RYKADAN CAPITAL LIMITED
宏基資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code : 2288)

Annual Report

2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHAN William *(Chairman and Chief Executive Officer)*
YIP Chun Kwok *(Chief Financial Officer)*

Non-executive Director

NG Tak Kwan *(re-designated from Executive Director to Non-executive Director on 21 August 2015)*

Independent Non-executive Directors

HO Kwok Wah, George
TO King Yan, Adam
WONG Hoi Ki

AUDIT COMMITTEE

HO Kwok Wah, George *(Chairman)*
TO King Yan, Adam
WONG Hoi Ki

REMUNERATION COMMITTEE

HO Kwok Wah, George *(Chairman)*
TO King Yan, Adam
WONG Hoi Ki

NOMINATION COMMITTEE

CHAN William *(Chairman)*
HO Kwok Wah, George
WONG Hoi Ki

COMPANY SECRETARY

YEUNG Man Yan, Megan

AUDITOR

KPMG

LEGAL ADVISORS

Woo, Kwan, Lee & Lo
北京德恒（福州）律師事務所

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Guangfa Bank Co., Ltd.

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2701 & 2801, Rykadan Capital Tower
135 Hoi Bun Road, Kwun Tong, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman, KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2288

COMPANY'S WEBSITE

www.rykadan.com

INVESTOR RELATIONS CONTACT

Think Alliance Group
Level 6, Citibank Tower
3 Garden Road
Central, Hong Kong

CONTENTS

"Our investment strategy is continuing to grow asset values and exit within a three-to-five year horizon for capital gain."

William Chan, Chairman and Chief Executive Officer

Dear shareholders,

I am delighted to present you with the annual report for Rykadan Capital Limited ("Rykadan Capital" or the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016.

The year under review saw a rapid expansion of our property development business, headlined by the successful pre-sale of our second real estate project in Hong Kong and our first residential property – The Paseo. Our property investment portfolio has also grown to include two industrial buildings in Hong Kong's West Kowloon district, in addition to our other property assets in the People's Republic of China, the United Kingdom and the United States of America.

Once monetised, The Paseo will add to our track record for successful investments; following the completion of our first property investment project – Rykadan Capital Tower.

We are also working hard to ensure that the upcoming pre-sale process for our two West Kowloon projects in Hong Kong further adds to this track record and achieves similar success.


Shoreditch Project

Our current strategy remains to secure high-potential investments in the real estate sector, growing asset values and exiting within a three-to-five year horizon. Looking beyond this however, our goal is to eventually use this track record, as well as the experience we are building, to further transform Rykadan Capital into a platform that can match investors with quality investment funds concentrated primarily on the real estate sector.

Building relationships with new and existing co-investment partners will also be crucial for realising this goal and will remain a key feature of our future investments.

Looking forward in the nearer term, we continue to hold a positive view towards the Hong Kong property market, particularly in the West Kowloon district where we invest, with scarcity and demand for commercial and industrial developments continuing to drive transactions.

We are also confident about the prospects of our other investments in London and Los Angeles property markets, which are continuing to attract strong interest from global real estate investors.

On behalf of the board of directors (the "Board"), I would like to take this opportunity to express my sincere thanks to our shareholders, staff, business partners and management team for their work over the previous year, as well as for their continuous support for the Group.

William Chan
Chairman and Chief Executive Officer

Hong Kong, 16 June 2016

Overview

The Group made significant strides in the development of its property development business. This included the successful pre-sale of The Paseo, the Group's first residential real estate project, as well as the acquisition of two industrial properties in Hong Kong. These projects, alongside the Group' other investments, will continue to align with the Group's strategy of securing high-potential investments, growing asset values and exiting within a three-to-five year horizon.

During the year under review, the Group's investments included commercial, industrial and residential property developments in Hong Kong, the People's Republic of China (the "PRC"), the United States of America (the "U.S.A.") and the United Kingdom (the "U.K."). It has also invested in companies operating in the areas of distribution of construction and interior decorative materials and hospitality operations.

As at 31 March 2016, the Group's total assets was valued at HK$1,974 million (2015: HK$1,667 million), of which HK$1,356 million (2015: HK$982 million) were current assets, approximately 1.95 times (2015: 3.97 times) of current liabilities. Equity attributable to the owners of the Company was HK$1,080 million (2015: HK$1,198 million).

Overall Performance

During the year ended 31 March 2016, the Group recorded consolidated revenue of HK$153 million from business segments under continuing operations (2015: HK$322 million). Gross profit and gross profit margin for these segments were HK$38 million (2015: HK$88 million) and 24.8% (2015: 27.3%) respectively.

Loss attributable to equity shareholders of the Company was HK$83 million (2015: profit attributable to equity shareholders of the Company of HK$113 million). The loss was mostly attributed to the selling and marketing costs incurred in property development projects while the properties have not yet delivered, a delay of certain projects in the PRC for the distribution of construction and interior decorative materials business as a result of the PRC's sluggish property market, the net foreign exchange losses arose from the fluctuations of Renminbi and Euro, fair value losses on investment properties in the PRC and the absence of one-off gain of disposal from an associate and discontinued operations during the year ended 31 March 2015.

Basic loss per share from continuing operations for the year ended 31 March 2016 was HK17.5 cents (2015: earnings of HK21.3 cents per share).

The Board declared a final dividend per share of HK3 cents (2015: HK5 cents)

Material Acquisitions and Disposals

In May 2015, the Group and DSM Project Limited ("DSM") acquired respectively 26% and 74% equity interests in Epic Quest Global Limited ("Epic Quest"). In September 2015, Epic Quest acquired 100% equity interests of and certain loans owing by Smart Wealth Asia Pacific Limited (an owner of a 9-storey industrial building in Hong Kong ("Wing Hong Street Project")) at a total consideration of HK$339 million.

In July 2015, Keen Virtue Group Limited, a wholly-owned subsidiary of the Company, acquired an additional 35% equity interests of Wit Legend Investments Limited ("Wit Legend") for a consideration of US$35 (equivalent to approximately HK$273). Upon the completion of the acquisition, Wit Legend became a wholly-owned subsidiary of the Group. The acquisition was completed on 6 July 2015.

In November 2015, Talent Step Investments Limited, an indirect wholly-owned subsidiary of the Company, sold the remaining 9.74% stake in Kailong Holdings Limited to the remaining shareholders of Kailong Holdings Limited for a total consideration of US$4 million (equivalent to approximately HK$33 million).

In December 2015, the Group disposed of 9% and 4% of the equity interests in Joint Champ International Limited, a wholly-owned subsidiary of the Company prior to the disposal, to Fine China Consultants Limited and Cultivate Shine Limited for a consideration of HK$1 million and HK$0.5 million respectively.

Investment Portfolio

As at 31 March 2016, the Group had bank deposits and cash of approximately HK$132 million (2015: HK$280 million), representing 6.7% (2015: 16.8%) of the Group's total assets.

The following tables show the Group's investments as at 31 March 2016.

Real estate investments

Investment	Location	Type	Group interest	Status as of 31/3/2016	Total gross floor area	Total land area	Attributable gross floor/ land area
Winston Project	1135 Winston Avenue, San Marino, CA 91108, the U.S.A.	Residential property	100%	Under planning	N/A	21,861 square feet	21,861 square feet
Hampton Project	957 Hampton Road, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction, expected to be completed in early 2017	10,688 square feet	N/A	10,688 square feet
Fallen Leaf Project	964 Fallen Leaf Road, Arcadia, CA 91006, the U.S.A.	Residential property	100%	Under construction, expected to be completed in early 2017	14,845 square feet	N/A	14,845 square feet
Shoreditch Project	79-81 Paul Street, Shoreditch, London, EC2A 4NQ, the U.K.	Commercial property	100%	Under refurbishment	10,939 square feet	N/A	10,939 square feet
Kailong Nanhui Business Park	An industrial complex located at No. 2300 Xuanhuang Road, Huinan County, Pudong New District, Shanghai, the PRC	Commercial property	59.1%	Being marketed to tenants	52,304 square metres	N/A	30,911 square metres
The Paseo (formerly known as Kwun Chung Street Property Project)	Kowloon Inland Lot No. 11229	Residential/ commercial property	100%	Under construction and pre-sale launched, expected to be completed in late 2016	25,338 square feet	N/A	25,338 square feet
Maple Street Project	124-126, 130, 132 and 134 Bedford Road, Tai Kok Tsui, Kowloon	Industrial property	100%	Under planning	N/A	7,200 square feet	7,200 square feet
Wing Hong Street Project	55-57 Wing Hong Street and 84-86 King Lam Street, Kowloon	Industrial property	26%	Under planning	N/A	14,506 square feet	3,772 square feet
2702 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as investment properties)	8,304 square feet	N/A	8,304 square feet
2803, 2804 and various car parking spaces of Rykadan Capital Tower	135 Hoi Bun Road, Kwun Tong, Kowloon	Commercial property	100%	Completed (classified as properties for sale)	3,348 square feet	N/A	3,348 square feet

Note: Gross floor area is calculated on the Group's development plans which may be subject to change.

Other investments

Investment	Business/type	Group interest
Q-Stone Building Materials Limited	Trading in construction and interior decorative materials	87%
Rykadan Hospitality Investments Pte. Ltd.	Investment in high potential hospitality and tourism related assets	100%
RS Hospitality Private Limited	A joint venture for operating a 24-suite boutique resorts in Bhutan	50%

Summary and review of investments

Property development

The Group has been very active in the property development segment this year. The Group has disposed of the Oakland Project in the U.S.A. and acquired the Maple Street Project and the Wing Hong Street Project in Hong Kong. For both the Maple Street Project and Wing Hong Street Project, the Group plans to demolish the existing buildings and redevelop the properties into brand new high quality industrial properties for reselling purposes. The Group expects to launch the pre-sale of the Wing Hong Street Project in the second quarter of 2016.

The Group has launched the pre-sale of the residential portion of The Paseo during the year under review. The construction of The Paseo is expected to be completed in late 2016.

The property development segment is also bringing the Group to develop new revenue streams by leveraging its considerable property development experience to provide management services. The Group is providing management services for the Wing Hong Street Project via its wholly-owned subsidiary, Rykadan Management Services Limited. The services will be provided under a progressive fee structure linked to cost saving performance.

The Group will continuously review and assess the projects on hand with a view of materialising the investments at an appropriate time.

Property investment and hospitality operations

The Group also holds several properties in Hong Kong, the PRC and Bhutan for property investment purposes.

In Hong Kong, the Group continues to retain two floors of Rykadan Capital Tower for its own use and for rental income or potential rental income.

In the PRC, the Group has invested in the Kailong Nanhui Business Park. As of 31 March 2016, the occupancy rate of Kailong Nanhui Business Park was 5%. The Group will continue to target large and quality tenants and will consider off-loading the buildings at an appropriate time.

In Bhutan, the Group has invested in a 24-suite boutique resort located in Bhutan's Punakha Valley and the operations and occupancy has been stable.

Trading in construction and interior decorative materials

Q-Stone Building Materials Limited ("Q-Stone") is the subsidiary of the Group for the business of trading in construction and interior decorative materials. Q-Stone is the exclusive distributor of Quarella, a world leader in the production of quartz and marble-based stone composite surfaces products, in the PRC market. Quarella was established over 40 years ago with factories and research and development centres in Italy. Quarella's products are popularly used for benchtops, bathroom surfaces and floor tiles. It has supplied materials for a number of prominent commercial buildings and shopping malls in the PRC and Hong Kong.

As at 31 March 2016, Q-Stone has contracts on hand worth HK$204 million to be completed in the coming years.

Outlook

The Group remains optimistic about the prospects of Hong Kong commercial and industrial property markets, despite the current slowdown being experienced in other parts of the market. Buyers will continue to be attracted to the ongoing rejuvenation of ex-industrial areas such as West Kowloon, a trend that the Group is well positioned to benefit from, due to the lack of space and development opportunities in traditional commercial districts.

The Group also remains optimistic about the long-term prospects of the U.S.A. and the U.K. property markets as global capital continues to shift away from emerging markets in favour of well-established and relatively lower-risk markets.

The Group will continue to prudently evaluate new investment opportunities and leverage its experienced management team and business partners to further diversify the Group's portfolio, develop its reputation as an asset manager and maximise future returns for shareholders. The Group will also continue to actively manage its ongoing investments in the Greater China region and overseas to support its future performance and unlock value for shareholders in a timely manner.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

The management and control of the Group's financial, capital management and external financing functions are centralised at its headquarters in Hong Kong. The Group adheres to the principle of prudent financial management to minimise financial and operational risks. The Group mainly relies upon internally generated funds and bank borrowings to finance its operations and expansion.

As at 31 March 2016, the Group's total debts (representing total interest-bearing bank borrowings) to total assets ratio was 22.6% (2015: 16.7%). The net gearing ratio (net debts, as defined by total debts less unrestricted bank balances and cash, to equity attributable to equity shareholders of the Company) was 29.2% (2015: Nil) as the Group has net debts of HK$315 million as at 31 March 2016 (2015: net cash of HK$1 million).

At 31 March 2016, the Group has total bank borrowings of HK$447 million (2015: HK$279 million). The bank borrowings of the Group were mainly to finance the retaining two floors of Rykadan Capital Tower, The Paseo, Maple Street Project, the United States properties and Kailong Nanhui Business Park. Of the total bank borrowings, bank loans of HK$420 million were secured by the properties for sale, investment properties and buildings held for own use of which HK$262 million will be repayable the completion of construction of properties. Further costs for developing The Paseo, Maple Street Project, the United States properties, the United Kingdom property and Wing Hong Street Project will be financed by either unutilised banking facilities, deposits received from customers held as restricted bank deposits designated for the project or internally generated funds.

As at 31 March 2016, the Group's current assets and current liabilities were HK$1,356 million (2015: HK$982 million) and HK$695 million (2015: HK$248 million) respectively. The Group's current ratio decreased to 1.95 (2015: 3.97). The internally generated funds, together with unutilised banking facilities enable the Group to meet its business development needs.

The Group will cautiously seek new investment and development opportunities in order to balance risks and opportunities and maximise shareholders' value.

Pledge of Assets

As at 31 March 2016, the Group had pledged investment properties, properties for sale and buildings held for own use to secure the general facilities of the Group. The aggregate carrying value of the pledged assets was HK$1,147 million (2015: HK$759 million).

Capital Commitments and Contingent Liabilities

For capital commitments and contingent liabilities, please refer to notes 29 and 30 to the consolidated financial statements respectively.

Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangements

The Group operates in various regions with different foreign currencies including Euro, United States Dollars, British Pound and Renminbi.

The Group's bank borrowings have been made at floating rates.

The Group has not implemented any foreign currencies and interest rates hedging policy. However, management of the Group will monitor foreign currencies and interest rates for each business segment and consider appropriate hedging policies in future when necessary.

Credit Exposure

The Group has adopted prudent credit policies to deal with credit exposure. The Group's major customers are institutional organisations and reputable property developers. Therefore, the Group is not exposed to significant credit risk.

The Group's management reviews from time to time the recoverability of trade receivables and closely monitors the financial position of the customers in order to keep a very low credit risk exposure of the Group.

Employees and Remuneration Policies

As at 31 March 2016, the total number of employees of the Group for continuing operations is 67 (31 March 2015: 74 and 47 for continuing operations and discontinued operations respectively). The Group offers an attractive remuneration policy and provides external training programmes which are complementary to certain job functions. Total remuneration for employees (including the directors' remuneration) was HK$53 million for the year (2015: HK$77 million).

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March 2016.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance in order to safeguard the interests of shareholders and to enhance corporate value and accountability.

In addition to adhering to the principles and code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Company has, based on the standards and experience of the Company, adopted its own Corporate Governance Manual (the "CG Manual") for reference by the Board and the management of the Company and its subsidiaries to meet the code provisions as set out in the CG Code. A copy of the CG Manual is posted on the Company's website. In the opinion of the directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2016, save for the deviations for code provisions A.1.1, A.2.1 and A.6.7 which deviations are explained in the relevant parts of this report.

The Company will continue to review periodically the CG Manual and enhance its corporate governance practices to ensure the continuous compliance with the requirements of the CG Code.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

DELEGATION BY THE BOARD

The Company has formalized and adopted written terms on the division of functions reserved to the Board and delegated to the management.

The Board reserves for its decisions on all major matters of the Company, including: the formulation and monitoring of all policies and directions, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

BOARD OF DIRECTORS

The Board of the Company currently comprises the following directors:

Executive directors:

Mr. CHAN William
(Chairman of the Board and the Nomination Committee, Chief Executive Officer)
Mr. YIP Chun Kwok
(Chief Financial Officer)

Non-executive director:

Mr. NG Tak Kwan
(re-designated from Executive Director to Non-executive Director on 21 August 2015)

BOARD OF DIRECTORS (Continued)

Independent non-executive directors:

Mr. HO Kwok Wah, George
(Chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee)

Mr. TO King Yan, Adam
(Member of the Audit Committee and the Remuneration Committee)

Mr. WONG Hoi Ki
(Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)

A brief description of the background of each director is presented on page 17 of this annual report under the heading of "Profiles of Directors and Senior Management".

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The non-executive director and the independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

None of the members of the Board is related to one another.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 March 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise. The Board has maintained, throughout the year ended 31 March 2016, the proportion of the independent non-executive directors to at least one-third of the Board.

The Company has received written annual confirmation from each independent non-executive director of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all such directors independent.

All directors, including the non-executive director and the independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chan William ("Mr. Chan") has been appointed as Chief Executive Officer of the Company on 1 July 2012 and is now both the Chairman and the Chief Executive Officer of the Company, and that the functions of the Chairman and the Chief Executive Officer in the Company's strategic planning and development process overlap. These constitute a deviation from code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman and the Chief Executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, the in-depth knowledge of Mr. Chan of the operations of the Group and of the property development and real estate/asset management business, his extensive business network and the scope of operations of the Group, the Board believes it is in the best interests of the Company for Mr. Chan to assume the roles of Chairman and Chief Executive Officer at this time and that such arrangement be subject to review by the Board from time to time.

NON-EXECUTIVE DIRECTORS AND DIRECTORS' RE-ELECTION

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive directors and the independent non-executive directors of the Company is engaged on a service agreement (for executive director) or letter of appointment (for independent non-executive director) for a term of 3 years and the non-executive director is engaged on a letter of appointment for a term of 1 year. All directors are subject to retirement by rotation once every three years.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of directors' responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for directors will be arranged and reading material on relevant topics will be issued to directors where appropriate.

During the year ended 31 March 2016, relevant reading materials including legal and regulatory update have been provided to all directors for their reference and studying as well as providing all directors invitations to attend relevant seminars.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirements of the CG Code. During the year, no claim was made against the Directors and officers of the Company.

BOARD AND COMMITTEE MEETINGS

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 business days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management where necessary.

Draft and final versions of minutes are normally circulated to directors or the committee members for comment and records respectively within a reasonable time after each meeting. Minutes of Board meetings and committee meetings are kept by the Company Secretary or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection by all directors at all reasonable time.

According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions of the directors, senior management and relevant employees (who, because of their office or employment, is likely to possess inside information in relation to the Company or its securities) of the Group (the "Securities Code") with terms no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries, all of the directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code throughout the year ended 31 March 2016.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Nomination Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are in line with the CG Code. These terms of reference are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. Board committees are provided with sufficient resources to discharge their duties and are required to report back to the Board on their decisions or recommendations.

Remuneration Committee

The Remuneration Committee comprises 3 members, all of them are independent non-executive directors.

The primary function of the Remuneration Committee is to assist the Board to oversee the Company's remuneration practices to ensure effective policies, processes and practices for rewarding directors and the senior management/heads of departments, and that the reward programs are fair and appropriate and managed with integrity and in compliance with the Listing Rules and other applicable rules and regulations. The Remuneration Committee is also responsible for determining the remuneration packages of individual executive directors and senior management and establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

No meeting had been held by the Remuneration Committee during the year ended 31 March 2016. However, the Remuneration Committee had recorded their decisions by passing written resolutions determining remuneration packages of the executive directors, the non-executive director and the independent non-executive directors.

Details of the Directors' remuneration are set out in note 8 to the Financial Statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of other members of the senior management by bands for the year ended 31 March 2016 is set out below

Remuneration Bands	**Number of Individuals**
HK$500,001 to HK$2,000,000	2

Nomination Committee

The Nomination Committee comprises 3 members, the majority of them are independent non-executive directors.

Principles duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

One meeting had been held by the Nomination Committee during the year ended 31 March 2016.

During the year, the Nomination Committee had reviewed the structure, size and composition of the Board.

Audit Committee

The Audit Committee comprises all the three independent non-executive directors with the chairman of which possesses the appropriate professional qualifications and accounting expertise. None of the committee members is a former partner of the Company's external auditors.

The Audit Committee is responsible to assist the Board to review and supervise the adequacy and effectiveness of the Company's financial reporting system, internal control systems and the risk management system and associated procedures as well as the internal and external audit functions. It is also responsible for reviewing the completeness, accuracy, clarity and fairness of the Company's financial statements, considering the scope, approach and nature of both internal and external audit reviews and reviewing and monitoring connected transactions. It also reviews the arrangement to enable employees of the Company to raise concerns about possible improprieties. The Board shall in consultation with the chairman of the Audit Committee provide sufficient resources to enable the Audit Committee to discharge its duties. The Audit Committee annually assesses the appointment of the external auditors and reviews the interim and final results of the Group prior to recommending them to the Board for approval.

There were two Audit Committee meetings held during the year ended 31 March 2016. The Audit Committee has performed the following work during the year: (i) to review the financial reporting and compliance procedures; (ii) to review the annual results for the year ended 31 March 2015 and interim results for the half year ended 30 September 2015; (iii) to meet with the external auditors in the absence of management; (iv) to review the internal control procedures of the Company; and (v) to consider the re-appointment of auditors.

The Company's annual results for the year ended 31 March 2016 have been reviewed by the Audit Committee.

Corporate Governance

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 March 2016, the Board reviewed its Corporate Governance Manual, the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Directors' Attendance Records

Code provision A.1.1. of the CG Code stipulates that regular Board meetings should be held at least four times a year at approximately quarterly intervals. There were eight Board meetings held during the year ended 31 March 2016, two of which were regular meetings held for approving the final results for the year ended 31 March 2015 and the interim results for the period ended 30 September 2015. The Company has not held the other two regular Board meetings as it is not required under the Listing Rules to publish quarterly results.

The attendance record of each director at the Board meetings, the Audit Committee meetings and the general meetings of the Company held during the year ended 31 March 2016 is as follows:–

	Attendance/Number of Meetings held during the tenure of directorship			
	Board			Annual
Name of Directors	Regular	Other	Audit Committee	General Meeting
Executive Directors				
Chan William	2/2	6/6	N/A	1/1
Yip Chun Kwok	2/2	6/6	N/A	1/1
Non-Executive Directors				
Ng Tak Kwan	2/2	6/6	N/A	0/1
Independent Non-Executive Directors				
To King Yan, Adam	2/2	6/6	2/2	1/1
Wong Hoi Ki	2/2	6/6	2/2	1/1
Ho Kwok Wah, George	2/2	6/6	2/2	1/1

Under code provision A.6.7 of the CG Code, the non-executive directors should attend general meetings of the Company. Mr. Ng Tak Kwan was absent from the last annual general meeting held on 26 August 2015 due to other business commitments. He will use his best endeavours to attend all future shareholders' meetings of the Company.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2016.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports and other disclosures required by the Listing Rules and other statutory and regulatory requirements.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the Section headed "Independent Auditor's Report" on page 29.

AUDITORS' REMUNERATION

The remuneration charged by the Company's external auditors, Messrs. KPMG, in respect of audit services and non-audit services for the year ended 31 March 2016 is set out below:–

Category of Services	Fee Paid/Payable (HK$)
Audit Services	1,450,000
Non-audit Services	
– Tax compliance and advisory	69,000
TOTAL	1,519,000

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and with the support of the Audit Committee, reviewing the effectiveness of such system on an annual basis. The Board has conducted an annual review of the effectiveness of the internal control system of the Group. Such review covered the financial, operational, compliance and risk management aspects of the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

COMPANY SECRETARY

Ms. Yeung Man Yan Megan ("Ms. Yeung") has been appointed the Company Secretary of the Company in January 2012. Ms. Yeung has taken no less than 15 hours of relevant professional training during the financial year ended 31 March 2016.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and on-going communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to evaluate the performance of the Group.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board, all independent non-executive directors, and the Chairmen of all Board Committees (or their delegates) will make themselves available to answer questions at shareholders' meetings.

The Company also communicates with the shareholders, investors and general public through the annual reports, interim announcements and other corporate announcements.

To promote effective communication, the Company maintains a website at http://www.rykadan.com, where up-to-date information and updates on the Company's structure, board of directors, business developments and operations, financial information, corporate governance practices and other information are posted.

During the financial year ended 31 March 2016, there was no significant change in the Company's constitutional documents.

An up to date version of the Company's constitutional documents is also available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equally and fairly. Pursuant to the articles of association, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her.

To safeguard the shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

Convening an Extraordinary General Meeting by Shareholders

Shareholder(s) holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition pursuant to the articles of association of the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's articles of association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Rooms 2701 and 2801, Rykadan Capital Tower,
135 Hoi Bun Road, Kwun Tong, Kowloon
(For the attention of the Chairman of the Board/Chief Executive Officer/Company Secretary)
Fax: (852) 2547 0108

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE SOCIAL RESPONSIBILITY

We believe that our corporate social responsibility practices have benefited not only the society, but also our Group with respect to reducing our operational costs.

Employees' Development and Occupational Health

Employees are our most valued assets, thus we care immensely about their development, health and safety. To enable our employees to keep pace with the rapid development, we have maintained our Education Sponsorship and Allowance Scheme, pursuant to which each employee was entitled to an annual sponsorship for their approved continued learning. We believe that through this educational scheme, our employees will equip themselves with the skills they need to perform their duties effectively. We believe that our businesses will benefit from this as our employees would make more positive contributions to the Group.

To care about employees' health including their mental health, we continued to organize gatherings regularly with a view to enhance harmony among our employees. In addition, we have arranged to have our office's ventilation system cleaned regularly by a professional air-conditioning cleaning company. These measures have been implemented by our management team in order to create a comfortable workplace for our employees.

Environmental Protection

Over the past year, we have actively promoted energy conservation and emission reduction. The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilized. Our employees have also been encouraged to make recommendations to the Group on ways to reduce wastage and save energy. Green office practices are encouraged in the operation of the Group's business, such as double sided printing and copying, sending and presenting corporate documents or information to the members of the Board in electronic format and reducing energy consumption by switching off idle lighting and electrical appliances. This will help to raise our employees' awareness about environmental protection.

Giving to the Community

We have always regarded the act of giving to the community an important pursuit for us. As such, over the past year, we have participated in various charitable activities and have also provided aid to the needy. To support our chosen charitable organizations, we encourage our employees to participate in socially responsible events. During the year, the Group and its staff (i) continued to participate in Seniors Day 2016 in support of Hope Worldwide to serve the elderly living in public housing; (ii) donated and participated in the Go Fun FD Charity Run 2015 at Pak Shek Kok Promenade of Hong Kong Network for the Promotion of Inclusive Society Limited for the benefit of disabled people; (iii) made a donation to Heep Hong Society for helping children with needs.

Executive Directors

Mr. Chan William (陳偉倫先生), aged 41, is an executive Director and the Chief Executive Officer and the Chairman of the Company. Mr. Chan also serves as the Chairman of the nomination committee. Mr. Chan joined the Group in 2008. He is primarily responsible for overall strategies, planning, business development and implementation of the strategies of the Group. He also holds other directorships in the Company's subsidiaries. Mr. Chan graduated from the University of La Verne, California of the United States with a Bachelor of Business Administration degree in 2000 and a Master of Business Administration degree in 2002. He was a director of the Tung Wah Group of Hospitals (2003/2004), a director of Yan Chai Hospital (35th Term Board of Directors (2002/2003)) and a committee member of the Central and Sai Ying Poon Area Committee of Home Affairs Department of Hong Kong Government for the two years ended 31 March 2006.

Mr. Yip Chun Kwok (葉振國先生), aged 42, is an executive Director and the Chief Financial Officer of the Company. Mr. Yip joined the Group in 2008. He is responsible for property related investments, financial planning and business management of the Group. He also holds other directorships in the Company's subsidiaries. Mr. Yip graduated from the University of Hong Kong with a Bachelor of Business Administration degree in 1996. He is a fellow of the Association of Chartered Accountants, an associate of the Hong Kong Institute of Certified Public Accountants, a member of each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a CFA charter holder of the CFA Institute.

Non-Executive Director

Mr. Ng Tak Kwan (吳德坤先生), aged 62, is a non-executive Director of the Company. Mr. Ng graduated from the University of Calgary with a Bachelor of Science degree in civil engineering in 1978. Mr. Ng is currently an executive director of Sundart Holdings Limited, the securities of which are listed on the main board of the Stock Exchange.

Independent Non-Executive Directors

Mr. Ho Kwok Wah, George (何國華先生), aged 58, was appointed as an independent non-executive Director of the Company in February 2010. He also serves as chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Company. Mr. Ho has over 20 years of experience in accounting and auditing. Mr. Ho is a practicing certified public accountant in Hong Kong and is currently the proprietor of George K.W. Ho & Co., Certified Public Accountants. Mr. Ho is also a director of the Hong Kong Commerce and Industry Associations Limited and the Hong Kong Shatin Industries and Commerce Association Limited. From 2001 to 2003, Mr. Ho was the president of the Hong Kong Institute of Accredited Accounting Technicians. Mr. Ho is currently an independent non-executive director of each of Town Health International Medical Group Limited, Belle International Holdings Limited and PuraPharm Corporation Limited, the securities of which are listed on the main board of the Stock Exchange. Mr. Ho was also awarded the Medal of Honour on 1 July 2015 by the Government of the HKSAR.

Mr. To King Yan, Adam (杜景仁先生), aged 56, was appointed as an independent non-executive Director of the Company on August 2009. Mr. To is also a member of the audit committee and the remuneration committee of the Company. He graduated from the University of London with a Bachelor of Laws degree in 1983. He has been a practicing solicitor of the High Court of Hong Kong since 1986. He is also qualified to practice law in England and Wales and Australia and is a China Appointed Attesting Officer. He is currently a partner of K.B. Chau & Co., a firm of solicitors in Hong Kong with his practice focusing on conveyancing and litigation.

Mr. Wong Hoi Ki (黃開基先生), aged 62, was appointed as an independent non-executive Director of the Company on August 2009. Mr. Wong is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. He is a Registered Professional Surveyor (General Practice) and has been practicing in the surveying profession for over 30 years. Mr. Wong is a Fellow of the Hong Kong Institute of Surveyors and a Member of the Royal Institution of Chartered Surveyors. He is the founder and at present the managing director of Memfus Wong Surveyors Limited, an estate surveying firm in Hong Kong. Over the years, he has served his profession by working on the General Council of the Hong Kong Institute of Surveyors as Honorary Secretary and Honorary Treasurer.

Senior Management

Mr. Lo Hoi Wah, Heywood (勞海華先生), aged 33, is our Financial Controller. Mr. Lo joined us in July 2012. He is responsible for overseeing the financial, accounting and banking activities of the Group and managing the trading business. He also holds other directorships in the Company's subsidiaries. Mr. Lo graduated from The University of Hong Kong with a Bachelor of Business Administration degree in 2005. He also graduated from The Hong Kong Polytechnic University in 2013 with a Master of Corporate Finance. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining us, he has been working in an international audit firm and held senior finance and management position with a private company.

Ms. Yeung Man Yan, Megan (楊文欣女士), aged 33, is our Legal Counsel and Company Secretary. Ms. Yeung joined us in May 2010. She is responsible for overseeing the legal and compliance matters of the Group. Ms. Yeung is a Hong Kong qualified solicitor. Ms. Yeung graduated from the University of Hong Kong with a Bachelor of Laws in 2005 and a Postgraduate Certificate in Laws in 2006. She also graduated from Leiden University, the Netherlands in 2007 with an Advanced Studies Masters of Laws. Prior to joining us, she has been working in an international law firm.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are set out in note 32(b) to the consolidated financial statements.

BUSINESS REVIEW

Discussion and review of the Group's business in accordance with Section 5 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report. An indication of likely future development of the Group's business can be found in section headed "Chairman's Statement" of this annual report. All the above sections form part of this report.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees, customers and business partners are the keys to the sustainable development to the Group. The Group is committed to building a close and caring relationship with its employees and business partners, and improves the quality of services and products to the customers.

Employees are regarded as the most vital and valuable assets of the Group. The Group ensures all staff are reasonably remunerated and also continues to improve and regularly review and update its policies on remuneration and benefits, training, occupational health and safety.

The Group stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

The Group also places effort to build up and maintain good relationship with various commercial banks as the Group's businesses are capital intensive and require on-going funding to maintain continuous growth.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilised. Green office practices are encouraged in the operation of the Group's businesses, such as double-sided printing and copying, sending and presenting corporate documents or information to the members of the Board in electronic format, and reducing energy consumption by switching off idle lighting and electrical appliances.

COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT TO THE GROUP

During the year, no non-compliance with the relevant laws and regulations that have a significant impact of the Company was noted. In addition, discussion on the Company's compliance with the Corporate Governance Code is included in the Corporate Governance Report.

RISK MANAGEMENT

Under the Group's internal control and risk management framework, the Board has entrusted the Audit Committee with the responsibility to review the internal control and risk management systems of the Group. The Group is exposed to key risk factors including business risks, operational risks and financial risks.

BUSINESS RISKS

The Group operates mainly in Hong Kong, the People's Republic of China, the United Kingdom and the United States of America. The economic and market conditions including property market sentiment and property values, legislative and regulatory changes, government policies and political conditions in the various regions may have impact on the Group's operating results and financial conditions.

OPERATIONAL RISKS

The Group's operation is subject to a number of risk factors distinctive to property development, property investment, and property related businesses. Default on the part of our buyers, tenants and strategic business partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the Group's operation.

FINANCIAL RISKS

The Group is subject to financial risks in the normal course of business. Details are set out in note 26 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 and the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 30 to 99.

Loss attributable to shareholders, before dividends of HK$83,363,000 (2015: profits of HK$113,414,000) have been transferred to reserves. Other movement in reserves are set out in the consolidated statement of changes in equity.

No interim dividend had been declared to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK3 cents per share to the shareholders on the register of members on 21 September 2016, amounting to approximately HK$14,323,000.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 100.

An analysis of the Group's results by segment for the year is set out in note 4 to the consolidated financial statements.

OTHER PROPERTIES, PLANT AND EQUIPMENT

Details of movements during the year in the other properties, plant and equipment of the Group are set out in note 12 to the consolidated financial statements.

BANK BORROWINGS

Details of bank borrowings are set out in note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25(a) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2016 comprised:

	HK$'000
Share premium	469,130
Retained profits	700,534
	1,169,664

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account of the Company.

Details of movements during the year in the share premium and reserves of the Group are set out in note 25(b) to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. CHAN William *(Chairman and Chief Executive Officer)*
Mr. YIP Chun Kwok *(Chief Financial Officer)*

Non-executive Director

Mr. NG Tak Kwan *(re-designated from Executive Director to Non-executive Director on 21 August 2015)*

Independent Non-executive Directors

Mr. HO Kwok Wah, George
Mr. TO King Yan, Adam
Mr. WONG Hoi Ki

Notes: Mr. NG Tak Kwan and Mr. WONG Hoi Ki shall retire, and being eligible, offer themselves for re-election at the forthcoming 2016 annual general meeting ("AGM") pursuant to the Company's Articles of Association.

Information regarding directors' emoluments is set out in note 8 to the consolidated financial statements.

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the "Profiles of Directors and Senior Management" of this Annual Report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and has duly reviewed the confirmation of independence of each of these Directors. The Company considers that all of the independent non-executive directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

Save for service contracts with the Directors, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered into or subsisted during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, the interests and short positions of the directors and chief executives of the Company in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
CHAN William	Long	Interest in a controlled corporation (1)	97,104,000	20.34
	Long	Other interest (2)	97,104,000	20.34
	Long	Beneficial owner	9,000,000	1.89
			203,208,000	42.57
NG Tak Kwan	Long	Beneficial owner	84,000,000	17.59

Notes:

1. Tiger Crown Limited, which beneficially owned 97,104,000 shares of the Company is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. CHAN William is the settlor and protector and one of the discretionary beneficiaries of Rykadan Trust.

2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 shares of the Company owned or deemed to be interested by each other. Hence, CHAN William is also deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited

3. All the shares of the Company shown in the table above are ordinary shares.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial shareholders (other than the directors and chief executives of the Company) had notified the Company of relevant interests in the issued share capital of the Company:

Name	Long/Short position	Capacity	Number of shares	Approximate percentage of the issued share capital of the Company
HSBC International Trustee Limited	Long	Corporate Trustee [(1) (2)]	194,208,000	40.68
Rykadan Holdings Limited	Long	Interest in a controlled corporation [(1) (2)]	194,208,000	40.68
Tiger Crown Limited [(1)]	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest [(2)]	97,104,000	20.34
			194,208,000	40.68
Scenemay Holdings Limited	Long	Beneficial owner	97,104,000	20.34
	Long	Other interest [(2)]	97,104,000	20.34
			194,208,000	40.68
LI Chu Kwan	Long	Interest in a controlled corporation [(3)]	97,104,000	20.34
	Long	Other interest [(2)]	97,104,000	20.34
			194,208,000	40.68
LI Wing Yin	Long	Interest in a controlled corporation [(3)]	97,104,000	20.34
	Long	Other interest [(2)]	97,104,000	20.34
			194,208,000	40.68

Notes:

1. Tiger Crown Limited, which beneficially owned 97,104,000 shares of the Company, is 100% owned by Rykadan Holdings Limited which in turn is 100% held by HSBC International Trustee Limited as the trustee of Rykadan Trust. CHAN William is the settlor and protector and one of the discretionary beneficiaries of Rykadan Trust.

2. Since Tiger Crown Limited, Scenemay Holdings Limited, CHAN William, LI Chu Kwan and LI Wing Yin are regarded as a group of shareholders acting in concert to exercise their voting rights in the Company, pursuant to the provisions of the SFO, each of them is deemed to be interested in the 97,104,000 shares of the Company owned or deemed to be interested by each other.

3. As the entire issued share capital of Scenemay Holdings Limited is owned by LI Chu Kwan and LI Wing Yin in equal shares, each of LI Chu Kwan and LI Wing Yin is deemed to be interested in the 97,104,000 shares of the Company owned by Scenemay Holdings Limited.

4. All the shares of the Company shown in the table above are ordinary shares.

SHARE OPTION SCHEME

On 3 August 2009, a share option scheme ("Scheme") was adopted by the Company for the primary purpose of providing the directors and employees of, as well as consultants, professional and other advisers to the Company and its subsidiaries (the "Participants") with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

The Board will set out in the offer the terms on which the option is to be granted. The overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Scheme and other share option scheme of the Company must not exceed 30% of the shares in issue from time to time. No options will be granted under the Scheme at any time if such grant will result in the scheme limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and all other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of listing of the shares of the Company on the main board of the Stock Exchange. The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit. As at the date of the annual report, the total number of shares of the Company available for issue under the Scheme and all other share option schemes of the Company are 48,000,000 shares, representing 10.05% of the issued share capital of the Company as at the date of the annual report.

The total number of shares issued and to be issued upon exercise of the options granted to any Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. An offer of the options shall be deemed to have accepted by way of consideration of HK$1 payable by the Participant within such date as the Board may determine from the date of offer.

Where any grant of options to a substantial shareholder or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant:

(a) representing in aggregate more than 0.1% of the total number of shares in issue; and

(b) having an aggregate value, based on the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the relevant date of grant, in excess of HK$5 million,

such further grant of options must be approved by the shareholders.

The subscription price shall be such price solely determined by the Board and notified to a Participant and shall be at least the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant;

(ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and

(iii) the nominal value of a share on the date of grant.

The Scheme is valid and effective for a period of 10 years commencing on 3 August 2009.

As at 31 March 2016, no share option under the Scheme had been granted.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

CONNECTED TRANSACTIONS

During the year, save as disclosed below, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of rule 14A.49 of the Listing Rules.

(A) Connected Transaction

Formation of Joint Venture – Epic Quest Global Limited and Project Management Agreement

On 26 May 2015, Talent Step Investments Limited ("Talent Step"), an indirect wholly-owned subsidiary of the Company, and DSM Project Limited ("DSM") subscribed for 26 shares and 74 shares respectively in Epic Quest Global Limited ("Epic Quest") for cash at par. On 31 July 2015, Talent Step, DSM and Epic Quest entered into the shareholders' agreement to provide for the ownership, management, financing and the other activities of Epic Quest and its subsidiary (as appropriate) ("Epic Quest Shareholders' Agreement").

Epic Quest is owned as to 26% by Talent Step and as to 74% by DSM. Epic Quest has entered into a sale and purchase agreement dated 10 June 2015 pursuant to which it will acquire 100% of the shareholding interest in Smart Wealth Asia Pacific Limited ("Smart Wealth") which is the owner of Nos. 55-57 Wing Hong Street and Nos. 84-86 King Lam Street (the "Property").

On 31 July 2015, Rykadan Management Services Limited ("Rykadan Management"), an indirect wholly-owned subsidiary of the Company, entered into a project management agreement pursuant to which Smart Wealth appoints Rykadan Management as the project manager of the re-development of the Property to provide project management services on the terms in the agreement ("Project Management Agreement").

DSM is an associate of Mr. Cheng Hei Ming ("Mr. Cheng"), a director of certain subsidiaries of the Company. As such, DSM is a connected person of the Company. As Epic Quest and Smart Wealth are subsidiaries of DSM, each of them is also a connected person of the Company. Accordingly the subscription of the shares of Epic Quest, the entering into each of the Epic Quest Shareholders' Agreement and the Project Management Agreement constitute connected transactions of the Company.

Provision of Financial Assistance and Supplemental Shareholders' Agreement

On 24 September 2015, Smart Wealth entered into a facility agreement made between Smart Wealth as borrower and an independent financial institution as lender, agent and security agent in relation to the term loan facilities of up to an aggregate principal amount of HK$825,000,000 (the "Facilities"). As part of the security package given in connection with the Facilities and as conditions precedent to the making available of the Facilities to Smart Wealth, on 24 September 2015, the Company entered into the sponsors' undertaking regarding due and punctual performance by Smart Wealth for all its obligations and liabilities in respect of the facility agreement entered into between (i) Kailong GCRE Fund and the Company as sponsors and (ii) an independent financial institution as security agent. ("Sponsors' Undertaking") and the funding agreement regarding completion of the construction works in accordance with agreed construction time schedule and ensuring sufficient funds required are met if it exceeds the agreed total construction costs and related professional or consulting fees in relation to the redevelopment project made between Smart Wealth, the Company and an independent financial institution as security agent ("Funding Agreement").

Also on 24 September 2015, Talent Step, DSM and Epic Quest entered into the supplemental shareholders' agreement to amend the Epic Quest Shareholders' Agreement in relation to the obligations of Talent Step and DSM in respect of the financing for Epic Quest and Smart Wealth and to amend their right to representation on the respective boards of directors of Epic Quest and Smart Wealth in the event of any failure to provide funding required by Epic Quest ("Supplemental Shareholders' Agreement").

DSM is an associate of Mr. Cheng, a director of certain subsidiaries of the Company. As Epic Quest and Smart Wealth are subsidiaries of DSM, each of them is therefore also a connected person of the Company. Accordingly, the entering into of the Supplemental Shareholders' Agreement by Talent Step and the entering into of the Sponsors' Undertaking and the Funding Agreement by the Company constitute connected transactions of the Company.

Disposal of approximately 9.74% equity interest in Kailong Holdings Limited

On 23 November 2015, Talent Step, the Company and Kailong Holdings Limited ("KLR Holdings") entered into the share repurchase agreement dated 23 November 2015 pursuant to which Talent Step conditionally agreed to sell, and KLR Holdings conditionally agreed to repurchase, the 6,746,264 KLR Holdings shares, representing approximately 9.74% of the entire issued share capital of KLR Holdings at the consideration of USD4,187,039. ("Kailong Disposal").

Mr Cheng, who is a director of certain subsidiaries of the Company, is interested in approximately 59.3% of the issued share capital of KLR Holdings through a company wholly-owned by him on date of disposal, KLR Holdings is an associate of Mr. Cheng. KLR Holdings is therefore a connected person of the Company at the subsidiary level and the Kailong Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Following completion of the Kailong Disposal, Talent Step will cease to own any shares of KLR Holdings.

Disposal of 13% interest in Joint Champ International Limited

On 31 December 2015, the Company as seller, entered into a sale and purchase agreement with Fine China Consultants Limited ("Fine China") and Cultivate Shine Limited ("Cultivate Shine") as purchasers, and Mr. Wong Fung Wai ("Mr. Wong") and Mr. Wang Chunlei ("Mr. Wang") as guarantors pursuant to which the Company agreed to sell, and Fine China and Cultivate Shine agreed to purchase, shares in Joint Champ International Limited ("Joint Champ") representing 9% and 4% respectively, of the total issued share capital of Joint Champ at a cash consideration of HK$1,047,200 and HK$465,422 respectively ("JCI Disposal").

At the completion of the JCI Disposal, which took place immediately after the signing of the sale and purchase agreement ("JCI SPA"), the Company, Fine China, Cultivate Shine, Mr. Wong, Mr. Wang and Joint Champ entered into a shareholders agreement ("JCI SHA") to, among others, regulate their respective rights as shareholders of Joint Champ.

Mr. Wang is a chief executive of certain subsidiaries of the Company and Cultivate Shine is his associate. As such, Cultivate Shine and Mr. Wang are connected persons of the Company and the entering into of each of the JCI SPA and the JCI SHA by the Company constitute a connected transaction of the Company.

(B) Continuing Connected Transactions

Mr. Cheng is a director of both Bestlinkage NHI Co., Ltd. ("Bestlinkage") and Power City Investments Limited ("Power City") (both of them are indirect subsidiaries of the Company). In view of Mr. Cheng being a substantial shareholder of KLR Holdings, Kailong REI Project Investment Consulting (Shanghai) Co., Ltd. ("KLR Shanghai") and Kailong Investment Management Limited ("Kailong Investment Management") (both are subsidiaries of KLR Holdings) are associates of Mr. Cheng. Prior to 26 September 2014, both KLR Shanghai and Kailong Investment Management were not connected persons of the Company pursuant to the Listing Rules, and thus the asset management services provided by KLR Shanghai to Bestlinkage ("Asset Management Services") and the investment management services provided by Kailong Investment Management to Power City ("Investment Management Services") were not connected transactions of the Company. Since KLR Shanghai and Kailong Investment Management have ceased to be non wholly-owned subsidiaries of the Company on 26 September 2014, KLR Shanghai and Kailong Investment Management have become connected persons of the Company since that date. Accordingly, (a) the Asset Management Services and (b) the Investment Management Services have, since 26 September 2014, become continuing connected transactions of the Company.

Asset Management Agreement between Bestlinkage and KLR Shanghai

On 1 August 2012, Bestlinkage entered into an asset management agreement with KLR Shanghai for a term of 5 years from 1 August 2012 where KLR Shanghai shall provide such Asset Management Services for the assets to Bestlinkage ("Assets") including, amongst others, strategic management, new lettings, lease renewals and rent reviews rent arbitration, surrenders or terminations, refurbishment, collection of rent and service charges, insurance, repair and maintenance, general management, asset administration, reporting and financing ("Asset Management Agreement").

KLR Shanghai is entitled to a fee equal to the annual amount of RMB 1,124,537.51, ("Asset Management Fee") to be paid quarterly in advance; provided however that the right to receive the fee shall terminate on the date of termination or resignation of KLR Shanghai except with respect to any previously accrued and unpaid fees and any indemnification owed to KLR Shanghai in accordance with the Asset Management Agreement.

It was agreed on 8 April 2016 that with effect from 1 October 2015, the Asset Management Fee payable to KLR Shanghai shall be temporarily reduced to 30% of the Asset Management Fee and the remaining 70% shall be payable upon exit of the relevant project by Bestlinkage which results in a 15% IRR for Bestlinkage.

For the year ended 31 March 2016, the amount paid/payable by the Group to KLR Shanghai for the Asset Management Services rendered was RMB 731,000.

Investment Management Agreement between Power City and Kailong Investment Management

On 1 August 2012, Power City entered into an investment management agreement with Kailong Investment Management for a term of 5 years from 1 August 2012 where Kailong Investment Management shall provide such Investment Management Services to Power City include amongst others, (a) market research review and investment strategy, including reviewing market research reports such as constant monitoring of the real estate markets, analysis of future market developments and trends that are emerging and evaluation of information, giving comments on the list of shortlisted target properties that are proposed/presented and advising on devising the investment strategy and (b) disposition of real estate, including preparing an exit strategy and making recommendations on disposition of Assets, advising on determination of optimal times for disposition of properties, evaluating exit timing and giving advice on method of exit, reviewing the reports and proposals relating to time and method of implementation of the sale, participating in global search for potential buyer of Assets and involvement in the negotiations and the sale in accordance with the requests of the investor, and in particular be available as contact point for questions, etc., in the course of the due diligence process of a prospective buyer ("Investment Management Agreement").

Kailong Investment Management is entitled to the following remuneration for the provision of the Investment Management Services:-

(a) Investment Advisory Fee
An investment advisory fee equal to 0.5% p.a. on RMB 224,907,200. The fee is payable quarterly in advance ("Investment Advisory Fee").

(b) Disposition Fee
A disposition fee equal to 0.5% of the disposition proceeds. The disposition fee is payable at the closing of the definitive sales agreement with the respective purchaser, following receipt of payment from the respective purchaser. In the event that Kailong Investment Management is terminated for any reason other than termination upon event of default, all disposition fees earned by Kailong Investment Management with respect to disposition that has closed prior to such termination and within one hundred and eighty days thereafter and exit with third party purchasers with whom Kailong Investment Management has had substantive discussion with respect to the Assets are identified in writing by Kailong Investment Management to Power City prior to the effective date of Kailong Investment Management's termination that have closed prior to such termination or involuntary resignation or within 180 days thereafter and shall be paid as if such termination or resignation had not occurred in accordance with the provisions of the Investment Management Agreement.

(c) Promote
Kailong Investment Management shall be entitled to receive a fee (the "Promote") payable quarterly in arrears, from net cash flow from the Assets as follows:

(i) first, ten percent (10%) of net cash flow, if and to the extent that as of date of determination, the Assets have yielded an IRR equal to or in excess of fifteen percent (15%) and less than twenty percent (20%); and

(ii) second, twelve point five percent (12.5%) of net cash flow, if and to the extent that as of the date of determination, the Assets have yielded an IRR equal to or in excess of twenty percent (20%) and less than twenty-five percent (25%); and

(iii) third, fifteen percent (15%) of the net cash flow, if and to the extent that as of the date of determination, the Assets have yielded an IRR equal to or in excess of twenty-five percent (25%)

It was agreed on 8 April 2016 that with effect from 1 October 2015, the Investment Advisory Fee payable to Kailong Investment Management shall be temporarily reduced to 30% of the Investment Advisory Fee and the remaining 70% shall be payable upon exit of the relevant project by Bestlinkage which results in a 15% IRR for Power City.

For the year ended 31 March 2016, the amount paid/payable by the Group to Kailong Investment Management for the Investment Management Services rendered was RMB 731,000.

Pursuant to rule 14A.55 of the Listing Rules, the above continuing connected transactions have been reviewed by the independent non-executive Directors of the Company, all of whom have confirmed that these continuing connected transactions carried out during the year ended 31 March 2016 were:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Asset Management Agreement and the Investment Management Agreement are entered into prior to Kailong Holdings Limited ceased to be a subsidiary of the Company. As a result, they have not been approved by the Board in respect of, and no cap has been set for, these continuing connected transactions. Therefore, in its confirmation letter provided for the purpose of Rule 14A.56 of the Listing Rules, the Company's auditors have only confirmed that such continuing connected transactions carried out during the year ended 31 March 2016 were in accordance with the relevant agreements governing them.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Saved as disclosed above, significant related party transactions entered by the Group during the year, which do not constitute connected transactions under the Listing Rules are disclosed in note 31 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

Save as disclosed under heading "Connected Transactions" in this report and the related party transactions in note 31 to the consolidated financial statements, no other transactions, arrangement or contracts of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENT

Other than the information disclosed in this directors' report and the consolidated financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the financial year under review.

PERMITTED INDEMNITY PROVISIONS

Pursuant to Article of Association of the Company, the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Company throughout the year.

COMPETING BUSINESS

For the year, none of the Directors or the controlling shareholders of the Company and their respective associates had any interest in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Remuneration Committee. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market trend.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained sufficient public float throughout the year as required under the Listing Rules.

CHARITABLE DONATIONS

Donations made by the Group during the year for charitable amounted to HK$159,000 (2015: HK$130,000).

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the year, the five largest customers of the Group accounted for 73% of the Group's total revenue and total revenue from the largest customer included therein accounted for 46%. The aggregate purchase attributable to the five largest suppliers of the Group during the year was accounted for 94% of the total purchases of the Group and the largest supplier included therein accounted for 39%.

Other than disclosed above, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

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

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

CORPORATE GOVERNANCE

The Corporate Governance Report is set out on pages 9 to 16.

EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group disposed of a total of 5,900,000 shares of listed securities over a series of transactions conducted between 1 April 2016 to 13 June 2016, at the price between HK$4.61 and HK$4.78 for an aggregate gross sale proceeds of HK$27,570,000 (excluding transaction costs).

The Group realised a gain on disposal of listed securities of approximately HK$7,101,000 (excluding transaction costs) and will be recorded in the profit or loss for the year ending 31 March 2017.

AUDITOR

The Financial Statements have been audited by KPMG, who will retire and, being eligible, offer themselves for re-appointment at our forthcoming AGM.

A resolution to re-appoint KPMG as our external auditor will be submitted for shareholders' approval at our forthcoming AGM.

On behalf of the Board
Rykadan Capital Limited
CHAN William
Chairman and Chief Executive Officer

Hong Kong, 16 June 2016

to the shareholders of Rykadan Capital Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Rykadan Capital Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 30 to 99, which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers 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, 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 disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 June 2016

CONSOLIDATED INCOME STATEMENT

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

	Note	2016 $'000	2015 $'000
Continuing operations			
Revenue	4	153,108	321,723
Cost of sales and services		(115,063)	(233,986)
Gross profit		38,045	87,737
Other revenue	5(a)	6,985	6,422
Other net income	5(b)	4,600	7,788
Selling and marketing expenses		(36,002)	(10,679)
Administrative and other operating expenses		(94,722)	(142,163)
Gain on disposal of interests in subsidiaries	28(e) & 28(f)	–	29,160
Gain on disposal of interest in an associate	13(b) & 13(c)	8,713	64,091
(Loss)/profit from operations		(72,381)	42,356
(Decrease)/increase in fair value of investment properties		(9,124)	61,810
		(81,505)	104,166
Finance costs	6(a)	(6,126)	(7,725)
Share of profits less loss of associates	13(b), 13(c) & 13(e)	1,115	22,396
Share of profit/(loss) of joint ventures	14	282	(226)
(Loss)/profit before taxation	6	(86,234)	118,611
Income tax	7	(5,402)	(16,814)
(Loss)/profit for the year from continuing operations		(91,636)	101,797
Discontinued operations			
Profit for the year from discontinued operations	9	–	9,848
(Loss)/profit for the year		(91,636)	111,645

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

	Note	2016 $'000	2015 $'000
Attributable to:			
Equity shareholders of the Company			
– from continuing operations		**(83,363)**	101,908
– from discontinued operations		**–**	11,506
		(83,363)	113,414
Non-controlling interests			
– from continuing operations		**(8,273)**	(111)
– from discontinued operations		**–**	(1,658)
		(8,273)	(1,769)
(Loss)/profit for the year		**(91,636)**	111,645
(Loss)/earnings per share	*10*		
Basic:			
– Continuing operations		**(17.5) cents**	21.3 cents
– Discontinued operations		**–**	2.4 cents
		(17.5) cents	23.7 cents

The notes on pages 37 to 99 form part of these consolidated financial statements. Details of dividend payable to equity shareholders of the Company attributable to the (loss)/profit for the year are set out in note 25(c).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2016 $'000	2015 $'000
(Loss)/profit for the year		**(91,636)**	111,645
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of foreign operations		**(11,863)**	2,993
– Share of translation reserve of an associate		**(410)**	(281)
– Release of investment revaluation reserve upon disposal of interests in subsidiaries	*28(d)*	**–**	(7,128)
– Release of translation reserve upon disposal of interests in subsidiaries	*28(d) & 28(e)*	**–**	(75)
– Release of translation reserve upon disposal of interest in an associate	*13(b) &13(c)*	**425**	(608)
Other comprehensive income for the year		**(11,848)**	(5,099)
Total comprehensive income for the year		**(103,484)**	106,546
Comprehensive income for the year attributable to:			
Equity shareholders of the Company		**(91,413)**	108,222
Non-controlling interests		**(12,071)**	(1,676)
Total comprehensive income for the year		**(103,484)**	106,546

The notes on pages 37 to 99 form part of these consolidated financial statements.

At 31 March 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Non-current assets			
Investment properties	11	430,583	456,518
Other properties, plant and equipment	12	61,512	55,926
Interests in associates	13	106,797	26,528
Interests in joint ventures	14	13,785	13,417
Other receivables and deposits	17(b)	5,231	132,036
		617,908	684,425
Current assets			
Properties for sale	15	789,612	470,635
Inventories	16	71,203	55,147
Trade receivables	17(a)	46,708	110,979
Other receivables, deposits and prepayments	17(b)	63,607	64,217
Trading securities	18	20,473	–
Amounts due from joint ventures	14	1,156	1,924
Restricted bank deposits	19	226,062	–
Bank deposits and cash	19	132,099	279,544
Taxation recoverable	7(d)	4,730	–
		1,355,650	982,446
Current liabilities			
Trade and other payables	20	61,928	44,570
Deposits received from sale of properties	21	261,991	–
Bank loans	22	295,809	127,235
Loans from non-controlling shareholders	23	75,207	52,256
Amounts due to associates	13	–	17,729
Taxation payable	7(d)	–	5,720
		694,935	247,510
Net current assets		660,715	734,936

At 31 March 2016
(Expressed in Hong Kong dollars)

	Note	2016 $'000	2015 $'000
Total assets less current liabilities		**1,278,623**	1,419,361
Non-current liabilities			
Bank loans	*22*	**151,137**	151,319
Deferred tax liabilities	*24(a)*	**11,711**	15,833
		162,848	167,152
NET ASSETS		**1,115,775**	1,252,209
CAPITAL AND RESERVES	*25*		
Share capital		**4,774**	4,774
Reserves		**1,075,244**	1,193,668
Total equity attributable to equity shareholders of the Company		**1,080,018**	1,198,442
Non-controlling interests		**35,757**	53,767
TOTAL EQUITY		**1,115,775**	1,252,209

Approved and authorised for issue by the board of directors on 16 June 2016.

CHAN William
DIRECTOR

YIP Chun Kwok
DIRECTOR

The notes on pages 37 to 99 form part of these consolidated financial statements.

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

		Attributable to equity shareholders of the Company					
		Share capital	Other reserves (note 25(b))	Retained profits (note 25(b))	Total	Non-controlling interests	Total equity
	Note	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2014		4,774	587,250	645,863	1,237,887	193,655	1,431,542
Changes in equity for the year:							
Profit for the year		–	–	113,414	113,414	(1,769)	111,645
Other comprehensive income		–	(5,192)	–	(5,192)	93	(5,099)
Total comprehensive income for the year		–	(5,192)	113,414	108,222	(1,676)	106,546
Dividend declared in respect of the prior year	*25(c)*	–	–	(152,783)	(152,783)	–	(152,783)
Equity settled share-based transactions	*25(e)*	–	8,100	–	8,100	–	8,100
Acquisition of additional interests in a subsidiary	*28(c)*	–	(2,012)	–	(2,012)	12	(2,000)
Disposal of interests in subsidiaries	*28(d) & 28(e)*	–	–	–	–	(139,211)	(139,211)
Share of other reserves of an associate		–	15	–	15	–	15
Deemed disposal of a subsidiary		–	(987)	–	(987)	987	–
Disposal of interest in an associate	*13(c)*	–	562	(562)	–	–	–
Transfer to statutory reserve		–	3,365	(3,365)	–	–	–
At 31 March 2015 and 1 April 2015		4,774	591,101	602,567	1,198,442	53,767	1,252,209
Changes in equity for the year:							
Loss for the year		–	–	(83,363)	(83,363)	(8,273)	(91,636)
Other comprehensive income		–	(8,050)	–	(8,050)	(3,798)	(11,848)
Total comprehensive income for the year		–	(8,050)	(83,363)	(91,413)	(12,071)	(103,484)
Dividend declared in respect of the prior year	*25(c)*	–	–	(23,872)	(23,872)	–	(23,872)
Dividend paid to non-controlling shareholders		–	–	–	–	(9,800)	(9,800)
Equity settled share-based transactions	*25(e)*	–	1,880	–	1,880	–	1,880
Compensation on cancellation of share option	*25(e)*	–	(6,670)	–	(6,670)	–	(6,670)
Partial disposal of interests in subsidiaries without loss of control	*28(a)*	–	1,428	–	1,428	4,084	5,512
Acquisition of additional interests in a subsidiary	*28(b)*	–	223	–	223	(223)	–
Transfer from capital reserve	*25(e)*	–	(9,385)	9,385	–	–	–
Transfer to statutory reserve		–	1,068	(1,068)	–	–	–
Release of special reserve to retained profits	*25(b)(vi)*	–	(67,300)	67,300	–	–	–
At 31 March 2016		**4,774**	**504,295**	**570,949**	**1,080,018**	**35,757**	**1,115,775**

The notes on pages 37 to 99 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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

	Note	2016 $'000	2015 $'000
Cash used in operations	*19(b)*	**(200,263)**	(413,609)
Interest paid		**(9,831)**	(10,356)
Income tax paid		**(15,144)**	(190,982)
Net cash used in operating activities		**(225,238)**	(614,947)
Investing activities			
Purchases of investment properties	*11*	**–**	(228)
Purchases of other properties, plant and equipment	*12*	**(2,069)**	(9,338)
Acquisition of additional interests in a subsidiary	*28(c)*	**–**	(24,000)
Net cash inflows through disposal of interests in subsidiaries	*28(d), 28(e) & 28(f)*	**–**	48,690
Purchase of available-for-sale investments		**–**	(6,309)
Purchase of trading securities		**(18,979)**	–
Proceeds from disposal of other properties, plant and equipment		**11**	22
Proceeds from disposal of interest in an associate	*13(b) & 13(c)*	**29,264**	101,516
Proceeds from partial disposal of interests in subsidiaries without loss of control	*28(a)*	**1,513**	–
Proceeds from disposal of available-for-sale investments		**–**	37,226
Proceeds from disposal of trading securities		**19,899**	–
Dividends received from an associate	*13*	**3,856**	–
Decrease in bank deposits with maturity over 3 months		**–**	170,000
Interest received	*5(a)*	**4,280**	5,824
Net cash generated from investing activities		**37,775**	323,403
Financing activities			
Proceeds from new bank loans		**263,649**	174,583
Repayments of bank loans		**(91,976)**	(219,385)
Dividend paid to non-controlling shareholders		**(9,800)**	–
Advances from non-controlling shareholders		**5,198**	2,165
Increase in amount due from an associate		**(106,797)**	–
Dividend paid		**(23,872)**	(176,655)
Net cash generated from/(used in) financing activities		**36,402**	(219,292)
Net decrease in cash and cash equivalents		**(151,061)**	(510,836)
Cash and cash equivalents at 1 April		**279,544**	787,847
Effect of foreign exchange rate changes		**3,616**	2,533
Cash and cash equivalents at 31 March	*19(a)*	**132,099**	279,544

The notes on pages 37 to 99 form part of these consolidated financial statements.

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

1 GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 21 August 2009. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Rooms 2701 & 2801, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon respectively.

The Company acts as an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are set out in note 32(b).

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

(i) These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

(ii) The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements for the year ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Company's interests in associates and joint ventures.

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

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

(iii) The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

– *Annual Improvements to HKFRSs 2010-2012 Cycle*

– *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Trading securities

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends earned on these investments as these are recognised in accordance with the policies set out in note 2(t)(v).

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(t)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Other properties, plant and equipment

The following items of other properties, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(k)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(j)); and

– other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of other properties, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other properties, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

– Leasehold improvements 3-10 years

– Furniture, fixtures and equipment 3-7 years

Where parts of an item of other properties, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in other properties, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)) or is held for sale (see note 2(l)(ii)).

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

– For trade and other receivables carried at amortised cost, the impairment loss is measured as 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– other properties, plant and equipment;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

(i) Construction and interior decorative materials

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense 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 an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed properties held for sale

In the case of completed properties held for sale developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks 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, having been within three months of maturity at acquisition. 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 cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year 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.

(ii) Share-based payments

The fair value of share options granted to suppliers is recognised as an expense with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the suppliers have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses quality for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Company issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Company's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and (ii) the amount of that claim on the Company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is possible that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of properties

Revenue arising from the sales of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under deposits received.

(ii) Sales of goods

Revenue from sales of goods is recognised when goods are delivered and title has been passed. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Service income

Service income is recognised when services are provided. Service income is recognised net of business tax.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Rental income is recognised net of business tax.

(v) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into HKD at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into HKD at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(x) Related parties

(1) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

(2) 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 a joint venture of the other entity (or an associate or a 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 (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity.

(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.

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

(y) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Sources of estimation uncertainty

Notes 25(e) and 26(e) contain information about the assumptions and their risk relating to the valuation of fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Valuation of investment properties

Investment properties are included in the consolidated statement of financial position at their market value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. The market value of investment properties is assessed semi-annually by independent qualified valuers, after taking into consideration the net rental income and other available market survey reports.

The assumptions adopted in the property valuation include market rents and prices of properties with similar characteristic within the vicinity, the appropriate discount rates and expected future market rents.

(ii) Assessment of impairment of non-current assets

Management assesses the recoverable amount of each asset based on its value in use (using relevant rates) or on its fair value less costs of disposal (by reference to market prices), depending upon the anticipated future plans for the asset. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

(iii) Assessment of provision for properties under development for sale and completed properties held for sale

Management's assessment of net realisable value of properties under development for sale and completed properties held for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale and completed properties held for sale. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate, and estimates may need to be adjusted in later periods.

(iv) Impairment of trade receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue represents income from distribution of construction and interior decorative materials, sales of properties, rental income and hospitality service fees and sales of educational products supplied to customers.

An analysis of the Group's revenue from continuing operations for the year is as follows:

	2016 **$'000**	2015 $'000
Distribution of construction and interior decorative materials	**121,974**	316,960
Sales of properties	**24,868**	–
Rental income	**6,167**	4,299
Hospitality service fees	**99**	291
Sales of educational products	**–**	173
	153,108	321,723

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

During the year ended 31 March 2015, the Group disposed of its asset, investment and fund management segment which was presented as discontinued operations. Details were set out in notes 9 and 28(d).

Continuing operations

– Property development – This segment derives its revenue from repositioning and value enhancement of property with a focus on development projects in prime locations in Hong Kong, the United Kingdom (the "U.K."), and the United States of America (the "U.S.A.").

– Property investment and hospitality operations – This segment derives its revenue from leasing of premises within the Group's investment properties portfolio in Hong Kong and the People's Republic of China (the "PRC") and hospitality operations in Asia.

– Distribution of construction and interior decorative materials and educational products – This segment derives its revenue from distribution of (i) stone composite surfaces products in the Greater China region and a license to use the relevant trademark in connection therewith and (ii) educational products in Hong Kong and the PRC.

Discontinued operations

– Asset, investment and fund management – This segment derived its revenue from investing in and managing a portfolio of real estate in the Greater China region.

Segment (loss)/profit represents (loss from)/profit earned by each segment, excluding income and expenses of the corporate function, such as certain other revenue and other net income, certain administrative and other operating expenses, gain on disposal of interests in subsidiaries and an associate, (decrease)/increase in fair value of investment properties, net unrealised gain on trading securities, gain on disposal of trading securities, provision for impairment loss on other receivables, finance costs, share of profits less loss of associates and share of profit/(loss) of joint ventures.

All assets are allocated to operating segments other than certain other properties, plant and equipment, interests in associates, interests in joint ventures, certain other receivables, deposits and prepayments, trading securities, amounts due from joint ventures and bank deposits and cash.

All liabilities are allocated to operating segments other than certain other payables, loans from non-controlling shareholders, certain bank loans, and deferred tax liabilities.

Information regarding the above operating and reportable segments is reported below.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results

For the year ended 31 March 2016

	Continuing operations				
	Property development $'000	Property investment and hospitality operations $'000	Distribution of construction and interior decorative materials $'000	Elimination $'000	Consolidated $'000
Revenue					
External revenue	26,119	5,015	121,974	–	153,108
Inter-segment revenue	–	3,753	–	(3,753)	–
Total	26,119	8,768	121,974	(3,753)	153,108
Segment (loss)/profit	(38,723)*	(6,876)	4,775	–	(40,824)
Corporate expenses					(66,567)
Corporate income					4,904
Gain on disposal of interest in an associate					8,713
Decrease in fair value of investment properties					(9,124)
Net unrealised gain on trading securities					12,327
Gain on disposal of trading securities					9,066
Finance costs					(6,126)
Share of profits less loss of associates					1,115
Share of profit of joint ventures					282
Loss before taxation					(86,234)

* Segment loss was primarily attributable to the selling and marketing costs incurred in relation to pre-sale of properties.

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4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results (Continued)

For the year ended 31 March 2015

	Continuing operations			Discontinued operations		
	Property development $'000	Property investment and hospitality operations $'000	Distribution of construction and interior decorative materials and educational products $'000	Asset, investment and fund management $'000	Elimination $'000	Consolidated $'000
Revenue						
External revenue	706	3,884	317,133	15,601	–	337,324
Inter-segment revenue	2,310	1,239	–	1,377	(4,926)	–
Total	3,016	5,123	317,133	16,978	(4,926)	337,324
Segment (loss)/profit	(1,600)	(19,851)	39,716	(4,392)	–	13,873
Corporate expenses						(46,482)
Corporate income						5,824
Gain on disposal of interests in subsidiaries						43,353
Gain on disposal of interest in an associate						64,091
Increase in fair value of investment properties						61,810
Provision for impairment loss on other receivables						(28,455)
Finance costs						(7,725)
Share of profits of associates						22,396
Share of loss of a joint venture						(226)
Profit before taxation						128,459
Profit before taxation						
– Continuing operations						118,611
– Discontinued operations (note 9)						9,848
						128,459

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2016 $'000	2015 $'000
Segment assets		
Continuing operations		
Property development	995,418	505,446
Property investment and hospitality operations	514,376	477,694
Distribution of construction and interior decorative materials	145,719	181,300
Total segment assets	1,655,513	1,164,440
Other properties, plant and equipment	213	349
Interests in associates	106,797	26,528
Interests in joint ventures	13,785	13,417
Other receivables, deposits and prepayments	43,522	180,669
Trading securities	20,473	–
Amounts due from joint ventures	1,156	1,924
Bank deposits and cash	132,099	279,544
Total consolidated assets of the Group	1,973,558	1,666,871
Segment liabilities		
Continuing operations		
Property development	557,836	154,363
Property investment and hospitality operations	146,172	138,939
Distribution of construction and interior decorative materials	40,060	49,359
Total segment liabilities	744,068	342,661
Other payables	6,797	3,912
Loans from non-controlling shareholders	75,207	52,256
Bank loan	20,000	–
Deferred tax liabilities	11,711	15,833
Total consolidated liabilities of the Group	857,783	414,662

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Other segment information

For the year ended 31 March 2016

	Continuing operations					
	Property development $'000	Property investment and hospitality operations $'000	Distribution of construction and interior decorative materials $'000	Segment total $'000	Unallocated $'000	Consolidated $'000
Amounts included in the measure of segment results or segment assets:						
Additions of other properties, plant and equipment (including investment properties)	–	11,412	1,237	12,649	36	12,685
Depreciation of other properties, plant and equipment	–	(3,310)	(1,015)	(4,325)	(170)	(4,495)
Loss on disposal of other properties, plant and equipment	–	(50)	(1)	(51)	–	(51)

For the year ended 31 March 2015

	Continuing operations			Discontinued operations			
	Property development $'000	Property investment and hospitality operations $'000	Distribution of construction and interior decorative materials and educational products $'000	Asset, investment and fund management $'000	Segment total $'000	Unallocated $'000	Consolidated $'000
Amounts included in the measure of segment results or segment assets:							
Additions of other properties, plant and equipment (including investment properties)	7,011	93,407	1,072	56	101,546	190	101,736
Depreciation of other properties, plant and equipment	(1,890)	(1,259)	(979)	(94)	(4,222)	(142)	(4,364)
Gain on disposal of other properties, plant and equipment	–	–	–	–	–	4	4

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographical information

Management has categorised revenue from continuing operations by location of customers as follows:

	2016 $'000	2015 $'000
Hong Kong	**8,189**	995
The PRC	**118,991**	319,759
Others	**25,928**	969
	153,108	321,723

The Group's information about its non-current assets (excluding financial instruments) by geographical location of the assets or by the location of the related operations are detailed below:

	2016 $'000	2015 $'000
Hong Kong	**153,617**	144,883
The PRC	**338,478**	394,014
Others	**13,785**	13,492
	505,880	552,389

5 OTHER REVENUE AND OTHER NET INCOME

	2016 $'000	2015 $'000
Continuing operations		
(a) Other revenue		
Interest income	**4,280**	5,777
Income from forfeiture of property sales deposits	**1,093**	–
Others	**1,612**	645
	6,985	6,422
(b) Other net income		
(Loss)/gain on disposal of other properties, plant and equipment	**(51)**	4
Gain on disposal of trading securities	**9,066**	–
Net unrealised gain on trading securities	**12,327**	–
Net foreign exchange (loss)/gain	**(16,742)**	7,784
	4,600	7,788

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5 OTHER REVENUE AND OTHER NET INCOME (Continued)

	2016 $'000	2015 $'000
Discontinued operations (note 9)		
(a) Other revenue		
Interest income	–	47
Others	–	580
	–	627
(b) Other net income		
Net foreign exchange gain	–	47

6 (LOSS)/PROFIT BEFORE TAXATION

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

	2016 $'000	2015 $'000
(a) Finance costs		
Continuing operations		
Interest on bank loans	9,831	10,356
Less: interest expense capitalised into properties under development for sale (Note)	(3,705)	(2,631)
	6,126	7,725

Note: Interest was capitalised at an average annual rate of approximately 2.3% (2015: 2.7%).

	2016 $'000	2015 $'000
(b) Staff costs		
Continuing operations		
Salaries, wages and other benefits	50,782	62,117
Contributions to defined contribution retirement plans (note 27)	1,317	1,597
Share-based payments (note 28(a))	1,230	–
Staff costs (including directors' remuneration)	53,329	63,714
Discontinued operations		
Staff costs	–	13,095

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6 (LOSS)/PROFIT BEFORE TAXATION (Continued)

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

	2016 $'000	2015 $'000
(c) Other items		
Continuing operations		
Depreciation of other properties, plant and equipment	**4,495**	4,270
Cost of inventories	**81,923**	233,986
Cost of properties for recognised sales	**33,140**	–
Operating lease payments in respect of leased properties	**6,506**	7,809
Rental receivable from investment properties less direct outgoings of $1,337,000 (2015: $962,000)	**(4,830)**	(3,337)
Impairment loss/(reversal of impairment):		
– Trade receivables (note 17(a)(ii))	**7,509**	(83)
– Other receivables (note 28(e))	**–**	28,455
Auditors' remuneration	**1,450**	1,510
Equity settled share-based payments (notes 25(e) & 28(a))	**4,649**	8,100
Discontinued operations		
Depreciation of other properties, plant and equipment	**–**	94
Operating lease payments in respect of leased properties	**–**	2,370
Auditors' remuneration	**–**	195

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7 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2016 $'000	2015 $'000
Continuing operations		
Current tax		
Hong Kong Profits Tax		
– Provision for the year	5	3,681
– Over-provision in respect of prior year	(177)	(133)
	(172)	3,548
PRC Enterprise Income Tax	4,860	11,121
Withholding tax	3,251	–
Overseas tax	43	119
	7,982	14,788
Deferred tax		
Origination and reversal of temporary differences (note 24(a))	(2,580)	2,026
	5,402	16,814

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year ended 31 March 2016.

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% (2015: 25%) for the year.

Withholding tax of 10% is levied on the proceeds of disposal of interest in an associate in the PRC by a Hong Kong subsidiary.

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

7 INCOME TAX (Continued)

(b) Reconciliation between tax expense and (loss)/profit before taxation from continuing operations at applicable tax rates:

	2016 $'000	2015 $'000
(Loss)/profit before taxation from continuing operations	(86,234)	118,611
Notional tax on (loss)/profit before taxation, from continuing operations calculated at rates applicable to (loss)/profit in the countries concerned	828	23,615
Tax effect of share of profits less loss of associates	(184)	(3,695)
Tax effect of share of (profit)/loss of joint ventures	(48)	37
Tax effect of non-deductible expenses	7,042	9,328
Tax effect of non-taxable income	(12,668)	(26,004)
Tax effect of unused tax losses not recognised	12,248	13,390
Utilisation of tax losses previously not recognised	(1,688)	–
Others	49	276
Over-provision in respect of prior year	(177)	(133)
Actual tax expense from continuing operations	5,402	16,814

(c) Share of associates' taxation for the year ended 31 March 2016 of $22,000 (2015: $5,600,000) is included in the share of profits less loss of associates.

(d) Taxation in the consolidated statement of financial position represents:

	The Group 2016 $'000	2015 $'000
Provision for Hong Kong Profits Tax for the year	5	3,681
Provisional Profits Tax paid	(5)	(1,173)
	–	2,508
Balance of Hong Kong Profits Tax recoverable relating to prior year	(3,010)	–
	(3,010)	2,508
PRC Enterprise Income Tax (recoverable)/payable	(1,808)	3,124
Overseas tax payable	88	88
Taxation (recoverable)/payable	(4,730)	5,720

(e) Tax effects relating to components of other comprehensive income:

For the year ended 31 March 2015, included in release of reserve upon disposal of a subsidiary was the release of deferred tax liabilities of $6,245,000.

8 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus (Note (c))	Retirement benefits scheme contributions	Total
	$'000	$'000	$'000	$'000	$'000
For the year ended 31 March 2016					
Executive directors:					
Mr. Chan William (Note (a))	**–**	**12,000**	**8,000**	**18**	**20,018**
Mr. Ng Tak Kwan (Note (b))	**3,716**	**–**	**4,000**	**–**	**7,716**
Mr. Yip Chun Kwok	**–**	**3,000**	**500**	**18**	**3,518**
Non-executive director:					
Mr. Ng Tak Kwan (Note (b))	**589**	**–**	**–**	**–**	**589**
Independent non-executive directors:					
Mr. To King Yan, Adam	**264**	**–**	**–**	**–**	**264**
Mr. Wong Hoi Ki	**264**	**–**	**–**	**–**	**264**
Mr. Ho Kwok Wah, George	**264**	**–**	**–**	**–**	**264**
	5,097	**15,000**	**12,500**	**36**	**32,633**
For the year ended 31 March 2015					
Executive directors:					
Mr. Chan William (Note (a))	–	12,000	8,000	18	20,018
Mr. Ng Tak Kwan	9,600	–	4,000	–	13,600
Mr. Yip Chun Kwok	–	3,000	500	18	3,518
Independent non-executive directors:					
Mr. To King Yan, Adam	246	–	–	–	246
Mr. Wong Hoi Ki	246	–	–	–	246
Mr. Ho Kwok Wah, George	246	–	–	–	246
	10,338	15,000	12,500	36	37,874

Notes:

(a) Mr. Chan William is the executive director and chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as chief executive officer.

(b) Mr. Ng Tak Kwan was re-designated as a non-executive director of the Company on 21 August 2015.

(c) The discretionary bonus is determined by reference to the Group's operating results and the individual performance of the directors and approved by the remuneration committee.

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8 DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Of the five individuals with highest emoluments, three (2015: three) are directors whose emoluments are disclosed in the above table. The aggregate of the emoluments in respect of the other two (2015: two) individuals were as follows:

	2016 $'000	2015 $'000
Salaries and other benefits	2,160	3,509
Retirement benefit scheme contributions	72	102
	2,232	3,611

The emoluments of the two (2015: two) individuals with the highest emoluments are within the following bands:

	No. of individuals 2016	2015
$Nil to $1,000,000	1	–
$1,000,001 to $1,500,000	1	1
$2,000,001 to $2,500,000	–	1

During the years ended 31 March 2016 and 31 March 2015, no emolument was paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments for the years ended 31 March 2016 and 31 March 2015.

9 DISCONTINUED OPERATIONS

On 8 August 2014, the Group entered into a sale agreement to partially dispose of its 30% equity interests in Kailong Holdings Limited ("KLR Holdings") that carried out all of the Group's asset, investment and fund management operations ("2014 KLR Disposal") (note 28(d)). Details of the 2014 KLR Disposal were set out in the Company's announcement dated 8 August 2014.

The Group had decided to dispose of its equity interests in KLR Holdings as it intended to reallocate its capital into opportunities that offered better potential returns such as real estate investment opportunities. The financial results of KLR Holdings were classified and presented as discontinued operations in accordance with HKFRS 5, *Non-current assets held for sale and discontinued operations*. The 2014 KLR Disposal was completed on 26 September 2014, on which date the Group lost control in KLR Holdings.

The results of and loss from the discontinued operations for the period from 1 April 2014 to 26 September 2014 are analysed as follows:

	Note	1 April 2014 to 26 September 2014 $'000
Revenue		15,601
Cost of sales and services		(12,539)
Gross profit		3,062
Other revenue	*5(a)*	627
Other net income	*5(b)*	47
Administrative and other operating expenses		(8,081)
Loss before taxation		(4,345)
Income tax		–
Loss for the period		(4,345)
Gain on disposal of discontinued operations	*28(d)*	14,193
		9,848

The net cash flows incurred by the discontinued operations are as follows:

Net cash used in operating activities	(27,671)
Net cash generated from investing activities	30,861
Net cash inflows	3,190

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company from continuing and discontinued operations of loss of $83,363,000 and $Nil respectively (2015: profit of $101,908,000 and $11,506,000 respectively) and the weighted average number of 477,447,000 ordinary shares issued during the years ended 31 March 2016 and 31 March 2015.

(b) Diluted earnings per share

There are no potential diluted ordinary shares during the years ended 31 March 2016 and 31 March 2015.

11 INVESTMENT PROPERTIES

(a) The Group

	2016 $'000	2015 $'000
At valuation:		
At 1 April	456,518	355,567
Additions	–	228
Transfer (Note)	2,400	92,170
Revaluation (deficit)/surplus	(10,320)	8,104
Exchange adjustments	(18,015)	449
At 31 March	430,583	456,518

Note: During the year ended 31 March 2016, completed properties held for sale of $2,400,000 (2015:$92,170,000) were transferred from "properties for sale" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation surplus of $1,196,000 (2015: $53,706,000) have been dealt with in the consolidated income statement (note 11(b)(ii)).

The analysis of valuation of properties is as follows:

	2016 $'000	2015 $'000
Medium-term leases		
Hong Kong	94,570	92,170
The PRC	336,013	364,348
	430,583	456,518

At 31 March 2016, investment properties amounting to $429,383,000 (2015: $455,318,000) were pledged as securities for bank loans (note 22(e)).

11 INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy

(i) The Group's investment properties measured at fair value at the end of the reporting period on a recurring basis are categorised into 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.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

At 31 March 2016 and 31 March 2015, the Group's investment properties fall into Level 3 of the fair value hierarchy as described above.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. During the years ended 31 March 2016 and 31 March 2015, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

The investment properties in Hong Kong and the PRC were revalued as at 31 March 2016 and 31 March 2015 respectively by Roma Appraisals Limited and Colliers International (Hong Kong) Limited, independent firms of surveyors who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the locations and categories of properties being valued.

Valuation processes
The Group reviews the valuations performed by the independent valuers for financial reporting purposes by verifying all major inputs and assessing the reasonableness of the property valuations. Valuation reports with an analysis of changes in fair value measurement are prepared at each interim and annual reporting date, and are reviewed and approved by the senior management.

Valuation methodologies
The fair value of investment properties in Hong Kong is determined using direct comparison approach by reference to recent sales prices of comparable properties adjusted for a premium or discount specific to the quality of the Group's investment properties. The fair value measurement is positively correlated to the premium on quality of building.

The valuation of investment properties in the PRC is determined using discounting a projected cash flow series associated with the properties using discount rate, takes into account expected market rental growth of the properties. The discount rate used has been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and negatively correlated to the discount rate.

11 INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Investment properties			
– Hong Kong	Direct comparison approach	Premium on quality of building	0%-15%
– The PRC	Discounted cash flow method	Expected market rental growth	2%-3%
		Discount rate	9%

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	Investment properties in Hong Kong $'000	Investment properties in the PRC $'000
At 1 April 2014	–	355,567
Additions	–	228
Transfer	38,464	–
Revaluation surplus	53,706	8,104
Exchange adjustments	–	449
At 31 March 2015 and 1 April 2015	92,170	364,348
Transfer	1,204	–
Revaluation surplus/(deficit)	1,196	(10,320)
Exchange adjustments	–	(18,015)
At 31 March 2016	94,570	336,013

The revaluation surplus or deficit arising on revaluation of investment properties is recognised in "(decrease)/increase in fair value of investment properties" in the consolidated income statement.

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 3 years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total minimum lease payments under non-cancellable operating leases are receivable as follow:

	2016 $'000	2015 $'000
Within 1 year	**2,828**	3,143
After 1 year but within 5 years	**193**	2,577
	3,021	5,720

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12 OTHER PROPERTIES, PLANT AND EQUIPMENT

	Buildings held for own use $'000	Leasehold improvements $'000	Furniture, fixtures and equipment $'000	Total $'000
At cost:				
At 1 April 2014	47,485	4,221	2,842	54,548
Exchange adjustments	–	5	(9)	(4)
Additions	–	7,142	2,196	9,338
Disposals	–	(1,111)	(1,641)	(2,752)
At 31 March 2015 and 1 April 2015	47,485	10,257	3,388	61,130
Exchange adjustments	–	(209)	(39)	(248)
Additions	–	1,801	268	2,069
Transfers (Note)	8,216	–	–	8,216
Disposals	–	–	(165)	(165)
At 31 March 2016	55,701	11,849	3,452	71,002
Accumulated amortisation and depreciation:				
At 1 April 2014	–	1,401	713	2,114
Exchange adjustments	–	2	(3)	(1)
Charge for the year	1,427	1,958	979	4,364
Written back on disposals	–	(851)	(422)	(1,273)
At 31 March 2015 and 1 April 2015	1,427	2,510	1,267	5,204
Exchange adjustments	–	(81)	(25)	(106)
Charge for the year	1,513	2,158	824	4,495
Written back on disposals	–	–	(103)	(103)
At 31 March 2016	2,940	4,587	1,963	9,490
Net book value:				
At 31 March 2016	52,761	7,262	1,489	61,512
At 31 March 2015	46,058	7,747	2,121	55,926

Buildings held for own use are situated in Hong Kong under medium-term leases.

At 31 March 2016 and 31 March 2015, all buildings held for own use are pledged as securities for bank loans (note 22(e)).

Note:

During the year ended 31 March 2016, completed properties held for sale of $8,216,000 were transferred from "properties for sale" to "other properties, plant and equipment" as a result of change of use.

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE TO ASSOCIATES

	2016 $'000	2015 $'000
Share of net assets	–	26,528
Amount due from an associate (Note (f))	106,797	–
	106,797	26,528
Amounts due to associates (Note (f))	–	17,729
Dividends received from an associate	3,856	–

At 31 March 2016, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation/ business	Particulars of issued and paid up capital	Proportion of issued capital held by the Group 2016	Proportion of issued capital held by the Group 2015	Proportion of voting power held in the board of directors 2016	Proportion of voting power held in the board of directors 2015	Principal activity
Epic Quest Global Limited (Note (a))	Incorporated	British Virgin Islands ("B.V.I.")/ Hong Kong	Ordinary	26%	–	33%	–	Investment holding
Smart Wealth Asia Pacific Limited (Note (a))	Incorporated	Hong Kong	Ordinary	26%	–	33%	–	Property development
KLR Holdings (Note (b))	Incorporated	Cayman Islands/ The PRC	Ordinary	–	9.74%	–	28.57%	Asset, investment and fund management

Notes:

(a) Acquisition of interest in an associate

On 26 May 2015, Talent Step Investments Limited ("Talent Step"), an indirect wholly-owned subsidiary of the Company and DSM Project Limited ("DSM"), a related party of the Group, subscribed for 26% and 74% equity interests of Epic Quest Global Limited ("Epic Quest") for cash of US$26 (equivalent to approximately $202) and US$74 (equivalent to approximately $573) respectively. Given that the Group is able to exercise significant influence over Epic Quest because it has the power to appoint one out of three directors of Epic Quest pursuant to the shareholder's agreement that was entered between Talent Step and DSM, the 26% equity interests of Epic Quest is accounted for as interest in an associate in the consolidated financial statements using equity method.

The transaction of acquisition of Epic Quest constituted a connected transaction of the Company under the Listing Rules.

On 10 June 2015, Epic Quest entered into the sale and purchase agreement with Excel Value International Limited ("Excel Value") and GT Winner Limited ("GT Winner"), both are independent third parties of the Group, pursuant to which Epic Quest agreed to acquire from Excel Value and GT Winner the entire equity interests of and certain loans owing by Smart Wealth Asia Pacific Limited, an owner of a 9-storey industrial building in Hong Kong, at an aggregate consideration of $339,440,000. The transaction was completed on 24 September 2015.

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE TO ASSOCIATES (Continued)

Notes: (Continued)

(b) Disposal of KLR Holdings

At 31 March 2015, the Group held 9.74% interests in KLR Holdings. The Group accounted for the 9.74% equity interests of KLR Holdings as interest in an associate as the Group had power to appoint two out of seven directors of KLR Holdings pursuant to the shareholders' agreement upon completion of 2014 KLR Disposal and the Group was able to exercise significant influence over the operating and financial decisions of KLR Holdings.

In November 2015, the Group entered into the repurchase agreement with KLR Holdings to dispose of its remaining 9.74% equity interests in KLR Holdings, at a consideration of US$4,187,000 (equivalent to $32,515,000) ("2015 KLR Disposal") and resulted in the Group recognising a gain of approximately $8,713,000 in profit or loss, calculated as follows:

	$'000
Fair value of consideration received and receivable	32,515
Less: carrying amount of 9.74% equity interests in KLR Holdings	(23,377)
Release of translation reserve	(425)
Gain recognised in profit or loss	8,713

As at 31 March 2016, KLR Holdings had settled US$3,768,000 (equivalent to approximately $29,264,000). The remaining amounts of the consideration in the carrying amount of US$419,000 (equivalent to approximately $3,251,000) is included in other receivables, deposits and prepayments at 31 March 2016 (note17(b)).

The 2015 KLR Disposal constituted a connected transaction of the Company under the Listing Rules.

The Group equity accounted for the financial results of KLR Holdings until 23 November 2015 and recognised in profit or loss as the share of profits of associate of $1,115,000 for the year ended 31 March 2016.

(c) Disposal of Sundart Holdings Limited ("Sundart")

In December 2014, the Group disposed of its remaining 15% equity interests in Sundart, to an independent third party (the "Sundart Purchaser"), at a consideration of $180,000,000 ("Sundart Disposal"). The Sundart Disposal was completed on 2 December 2014.

The Sundart Disposal was accounted for as a disposal of interest in an associate, and resulted in the Group recognising a gain of approximately $64,091,000 in profit or loss, calculated as follows:

	$'000
Fair value of consideration received and receivables	181,052
Less: carrying amount of 15% equity interests in Sundart	(117,569)
Release of translation reserve	608
Gain recognised in profit or loss	64,091

The consideration shall be payable by the Sundart Purchaser in three instalments. The first instalment was payable upon the date of completion and the last instalment will be payable on or before 30 June 2016. Interest on the outstanding amount of the sales consideration is charged at the rate of 2.5% per annum over 3-months Hong Kong Interbank Offer Rate ("HIBOR") from the Sundart Disposal completion date until the actual date of payment.

Upon the completion of the Sundart Disposal, the Company entered into the deed of share pledge pursuant to which 727 shares of Sundart were pledged in favour of the Company by the way of first fixed charge, as security for the payment of outstanding portions of the sales consideration by the Sundart Purchaser.

As at 31 March 2015, the Sundart Purchaser had settled $101,516,000. The remaining amounts of the sales consideration and its accrued interest of $79,536,000 are included in other receivables, deposits and prepayments at 31 March 2015 (note 17(b)). The Sundart Purchaser had settled the remaining amounts of $79,536,000 during the year ended 31 March 2016.

The Group equity accounted for the financial results of Sundart until 2 December 2014 and recognised in profit or loss as the share of profits of associate of $19,147,000 for the year ended 31 March 2015.

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

13 INTERESTS IN ASSOCIATES AND AMOUNTS DUE TO ASSOCIATES (Continued)

Notes: (Continued)

(e) Summary financial information of associates

Set out below is the summarised financial information of material associates, KLR Holdings as at 31 March 2015 and Epic Quest as at 31 March 2016 adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements.

	Epic Quest 2016 $'000	KLR Holdings 2015 $'000
Gross amounts of the associate		
Current assets	729,170	114,324
Non-current assets	–	195,599
Current liabilities	(411,004)	(35,074)
Non-current liabilities	(325,003)	(5,823)
Net (liabilities)/assets	(6,837)	269,026
Revenue	–	84,772
(Loss)/profit for the period	(6,837)	33,361
Other comprehensive income	–	(154)
Total comprehensive income for the period	(6,837)	33,207
(Loss)/profit attributable to shareholders	(6,837)	33,361
Reconciled to the Group's interest in the associate		
Gross amounts of consolidated net (liabilities)/assets of the associate	(6,837)	269,026
Group's effective interest	26%	9.74%
Group's share of consolidated net (liabilities)/assets of the associate	(1,778)	26,203
Exchange adjustments	–	8
Goodwill	–	317
Carrying amount in the consolidated financial statements	–	26,528
Group's share of associate's (loss)/profits	(1,778)	3,249

At 31 March 2016, the Group's unrecognised share of loss of the associate, Epic Quest, for the period cumulatively, amounted to $1,778,000 (2015: $Nil).

(f) Amounts due from/(to) associates

Amount due from an associate is unsecured, interest-free and has no fixed terms of repayment. The amount is not expected to be recovered within the next twelve months. The amount is neither past due nor impaired.

Amounts due to associates were unsecured, interest-free and repayable on demand.

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14 INTERESTS IN JOINT VENTURES

	2016 $'000	2015 $'000
Share of net assets, unlisted	13,785	13,417
Amounts due from joint ventures	1,156	1,924

At 31 March 2016, the Group had interests in the following joint ventures:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Particulars of issued capital	Proportion of issued capital held by the Group 2016	2015	Principal activity
RS Hospitality Private Limited	Incorporated	Bhutan	Bhutan	BTN239,400,000	50%	50%	Operation of boutique resorts
Dragon First Holdings Limited (Note)	Incorporated	B.V.I.	B.V.I.	US$2	50%	–	Investment holding

Note:

In February 2016, the Group injected capital of US$1 to set up a joint venture, Dragon First Holdings Limited.

The Group has interests in joint ventures, which are not individually material to the Group. Aggregate information of the Group's share of results of the joint ventures is as follows:

	2016 $'000	2015 $'000
Revenue	2,976	2,803
Profit/(loss) and total comprehensive income for the year	282	(226)

	2016 $'000	2015 $'000
At 1 April	13,417	13,584
Share of profit/(loss) and total comprehensive income for the year	282	(226)
Exchange adjustments	86	59
At 31 March	13,785	13,417

The amounts due from joint ventures are unsecured, interest-free and recoverable on demand.

15 PROPERTIES FOR SALE

	2016 $'000	2015 $'000
At cost:		
Completed properties held for sale	23,289	32,709
Properties under development for sale	766,323	437,926
	789,612	470,635

(a) The analysis of carrying value of leasehold land and land deposits included in completed properties held for sale and properties under development for sale is as follows:

	2016 $'000	2015 $'000
In Hong Kong		
Leases of between 10 to 50 years (medium-term leases)	571,209	257,536
Outside Hong Kong		
Leases of between 10 to 50 years (medium-term leases)	98,543	87,072
Leases of over 50 years (long-term leases)	119,860	126,027
	789,612	470,635

(b) At 31 March 2016, properties under development for sale of $274,749,000 (2015: $379,092,000) are expected to be completed after more than one year.

(c) At 31 March 2016, properties under development for sale amounting to $664,543,000 (2015: $257,536,000) were pledged as securities for bank loans (note 22(e)).

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16 INVENTORIES

	2016 $'000	2015 $'000
At cost:		
Finished goods held for sale	**51,459**	45,839
Inventories-in-transit	**19,744**	9,308
	71,203	55,147

17 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

	2016 $'000	2015 $'000
Trade receivables	**65,070**	126,793
Less: allowance for doubtful debts (note 17(a)(ii))	**(18,362)**	(15,814)
	46,708	110,979

(i) At 31 March 2016, the ageing analysis of trade receivables based on invoice date, net of allowance for doubtful debts, is as follows:

	2016 $'000	2015 $'000
1-30 days	**7,638**	28,426
31-60 days	**3,822**	19,527
61-90 days	**2,844**	31,616
Over 90 days	**32,404**	31,410
	46,708	110,979

Except for the Group's trade customers, which the Group negotiates on individual basis in accordance with contract terms, i.e. an average credit period of 90 days (2015: 60 days), all invoices are due upon issue.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly. Further details on the Group's credit policy are set out in note 26(a).

17 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

(ii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(k)).

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

	2016 $'000	2015 $'000
At 1 April	15,814	17,275
Impairment loss recognised/(reversal of impairment)	7,509	(83)
Uncollectible amounts written off	(4,125)	(1,397)
Exchange adjustments	(836)	19
At 31 March	18,362	15,814

At 31 March 2016, the Group's trade receivables of $18,362,000 (2015: $15,814,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables were not expected to be recovered. During the year ended 31 March 2016, specific allowances for doubtful debts of $7,509,000 was recognised (2015: $83,000 was reversed).

(iii) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016 $'000	2015 $'000
Neither past due nor impaired	20,993	62,658
1-30 days	8,610	13,966
31-60 days	4,077	8,890
61-90 days	1,758	11,590
Over 90 days	11,270	13,875
	25,715	48,321
	46,708	110,979

Receivables that were neither past due nor impaired relate to a wide range of customers who have no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

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17 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

(b) Other receivables, deposits and prepayments

	Note	**2016 $'000**	2015 $'000
Other receivables		**7,807**	11,229
Consideration receivables			
– Sundart Disposal	*13(c)*	**–**	79,536
– 2014 KLR Disposal	*28(d)*	**29,313**	60,401
– 2015 KLR Disposal	*13(b)*	**3,251**	–
– Disposal of Wing Lok Innovative Education Organization Corporation	*28(e)*	**10,603**	10,168
Deposits and prepayments		**17,864**	34,919
		68,838	196,253
Non-current			
Consideration receivables			
– 2014 KLR Disposal		**4,175**	52,500
– Sundart Disposal		**–**	79,536
Other receivables		**1,056**	–
		5,231	132,036
Current		**63,607**	64,217
		68,838	196,253

18 TRADING SECURITIES

	The Group and the Company	
	2016 $'000	2015 $'000
Listed investment stated at market value – in Hong Kong	**20,473**	–

Subsequent to the end of the reporting period, the Group disposed of a total of 5,900,000 shares of trading securities over a series of transactions conducted between 1 April 2016 to 13 June 2016, for an aggregate gross sale proceeds of $27,570,000 (excluding transaction costs). The Group realised a gain on disposal of trading securities of approximately $7,101,000 (excluding transaction costs) and will be recorded in the profit or loss for the year ending 31 March 2017.

19 RESTRICTED BANK DEPOSITS AND BANK DEPOSITS AND CASH

(a) Deposits and cash comprise:

	2016 $'000	2015 $'000
Restricted bank deposits (Note (i))	**226,062**	–
Deposits with banks	**8,001**	8,001
Cash at banks and in hand	**124,098**	271,543
	132,099	279,544

Notes:

(i) At 31 March 2016, restricted bank deposits of $226,062,000 (2015: $Nil) mainly represent certain sales proceeds received from the pre-sale of the properties, withdrawals from which are designated for payments for expenditure in accordance with relevant terms and conditions set out in the stakeholders agreement.

(ii) At 31 March 2016, bank deposits and cash include $67,266,000 (2015: $78,403,000) which are denominated in Renminbi ("RMB"), HKD and United States dollars ("USD"), the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(iii) Bank deposits carry interest at average market rate of 0.01% (2015: 0.01% to 2.25%) per annum.

(b) Reconciliation of (loss)/profit for the year to cash used in operations:

	Note	2016 $'000	2015 $'000
Operating activities			
(Loss)/profit for the year		**(91,636)**	111,645
Adjustments for:			
Decrease/(increase) in fair value of investment properties		**9,124**	(61,810)
Depreciation of other properties, plant and equipment	*12*	**4,495**	4,364
Loss/(gain) on disposal of other properties, plant and equipment	*5(b)*	**51**	(4)
Gain on disposal of trading securities	*5(b)*	**(9,066)**	–
Net unrealised gain of trading securities	*5(b)*	**(12,327)**	–
Gain on disposal of interests in subsidiaries	*28(d), 28(e) & 28(f)*	**–**	(43,353)
Gain on disposal of interest in an associate	*13(b) & 13(c)*	**(8,713)**	(64,091)
Interest income	*5(a)*	**(4,280)**	(5,824)
Interest expenses	*6(a)*	**6,126**	7,725
Share of profits less loss of associates	*13(b), 13(c) & 13(e)*	**(1,115)**	(22,396)
Share of (profit)/loss of joint ventures	*14*	**(282)**	226
Impairment loss/(reversal of impairment) on trade receivables	*17(a)(ii)*	**7,509**	(83)
Impairment loss on other receivables	*28(e)*	**–**	28,455
Equity settled share-based payments		**5,879**	8,100
Income tax expense from continuing and discontinued operations		**5,402**	16,814
Operating loss before changes in working capital carried forward		**(88,833)**	(20,232)

19 RESTRICTED BANK DEPOSITS AND BANK DEPOSITS AND CASH (Continued)

(b) Reconciliation of (loss)/profit for the year to cash used in operations: (Continued)

	2016 $'000	2015 $'000
Operating loss before changes in working capital brought forward	**(88,833)**	(20,232)
Increase in properties for sale	**(326,935)**	(277,613)
(Increase)/decrease in inventories	**(16,055)**	36,034
Decrease/(increase) in trade receivables	**56,762**	(5,388)
Decrease/(increase) in other receivables, deposits and prepayments	**130,666**	(49,317)
Decrease in amounts due from joint ventures	**768**	110
(Increase)/decrease in restricted bank deposits	**(226,062)**	851
Increase/(decrease) in trade and other payables	**7,435**	(61,241)
Increase in deposits received from sale of properties	**261,991**	–
Decrease in amounts due to associates	**–**	(36,813)
Cash used in operations	**(200,263)**	(413,609)

20 TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Financial liabilities:		
Trade payables (including bills payable)	**12,821**	17,388
Retentions payable	**5,415**	862
Other payables and accruals	**40,597**	22,861
	58,833	41,111
Non-financial liabilities:		
Advances received from customers	**1,672**	2,564
Other non-financial liabilities	**1,423**	895
	3,095	3,459
	61,928	44,570

All trade and other payables are expected to be settled within one year.

20 TRADE AND OTHER PAYABLES (Continued)

At 31 March 2016, the ageing analysis of trade payables, based on invoice date, is as follows:

	2016 $'000	2015 $'000
1-30 days	12,794	14,906
31-60 days	–	281
61-90 days	–	1,249
Over 90 days	27	952
	12,821	17,388

21 DEPOSITS RECEIVED FROM SALE OF PROPERTIES

Deposits received from sale of properties of $261,991,000 (2015: $Nil) are expected to be recognised as income in the consolidated income statement within one year.

22 BANK LOANS

At 31 March 2016, the bank loans are repayable as follows:

	2016 $'000	2015 $'000
Within 1 year or on demand	295,809	127,235
After 1 year but within 2 years	11,640	110,724
After 2 years but within 5 years	139,497	36,738
After 5 years	–	3,857
	151,137	151,319
	446,946	278,554

At 31 March 2016, the secured bank loans and unsecured bank loans are as follows:

	2016 $'000	2015 $'000
Secured bank loans	420,036	257,031
Unsecured bank loans	26,910	21,523
	446,946	278,554

22 BANK LOANS (Continued)

(a) At 31 March 2016, bank loans drawn in Hong Kong bear interest at rates range from 2.0% to 2.7% (2015: 2.0% to 2.7%) per annum over HIBOR or London Interbank Offer Rate and interests are repriced every one to three months.

(b) At 31 March 2016, bank loans drawn in the PRC bear interest at The People's Bank of China Base Interest Rate (2015: The People's Bank of China Base Interest Rate) per annum.

(c) At 31 March 2016, bank loans drawn in the U.S.A. bear interest at 1% per annum over the daily Wall Street Journal Prime Rate (2015: None).

(d) At 31 March 2016, bank loans of approximately $134,652,000 (2015: $114,989,000) that are repayable within one year from the end of the reporting period contains a repayable on demand clause.

(e) At 31 March 2016, banking facilities of the Group were secured by mortgages over investment properties, properties for sale and buildings held for own use with an aggregate carrying value of $429,383,000 (2015: $455,318,000), $664,543,000 (2015: $257,536,000), and $52,761,000 (2015: $46,058,000) respectively (notes 11, 15 and 12). Such banking facilities amounted to $932,931,000 (2015: $436,329,000) were utilised to the extent of $420,036,000 at 31 March 2016 (2015: $257,031,000).

(f) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants.

None of the covenants relating to the drawn down facilities had been breached for the years ended 31 March 2016 and 31 March 2015.

Further details of the Group's management of liquidity risk are set out in note 26(b).

23 LOANS FROM NON-CONTROLLING SHAREHOLDERS

The loans from non-controlling shareholders are unsecured, interest-free and are repayable on demand.

24 DEFERRED TAX LIABILITIES

(a) Deferred tax liabilities recognised:

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of properties $'000	Revaluation of available-for-sale investments $'000	Total $'000
At 1 April 2014	13,843	6,246	20,089
Charged to profit or loss	2,026	–	2,026
Exchange adjustments	(36)	(1)	(37)
Disposal of a subsidiary	–	(6,245)	(6,245)
At 31 March 2015 and 1 April 2015	15,833	–	15,833
Credited to profit or loss	(2,580)	–	(2,580)
Exchange adjustments	(1,542)	–	(1,542)
At 31 March 2016	11,711	–	11,711

24 DEFERRED TAX LIABILITIES (Continued)

(b) Deferred tax liabilities not recognised:

Under the EIT Law and Implementation Regulation of the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to $41,615,000 (2015: $33,781,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(c) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	2016		2015	
	Deductible temporary differences/ tax losses $'000	**Deferred tax assets $'000**	Deductible temporary differences/ tax losses $'000	Deferred tax assets $'000
Future benefit of tax losses				
– Hong Kong	**159,818**	**26,370**	121,895	20,113
– Outside Hong Kong	**64,880**	**13,660**	42,716	9,357
	224,698	**40,030**	164,611	29,470

The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses sustained in the operations of certain subsidiaries as the availability of future taxable profits against which the assets can be utilised is uncertain at 31 March 2016. The tax losses arising from Hong Kong, Singapore and the U.K. operations do not expire under current tax legislation. The tax losses arising from operations in the PRC can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose. The tax losses arising from the operations in the U.S.A. will expire in twenty years after the relevant accounting year end date.

25 CAPITAL, RESERVES AND DIVIDEND

(a) Share capital

	2016		2015	
	Number of shares	**$'000**	Number of shares	$'000
Authorised:				
Ordinary share of $0.01 each	**1,000,000,000**	**10,000**	1,000,000,000	10,000
Issued and fully paid:				
Ordinary share of $0.01 each	**477,447,000**	**4,774**	477,447,000	4,774

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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

25 CAPITAL, RESERVES AND DIVIDEND (Continued)

(b) Reserves

(i) The Group

	Share premium	Statutory reserve (note (i))	Investment revaluation reserve (note (ii))	Translation reserve (note (iii))	Capital reserve (note (iv))	Other reserves (note (v))	Special reserve (note (vi))	Total	Retained profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2014	469,130	–	6,369	1,408	6,075	36,968	67,300	587,250	645,863	1,233,113
Profit for the year	–	–	–	–	–	–	–	–	113,414	113,414
Other comprehensive income	–	–	(7,128)	1,936	–	–	–	(5,192)	–	(5,192)
Total comprehensive income for the year	–	–	(7,128)	1,936	–	–	–	(5,192)	113,414	108,222
Dividend declared in respect of the prior year (note 25(c))	–	–	–	–	–	–	–	–	(152,783)	(152,783)
Equity settled share-based transactions (note 25(e))	–	–	–	–	8,100	–	–	8,100	–	8,100
Acquisition of additional interests in a subsidiary (note 28(c))	–	–	–	–	–	(2,012)	–	(2,012)	–	(2,012)
Disposal of interest in an associate (note 13(c))	–	–	–	–	–	562	–	562	(562)	–
Deemed disposal of a subsidiary	–	–	759	(2)	–	(1,744)	–	(987)	–	(987)
Share of other reserves of an associate	–	–	–	–	–	15	–	15	–	15
Transfer to statutory reserve	–	3,365	–	–	–	–	–	3,365	(3,365)	–
At 31 March 2015 and 1 April 2015	469,130	3,365	–	3,342	14,175	33,789	67,300	591,101	602,567	1,193,668
Loss for the year	–	–	–	–	–	–	–	–	(83,363)	(83,363)
Other comprehensive income	–	–	–	(8,050)	–	–	–	(8,050)	–	(8,050)
Total comprehensive income for the year	–	–	–	(8,050)	–	–	–	(8,050)	(83,363)	(91,413)
Dividend declared in respect of the prior year (note 25(c))	–	–	–	–	–	–	–	–	(23,872)	(23,872)
Equity settled share-based transactions (note 25(e))	–	–	–	–	1,880	–	–	1,880	–	1,880
Compensation on cancellation of share option (note 25(e))	–	–	–	–	(6,670)	–	–	(6,670)	–	(6,670)
Transfer from capital reserve (note 25(e))	–	–	–	–	(9,385)	–	–	(9,385)	9,385	–
Acquisition of additional interests in a subsidiary (note 28(b))	–	–	–	–	–	223	–	223	–	223
Partial disposal of interests in subsidiaries without loss of control (note 28(a))	–	–	–	–	–	1,428	–	1,428	–	1,428
Transfer to statutory reserve	–	1,068	–	–	–	–	–	1,068	(1,068)	–
Release of special reserve to retained profits (note 25(b)(vi))	–	–	–	–	–	–	(67,300)	(67,300)	67,300	–
At 31 March 2016	469,130	4,433	–	(4,708)	–	35,440	–	504,295	570,949	1,075,244

25 CAPITAL, RESERVES AND DIVIDEND (Continued)

(b) Reserves (Continued)

(ii) The Company

	Share premium $'000	Special reserve (note (vi)) $'000	Retained profits $'000	Total $'000
At 1 April 2014	469,130	67,300	704,485	1,240,915
Profit and other comprehensive income for the year	–	–	75,651	75,651
Dividend declared in respect of the prior year (note 25(c))	–	–	(152,783)	(152,783)
At 31 March 2015 and 1 April 2015	**469,130**	**67,300**	**627,353**	**1,163,783**
Profit and other comprehensive income for the year	**–**	**–**	**29,753**	**29,753**
Dividend declared in respect of the prior year (note 25(c))	**–**	**–**	**(23,872)**	**(23,872)**
Release of special reserve to retained profits (note (vi))	**–**	**(67,300)**	**67,300**	**–**
At 31 March 2016	**469,130**	**–**	**700,534**	**1,169,664**

Notes:

(i) According to the relevant PRC laws, the PRC subsidiaries are required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiaries' registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiaries' equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiaries.

(ii) Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments held at the end of the reporting period, net of related deferred tax (if any). During the year ended 31 March 2015, all the Group's available-for-sale investments were disposed of through disposal of a subsidiary (note 28(d)), and accordingly the investment revaluation reserve was released to retained profits through other comprehensive income.

(iii) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policies set out in note 2(u).

(iv) The capital reserve represents the movement of fair value of unexercised share options granted by an indirect subsidiary of the Company to an independent third party in respect of the provision of the marketing and consultancy services (note 25(e)).

(v) Other reserves comprise the differences between the consideration and carrying amount of net assets attributable to the addition and reduction of interests in subsidiaries being acquired from and disposed to non-controlling shareholders respectively.

(vi) Pursuant to a deed for sale and purchase dated 3 August 2009 entered into between Tiger Crown Limited, Scenemay Holdings Limited, Mr. Ng Tak Kwan, Mr. Leung Kai Ming and Mr. Wong Kim Hung, Patrick as vendors (collectively referred to as the "Vendors"), and the Company as purchaser, the Company issued 69,990,000 shares of $0.01 each amounting to approximately $700,000 to the Vendors for acquiring the entire issued capital of Sundart in proportion to their respective holding in Sundart. The acquisition of Sundart by the Company was accounted for as a group reorganisation involving interspersing the Company between the Vendors and Sundart. The consolidated financial statements are prepared as a continuation of Sundart and its subsidiaries. Special reserve of the Group amounting to approximately $67,300,000 representing the difference between the nominal value of the shares issued by the Company and the issued share capital and share premium of Sundart at the date of the share swap. Pursuant to the directors' resolution passed on 26 October 2015, the amounts included in the special reserve of $67,300,000 had been transferred to retained profits of the Company.

25 CAPITAL, RESERVES AND DIVIDEND (Continued)

(c) Dividend

(i) Dividend payable to equity shareholders attributable to the year

	2016 $'000	2015 $'000
Final dividend declared and paid after the year of 3 cents per share (2015: 5 cents per share)	**14,323**	23,872

The board of directors does not recommend the payment of an interim dividend for the year ended 31 March 2016.

The final dividend has not been recognised as a liability at the end of the reporting period.

(ii) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the year

	2016 $'000	2015 $'000
Final dividend in respect of the previous financial year of 5 cents per share (2015: 32 cents per share)	**23,872**	152,783

(d) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes bank loans disclosed in note 22, restricted bank deposits and bank deposits and cash disclosed in note 19 and equity attributable to the shareholders of the Company.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

(e) Equity settled share-based transactions of a subsidiary

On 27 June 2013, Q-Stone Building Materials Limited ("Q-Stone"), an indirect wholly-owned subsidiary of the Company, entered into the share option agreement ("Share Option Agreement") with Fine China Consultants Limited ("Fine China"), an independent third party to the Group, pursuant to which Q-Stone has agreed to grant to Fine China the share option ("Share Option") which entitles Fine China to subscribe at an option price higher of (i) 30% of the audited consolidated net asset value of Q-Stone as at 31 March 2013 and (ii) the aggregate nominal value of the shares, for such number of shares shall represent 30% of the total shares of Q-Stone, in return for the provision of marketing and consultancy services by Fine China to Q-Stone.

The Share Option shall vest if and when Q-Stone has achieved an accumulated consolidated profit of $75,000,000 on or before 31 March 2016 (the "Target").

(Expressed in Hong Kong dollars)

25 CAPITAL, RESERVES AND DIVIDEND (Continued)

(e) Equity settled share-based transactions of a subsidiary (Continued)

Fine China may exercise the Share Option in whole (and not part only) within 4 months from the date of the written notification given by Q-Stone to Fine China pursuant to the Share Option Agreement which reveals that the Target has been achieved. The Share Option is expected to have a 2-year vesting period.

The fair value of services received in return for Share Option granted is measured by reference to the fair value of Share Option granted. The estimated fair value of the Share Option granted is measured based on the Black-Scholes Option Pricing Model. The contractual life of the Share Option is used as an input into this model.

Fair value of Share Option and assumptions

Fair value at measurement date	$16,055,000
Underlying value of shares	$19,500,000
Exercise price	$3,491,000
Expected volatility	44.51%
Option life	2.34 years
Risk-free interest rate	0.445%

The expected volatility is made reference to expected volatility of listed entities of similar business nature.

Share Option was granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the Share Option granted.

The Group recognised expenses of $8,100,000 related to equity settled share-based payment transactions for the year ended 31 March 2015.

On 31 December 2015, Q-Stone and Fine China entered into the Deed of Termination and Cancellation ("Deed") pursuant to which the Share Option Agreement was terminated and the Share Option was cancelled with effect from 31 December 2015. The cancellation of the Q-Stone Share Option during the vesting period by the Group are accounted for as accelerated vesting and share-based payments of $1,880,000 in respect of Q-Stone Share Option that have been recognised for serviced received had been charged to profit or loss for the year ended 31 March 2016.

Pursuant to the Deed, Q-Stone has agreed to pay a bonus fee ("compensation") to Fine China which was computed based on the accounts receivables as at 31 March 2015 referred by Fine China to Q-Stone which was subsequently settled and collected by Q-Stone during the period from 31 December 2015 to 30 September 2016 if this exceeds an agreed level. The compensation payable to Fine China will not exceed $9,800,000. The compensation payable to Fine China in respect of the cancellation of Q-Stone Share Option is accounted for as repurchases of an equity interest to the extent that the payment exceeds the fair value of the equity instruments to be granted. As of 31 March 2016, the Group assessed the compensation payable to Fine China in the amounts of $6,670,000 and such amounts have been dealt through capital reserve.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's major financial instruments include trade receivables, other receivables, deposits and prepayments, trading securities, amounts due from joint ventures, amount due from an associate, restricted bank deposits, bank deposits and cash, trade and other payables, amounts due to associates, loans from non-controlling shareholders and bank loans. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

As 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.

In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables, other receivables, deposits and prepayments, amounts due from joint ventures and amount due from an associate at the end of each 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.

At the end of the reporting period, other than concentration of credit risks on trade receivables from one customer (2015: two customers) of approximately $30,148,000 (2015: $54,038,000) located in the PRC, the Group does not have any other significant concentration of credit risk.

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and aging analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management also closely monitors the subsequent settlement of the counterparties. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

The Group's bank deposits and cash are deposited with banks with high credit-ratings and have limited exposure to any single financial institution, so the Group has limited credit risk on liquid funds.

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management of the Company monitors the utilisation of bank loans and ensures compliance with loan covenants.

As at 31 March 2016, the Group has available unutilised bank loan facilities of approximately $735,984,000 (2015: $465,249,000).

The remaining contractual maturity for financial liabilities of the Group, which are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, is within one year or on demand.

The following table details the Group's remaining contractual maturity for its 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. Specifically, bank loans with a repayable on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for financial liabilities are based on the agreed repayment dates.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	Less than 4 months or on demand $'000	Between 4 to 6 months $'000	Between 7 to 12 months $'000	Between 1 to 5 years $'000	Over 5 years $'000	Total undiscounted cash flows $'000	Total carrying amount $'000
At 31 March 2016								
Financial liabilities								
Trade and other payables	N/A	58,833	–	–	–	–	58,833	58,833
Loans from non-controlling shareholders	N/A	75,207	–	–	–	–	75,207	75,207
Bank loans	3.04%	122,522	20,942	157,929	160,341	–	461,734	446,946
		256,562	20,942	157,929	160,341	–	595,774	580,986
At 31 March 2015								
Financial liabilities								
Trade and other payables	N/A	41,111	–	–	–	–	41,111	41,111
Loans from non-controlling shareholders	N/A	52,256	–	–	–	–	52,256	52,256
Bank loans	4.14%	116,711	7,922	9,430	157,943	3,986	295,992	278,554
Amounts due to associates	N/A	17,729	–	–	–	–	17,729	17,729
		227,807	7,922	9,430	157,943	3,986	407,088	389,650

(c) Interest rate risk

The Group's interest rate risk relates primarily to variable-rate bank balances and bank loans. The interest rates of interest bearing financial assets and liabilities are disclosed in notes 19 and 22. The directors consider the Group's exposure to interest rate risk of variable-rate bank balances is not significant as interest bearing deposits are within short maturity periods so no sensitivity analysis is presented for bank balances. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

For variable-rate bank loans, the analysis is prepared assuming the bank loans outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2015: 50 basis points) increase or decrease in variable-rate bank loans represents management's assessment of the reasonably possible change in interest rates. If interest rate increases/decreases by the aforesaid basis point, and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2016 would decrease/increase by approximately $751,000 (2015: $724,000) and finance costs capitalised in properties under development for sale would increase/decrease by approximately $1,310,000 (2015: $492,000). The analysis is performed on the same basis for the year end 31 March 2015.

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. currency other than the functional currency of the operations to which the transactions relates. The currencies giving rise to this risk are primarily RMB, Euro and USD.

The Group currently does not have a foreign currency hedging policy. However, management of the Company monitors foreign exchange exposure and will consider hedging significant currency risk exposure should the need arise.

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

	Assets		Liabilities	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
USD against HKD	**35,437**	93,290	**34,294**	27,636
USD against RMB	**–**	106	**–**	–
Euro against HKD	**2,330**	11	**29,046**	35,841

Sensitivity analysis

As HKD is pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HKD exchange rates. As a result, the directors of the Company consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates between USD/HKD is minimal.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in USD against RMB and Euro against HKD. 5% (2015: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period. The sensitivity analysis of the Group's exposure to currency risk at the end of the reporting period includes only outstanding foreign currency denominated monetary items. The analysis is performed on the same basis for the year end 31 March 2015.

A positive number below indicates an increase in post-tax profit for the current year where USD strengthen against RMB or Euro strengthens against HKD. For a 5% (2015: 5%) weakening of USD against RMB or Euro against HKD, there would be an equal and opposite impact on the post-tax profit for the year as set out below:

	USD against RMB impact		Euro against HKD impact	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Increase/(decrease) in post-tax profit	**–**	4	**(1,115)**	(1,496)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the reporting period.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The Group's financial instruments measured at fair value at the end of the reporting period on a recurring basis are categorised into 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.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

During the years ended 31 March 2016 and 31 March 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 of the fair value hierarchy classifications.

	Fair value at 31 March 2016 $'000	Fair value measurements as at 31 March 2016 categorised into Level 1 $'000
Recurring fair value measurements		
Assets:		
Trading securities	**20,473**	**20,473**

For the movement during the year ended 31 March 2015 in the balance of Level 3 fair value measurements is as follows:

	$'000
Unlisted available-for-sale investments:	
At 1 April 2014	187,068
Additions	6,309
Disposals	(37,226)
Disposal of interest in a subsidiary (note 28(d))	(156,165)
Exchange adjustments	14
At 31 March 2015	–

(ii) *Fair value of financial assets and liabilities carried at other than fair values*

The carrying amounts of the Group's financial assets and liabilities other than trading securities are not materially different from their fair values as at 31 March 2016 and 31 March 2015.

27 RETIREMENT BENEFITS PLANS

The Group operates a mandatory provident fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of $1,500 ($1,250 prior to 1 June 2014) or 5% of the relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the subsidiaries operated in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. Those subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 March 2016, the total costs charged to profit or loss, including both continuing operations and discontinued operations, are approximately $1,317,000 (2015: $2,234,000), representing contributions paid/payable to these plans by the Group of approximately $1,317,000 (2015: $2,234,000).

28 ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES

Year ended 31 March 2016

(a) Partial disposal of interests in subsidiaries without loss of control

On 31 December 2015, the Company as seller, entered into a sale and purchase agreement with Fine China and Cultivate Shine Limited ("Cultivate Shine") as purchasers, and Mr. Wong Fung Wai and Mr. Wang Chunlei ("Mr. Wang") as guarantors pursuant to which the Company disposed 13% equity interests of Joint Champ International Limited, the immediate holding company of Q-Stone, at a cash consideration of $1,047,000 and $466,000 respectively ("Joint Champ Disposal").

Mr. Wang is a chief executive of certain subsidiaries of the Company and Cultivate Shine is his associate. The transaction of Joint Champ Disposal constituted a connected transaction of the Company under the Listing Rules and a related party transaction.

Joint Champ Disposal was accounted for as equity settled transactions and the share-based payment of $3,999,000 was recognised and charged to profit or loss for the year ended 31 March 2016. Upon completion of the Joint Champ Disposal, the Group recognised an increase in non-controlling interests of $4,084,000 and an increase in equity attributable to shareholders of the Company of $1,428,000.

Joint Champ Disposal was completed on 31 December 2015.

	31 December 2015 HK$'000
Fair value of net assets disposed of	5,512
Increase in carrying amount of non-controlling interests	(4,084)
Gain on disposal within equity	1,428

(b) Acquisition of additional interests in a subsidiary

On 6 July 2015, Keen Virtue Group Limited ("Keen Virtue"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with SCJREP IV Cayman E Limited and Green Capital Group Limited, non-controlling shareholders of Wit Legend Investments Limited ("Wit Legend"), pursuant to which Keen Virtue agreed to acquire an additional 35% of the equity interests of Wit Legend at the consideration of US$35 (equivalent to approximately $273) (the "Wit Legend Acquisition"). Upon the completion of the Wit Legend Acquisition, Wit Legend became a wholly-owned subsidiary of the Group. The Wit Legend Acquisition was completed on 6 July 2015.

28 ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

Year ended 31 March 2015

(c) Acquisition of additional interests in a subsidiary

On 11 June 2014, Fast Global Holdings Limited ("Fast Global"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Core Elements Holdings Limited ("Core Elements"), a non-controlling shareholder of Centuria Global Limited ("Centuria") , pursuant to which Fast Global agreed to acquire an additional 20% of the equity interests of Centuria and the shareholder's loan owing by Centuria to Core Elements at the consideration of $2,000,000 and $22,000,000 respectively (the "Centuria Acquisition"). Upon the completion of the Centuria Acquisition, Centuria became a wholly-owned subsidiary of the Group. The Centuria Acquisition was completed on 11 June 2014.

(d) Disposal of 30% interests in KLR Holdings

On 8 August 2014, Talent Step, an indirect wholly-owned subsidiary of the Company, entered into a sale agreement with Good Grace Investments Limited, Borrison (B.V.I.) Limited, Coralland Limited, Water Ocean Limited and Mr. Roth (the "KLR Purchasers") to dispose, representing 30% of the entire issued share capital of KLR Holdings, for a consideration of US$12,431,000 (equivalent to $96,584,000) ("2014 KLR Disposal").

Upon the completion of the 2014 KLR Disposal, the Company's indirect interests in the issued share capital of KLR Holdings decreased from approximately 39.74% to approximately 9.74%. Accordingly, the Company will no longer be able to exercise control over the board of directors of KLR Holdings. The 2014 KLR Disposal was completed on 26 September 2014 and KLR Holdings (together with its subsidiaries) was deconsolidated from the Group's consolidated financial statements with effect from 26 September 2014. The remaining 9.74% equity interests of KLR Holdings was accounted for as interest in an associate in the consolidated financial statements using equity method.

The consideration shall be payable by the KLR Purchasers by way of seven instalments. The first instalment was payable upon the date of completion and the last instalment will be payable within 36 months from the date of completion. Interest on the outstanding amount of the sales consideration is charged at the rate of 2.75% per annum over 3-months HIBOR from the 2014 KLR Disposal completion date until the actual date of payment.

For the year ended 31 March 2016, the KLR Purchasers had settled US$4,004,000 (2015: US$4,689,000) (equivalent to $31,088,000 (2015: $36,412,000). The remaining amounts of the sales consideration and its accrued interest in the carrying amount of US$3,773,000 (2015: US$7,777,000) (equivalent to $29,313,000 (2015: $60,401,000)) have been included in other receivables, deposits and prepayments at 31 March 2016 (note 17(b)).

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28 ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

Year ended 31 March 2015 (Continued)

(d) Disposal of 30% interests in KLR Holdings (Continued)

Net assets of KLR Holdings as at the date of the 2014 KLR Disposal were as follows:

	At 26 September 2014	
	$'000	$'000
Assets:		
Other properties, plant and equipment	887	
Available-for-sale investments	156,165	
Trade and other receivables	38,656	
Amounts due from fellow subsidiaries	15,734	
Bank deposits and cash	38,614	
Total assets		250,056
Liabilities:		
Trade and other payables	(6,647)	
Deferred tax liabilities	(6,245)	
Total liabilities		(12,892)
Net assets		237,164
Non-controlling interests		(151,929)
Net assets disposed of		85,235
Fair value of consideration		96,857
Fair value of 9.74% equity interests of deemed acquisition of KLR Holdings		23,294
Net assets disposed of		(85,235)
Goodwill disposed of		(27,934)
Release of translation reserve		83
Release of investment revaluation reserve		7,128
Gain on disposal of KLR Holdings (note 9)		14,193

An analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2015
	$'000
Net cash outflow on the 2014 KLR Disposal	
Consideration received in cash for the year	36,412
Less: Cash and cash equivalents disposed of	(38,614)
Net cash outflow on the 2014 KLR Disposal for the year	(2,202)

28 ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

Year ended 31 March 2015 (Continued)

(e) Disposal of 51% interests in Wing Lok Innovative Education Organization Corporation ("Wing Lok", together with its subsidiaries, the "WL Group")

On 31 July 2014, Vision Key Limited, a wholly-owned subsidiary of the Company, entered into an agreement to dispose of all its 51% equity interests in Wing Lok to a non-controlling shareholder of Wing Lok (the "Wing Lok Purchaser") for a consideration of $15,000,000 (the "Wing Lok Disposal"). The transaction was completed on 31 July 2014.

The sales consideration was payable by the Wing Lok Purchaser in six equal instalments commencing from 31 July 2014 and at the end of every three months thereafter. Interest on the outstanding amount of the sales consideration was charged at 5% per annum from 31 July 2014 to the actual date of payment. Upon payment of the total consideration and interests in full by the Wing Lok Purchaser, certain advances to the WL Group by the Company amounting to $28,455,000 were to be waived by the Company.

For the year ended 31 March 2016, the Wing Lok Purchaser settled $250,000 (2015: $5,384,000). The remaining amounts of the sales consideration and its accrued interest, at the carrying amount of $10,603,000 (2015: $10,168,000) are included in other receivables, deposits and prepayments at 31 March 2016 (note 17(b)). Subsequent to the end of the reporting period, the Group received the entire remaining amounts of the sales consideration and its accrued interest.

Net liabilities of the WL Group as at the date of the Wing Lok Disposal were as follows:

	At 31 July 2014	
	$'000	$'000
Assets:		
Other properties, plant and equipment	574	
Other receivables	1,066	
Bank deposits and cash	1,650	
Total assets		3,290
Liabilities:		
Trade and other payables	(790)	
Amount due to the ultimate holding company	(28,455)	
Total liabilities		(29,245)
Net liabilities		(25,955)
Non-controlling interests		12,718
Net liabilities disposed of		(13,237)
Fair value of consideration		15,399
Net liabilities disposed of		13,237
Release of translation reserve		(8)
Gain on disposal of the WL Group		28,628
Provision for impairment loss on other receivables – the advances to the WL Group		(28,455)
		173

28 ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

Year ended 31 March 2015 (Continued)

(e) Disposal of 51% interests in Wing Lok Innovative Education Organization Corporation ("Wing Lok", together with its subsidiaries, the "WL Group") (Continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2015 $'000
Net cash inflow on the Wing Lok Disposal	
Consideration received in cash for the year	5,384
Less: Cash and cash equivalents disposed of	(1,650)
Net cash inflow on the Wing Lok Disposal for the year	3,734

(f) Disposal of 100% interests in Century Winner Inc. ("CWI")

On 28 August 2014, Rykadan Inc., an indirect wholly-owned subsidiary of the Company, and Valour Power Limited, a company owned by Mr. Chan William, the Chairman, Chief Executive Officer and an Executive Director of the Company, entered into an agreement pursuant to which Rykadan Inc. had agreed to dispose of all its 100% equity interests in CWI and shareholder's loan owing by CWI to Rykadan Inc. at a consideration of US$60,000 (equivalent to $466,000) and US$6,118,000 (equivalent to $47,495,000) respectively. The transaction was completed on 28 August 2014.

Net liabilities of CWI as at the date of disposal were as follows:

	At 28 August 2014	
	$'000	$'000
Assets:		
Properties held for sale	46,626	
Bank deposits and cash	803	
Total assets		47,429
Liability:		
Amount due to the immediate holding company		(47,495)
Net liabilities disposed of		(66)
Fair value of consideration		47,961
Repayment of amount due to the immediate holding company		(47,495)
Net liabilities disposed of		66
Gain on disposal of CWI		532

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28 ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY AND DISPOSAL OF INTERESTS IN SUBSIDIARIES (Continued)

Year ended 31 March 2015 (Continued)

(f) Disposal of 100% interests in Century Winner Inc. ("CWI") (Continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2015 $'000
Net cash inflow on disposal	
Consideration received in cash for the year	47,961
Less: Cash and cash equivalents disposed of	(803)
Net cash inflow on disposal for the year	47,158

29 COMMITMENTS

(a) At 31 March 2016, capital commitments outstanding and not provided for in the financial statements were as follows:

	2016 $'000	2015 $'000
Contracted for	**10**	840

(b) At 31 March 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 $'000	2015 $'000
Within 1 year	**1,369**	1,857

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

30 CONTINGENT LIABILITIES

At the end of the reporting period, the Company has issued guarantees to banks in respect of banking facilities granted to certain indirect subsidiaries of $1,133,042,000 (2015: $529,054,000). The banking facilities were utilised to the extent of $376,719,000 as at 31 March 2016 (2015: $239,024,000). The directors do not consider it probable that a claim will be made against the Company under any of the guarantees.

The Company has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and no transaction price was incurred.

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31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Apart from elsewhere disclosed in the financial statements, the Group had entered into the following significant transactions with the related parties during the year:

	2016 $'000	2015 $'000
Asset management expense to Kailong REI Project Investment Consulting (Shanghai) Co., Ltd. (notes (a) , (d) & (e))	(760)	(709)
Investment advisory fee expenses to Kailong Investment Management Limited (notes (a) , (d) & (e))	(773)	(711)
Asset management expense to Kailong REI Project Investment Consulting (Shanghai) Co., Ltd. (note (e))	(139)	–
Investment advisory fee expenses to Kailong Investment Management Limited (note (e))	(134)	–
Renovation cost paid/payable to Sundart Timber Products Company Limited (notes (b) & (d))	–	(5,632)
Fitting-out work acquired from Sundart Timber Products Company Limited (note (b))	(4,458)	–
Interior design consultancy service fee to Steve Leung Designers Limited (note (b))	(1,471)	(1,391)
Management fee expense to Sundart International Supplies Limited (notes (b) & (d))	–	(304)
Management fee expense to Sundart International Supplies Limited (note (b))	(247)	(152)
Management fee income from RS Hospitality Private Limited (note (c))	100	291
Project management fee income from Smart Wealth Asia Pacific Limited (note (d))	623	–
Sales of construction materials to Sundart Timber Products Company Limited (note(b))	445	–
Rental income from Sundart (note (b))	366	–

Notes:

(a) Kailong Investment Management Limited and Kailong REI Project Investment Consulting (Shanghai) Co., Ltd. were wholly-owned subsidiaries of KLR Holdings. The amounts represent the transactions entered between the Group and KLR Holdings before it ceased to be an associate of the Group during the year ended 31 March 2016. Such transactions constituted a continuing connected transaction as defined under the Listing Rules.

(b) The non-executive director of the Company, who was re-designated from executive director on 21 August 2015, is the key management personnel of these entities.

(c) RS Hospitality Private Limited is a joint venture of the Group.

(d) These entities are associates of the Group.

(e) A director of certain subsidiaries of the Company also is a key management personnel of these entities. Such transactions constituted a continuing connected transaction as defined under the Listing Rules.

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

	2016 $'000	2015 $'000
Salaries and short-term employee benefits	35,267	39,091
Post-employment benefits	125	70
	35,392	39,161

Total remuneration is included in "staff costs" (see note 6(b)).

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**2016 $'000**	2015 $'000
Non-current assets			
Investments in subsidiaries	*(a)*	**35,549**	35,549
Receivables and deposits		**–**	79,536
		35,549	115,085
Current assets			
Receivables and deposits		**661**	633
Trading securities	*18*	**20,473**	–
Amounts due from subsidiaries	*(a)*	**1,161,858**	974,068
Bank deposits and cash		**20,459**	123,622
		1,203,451	1,098,323
Current liabilities			
Payables and accruals		**2,060**	2,589
Amount due to subsidiaries	*(a)*	**42,502**	42,262
Bank loans		**20,000**	–
		64,562	44,851
Net current assets		**1,138,889**	1,053,472
NET ASSETS		**1,174,438**	1,168,557
CAPITAL AND RESERVES	*25*		
Share capital		**4,774**	4,774
Reserves		**1,169,664**	1,163,783
TOTAL EQUITY		**1,174,438**	1,168,557

Approved and authorised for issue by the board of directors on 16 June 2016.

CHAN William
DIRECTOR

YIP Chun Kwok
DIRECTOR

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32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

(a) Investments in subsidiaries and amounts due from/to subsidiaries

	The Company	
	2016	2015
	$'000	$'000
Unlisted shares, at cost	**35,549**	35,549

Details of principal subsidiaries are set out in note 32(b).

Amounts due from/to subsidiaries are unsecured, interest-free and recoverable/repayable on demand.

(b) Particulars of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Fully paid-up issued/ registered capital	Proportion of issued capital/registered capital held by the Company 2016	2015	Principal activities
Wit Legend* (note (a))	B.V.I.	Ordinary	US$100	**100%**	65%	Investment holding
Power City Investments Limited*	Hong Kong	Ordinary	HK$47,599,891	**59%**	59%	Investment holding
Joint Champ International Limited (note (b))	B.V.I.	Ordinary	US$100	**87%**	100%	Investment holding
Keen Access Holdings Limited*	Hong Kong	Ordinary	HK$1	**100%**	100%	Property development
Wonder Ace Investments Limited*	Hong Kong	Ordinary	HK$1	**100%**	–	Property development
Prime Talent Development Limited*	Hong Kong	Ordinary	HK$1	**100%**	100%	Property holding
Win Expo Enterprises Limited*	Hong Kong	Ordinary	HK$1	**100%**	100%	Property holding
Keen Virtue	B.V.I.	Ordinary	US$1	**100%**	100%	Investment holding
Apex Wealth International Limited*	B.V.I.	Ordinary	US$1	**100%**	100%	Investment holding
Colorise Development Limited*	Hong Kong	Ordinary	HK$1	**100%**	100%	Investment holding
Rykadan 001 LLC*	U.S.A.	Capital contribution	US$100	**100%**	100%	Property development
Rykadan 002 LLC*	U.S.A.	Capital contribution	US$100	**100%**	100%	Investment holding
Rykadan 003 LLC*	U.S.A.	Capital contribution	US$100	**100%**	100%	Property development
Rykadan 005 LLC*	U.S.A.	Capital contribution	US$100	**100%**	100%	Property development
Sigrid Holdings Limited*	B.V.I./U.K.	Ordinary	US$1	**100%**	100%	Property development
Q-Stone* (note (b))	Hong Kong	Ordinary	HK$10,000	**87%**	100%	Trading of construction and interior decorative materials
格利來建材(北京)有限公司*# (note (b))	The PRC	Registered capital	RMB7,000,000	**87%**	100%	Trading of construction and interior decorative materials

(Expressed in Hong Kong dollars)

32 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

(b) Particulars of principal subsidiaries (Continued)

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Fully paid-up issued/ registered capital	Proportion of issued capital/registered capital held by the Company 2016	2015	Principal activities
格利來建材(深圳)有限公司*# (note (b))	The PRC	Registered capital	RMB1,000,000	87%	100%	Trading of construction and interior decorative materials
Rykadan Management Services Limited*	Hong Kong	Ordinary	HK$1	100%	100%	Provision of management service

* These entities are indirectly held by the Company.
\# These entities are foreign owned enterprises established in the PRC.

Note:

(a) On 6 July 2015, the Group acquired the remaining 35% equity interests of Wit Legend.

(b) On 31 December 2015, the Group disposed of 13% equity interests of Joint Champ International Limited. Joint Champ International Limited is the immediate holding company of Q-Stone.

None of the subsidiaries had issued debt securities at the end of both years or at any time during both years.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

Up to the date of these financial statements, HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2012-2014 Cycle	1 January 2016
Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

RESULTS

	Year ended 31 March				
	2012 HK$'000 (Note a)	2013 HK$000 (Note a)	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Revenue from continuing operations	81,673	156,422	2,116,234	321,723	**153,108**
Profit/(loss) for the year from continuing operations	(24,815)	(29,481)	702,882	101,797	**(91,636)**
Profit for the year from discontinued operations	134,380	168,964	49,384	9,848	**–**
Profit/(loss) for the year	109,565	139,483	752,266	111,645	**(91,636)**
Profit/(loss) for the year attributable to:					
Equity shareholders of the Company	109,602	138,099	421,874	113,414	**(83,363)**
Non-controlling interests	(37)	1,384	330,392	(1,769)	**(8,273)**
	109,565	139,483	752,266	111,645	**(91,636)**

ASSETS AND LIABILITIES

	As at 31 March				
	2012 HK$'000	2013 HK$000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Total assets	2,005,056	2,092,482	2,204,839	1,666,871	**1,973,558**
Total liabilities	1,046,382	1,082,324	773,297	414,662	**857,783**
	958,674	1,010,158	1,431,542	1,252,209	**1,115,775**
Equity attributable to shareholders of the Company	950,578	865,036	1,237,887	1,198,442	**1,080,018**
Non-controlling interests	8,096	145,122	193,655	53,767	**35,757**
	958,674	1,010,158	1,431,542	1,252,209	**1,115,775**

Note:

(a) The results for both years ended 31 March 2012 and 31 March 2013 have not been re-presented for the operations discontinued in 2015.