong of HK\$17,000,000 and HK\$3,010,109 respectively categorised into Level 3 fair value hierarchy was changed to Level 2 of the fair value hierarchy.

19. INTERESTS IN ASSOCIATES

	2016	2015
At 1 April	49,206,611	47,436,623
Share of profit for the year	1,715,190	1,769,988
At 31 March	50,921,801	49,206,611
Amounts due from associates	35,005,418	33,390,566
Less: Impairment losses recognised	(4,334,682)	(4,334,682)
	81,592,537	78,262,495

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

19. INTERESTS IN ASSOCIATES (Cont'd)

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

Name of associates	Country/place of incorporation/operation	Issued and fully paid share capital	Class of share held	Proportion of ownership interest and voting power held by the Group:		Principal activities
				2016 %	2015 %	
Wisestar Holdings Limited	Hong Kong	HK\$2	Ordinary	47.7	47.7	Trading of plastics products
Ongoing Investments Limited	British Virgin Islands/PRC	US\$100	Ordinary	20	20	Property investment
Sequin Development Limited	British Virgin Islands/PRC	US\$100	Ordinary	20	20	Property investment
Titan Dragon Properties Corporation	Philippines	Peso\$80,000,000	Ordinary	49	49	Property investment

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

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

Titan Dragon Properties Corporation

	2016	2015
Current assets	1,866,342	2,093,660
Non-current assets	173,944,492	167,277,298
Current liabilities	248,293	200,832
Non-current liabilities	80,698,188	76,341,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

19. INTERESTS IN ASSOCIATES (Cont'd)

	2016	2015
Revenue	–	–
Profit and total comprehensive income for the year	2,035,398	1,345,532

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

	2016	2015
Net assets of the associate	94,864,353	92,828,956
Proportion of the Group's ownership interest in Titan Dragon Properties Corporation	49%	49%
Carrying amount of the Group's interest in Titan Dragon Properties Corporation	46,483,533	45,486,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

19. INTERESTS IN ASSOCIATES (Cont'd)

Aggregate information of associates that are not individually material:

	2016	2015
The Group's share of profit and total comprehensive income	<u>717,845</u>	<u>1,110,678</u>
Aggregate carrying amounts of the Group's interests in these associates	<u>4,438,268</u>	<u>3,720,423</u>

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
Unlisted investments:		
– Equity securities in Hong Kong	946,000	946,000
– Equity securities outside Hong Kong	<u>335,100</u>	<u>335,100</u>
	1,281,100	1,281,100
Listed investments:		
– Equity securities listed in Hong Kong	<u>15,995,156</u>	<u>26,139,984</u>
	<u>17,276,256</u>	<u>27,421,084</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

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

The unlisted investments are measured at cost less impairment because they do not have a quoted market price in an active market and hence, in the opinion of the directors, the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair values cannot be measured.

At 31 March 2016 and 31 March 2015, the directors assessed the recoverable amount of unlisted equity securities with the basis of past performance, management expectation for market development and certain key assumption. Based on the above assessment, the directors considered that there is no indication that material decline or adverse changes in the market in which investees operated occurred and the directors considered that the cost of investments are still considered to be recoverable, thus no impairment loss was recognised for both years.

Fair values of listed securities are determined with reference to quoted market bid prices at the end of the reporting period. At 31 March 2016, the Group's available-for-sale financial assets listed in Hong Kong were determined to be impaired on the basis of material decline in their fair value. The directors considered that such a decline is significant to its original cost and indicated that the listed securities had been impaired. Therefore, impairment loss on these investment with the amount of HK\$6,425,279 (2015: HK\$10,321,028) was recognised in the consolidated income statement.

At 31 March 2016, available-for-sale financial assets with carrying amounts of HK\$15,116,427 (2015: HK\$17,458,814) have been pledged to secure general banking facilities granted to the Group (see note 42 to the consolidated financial statement).

The market value of the Group's available-for-sale financial assets listed in Hong Kong at the date of approval of these consolidated financial statements were HK\$16,815,247.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

21. INTANGIBLE ASSETS

	Stock Exchange trading right	Futures Exchange trading right	Membership of The Chinese Gold & Silver Exchange Society	Club membership	Total
Cost					
At 1 April 2014, at 31 March 2015, at 1 April 2015 and at 31 March 2016	5,030,001	201,205	1,475,000	981,500	7,687,706
Accumulated impairment losses					
At 1 April 2014, at 31 March 2015, at 1 April 2015 and at 31 March 2016	(2,810,000)	–	(1,175,000)	–	(3,985,000)
Carrying amounts					
At 31 March 2016	<u>2,220,001</u>	<u>201,205</u>	<u>300,000</u>	<u>981,500</u>	<u>3,702,706</u>
At 31 March 2015	<u>2,220,001</u>	<u>201,205</u>	<u>300,000</u>	<u>981,500</u>	<u>3,702,706</u>

Indefinite useful life

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

Impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

22. OTHER ASSETS

	2016	2015
Contribution to the compensation fund for the Stock Exchange	1,548,332	1,747,038
Statutory deposits for Hong Kong Securities Clearing Company Limited	600,000	600,000
Admission fee and guarantee fund to Hong Kong Securities Clearing Company Limited	779,762	679,653
	<u>2,928,094</u>	<u>3,026,691</u>

23. INVENTORIES

	2016	2015
Raw material	32,223,126	44,135,942
Work in progress	5,319,340	7,283,897
Finished goods	21,490,193	21,695,847
	<u>59,032,659</u>	<u>73,115,686</u>

The cost of inventories sold of HK\$326,497,999 (2015: HK\$360,566,691) are recognised as expenses and included in cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

24. TRADE AND OTHER RECEIVABLES

The Group's trade receivables arose from (i) property investment, development and leasing/hotel operation, (ii) manufacturing and distribution of plastic packaging materials, and (iii) stock broking and margin securities financing for the year.

	2016	2015
Trade receivables from:		
– Clearing house and cash clients	28,562,736	62,113,094
– Secured margin clients	79,726,183	157,011,122
– Initial public offering margin clients	–	116,695,863
– Other customer	39,687,088	38,154,674
	147,976,007	373,974,753
Less: Allowance for doubtful debts	(9,410,948)	(9,416,948)
	138,565,059	364,557,805
Other receivables	19,454,294	22,807,622
	158,019,353	387,365,427

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

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

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

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

Other receivables are mainly comprised of life insurance plan and receivable from disposal of plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

24. TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Aging analysis

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

	2016	2015
0–30 days	37,343,942	53,945,818
31–60 days	4,458,331	2,941,785
Over 60 days	17,036,603	33,963,217
	58,838,876	90,850,820

IPO margin loans due from margin clients are repayable upon allotment of the IPO shares and are interests bearing at variable rate. IPO margin clients are required to pay 10% of total value of IPO shares applied as deposits.

Margin loans due from margin clients are repayable on demand. Margin loans are required to be secured by clients' listed securities held by the Group as collateral and bears interest at 8.25% for the year ended 31 March 2016 (2015: 8.25%). The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. At 31 March 2016, the total market value of securities pledged as collateral by the customers in respect of the loans to margin clients was HK\$169,171,622 (2015: HK\$261,817,300). No aging analysis of secured margin clients is disclosed as in the opinion of the directors, the aging analysis does not give additional value in view of the nature of business of securities margin financing.

Amount of HK\$17,407,542 (2015: HK\$30,325,353) included in trade receivables from clearing house and cash clients is secured by debtor's property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

24. TRADE AND OTHER RECEIVABLES (Cont'd)

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

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

	2016	2015
At 1 April	9,416,948	8,265,227
Impairment loss recognised	–	1,210,349
Impairment loss reversed	(6,000)	(27,761)
Amounts written off as uncollectible	–	(30,867)
At 31 March	9,410,948	9,416,948

At 31 March 2015, included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK\$1,210,349 which are past due at the end of the reporting period. The allowance for doubtful debts recognised because there has been a significant change in credit quality and the amounts are considered irrecoverable.

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

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

24. TRADE AND OTHER RECEIVABLES (Cont'd)

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

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

	2016	2015
Neither past due nor impaired	13,859,097	30,157,473
Less than one month past due	14,547,088	19,281,931
One to three months past due	11,420,753	7,551,290
More than three months past due	19,011,938	33,860,126
	58,838,876	90,850,820

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
Listed securities classified as held for trading investment:		
– Securities listed in Hong Kong, at fair value	5,485,293	7,385,190

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

At 31 March 2016, securities listed in Hong Kong with carrying amount of HK\$4,902,475 (2015: HK\$2,657,880) have been pledged to secure general banking facilities granted to the Group (see note 42 to the consolidated financial statements).

The market values of the Group's securities listed in Hong Kong at the date of approval of these consolidated financial statements were HK\$5,604,978.

26. LOAN RECEIVABLE

	2016	2015
Variable-rate loan receivable shown under current assets	19,000,000	19,000,000

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

27. RESTRICTED CASH

	2016	2015
Restricted deposit held at bank	<u>4,100,000</u>	<u>4,100,000</u>

The effective interest rates on time deposits ranged from 0.3% (2015: 0.3% per annum) and mature within 184 days (2015: 181 days).

Restricted cash are reserved for serving of debt for bank overdraft provided by a bank.

28. TRUST ACCOUNTS OF SHARES DEALING CLIENTS

	2016	2015
Trust accounts	<u>104,776,670</u>	<u>101,447,297</u>

From the Group's ordinary business of securities and future dealing, it receives and holds money from clients and other institutions in the course of conducting its regulated activities. These client's monies are maintained in one or more trust accounts. The Group has recognised the corresponding trade payables to respective clients and other institutions.

At 31 March 2016, the Group's trust accounts denominated in RMB is HK\$127,919 (2015: HK\$101,677).

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the PRC government. The Group's trust accounts denominated in RMB are located in Hong Kong which is not subject to the foreign exchange control.

Trust accounts earn interests at floating rates based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

29. CASH AND CASH EQUIVALENTS

	2016	2015
Cash on hand and cash at bank	81,359,380	42,603,912
Short-term time deposits	–	58,443,672
Cash and cash equivalents	81,359,380	101,047,584

At 31 March 2016, the Group's cash and cash equivalents denominated in RMB and USD are HK\$17,399,938 (2015: HK\$8,100,781) and HK\$25,762,411 (2015: HK\$20,882,984) respectively.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the PRC government. The Group's cash and bank balances denominated in RMB located in Hong Kong which is not subject to the foreign exchange control.

Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirement of the Group, and earn interest at the respective short-term time deposits rates ranged from 4.1% to 4.5% p.a at 31 March 2015.

30. TRADE AND OTHER PAYABLES

The Group's trade payables arose from (i) hotel operation, (ii) manufacturing and distribution of plastic packaging materials, and (iii) broking and securities margin financing for the year.

	2016	2015
Trade payables to:		
– Clearing house and cash clients	93,272,104	99,987,443
– Secured margin clients	19,462,165	15,670,648
– Other creditors	11,355,168	9,986,424
	124,089,437	125,644,515
Other payables	36,174,053	33,663,672
	160,263,490	159,308,187

Trade payables to other creditors are comprised of purchases of materials and supplies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

30. TRADE AND OTHER PAYABLES (Cont'd)

The following is an aging analysis of the trade payables at the end of the reporting period:

	2016	2015
0–30 days	122,971,703	123,114,161
31–60 days	809,950	1,479,555
Over 60 days	307,784	1,050,799
	124,089,437	125,644,515

31. BANK LOANS AND OVERDRAFTS

	2016	2015
Secured bank loans	339,531,209	269,500,842
Unsecured bank loans	10,000,000	–
Secured bank overdrafts	–	19,335,291
	349,531,209	288,836,133

	2016	2015
Carrying amounts repayable:		
Within one year	106,143,788	192,420,519
More than one year, but not exceeding two years	21,461,296	11,169,608
More than two years, but not exceeding five years	176,166,739	32,565,566
Over five years	45,759,386	52,680,440
	349,531,209	288,836,133
Less: Amounts due within one year shown under current liabilities	(106,143,788)	(192,420,519)
Amounts shown under non-current liabilities	243,387,421	96,415,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

31. BANK LOANS AND OVERDRAFTS (Cont'd)

The secured bank loans and bank overdrafts were secured by the Group's assets as described in note 42 to the consolidated financial statements. Bank loans and overdrafts bear interest at rates ranging from 1.57% to 2.88% (2015: 0.9% to 2.89%) per annum.

32. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

At 31 March 2016 and 31 March 2015, amounts due to non-controlling interests are unsecured, interest-free and have no fixed repayment terms.

33. DEFERRED TAX

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016	2015
Deferred tax assets	1,402,126	–
Deferred tax liabilities	(6,980,708)	(2,333,667)
	<u>(5,578,582)</u>	<u>(2,333,667)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

33. DEFERRED TAX (Cont'd)

The followings are the deferred tax balances recognised in the consolidated statement of financial position and the movements thereon:

	Accelerated tax depreciation	Revaluation of investment properties	Tax loss	Others	Total
At 1 April 2014	1,400,766	654,349	–	273,788	2,328,903
(Credit) charge to the consolidated income statement	(27,580)	32,344	–	–	4,764
At 31 March 2015 and at 1 April 2015	1,373,186	686,693	–	273,788	2,333,667
Arising from acquisition of asset through acquisition of a subsidiary (see note 36)	4,253,971	–	–	–	4,253,971
Charge (credit) to the consolidated income statement	250,986	142,084	(1,436,451)	–	(1,043,381)
Exchange alignment	–	–	34,325	–	34,325
At 31 March 2016	5,878,143	828,777	(1,402,126)	273,788	5,578,582

At the end of the reporting period, the Group had estimated tax losses incurring in Hong Kong and the PRC of HK\$20,828,086 (2015: HK\$18,724,407) and HK\$11,831,953 (2015: HK\$26,193,781) available for offset against future profits, respectively. The tax losses incurring in Hong Kong could be carry forward indefinitely while the tax losses incurring in the PRC will expire within five years for offsetting against future taxable profits arising in PRC.

The Group had recognised deferred tax assets of HK\$1,402,126 (2015: Nil) in respect of losses amounting to HK\$5,608,652 incurring in one of the subsidiaries located in the PRC as the related tax benefit through future taxable profits is probable. Save as above, no deferred tax assets had been recognised in respect of tax losses.

34. SHARE CAPITAL

	2016		2015	
	Number of shares	HK\$	Number of shares	HK\$
Issued and fully paid:				
<i>Voting ordinary shares:</i>				
At the beginning and the end of the year	217,418,850	217,418,850	217,418,850	217,418,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

35. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	2016	2015
Non-current assets		
Investment property	1,422,948	1,927,225
Property, plant and equipment	2,809	4,276
Interests in subsidiaries	125,367,856	181,814,394
Interest in an associate	33,557,467	31,017,767
Available-for-sale financial assets	810,000	810,000
	<u>161,161,080</u>	<u>215,573,662</u>
Current assets		
Amount due from a subsidiary	342,952,970	114,930,477
Trade and other receivables	919,576	824,601
Deposits and prepayments	796,129	468,889
Loan receivable	19,000,000	19,000,000
Cash and cash equivalents	1,743,041	1,057,635
	<u>365,411,716</u>	<u>136,281,602</u>
Current liabilities		
Other payables	2,842,604	3,688,732
Amounts due to subsidiaries	283,861,405	112,188,335
Amount due to an associate	478,907	2,055,580
Bank loans	10,000,000	–
	<u>297,182,916</u>	<u>117,932,647</u>
Net current assets	<u>68,228,800</u>	<u>18,348,955</u>
Net assets	<u>229,389,880</u>	<u>233,922,617</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

35. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY (Cont'd)

(a) Statement of financial position of the Company (Cont'd)

	2016	2015
Capital and reserves		
Share capital	217,418,850	217,418,850
Retained earnings	11,971,030	16,503,767
Total equity	229,389,880	233,922,617

On behalf of the board of directors:

Chua Nai Tuen
Director

Nelson Junior Chua
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

35. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVE OF THE COMPANY (Cont'd)

(b) Movement of reserve of the Company

Movement of reserve of the Company during the year ended 31 March 2016 is as follow:

	Retained earnings
At 1 April 2014	19,991,163
Profit and total comprehensive income for the year	57,389,883
Dividends paid (<i>note 13</i>)	(60,877,279)
At 31 March 2015 and at 1 April 2015	16,503,767
Profit and total comprehensive income for the year	1,989,828
Dividends paid (<i>note 13</i>)	(6,522,565)
At 31 March 2016	11,971,030

36. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

Acquisition of Strong Bright Technology Limited (“Strong Bright”)

For the year ended 31 March 2016

On 29 May 2015, the Group entered into a sale and purchase agreement to acquire 100% equity interest and shareholders’ loan of HK\$118,918,195 in Strong Bright at a total consideration of HK\$337,617,704. Strong Bright is engaged in property investment and its major asset is an investment property. The acquisition was completed on 31 July 2015.

Consideration:

Cash consideration	337,617,704
Less: Shareholders’ loan assigned to the Group	(118,918,195)
	218,699,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

36. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (Cont'd)

Acquisition of Strong Bright Technology Limited (“Strong Bright”) (Cont'd)

For the year ended 31 March 2016 (Cont'd)

The acquisition has been accounted for as an acquisition of asset. The effect of the acquisition is summarised as follows:

Net asset acquired:

Investment property (<i>note 15</i>)	344,180,640
Trade receivable	17,989
Deposits and prepayment	36,409
Prepaid tax	1,699
Other payable	(2,365,062)
Shareholders' loan	(118,918,195)
Deferred tax liabilities (<i>note 33</i>)	(4,253,971)
	<u>218,699,509</u>

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain the Group's ability to continue operating as a going concern and to preserve healthy capital structure ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares and repurchase of shares as well as issue of new debt or redemption of existing debt. The Group's overall strategy remains unchanged from prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

37. CAPITAL MANAGEMENT (Cont'd)

Consistently, the Group monitors capital on the basis of net debt to equity ratio calculated on the basis of the Group's net debt over equity attributable to owners of the Company. The Group's policy is to keep the net debt to equity ratio at a reasonable level.

The Group is not subject to any external imposed capital requirements.

The net debt to equity ratio at the end of the reporting period are as follows:

	2016	2015
Total debts (<i>note</i>)	349,531,209	288,836,133
Less:		
Restricted cash	(4,100,000)	(4,100,000)
Cash and cash equivalents	(81,359,380)	(101,047,584)
Net debt	264,071,829	183,688,549
Equity attributable to owners of the Company	1,147,356,252	1,124,472,683
Net debt to equity ratio	23%	16%
Total debt to equity ratio	30%	26%

Note: Debts comprises bank loans and bank overdraft as detailed in note 31 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

38. CASH GENERATED FROM (USED IN) OPERATIONS

	2016	2015
Profit before tax	42,353,082	171,652,446
Adjustments for:		
Gain arising on change in fair value of investment properties	(5,370,771)	(44,358,065)
Loss (gain) arising on change in fair value of financial assets at fair value through profit or loss	2,179,222	(1,130,186)
Cumulative gain arising on change in fair value of disposed available-for-sale financial assets	(1,091,633)	–
Non-controlling interests written off upon deregistration of a subsidiary	(2,262)	–
Share of results of associates	(1,715,190)	(1,769,988)
Dividend income from unlisted equity securities	(28,763)	(525,000)
Dividend income from listed equity securities	(1,222,486)	(1,690,024)
Reversal of impairment loss recognised in respect of trade receivables	(6,000)	(27,761)
Interest income	(2,203,261)	(2,116,783)
Finance costs	7,834,407	5,891,357
Impairment loss recognised in respect of trade receivables	–	1,210,349
Impairment loss recognised in respect of available-for-sale financial assets	6,425,279	10,321,028
Depreciation of property, plant and equipment	12,449,350	12,011,429
Amortisation of leasehold land and land use right	518,406	475,803
Gain on disposal of investment property	–	(107,714,185)
Loss on disposal of property, plant and equipment	368,526	67,196
Operating cash flows before changes in working capital	60,487,906	42,297,616
Changes in working capital:		
Inventories	15,936,050	30,924,000
Trade and other receivables	229,847,912	(133,556,672)
Financial assets at fair value through profit or loss	(279,325)	1,423,281
Deposits and prepayments	(2,684,321)	3,997,828
Trust accounts of shares dealing clients	(3,329,373)	(25,264,071)
Trade and other payables	(1,795,383)	20,357,510
Amount due to an associate	(1,576,673)	1,333,873
Cash generated from (used in) operations	296,606,793	(58,486,635)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

39. RETIREMENT BENEFIT COSTS

The Group operates MPF Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all employees employed in Hong Kong. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible employees' monthly relevant income but limited to the mandatory cap of HK\$30,000. The contributions are charged to the consolidated income statements as incurred. The assets of the MPF Scheme are held separately from those of the Group in an independently administrative fund.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC government is made the specified contributions under the schemes. The contributions are charged to the consolidated income statements.

40. MAJOR NON-CASH TRANSACTIONS

The Group did not have any major non-cash transactions during the year ended 31 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

41. LEASE COMMITMENTS

The Group as lessee

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

	2016	2015
Within one year	1,091,434	2,940,694
In the second to fifth year inclusive	64,004	1,631,069
	<u>1,155,438</u>	<u>4,571,763</u>

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated at terms which range from 1 to 2 years. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

The Group as lessor

Rental income generated by the Group during the year was HK\$22,607,613 (2015: HK\$19,593,558). Investment properties held by the Group's are for rental purposes and are expected to generate annual rental yields of 1% to 26% (2015: 1% to 20%) on an ongoing basis respectively. All of the properties held have committed tenants for the next 2 years.

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

	2016	2015
Within one year	21,084,269	12,049,600
In the second to fifth year inclusive	15,578,462	10,146,487
	<u>36,662,731</u>	<u>22,196,087</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

42. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities of the Group, set out in note 31 to the consolidated financial statements:

	2016	2015
Investment properties	478,650,000	526,460,000
Property, plant and equipment	108,384,874	67,050,154
Available-for-sale financial assets	15,116,427	17,458,814
Financial assets at fair value through profit or loss	4,902,475	2,657,880
Restricted cash	4,100,000	4,100,000
	<u>611,153,776</u>	<u>617,726,848</u>

43. CAPITAL COMMITMENTS

	2016	2015
Authorised and contracted for but not provided for acquisition of property, plant and equipment	<u>987,044</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

44. MATERIAL RELATED PARTY TRANSACTION

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties on arm's length basis:

	2016	2015
(a) Payment to a company in which the chairman of the Group has controlling interest		
– Interest expense	19,678	209,413
– Rental expenses	1,155,111	926,076
(b) In addition to the directors' remuneration as disclosed in note 12, remuneration of the other key management personnel and its close family members was disclosed as follows:		
– Salary and other benefits	3,647,768	3,608,005
– Retirement benefit scheme	97,963	98,184
	<u>3,647,768</u>	<u>3,608,005</u>
	<u>1,155,111</u>	<u>926,076</u>

The remuneration of directors and key management personnel are determined by the remuneration committee having regard to the performance of individuals and market trends.

Details of the balances with related parties at the end of the reporting period are set out in notes 19 and 32 to the consolidated financial statements respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

45. PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or assets of the Group. To give details of the other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of company	Country/place of incorporation/operation	Class of share/ registered capital held	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activities
				2016 %	2015 %	
Always Best Company Limited (Note a)	British Virgin Islands/PRC	Ordinary	US\$1	95.36	95.36	Trading of plastic product
Dongguan Nan Sing Plastics Limited (Note a, b)	PRC	Registered	HK\$160,000,000	95.36	95.36	Manufacture of plastics products
Dongguan Nanryo Super Plastics Limited (Note a, b)	PRC	Registered	HK\$20,000,000	95.36	95.36	Manufacture of plastics products
Fortune State Investments Limited	Hong Kong	Ordinary	HK\$2	100	100	Investment holding
Happy Dragon Investment Limited	Hong Kong	Ordinary	HK\$2	100	100	Investment holding
Hotel Benito Management Limited	Hong Kong	Ordinary	HK\$1,000	100	100	Hotel operation
K.W. & Associates Company Limited	Hong Kong	Ordinary	HK\$2,000,000	100	100	Property investment
Merit Ascent International Limited	British Virgin Islands	Ordinary	US\$10	100	–	Investment holding
Nan Sing Holdings Limited	Hong Kong	Ordinary	HK\$10,000	100	100	Investment holding
Nan Sing Plastics Limited (Note a)	Hong Kong	Ordinary	HK\$15,000,000	95.36	95.36	Trading of plastic products
Nan Sing Realty Company Limited (Note a)	Hong Kong	Ordinary	HK\$100	95.36	95.36	Property investment
Nanryo Super Plastics (Hong Kong) Limited (Note a)	Hong Kong	Ordinary	HK\$19,500,000	95.36	95.36	Trading of plastic products
Nice Profit Hong Kong Investment Limited (Note c)	Hong Kong	Ordinary	HK\$100	50	50	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

45. PRINCIPAL SUBSIDIARIES (Cont'd)

Name of company	Country/place of incorporation/operation	Class of share/ registered capital held	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company		Principal activities
				2016 %	2015 %	
SAP Realty Company Limited	Hong Kong	Ordinary	HK\$100	100	100	Property investment
Southeast Asia Properties & Finance (China) Limited	Hong Kong/PRC	Ordinary	HK\$2	100	100	Property investment and development
Southeast Asia Properties Finance (Nomintees) Limited	Hong Kong	Ordinary	HK\$10,000	100	100	Providing nominees services
Stockwell Securities Limited	Hong Kong	Ordinary	HK\$30,000,000	100	100	Stock broking and securities margin financing
Stockwell Commodities Limited	Hong Kong	Ordinary	HK\$15,000,000	100	100	Commodities dealing
Strong Bright Technology Limited	Hong Kong	Ordinary	HK\$10,000	100	–	Property investment
Tanpar Company Limited (Note a)	Hong Kong	Ordinary	HK\$100	95.36	95.36	Trading and investment holding
Top Epoch Limited	Hong Kong	Ordinary	HK\$1	100	100	Property investment
Tsen Hsin Industrial Company Limited (Note a)	Hong Kong	Ordinary	HK\$400,000	95.36	95.36	Property investment
Winways Solutions (HK) Company Limited (Note d)	Hong Kong	Ordinary	HK\$100	100	95	Providing information technology services

Notes:

- (a) All principal subsidiaries are directly held by the Company except for Always Best Company Limited, Dongguan Nan Sing Plastics Limited, Dongguan Nanryo Super Plastics Limited, Nan Sing Plastics Limited, Nan Sing Realty Company Limited, Nanryo Super Plastics (Hong Kong) Limited, Tanpar Company Limited and Tsen Hsin Industrial Company Limited.
- (b) Wholly foreign-owned enterprise
- (c) The directors of the Company considered the Group has ability to direct the relevant activities of Nice Profit and concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Nice Profit. Therefore, Nice Profit is considered as a subsidiary of the Company.
- (d) On 2 January 2016, the Group further acquired 5% equity interest of the issued share capital in Winways Solutions (HK) Company Limited at a total consideration of HK\$5. As a result of the acquisition, the Group's shareholding in Winways Solutions (HK) Company Limited increased from 95% to 100%. The Group recognised a decrease in non-controlling interests of HK\$5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

45. PRINCIPAL SUBSIDIARIES (Cont'd)

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

The following table lists out the information relating to Nan Sing Plastics Limited, a subsidiary of the Group with material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2016	2015
Current assets	62,085,893	121,276,446
Non-current assets	435,631,698	302,946,396
Current liabilities	81,821,838	53,802,129
Non-current liabilities	88,346,245	42,731,772
Equity attributable to owners of the Company	313,479,258	313,612,206
Non-controlling interests	14,070,260	13,921,799

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For the year ended 31 March 2016 (in Hong Kong Dollar)

45. PRINCIPAL SUBSIDIARIES (Cont'd)

	2016	2015
Revenue	484,458,711	625,187,563
Expenses	484,598,134	510,744,796
(Loss) profit attributable to owners of the Company	(132,948)	109,128,045
(Loss) profit attributable to non-controlling interests	(6,475)	5,314,722
(Loss) profit for the year	(139,423)	114,442,767
Total comprehensive (loss) income attributable to owners of the Company	(132,948)	109,128,045
Total comprehensive (loss) income attributable to non-controlling interests	(6,475)	5,314,722
Total comprehensive (loss) income for the year	(139,423)	114,442,767
Dividend paid to non-controlling interests	–	2,786,000
Net cash (used in) generated from operating activities	(97,820,622)	8,939,855
Net cash (used in) generated from investing activities	(30,898,818)	321,173,600
Net cash generated from (used in) financing activities	73,321,242	(261,269,416)
Net cash (outflow) inflow	(55,398,198)	68,844,039

Save as Nan Sing Plastics Limited, the directors consider that the non-controlling interests of all of the non-wholly owned subsidiaries during the years ended 31 March 2016 and 2015 were insignificant to the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of these non-wholly owned subsidiaries are required to be presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016 (in Hong Kong Dollar)

46. COMPARATIVE FIGURES

Certain comparative figures of the previous year have been re-presented to conform with the current year's presentation.

47. APPROVAL AND AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 3 June 2016.

SUMMARY OF PROPERTIES HELD FOR INVESTMENT

For the year ended 31 March 2016 (in HK Dollars)

Location	Existing Use	Category of lease term
(1) Shops, G/F, 7-7B, Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term lease
(2) 9/F, Chan Shan Building, Dong Men Nan Road, Shenzhen, PRC	Commercial	Medium-term lease
(3) Flats C & D, 2/F, Block 2, Kwai Tak Industrial Centre, Kwai Chung, New Territories	Industrial	Medium-term lease
(4) Flat 15E Tower 1, Ming Yue Hua Yuan Yitian Road, Futian, Shenzhen, PRC	Residential	Medium-term lease
(5) Bare site No. 121 King's Road, North Point	Commercial	Medium-term lease
(6) Everglory Centre, No. 1B Kimberly Street, Tsimshatsui, Kowloon	Commercial	Medium-term lease
(7) Unit 1902, 19/F., Star House, 3 Salisbury Road, Kowloon	Commercial	Long-term lease

SUMMARY OF PROPERTIES UNDER DEVELOPMENT

For the year ended 31 March 2016 (in HK Dollars)

Location	Intended use	Approximate site area (square meter)	Group's interest
(1) Nan Shan Development Zone Zhangmutou Dongguan PRC	Industrial	104,788	95.36%
(2) Nan Sing Building Town Centre Zhangmutou Dongguan PRC (<i>Note</i>)	Residential/ Commercial	1,350	100%

Note: Development plans are pending for approval by relevant authority.

SUMMARY OF PROPERTIES HELD FOR OWN USE

For the year ended 31 March 2016 (in HK Dollars)

Location	Usage	Category of lease term	Group's interest
(1) Residential Block, 7-7B Cameron Road, Tsimshatsui, Kowloon	Hotel operation	Medium-term lease	100%
(2) Room 406-410,4/F, Tower 2, Slivercord, 30 Canton Road, Tsimshatsui, Kowloon	Commercial	Medium-term lease	100%
(3) 24, Essex Crescent, Kowloon Tong, Kowloon	Residential	Medium-term lease	100%
(4) Nan Sing Industrial Estate, Nan Shan Development Zone Zhangmutou, Dongguan, PRC	Industrial	Medium-term lease	95.36%
(5) Car Park Space No. 20 on G/F., Kwai Tak Industrial Centre, Kwai Chung, N.T.	Carpark	Medium-term lease	95.36%

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 March 2016 (in HK Dollars)

The consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements are as follows:

	2016	2015	2014	2013	2012
Results					
Revenue	505,012,541	522,171,598	430,592,612	392,889,485	399,992,754
Profit for the year attributable to:					
Owners of the Company	37,168,950	161,311,725	95,930,602	145,312,570	80,264,886
Non-controlling interests	861,836	5,059,609	2,787,874	1,662,846	833,890
	38,030,786	166,371,334	98,718,476	146,975,416	81,098,776
Assets and liabilities					
Total assets	1,688,429,888	1,599,573,116	1,566,965,875	1,390,914,857	1,237,168,363
Total liabilities	(521,853,474)	(457,812,673)	(534,203,052)	(451,453,808)	(443,144,673)
	1,166,576,414	1,141,760,443	1,032,762,823	939,461,049	794,023,690
Equity attributable to:					
Owners of the Company	1,147,356,252	1,124,472,683	1,017,750,987	927,253,967	783,483,145
Non-controlling interests	19,220,162	17,287,760	15,011,836	12,207,082	10,540,545
	1,166,576,414	1,141,760,443	1,032,762,823	939,461,049	794,023,690
EARNINGS PER SHARE					
Basic and diluted	17.1 cents	74.2 cents	44.1 cents	66.8 cents	36.9 cents
DIVIDEND PER SHARE	3 cents	28 cents	3 cents	3 cents	3 cents