# Tern Properties Company Limited

STOCK CODE: 277

# 2017 Annual Report

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Chan Hoi Sow
*Chairman and Managing Director*
Chan Yan Tin, Andrew
Chan Yan Wai, Emily
*(appointed on 15 June 2017)*

### NON-EXECUTIVE DIRECTOR

Chan Yan Mei, Mary-ellen

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Chan Kwok Wai
*(Chairman)*
Chan Yan Tin, Andrew
Tse Lai Han, Henry

## NOMINATION COMMITTEE

Chan Kwok Wai
*(Chairman)*
Chan Yan Tin, Andrew
Tse Lai Han, Henry

## PRINCIPAL BANKERS

Credit Suisse Group AG
Hang Seng Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Ltd.

## REGISTERED OFFICE

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

## SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY SECRETARY

Lee Ka Man

## AUDITOR

HLM CPA Limited

## SOLICITORS

Woo, Kwan, Lee & Lo

## WEBSITE

www.tern.hk

## STOCK CODE

277

# Chairman's Statement

I am pleased to present to shareholders of Tern Properties Company Limited (the "Company") the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017.

## FINANCIAL RESULTS

The revenue of the Group for 2017 was HK$97.3 million, an decrease of 7.2% from last year. The reduction was primarily attributable to lower rents from renewals both in office and retail properties.

The loss attributable to the owners of the Company for the year was HK$29.3 million. Such loss was mainly attributable by the unrealised loss due to the decrease in fair value of the Group's investment properties as a result of the recent slowdown in Hong Kong economy. Loss per share amounted to HK9.52 cents.

## DIVIDEND

The Board of Directors of the Company has resolved to recommend a final dividend of HK3.2 cents per share for the year ended 31 March 2017. Together with the interim dividend of HK2.2 cents per share that have already been paid, the total dividends for the year will amount to HK5.4 cents per share. The proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Thursday, 10 August 2017, will be payable on Friday, 25 August 2017 to the shareholders on the Register of Members of the Company on Friday, 18 August 2017.

## CLOSURE OF REGISTER MEMBERS

To ascertain the entitlement of the shareholders to attend and vote at the 2017 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 4 August 2017 to Thursday, 10 August 2017, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to be eligible to attend and vote at the 2017 Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 3 August 2017.

Subject to the approval of the shareholders at the 2017 Annual General Meeting, the proposed final dividend will be payable to the shareholders whose names appear on the Register of Members of the Company on 18 August 2017. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 16 August 2017 to Friday, 18 August 2017, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 15 August 2017.

# Chairman's Statement

## BUSINESS OUTLOOK

The world's major economies were on the brink of recession under the effect of various unexpected geopolitical events in the past year. Given the conclusion of the U.S. presidential election and the fading away of the shock from Brexit, capital markets seem to have regained confidence. However, in light of the changes in the macro-environment, such as the potential rise of economic or trade protectionism, general elections in several European countries and the expected further raising of interest rates in 2017 by the U.S. Federal Reserve, the uncertainties around the global markets have been intensified.

In terms of the Hong Kong leasing market, though the occupancy rate of the office buildings remains high currently, the small and medium enterprises' operating environment is still tough under the weak foreign trade environment, which makes the prospects get gloomy gradually. It is expected that the rent for small and medium office buildings will begin to be adjusted downward.

Besides, the overall retail sales is falling year by year due to the continuous decrease in the number of mainland visitors to Hong Kong, depreciation of RMB and changes in the shopping mode of mainland consumers, with the slowing down of the retail market of high-priced consumer goods being most obvious. The demand for shops of Hong Kong retailers who are relying on tourism continues to be weak, and it is expected that the rent and occupancy rate of shops will continuously decrease.

It seems that the adverse effect of the challenging condition of the leasing market on the Group is inevitable. Moreover, since the proportion of rental income from shops to the rental income of the Group is higher as compared with the proportion of rental income from office buildings, it is expected that the downward adjustment amplitude of the Group's rental income in 2017 will be larger than the average adjustment amplitude in the market. However, the Group still has a strong foundation of investment properties as well as a good and stable financial position, which is sufficient to cope with the challenges in the leasing market in the coming year.

## APPRECIATION

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

**Chan Hoi Sow**
*Chairman & Managing Director*

Hong Kong, 15 June 2017

# Management Discussion and Analysis

## INTRODUCTION

The core business of the Company and its associates consist of property investment and treasury investment. Details of properties held by the Group is shown on pages 99 to 100 to the consolidated financial statements.

## FINANCIAL HIGHLIGHTS

In millions of Hong Kong dollars except per share amounts

| | | 2017 | 2016 |
|---|---|---|---|
| For the year | Revenue | **97.3** | 104.8 |
| | Loss for the year attributable to owners of the Company | **(29.3)** | (58.1) |
| As at 31 March | Capital & reserves attributable to owners of the Company | **3,644.7** | 3,680.3 |
| | Shares in issue (thousands) | **307,759** | 307,759 |
| Ratio | Return before the changes in fair value of investment properties on capital & reserves attributable to owners of the Company | **2.0%** | 2.2% |
| Per Share | Net worth per share (HK$) | **11.84** | 11.96 |
| | Basic loss per share (HK cents) | **(9.52)** | (18.87) |
| | Final dividend declared per share (HK cents) | **3.2** | 3.2 |

## FINANCIAL REVIEW

### FINANCIAL RESULTS

#### Revenue

The revenue of the Group for the year was HK$97.3 million (2016: HK$104.8 million), a decrease of HK$7.5 million. This was primarily due to:

– most of the Group's commercial shop and office properties recorded a decrease in rental rates upon renewal; and

– a slight decrease in the Group's rental portfolio occupancy rate by 3.2% to 96.3% during the year.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONT'D)

### FINANCIAL RESULTS (CONT'D)

#### Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the year was HK$29.3 million (2016: HK$58.1 million), a decrease of 49.6%.

The decrease in loss attributable to the owners of the Company was primarily due to:–

– an increase in interest income from Group's long term investment in held to maturity securities by 46.1%; and

– a lesser decrease in fair value of investment properties upon revaluation at the year end.

#### Loss per share

Loss per share for the year ended 31 March 2017 were HK9.52 cents (2016: HK18.87 cents), a decrease of HK9.35 cents from last year. The proposed final dividend of HK3.2 cents (2016: HK3.2 cents) per share will make a total distribution of interim and final dividend of HK5.4 cents (2016: HK5.4 cents) per share for the full year.

## LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2017, the Group's net current liabilities including bank deposits, balances and cash of HK$36.6 million (2016: HK$47.9 million) amounted to HK$7.3 million (2016: net current assets of HK$17.3 million), a decrease of HK$24.6 million from last year mainly contributed by an increase of available-for-sale financial assets.

At 31 March 2017, the Group's banking facilities amounting to HK$990 million (2016: HK$110.0 million) were fully secured by its investment properties, pledged bank deposits and available-for-sale investments with an aggregate fair value amounting to HK$1,455.4 million (2016: HK$614.5 million). At 31 March 2017, HK$210 million was utilised (2016: no facilities were utilised).

At 31 March 2017, the Group have bank borrowings of HK$210 million (2016: nil). At 31 March 2017, the total amount of outstanding bank borrowings net of bank balances and cash and pledged bank deposits were HK$173.4 million. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 4.8%.

Of the total bank loans at 31 March 2017, HK$28.0 million or 13.3% were repayable within one year. HK$8.2 million or 3.9% were repayable after one year but within two years. HK$25.4 million or 12.1% were repayable after two years but within five years. HK$148.4 million or 70.7% were repayable after five years.

The Group's finance costs for the year ended 31 March 2017 were HK$1.7 million (2016: HK$1.0 million), an increase of 70% from last year which was resulted from the increase in bank borrowings to finance the purchase of long term investment in held to maturity securities.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONT'D)

### SHAREHOLDERS' FUNDS

At 31 March 2017, the Group's shareholders' funds amounted to HK$3,644.7 million (2016: HK$3,680.3 million), a slight decrease of 1% from last year. The net asset value per share was HK$11.84 (2016: HK$11.96). The decrease in shareholders' funds was due primarily to the decrease in the fair value of the investment properties of the Group upon revaluation at the end of the year.

### SEGMENT INFORMATION

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

### RISK OF FOREIGN EXCHANGE FLUCTUATION

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

### CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any material contingent liabilities.

### PLEDGE OF ASSETS

Details regarding pledge of assets are set out in note 28 to the consolidated financial statements.

## OPERATIONAL REVIEW

### PROPERTIES

- The Group's rental income mainly derived from its Hong Kong property portfolio.
- The Group's rental income decreased by 7.2% when compared to 2016.
- At 31 March 2017, the Group's held investment properties amounting to HK$2,954.6 million a decrease of HK$102.6 million from last year. The decrease was due to the decrease in fair value of the Group's investment portfolio during the year.
- No acquisitions or disposals of properties during the year.

# Management Discussion and Analysis

## OPERATIONAL REVIEW (CONT'D)

### TREASURY INVESTMENTS

- The Group's interest income mainly derived from its treasury investment portfolio.
- At 31 March 2017, the carrying value of the investment portfolio was HK$522.6 million (2016: HK$217.6 million). Interest income increased by 46% in 2017 reflecting the higher average investment portfolio during the year.

### EMPLOYEES

At 31 March 2017, the total number of staff of the Group was 18 (2016: 17). The total staff costs including Directors' emoluments amounted to HK$22.4 million (2016: HK$20.8 million).

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

### OUR RISK PROFILE

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

### BUSINESS RISK

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

# Management Discussion and Analysis

## OPERATIONAL RISK

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

## FINANCIAL RISK

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

## ENVIRONMENTAL POLICIES

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

## RELATIONSHIP WITH KEY STAKEHOLDERS

The Group fully understands that staff, customers and suppliers are the key to our sustainable and stable development. We are committed to establishing a close relationship with our staffs, enhancing cooperation with our suppliers and our customers so as to ensure the Group's sustainable development.

# Profile of Directors and Senior Management

## CHAN HOI SOW

Mr. Chan, aged 83, is the founder of the Group. He has been the Chairman and Managing Director of the Group since 1987. He is also a director of various members of the Group. Mr. Chan has closed to 40 years of experience in property investment and development in Hong Kong, the Mainland China and overseas and in financial investment. He is the father of Mr. Chan Yan Tin, Andrew, an Executive Director of the Company, Ms. Chan Yan Wai, Emily, an Executive Director of the Company and Ms. Chan Yan Mei, Mary-ellen, a Non-Executive Director of the Company.

## CHAN YAN TIN, ANDREW

Mr. Chan, aged 53, has been an Executive Director of the Company since January 2004. He was an Executive Director from October 1987 to April 2001 and a Non-Executive Director from April 2001 to January 2004. He is also a member of the Remuneration Committee, a member of the Nomination Committee and a director of various members of the Group. He graduated from Simon Fraser University in Canada and has extensive experience in construction, property investment and development in Hong Kong, the Mainland China and overseas. Mr. Chan is a son of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as brother of Ms. Chan Yan Wai, Emily and Ms. Chan Yan Mei, Mary-ellen, who are the Executive Director and Non-Executive Director of the Company respectively.

## CHAN YAN WAI, EMILY

Ms. Chan, aged 52, has been appointed as an Executive Director of the Company on 15 June 2017. She is also a director of various members of the Group. She holds a Bachelor of Arts degree from the University of British Columbia. She has been serving in the Group since 2002 and is currently a General Manager of operations and corporate functions. Ms. Chan is a daughter of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as sister of Mr. Chan Yan Tin, Andrew and Ms. Chan Yan Mei, Mary-ellen, who are the Executive Director and Non-Executive Director of the Company respectively.

## CHAN YAN MEI, MARY-ELLEN

Ms. Chan, aged 49, has been a Non-Executive Director of the Company since June 2012. She holds a Bachelor of Science degree from the University of British Columbia in Canada and a Master of Business Administration degree from The Hong Kong University of Science and Technology. She has solid experience in supervisory role as well as financial and business management. Ms. Chan is a daughter of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as sister of Mr. Chan Yan Tin, Andrew and Ms. Chan Yan Wai, Emily who are both the Executive Directors of the Company.

# Profile of Directors and Senior Management

## CHAN KWOK WAI

Mr. Chan, aged 58, has been an Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Audit Committee, the Chairman of the Remuneration Committee and the Chairman of the Nomination Committee. Mr. Chan holds a Bachelor Degree of Business Administration from the Monash University, Australia. He is a member of the CPA Australia and a member of the Hong Kong Securities and Investment Institute. He has extensive experience in finance and accounting industry.

Mr. Chan is currently a director of High Progress Consultants Limited. He is also an Independent Non-Executive Director of Chinese Estates Holdings Limited, China Investments Holdings Limited, Far East Consortium International Limited and National Electronics Holdings Limited respectively, all of which are listed public companies in Hong Kong.

## TSE LAI HAN, HENRY

Mr. Tse, aged 52, has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He holds Bachelor and Master of Applied Science (Civil Engineering) degrees from the University of British Columbia in Canada. He has considerable experience in both construction and property development in Hong Kong and Overseas.

## LEUNG KUI KING, DONALD

Mr. Leung, aged 61, has been an Independent Non-Executive Director of the Company since April 2008. He is also a member of the Audit Committee. He holds a Bachelor of Science degree in Business Administration from The University of California, Berkeley and completed Harvard University's Advanced Management Program. He started his career in banking with Bank of America in 1977 and joined Wardley Limited (a member of HSBC Group) in 1984. He then spent 20 years with Sun Hung Kai Properties Group and retired as Assistant to Chairman in January 2006.

Mr. Leung is currently an Independent Non-Executive Director of Sun Hung Kai Properties Limited, a listed public company in Hong Kong.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2017, except that the roles of chairman and chief executive are performed by the same individual which is a deviation from provision A.2.1 of the Code.

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

## BOARD OF DIRECTORS

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

The Board held four meetings during the year ended 31 March 2017. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors and management are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

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

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

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

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE

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

## NON-EXECUTIVE DIRECTORS

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

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

## BOARD DIVERSITY POLICY

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

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

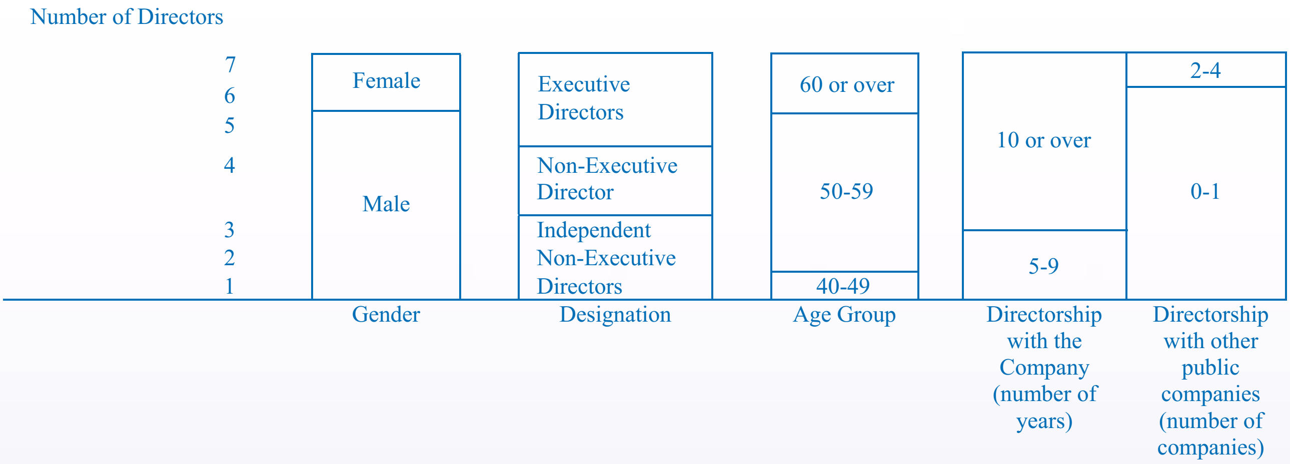
The Board will consider setting measurable objectives to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

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

# Corporate Governance Report

## BOARD DIVERSITY POLICY (CONT'D)

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




## CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

# Corporate Governance Report

## DIRECTORS' AND OFFICERS' INSURANCE

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

## BOARD COMMITTEES

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

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

(a) reviewed the Company's policies and practices on corporate governance;

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

(c) reviewed the Company's policies and practices on compliance with legal and regulatory requirements;

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

## AUDIT COMMITTEE

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

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

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

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

# Corporate Governance Report

## AUDIT COMMITTEE (CONT'D)

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

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

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

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

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

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

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

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Three meetings were held during the year ended 31 March 2017. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of this report.

The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2016 and for the six months ended 30 September 2016 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures. The Audit Committee also approved the remuneration of the Company's auditor for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2017 with the Directors.

# Corporate Governance Report

## REMUNERATION COMMITTEE

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

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

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

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

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

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

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. One meeting was held during the year ended 31 March 2017. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2017, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management, recommended specific remuneration packages for all the Directors and senior management to the Board, recommended the remuneration of non-executive directors.

## NOMINATION COMMITTEE

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

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

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

# Corporate Governance Report

## NOMINATION COMMITTEE (CONT'D)

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

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

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

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2017. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2017, the Nomination Committee reviewed the structure, size and composition of the board, made recommendations to the board on the selection of individuals nominated for directorships, and assessed the independence of independent non-executive directors.

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

The attendance of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Annual General Meeting during the year ended 31 March 2017 is set out below:

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

# Corporate Governance Report

## DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2017.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the year ended 31 March 2017 in accordance with the Hong Kong Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditor of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditor's Report on pages 35 to 39.

## RISK MANAGEMENT CONTROL AND INTERNAL CONTROL ENVIRONMENT

### RESPONSIBILITY

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

### INTERNAL CONTROL

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

### REVIEW OF INTERNAL CONTROL EFFECTIVENESS

In respect of the year ended 31 March 2017, the Board considered the internal controls system effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified.

# Corporate Governance Report

## RISK MANAGEMENT

### ESTABLISHMENT OF RISK MANAGEMENT FRAMEWORK

During the year, the Company established a Risk Management Framework that includes developing a risk management policy and procedures.

### OUR RISK MANAGEMENT PROCESS

Our risk management process includes risk identification, risk assessment and prioritization, risk treatment and upward reporting and monitoring of identified risk to the Audit Committee. A series of facilitated senior management risk assessment workshops to review and discuss risk exposures across the business were conducted in accomplishing the above. Risks were assessed by considering the impacts and likelihoods of their occurrence/non-occurrence as a result of changes in internet and external factors, further events or otherwise; whether these risks are being effectively managed; and if not, the need for establishing further actions. A corporate risk register has been established to track and document the identified risks, risk owners, mitigation actions and control measures, and facilitates continues update of risk treatments.

Annual reviews were conducted to follow up on the significant risks and related actions as documented in the corporate risk register, and the results reported to the Audit Committee. The year end risk management assessment as reported to the Board through the Audit Committee.

Subsequent to the year, the Audit Committee has reviewed the effectiveness and adequacy of risk management system for the year and the Board is satisfied with the effectiveness and adequacy of the system of risk management of the Group and considered that the Company had complied with the Code provisions in respect of risk management during the year.

## DISSEMINATION OF INSIDE INFORMATION

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted a Policy on Disclosure of Inside Information which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With those guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

## AUDITORS' REMUNERATION

The remuneration payable to the Group's auditor, HLM CPA Limited for their audit services for the year ended 31 March 2017 amounted to HK$435,000. The auditor did not provide any non-audit service to the Group during the year.

# Corporate Governance Report

## COMPANY SECRETARY

The Company's secretarial functions are outsourced to external service provider. Mr. Lee Siu Kau, the Financial Controller of the Company, is the primary contact person of the Company with the external service provider.

Mr. Huen, the Company Secretary, has resigned and Ms. Lee Ka Man ("Ms. Lee") has been appointed as the Company Secretary of the Company with effect from 16 November 2016. Ms. LEE is an associate member of both The Institute of Chartered Secretaries & Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. LEE obtained a bachelor's degree in Business Administration from The Open University of Hong Kong in June 2002 and a master's degree in Business Administration from The Open University of Hong Kong in December 2004. She has more than 15 years of experience in the field of company secretarial services.

Ms. Lee has been in full compliance with the requirements of Rule 3.29 of the Listing Rules during the year since her appointment on 16 November 2016.

## COMMUNICATION WITH SHAREHOLDERS

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

The Company uses a variety of means to communicate with its shareholders and ensure that they are kept well informed of its key business development. The tools include convening general meetings, despatching to the shareholders interim and annual reports, announcements and circulars which are also posted on the websites of the Company and the Stock Exchange. Shareholders may at any time send their enquiries and concerns to the Company via the Company's website. Shareholders may also make enquiries with the Board at the general meetings of the Company.

## 2016 ANNUAL GENERAL MEETING

At the 2016 annual general meeting, the chairman of the meeting explained the procedures for conducting a poll to the shareholders. Separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors, re-appointment of auditor, general mandates respectively authorising the Directors to buy back shares or to issue shares of the Company and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and the Chairman of respective committees attended the annual general meeting to address enquiries raised by shareholders and ensure effective communication with shareholders.

# Corporate Governance Report

## GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

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

The request:

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

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

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

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

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

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

# Corporate Governance Report

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

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

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

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

The request:

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

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

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

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

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

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

## CONSTITUTIONAL DOCUMENTS

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

# Environmental, Social and Governance Report

We are pleased to present our annual report on environmental, social and governance ("ESG") matters for the year ended 31 March 2017. This report has been prepared in compliance with Rule 13.19 of the Main Board Listing Rules published by The Stock Exchange of Hong Kong limited, and give information required to be disclosed pursuant to the provisions set forth within the Environmental, Social and Governance Reporting Guide (the "ESG Guide") in Appendix 27 to the said Rules.

This report covers the environmental and social performances of the Company and its subsidiaries (together, the "Group").

## ESG STRATEGY AND REPORTING

Tern Properties Company Limited believes in delivery long term sustainable value to our shareholders. In doing so, we recognise that the choices we make will have an impact on the communities in which we carry on our business and we should ensure such impact a positive one. We are committed to contributing to the sustainable development of society and the environment, and endeavor to embrace these principles as part of our practice and governance. The Company has adopted an environmental, social and governance ("ESG") policy in January 2016 which cover our principles in the area of employment and labour practices, business integrity, the environment and the community.

The Board has overall responsibility for our ESG strategy and reporting, including evaluating and determining ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. To this end, the managing director has appointed senior management to identify relevant ESG issues and to assess their materiality to our business as well as to our stakeholders, through regular reviewed and internal discussions. Management has provided a confirmation to the Board on the effectives of these systems.

Information relating to the material ESG issues affecting the Group during the year, as required by the ESG Guide, is given below.

## A. ENVIRONMENTAL

The Group's ESG policy encompasses our approach towards environmental issues. We are committed to:

– promote green procurement, greening office buildings and improving office environment;

– reduce energy and water consumption through improved management practice and technological updates;

– reduce consumption of materials through re-use; and

– observe relevant environment laws and regulations and aim to go beyond minimum requirements.

# Environmental, Social and Governance Report

## ESG STRATEGY AND REPORTING (CONT'D)

### A. ENVIRONMENTAL (CONT'D)

**Emissions (Aspect A1)**

The Group did not register any significant air and greenhouse gas emissions, discharges into water and land, nor did it generates significant hazardous and non-hazardous waste, throughout the year. Office effluents and wastes were negligible. All workplace effluents were discharged into the municipal sewer systems for collective treatment. Workplace wastes were treated by property management company and waste management company, as appropriate during the year. To contribute to environmental sustainability, the Group seek to reduce, reuse and recycle to minimize the dumping of wastes at landfills. In furtherance of these efforts, facilities for paper recycling have been set up in workplace. The Group was not aware of any violation of emissions laws and regulations relating to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste during the year.

**Use of resources (Aspect A2)**
**The Environment and Natural Resources (Aspect A3)**

We place a high priority on the efficient use of resource. The Group introduced energy and water saving measures for all its operation. Initiatives include replacing traditional light bulbs with LED lights. Installation of water saving design features such as dual flush toilets and sensor taps. Staff are reminded to switch off lights and equipment after work, during lunch break or during the time working outside the office and wherever possible. Energy efficient office equipment is always preferred in making purchase decisions. We shall continue our dedicated efforts to conserve resources towards achieving environmental protection and operating efficiency.

### B. SOCIAL ISSUES

**Employment, Health and Safety and Labour Standards (Aspect B1, B2, B4)**

The Group recognizes that staff are the most important assets that drive the long-term development and sustainability of the Group. The Group's policy on employment is as follows:

– full compliance with relevant laws and regulations;

– being an equal-opportunity employer, implementing fair practice relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for our staff;

– providing a safe, healthy and quality workplace and protecting employees from occupational hazards;

– promoting a good work-life balance for staff;

– maintaining an open dialogue with our staff, facilitating a transparent two way communications; and

– no child and forced labour.

# Environmental, Social and Governance Report

## ESG STRATEGY AND REPORTING (CONT'D)

### B. SOCIAL ISSUES (CONT'D)

**Employment, Health and Safety and Labour Standards (Aspect B1, B2, B4)** (Cont'd)

Our compensation and benefits (including working hours, rest periods, welfare) are competitive relative to the industry and local labour market and in general exceeds the minimum as required by the relevant regulations. Owing to the nature of our business, work related injuries, occupational health issues are not significant risk factors.

Further information on the Group's human resources are also detailed in the section headed "Operational Review" on pages 7 to 8 of this Annual Report.

**Development and Training (Aspect B3)**

The Group believes that employees are the valuables assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression.

**Supply Chain Management, Product Responsibility (Aspect B5, B6)**

Our relationships with property management services providers and suppliers are governed by the same concern for probity and integrity. The Group endeavors to extend the principles of responsibilities to the value chain since we play a key role in safety issues and in the quality of our rent properties.

In order to ensure proper management of the operational risk linked to procurement and to optimize our performance in this area, the Group has well-defined polices and procedures for the selection, monitoring of their suppliers. These vendors are selected carefully based on track record of good practices and reputation.

**Anti-Corruption (Aspect B7)**

Employees are prohibited from soliciting, accepting or offering advantages from or to tenants, suppliers or any person having business dealings of any kind with the Group. Advantages refers to anything which are of value. It may include gifts, money, rewards, employment, and favours.

A whistleblowing system is in place to allow employee to notify management regarding any breach of legal or regulatory requirement.

**Community Investment (Aspect B8)**

The Group takes an enthusiastic view of community outreach and involvement. We encourage our employees to spend more time with their families and engage in volunteer work in their free time. The senior management of the Group endeavours to lead the way through example by regularly contributing time, supplies, and financial resources to charitable work.

# Directors' Report

The board of directors of the Company ("Board") presents its annual report and the audited consolidation financial statements of the Company and its subsidiaries (collectively "Group") for the year ended 31 March 2017.

## PRINCIPAL ACTIVITIES

The Company continues to act as an investment holding company. The principal activities of its principal subsidiaries and associates as at 31 March 2017 are set out in notes 34 and 19 to the consolidated financial statements respectively. The business review of the Group for the year ended 31 March 2017, as well as further discussion and analysis required by Schedule 5 to the Hong Kong Companies Ordinance, are set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 9 of the Annual Report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40.

An interim dividend of HK2.2 cents per share amounting to HK$6,771,000 was paid on 12 December 2016. The Directors now recommend the payment of a final dividend of HK3.2 cents per share to be paid to the shareholders on the Register of Members on 18 August 2017 amounting to HK$9,848,000.

## INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the end of the reporting period. The net deficit arising on revaluation, which has been charged directly to the consolidated statement of profit or loss and other comprehensive income, amounted to HK$102,498,000.

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

## PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2017 are set out on pages 99 to 100.

## SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 26 to the consolidated financial statements.

# Directors' Report

## DIRECTORS

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

**Executive Director**
Mr. Chan Hoi Sow
Mr. Chan Yan Tin, Andrew
Ms. Chan Yan Wai, Emily *(appointed on 15 June 2017)*

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

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

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

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

Pursuant to Article 94 of the Articles of Association, Ms. Chan Yan Wai, Emily shall hold office only until the forthcoming Annual General Meeting and, being eligible, offer herself for re-election.

## DIRECTORS OF SUBSIDIARIES

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

# Directors' Report

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

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

# Directors' Report

## DIRECTORS' INTERESTS IN SHARES (CONT'D)

*Notes:*

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

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

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

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

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 31 March 2017 or had been granted or exercised any such right during the period.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

# Directors’ Report

## EQUITY-LINKED AGREEMENTS

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

## DIRECTORS’ INTERESTS IN COMPETING BUSINESS

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

## DIRECTORS’ INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

## MANAGEMENT CONTRACTS

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

## PERMITTED INDEMNITY PROVISION

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

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2017, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name of substantial shareholders | Capacity | Nature of interests | Number of shares held | Aggregate long position | Percentage of aggregate long position in shares to the issued share capital |
|---|---|---|---|---|---|
| Chan Loo Kuo Pin | Interest of Spouse | Family Interest *(Note 1)* | 173,772,896 | 173,772,896 | 56.46 |
| Credit Suisse Trust Limited as trustee of Sow Pin Trust | Interest of Controlled Corporation | Corporate Interest *(Notes 2, 3 & 4)* | 171,736,896 | 171,736,896 | 55.80 |
| Brock Nominees Limited | Interest of Controlled Corporation | Corporate Interest *(Notes 2 & 3)* | 171,736,896 | 171,736,896 | 55.80 |
| Global Heritage Group Limited | Interest of Controlled Corporation | Corporate Interest *(Notes 2 & 3)* | 171,736,896 | 171,736,896 | 55.80 |
| Beyers Investments Limited | Interest of Controlled Corporation | Corporate Interest *(Notes 2, 3 & 4)* | 171,736,896 | 171,736,896 | 55.80 |
| Noranger Company Limited | Beneficial Owner | Corporate Interest *(Notes 2, 3 & 4)* | 145,914,000 | 145,914,000 | 47.41 |
| Evergrade Investments Limited | Beneficial Owner | Corporate Interest *(Notes 2, 3 & 4)* | 25,822,896 | 25,822,896 | 8.39 |
| Grand Fort Investments Limited | Beneficial Owner | Corporate Interest | 61,051,277 | 61,051,277 | 19.84 |
| Law Fei Shing | Interest of Controlled Corporation | Corporate Interest *(Note 5)* | 61,051,277 | 61,051,277 | 19.84 |
| Chim Pui Chung | Interest of Controlled Corporation | Corporate Interest *(Note 5)* | 61,051,277 | 61,051,277 | 19.84 |

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS (CONT'D)

*Notes:*

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

2. All interests of Credit Suisse Trust Limited as trustee of Sow Pin Trust, Brock Nominees Limited, Global Heritage Group Limited, Beyers Investments Limited and the aggregate interests of Noranger Company Limited and Evergrade Investments Limited relate to the same block of shares in the Company.

3. Credit Suisse Trust Limited as trustee of Sow Pin Trust is the holding company of Brock Nominees Limited and is deemed to be interested in the shares owned by Sow Pin Trust, a discretionary trust as mentioned in Note 4 below through interests of corporations controlled by it as follows:–

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

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

5. These interests in aggregate are in fact the same block of shares disclosed under the interests of Grand Fort Investments Limited.

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2017, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

# Directors' Report

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for 45.8% of total turnover of the Group and the five largest suppliers of the Group accounted for less than 38.7% of total purchases of the Group. The Directors do not consider any one customer or supplier to be influential to the Group.

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

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

## SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the latest announcement of the Company dated 13 June 2017. The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08(1)(a) of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the date of this report, the public float of the Company is approximately 23.44%.

The Company is considering various options to restore its public float. As at the date of this report, no concrete proposals for the restoration of public float or timetable have been determined. The Company will make further announcement when the proposal to restore its public float has been finalised.

## COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2017 and up to the date of this report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

## AUDITOR

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

On behalf of the Board

**Chan Hoi Sow**
*Chairman*

Hong Kong, 15 June 2017

# Independent Auditor's Report

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

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

## OPINION

We have audited the consolidated financial statements of Tern Properties Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 98, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

# Independent Auditor's Report

## KEY AUDIT MATTER

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

**Valuation of investment properties**

***Key Audit Matter***

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgements involved in determining the inputs used in the valuation.

As at 31 March 2017, the Group had investment properties at carrying amount of approximately HK$2,954,578,000 (represented approximately 75.3% of the Group's total assets), with a loss arising on change in fair value of investment properties amounting to approximately HK$102,498,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended. The fair value was determined by the Group with reference to the valuations performed by independent valuers (the "valuer") engaged by the Group.

The valuations of investment properties involved significant judgements and estimates including:

– the determination of valuation techniques, which mainly included direct comparison approach and income capitalisation approach;

– the selection of different inputs in the models.

***How our audit addressed the Key Audit Matter***

Our procedures in relation to the valuation of the investment properties included:

– evaluating the competence, capabilities, independence and objectivity of the valuer;

– evaluating the valuation methodology used by the valuer based on our knowledge of other property valuers for similar types of properties;

– discussing the valuations with the valuer and challenging key estimates adopted in the valuations, including those relating to market selling prices, market rents and capitalisation rates, by comparing them with historical rates and available market data; and

– checking the accuracy and relevance of the input data used in the valuations on a sample basis.

Based on available evidence, we consider the significant judgements and estimates on the valuation techniques and key inputs used in the valuations of investment properties are reasonable and supportable.

# Independent Auditor's Report

## KEY AUDIT MATTER (CONT'D)

**Valuation of interests in associates**

***Key Audit Matter***

We identified the interests in associates as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole.

As at 31 March 2017, the Group hold interests in associates at carrying amount of approximately HK$368,374,000 (represented approximately 9.4% of the Group's total assets), with share of loss of associates amounting to approximately HK$8,716,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

The fair value of the investment properties of the Group's associates of approximately HK$750,400,000 (represented approximately 97.3% of the associates' total assets) constitutes a significant balance to the carrying amount of interests in associates.

***How our audit addressed the Key Audit Matter***

Our procedures in relation to the valuation of the investment properties included in the Group's associates are the same as the procedures performed for the Group's valuation of investment properties stated above ("Valuation of investment properties").

Our procedures in relation to the impairment assessment of the interests in associates included:

– performing the audit of the associate companies to ensure the profit for the year and net assets of the associate are not materially misstated;

– performing the recalculation on the share of results from associates; and

– assessing the recoverability of amount owned by group companies and associated undertakings at the reporting date, and assess if adequate allowance for impairment and/or uncollectability has been made.

We found that the valuation of interests in associates were reasonable and supportable by available evidence and we consider the significant judgements and estimates on the valuation techniques and key inputs used in the valuations of investment properties held by the Group's associates are reasonable and supportable.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

# Independent Auditor's Report

## RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit concluded in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**HLM CPA Limited**
*Certified Public Accountants*
**Yuen Suk Ching**
Practising Certificate Number: P1107
Hong Kong, 15 June 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Turnover | 5 | **97,273** | 104,841 |
| Property expenses | | **(1,979)** | (1,254) |
| Gross profit | | **95,294** | 103,587 |
| Decrease in fair value of investment properties | 16 | **(102,498)** | (138,621) |
| Realised gain on disposal of available-for-sale financial assets | | **1,755** | 1,120 |
| Realised gain on disposal of financial assets held for trading | | **–** | 1,995 |
| Dividend income | | **2,213** | 744 |
| Interest income | 7 | **28,744** | 19,670 |
| Other operating income | 8 | **4,894** | 692 |
| Administrative expenses | | **(37,355)** | (29,737) |
| **Loss from operations** | 9 | **(6,953)** | (40,550) |
| Finance costs | 10 | **(1,679)** | (997) |
| Share of results of associates | 19 | **(8,716)** | (1,205) |
| **Loss before taxation** | | **(17,348)** | (42,752) |
| Taxation | 13 | **(11,964)** | (15,320) |
| **Loss for the year attributable to owners of the Company** | | **(29,312)** | (58,072) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Net gain arising on revaluation of available-for-sale financial assets | | **11,138** | 7,075 |
| Release of investment revaluation reserve upon disposal of available-for-sale financial assets | | **(867)** | – |
| **Other comprehensive income for the year, net of tax** | | **10,271** | 7,075 |
| **Total comprehensive expense for the year attributable to owners of the Company** | | **(19,041)** | (50,997) |
| **Loss per share** | | | |
| Basic and diluted | 15 | **HK(9.52) cents** | HK(18.87) cents |

# Consolidated Statement of Financial Position

At 31 March 2017

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 16 | **2,954,578** | 3,057,213 |
| Property, plant and equipment | 17 | **8,213** | 10,241 |
| Leasehold land | 18 | **15,014** | 15,106 |
| Interests in associates | 19 | **368,374** | 386,272 |
| Available-for-sale financial assets | 20 | **512,320** | 217,590 |
| Deferred rental income | | **165** | 541 |
| Deferred tax assets | 25 | **279** | – |
| | | **3,858,943** | 3,686,963 |
| **Current assets** | | | |
| Trade and other receivables | 21 | **14,833** | 8,001 |
| Available-for-sale financial assets redeemable within one year | 20 | **10,269** | – |
| Leasehold land – current portion | 18 | **92** | 92 |
| Deferred rental income – current portion | | **635** | 935 |
| Tax recoverable | | **2,282** | 993 |
| Pledged bank deposits | 22 | **2,729** | 2,143 |
| Bank balances and cash | 22 | **33,842** | 45,750 |
| | | **64,682** | 57,914 |
| **Current liabilities** | | | |
| Other payables and receipts in advance | 23 | **10,681** | 7,274 |
| Rental deposits from tenants | | **28,106** | 29,452 |
| Tax liabilities | | **5,148** | 3,859 |
| Secured bank borrowings – due within one year | 24 | **28,037** | – |
| | | **71,972** | 40,585 |
| **Net current (liabilities) assets** | | **(7,290)** | 17,329 |
| **Total assets less current liabilities** | | **3,851,653** | 3,704,292 |

# Consolidated Statement of Financial Position

At 31 March 2017

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | *25* | **25,033** | 23,975 |
| Secured bank borrowings – due after one year | *24* | **181,963** | – |
| | | **206,996** | 23,975 |
| **Net assets** | | **3,644,657** | 3,680,317 |
| **Capital and reserves** | | | |
| Share capital | *26* | **229,386** | 229,386 |
| Reserves | | **3,415,271** | 3,450,931 |
| **Total equity** | | **3,644,657** | 3,680,317 |

The consolidated financial statements on pages 40 to 98 were approved and authorised for issue by the Board of Directors on 15 June 2017 and are signed on its behalf by:

**Chan Hoi Sow**
*Director*

**Chan Yan Tin, Andrew**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

| | Share capital HK$'000 | Investment revaluation reserve HK$'000 | Dividend reserve HK$'000 | Accumulated profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2015 | 229,386 | – | 13,849 | 3,508,699 | 3,751,934 |
| Loss for the year | – | – | – | (58,072) | (58,072) |
| *Other comprehensive income for the year:* | | | | | |
| Net gain arising on revaluation of available-for-sale financial assets | – | 7,075 | – | – | 7,075 |
| Total comprehensive income (expense) for the year | – | 7,075 | – | (58,072) | (50,997) |
| Dividends declared *(note 14)* | – | – | 16,619 | (16,619) | – |
| Dividends paid | – | – | (20,620) | – | (20,620) |
| At 31 March 2016 and 1 April 2016 | 229,386 | 7,075 | 9,848 | 3,434,008 | 3,680,317 |
| Loss for the year | – | – | – | (29,312) | (29,312) |
| *Other comprehensive income for the year:* | | | | | |
| Net gain arising on revaluation of available-for-sale financial assets | – | 11,138 | – | – | 11,138 |
| Release of investment revaluation reserve upon disposal of available-for-sale financial assets | – | (867) | – | – | (867) |
| Total comprehensive income (expense) for the year | – | 10,271 | – | (29,312) | (19,041) |
| Dividends declared *(note 14)* | – | – | 16,619 | (16,619) | – |
| Dividends paid | – | – | (16,619) | – | (16,619) |
| **At 31 March 2017** | **229,386** | **17,346** | **9,848** | **3,388,077** | **3,644,657** |

The accumulated profits of the Group include approximately HK$391,082,000 (2016: approximately HK$399,798,000) retained by associates of the Group.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2017

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss for the year | | **(29,312)** | (58,072) |
| Adjustment for: | | | |
| Share of results of associates | 19 | **8,716** | 1,205 |
| Interest income | 7 | **(28,744)** | (19,670) |
| Dividend income | | **(2,213)** | (744) |
| Interest expenses | 10 | **1,679** | 997 |
| Tax expenses | 13 | **11,964** | 15,320 |
| Decrease in fair value of investment properties | 16 | **102,498** | 138,621 |
| Depreciation of property, plant and equipment | 17 | **2,571** | 2,515 |
| Amortisation of leasehold land | 18 | **92** | 92 |
| Gain on disposal of property, plant and equipment | | **(29)** | (135) |
| Realised gain on disposal of financial assets held for trading | | **–** | (1,995) |
| Realised gain on disposal of available-for-sale financial assets | | **(1,755)** | (1,120) |
| Exchange adjustment on investment properties | 16 | **137** | 78 |
| Operating cash flows before movements in working capital | | **65,604** | 77,092 |
| Increase in trade and other receivables | | **(1,856)** | (425) |
| Decrease in deferred rental income | | **676** | 501 |
| Increase (decrease) in trade and other payables | | **3,177** | (9,669) |
| Decrease (increase) in rental deposits from tenants | | **(1,346)** | 65 |
| Cash generated from operations | | **66,255** | 67,564 |
| Profits Tax paid | | **(11,603)** | (12,511) |
| Profits Tax refunded | | **418** | – |
| **Net cash generated from operating activities** | | **55,070** | 55,053 |
| **Investing activities** | | | |
| Interest received | | **23,768** | 20,759 |
| Dividend received from investments | | **2,213** | 744 |
| Dividend received from an associate | | **9,000** | 9,000 |
| Repayment from an associate | | **–** | 247 |
| Placement of pledged bank deposits | | **(586)** | (2,143) |
| Purchase of available-for-sale financial assets | | **(339,146)** | (209,754) |
| Proceeds from disposal of available-for-sale financial assets | | **46,173** | 2,520 |
| Purchase of financial assets held for trading | | **–** | (106,637) |
| Proceeds from disposal of financial assets held for trading | | **–** | 392,191 |
| Purchase of property, plant and equipment | 17 | **(543)** | (4,361) |
| Proceeds from disposal of property, plant and equipment | | **29** | 135 |
| **Net cash (used in) generated from investing activities** | | **(259,092)** | 102,701 |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2017

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Dividends paid | | **(16,619)** | (20,620) |
| Interest paid | | **(1,449)** | (997) |
| New bank loans raised | | **1,215,000** | 70,000 |
| Repayment of bank loans | | **(1,005,000)** | (211,000) |
| Advance from an associate | | **182** | 4,526 |
| **Net cash generated from (used in) financing activities** | | **192,114** | (158,091) |
| **Net decrease in cash and cash equivalents** | | **(11,908)** | (337) |
| **Cash and cash equivalents at beginning of the year** | | **45,750** | 46,087 |
| **Cash and cash equivalents at end of the year** | | | |
| Represented by bank balances and cash | 22 | **33,842** | 45,750 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 1. GENERAL AND BASIS OF PREPARATION

### (a) General Information

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

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

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 34 and 19 to the consolidated financial statements respectively.

### (b) Basis of preparation

The consolidated financial statements have been prepared on a going concern basis notwithstanding a net current liabilities of approximately HK$7,290,000 as at 31 March 2017. In the opinion of the directors of the Company, the Group is able to maintain itself as a going concern in the coming year as the Group is anticipated to generate adequate positive cash flows for its operation.

On the basis that the banking facilities continue to be available, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the end of reporting period. In addition, despite its accounting classification, the Group has available-for-sale financial assets which could be easily realised to provide working capital to the Group, if required. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

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

### Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

### New and revised HKFRSs issued but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted

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

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

[4] The original effective date has been deferred to a date yet to be determined.

[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

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

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

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

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

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

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

***HKFRS 16 "Leases"***

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

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

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

***HKFRS 16 "Leases"*** *(Cont'd)*

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$1,350,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The Group has already commenced an assessment of the impact of other new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial positions.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

The principal accounting policies are set out below.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Basis of consolidation** (Cont'd)

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

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

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

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

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

**Interests in subsidiaries**

Interests in subsidiaries presented in the statement of financial position included in note 35 to the consolidated financial statements are stated at cost less any identified impairment loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Interests in associates

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

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

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

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

When the Group ceases to have significance over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Interests in associates** (Cont'd)

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

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

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any direct attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

**Leasehold land and building**

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Property, plant and equipment

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

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

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

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

### Impairment of non-financial assets

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Impairment of non-financial assets** (Cont'd)

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

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

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured: when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

Service income is recognised when services are provided.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Leasing

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

***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amounts of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

***The Group as lessee***

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

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

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Retirement benefits scheme**

Payment to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

**Borrowing costs**

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

**Taxation**

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

***Current tax***

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

***Deferred tax***

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Taxation** (Cont'd)

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

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

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

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

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

***Current and deferred tax for the year***

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

**Provisions**

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Cash and cash equivalents**

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

**Financial instruments**

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

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

***Financial assets***

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

*Effective interest method*

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

Interest income is recognised on an effective interest basis for debt instruments.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial instruments** (Cont'd)

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

*Loans and receivables*

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

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

*AFS financial assets*

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial instruments** (Cont'd)

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

*Impairment of financial assets*

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial instruments** (Cont'd)

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

*Impairment of financial assets (Cont'd)*

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

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

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

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

***Financial liabilities and equity instruments***

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

*Equity instruments*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**Financial instruments** (Cont'd)

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

*Financial liabilities*

Financial liabilities (including financial liabilities included in trade and other payables, rental deposits from tenants and secured bank borrowings) are subsequently measured at amortised cost using the effective interest method.

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

(i) the entities and the Group are the member of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of the Group or an entity related to the Group;

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

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

(viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(i) the person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; or

(iii) dependents of that person or that person's spouse or domestic partner.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgements in applying accounting policies

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

#### *Depreciation*

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

#### *Allowance for bad and doubtful debts*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

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

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

***Deferred taxation on investment properties***

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

**Key sources of estimation uncertainty**

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

***Fair value of investment properties***

Investment properties are carried in the consolidated statement of financial position at 31 March 2017 at their fair value of approximately HK$2,954,578,000 (2016: approximately HK$3,057,213,000). The fair value was based on a valuation on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

## 5. TURNOVER

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Property rental income | **97,273** | 104,841 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 6. OPERATING SEGMENTS

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

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

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

### Segment information

**2017**

| | Property investment *HK$'000* | Treasury investment *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| Gross rental income | 97,273 | – | 97,273 |
| Property expenses | (1,979) | – | (1,979) |
| Net rental income | 95,294 | – | 95,294 |
| Decrease in fair value of investment properties | (102,498) | – | (102,498) |
| Realised gain on disposal of AFS financial assets | 280 | 1,475 | 1,755 |
| Interest income | 1 | 28,743 | 28,744 |
| Dividend income | – | 2,213 | 2,213 |
| Other operating income | 4,202 | 692 | 4,894 |
| Administrative expenses | (32,740) | (4,615) | (37,355) |
| (Loss) profit from operations | (35,461) | 28,508 | (6,953) |
| Finance costs | (40) | (1,639) | (1,679) |
| Share of results of associates | (8,716) | – | (8,716) |
| (Loss) profit before taxation | (44,217) | 26,869 | (17,348) |
| Taxation | (9,807) | (2,157) | (11,964) |
| (Loss) profit for the year | (54,024) | 24,712 | (29,312) |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 6. OPERATING SEGMENTS (CONT'D)

**Segment information** (Cont'd)

**At 31 March 2017**

| | **Property investment** *HK$'000* | **Treasury investment** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| Segment assets | **3,386,105** | **537,520** | **3,923,625** |
| Segment liabilities | **(64,983)** | **(213,985)** | **(278,968)** |
| Net assets | **3,321,122** | **323,535** | **3,644,657** |
| Other segment information: | | | |
| Depreciation and amortisation | **2,663** | **–** | **2,663** |
| Addition to property, plant and equipment | **543** | **–** | **543** |

2016

| | Property investment *HK$'000* | Treasury investment *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| Gross rental income | 104,841 | – | 104,841 |
| Property expenses | (1,254) | – | (1,254) |
| Net rental income | 103,587 | – | 103,587 |
| Decrease in fair value of investment properties | (138,621) | – | (138,621) |
| Realised gain on disposal of financial assets held for trading | – | 1,995 | 1,995 |
| Realised gain on disposal of AFS financial assets | 1,120 | – | 1,120 |
| Interest income | 1 | 19,669 | 19,670 |
| Dividend income | – | 744 | 744 |
| Other operating income | 542 | 150 | 692 |
| Administrative expenses | (29,447) | (290) | (29,737) |
| (Loss) profit from operations | (62,818) | 22,268 | (40,550) |
| Finance costs | (813) | (184) | (997) |
| Share of results of associates | (1,205) | – | (1,205) |
| (Loss) profit before taxation | (64,836) | 22,084 | (42,752) |
| Taxation | (13,761) | (1,559) | (15,320) |
| (Loss) profit for the year | (78,597) | 20,525 | (58,072) |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 6. OPERATING SEGMENTS (CONT'D)

**Segment information** (Cont'd)

At 31 March 2016

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

**Geographical information**

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

**Information on major customers**

Included in revenues arising from rental income of approximately HK$97.3 million (2016: approximately HK$104.8 million) are rental income of approximately HK$15.7 million (2016: approximately HK$20.3 million) which arose from the Group's largest tenant. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2017 and 2016.

## 7. INTEREST INCOME

| | **2017** ***HK$'000*** | 2016 *HK$'000* |
|---|---|---|
| Interest income from: | | |
| – AFS financial assets | **28,741** | 19,667 |
| – bank deposits | **3** | 3 |
| Total | **28,744** | 19,670 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 8. OTHER OPERATING INCOME

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Management fee income | **3,100** | – |
| Late payment service charges from tenants | **234** | 116 |
| Gain on disposal of property, plant and equipment | **29** | 135 |
| Exchange gain, net | **566** | – |
| Others | **965** | 441 |
| Total other operating income | **4,894** | 692 |

## 9. LOSS FROM OPERATIONS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss from operations has been arrived at after charging: | | |
| Staff costs (including directors' emoluments *(note 11)*) | **22,134** | 20,576 |
| MPF contributions | **255** | 229 |
| Total staff costs | **22,389** | 20,805 |
| Auditor's remuneration | **435** | 460 |
| Depreciation of property, plant and equipment | **2,571** | 2,515 |
| Amortisation of leasehold land | **92** | 92 |
| Lease payments under operating leases in respect of rented properties | **1,120** | 1,140 |
| Exchange loss, net | **–** | 591 |
| and after crediting: | | |
| Dividend income | **2,213** | 744 |
| Gain on disposal of property, plant and equipment | **29** | 135 |
| Exchange gain, net | **566** | – |
| Gross rental income from investment properties | **97,273** | 104,841 |
| Less: | | |
| Direct operating expenses from investment properties that generated rental income | **(1,555)** | (860) |
| Direct operating expenses from investment properties that did not generate rental income | **(424)** | (394) |
| Net rental income | **95,294** | 103,587 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 10. FINANCE COSTS

| | 2017 | 2016 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Interest on bank borrowings | 1,679 | 997 |

## 11. BENEFITS AND INTEREST OF DIRECTORS

### (a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

**2017**

| | Fees | Salaries and other benefits | Retirement benefits scheme contributions | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Executive directors: | | | | |
| Chan Hoi Sow *(Note 1)* | – | 8,151 | – | 8,151 |
| Chan Yan Tin, Andrew | – | 2,324 | 18 | 2,342 |
| Non-executive director: | | | | |
| Chan Yan Mei, Mary-ellen | 110 | – | – | 110 |
| Independent non-executive directors: | | | | |
| Chan Kwok Wai | 110 | – | – | 110 |
| Tse Lai Han, Henry | 110 | – | – | 110 |
| Leung Kui King, Donald | 110 | – | – | 110 |
| | 440 | 10,475 | 18 | 10,933 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 11. BENEFITS AND INTERESTS OF DIRECTORS (CONT'D)

### (a) Directors' emoluments (Cont'd)

2016

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

*Note:*

1. A rent-free accommodation with rateable value of approximately HK$1,035,000 (2016: approximately HK$1,033,000), is provided to Mr. Chan Hoi Sow by the Group.

The executive directors' emoluments shown above include their services in connection with the management of the affairs of the Company and the Group.

The fees paid to non-executive and independent non-executive directors shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

During the years ended 31 March 2017 and 31 March 2016, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 11. BENEFITS AND INTERESTS OF DIRECTORS (CONT'D)

### (b) Directors' material interests in transactions, arrangements or contracts

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2016: Nil).

### (c) Loans, quasi-loans and other dealings in favour of directors

No loans, quasi-loans and other dealings in favour of directors or body corporate controlled by such directors, or entities connected with such directors, subsisted at the end of the year or at any time during the year (2016: Nil).

## 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees of the Group during the year included two (2016: two) directors of the Company whose emoluments were included in note 11 above. The emoluments of the remaining three (2016: three) individuals were as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowance and other benefits in kind | **4,481** | 3,637 |
| Retirement benefits scheme contributions | **54** | 54 |
| | **4,535** | 3,691 |

Their emoluments were within the following bands:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK$Nil to HK$1,000,000 | **–** | 1 |
| HK$1,000,001 to HK$2,000,000 | **3** | 2 |
| | **3** | 3 |

During the years ended 31 March 2017 and 31 March 2016, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 13. TAXATION

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Tax expenses attributable to the Company and subsidiaries: | | |
| Hong Kong Profits Tax | | |
| Current year | **11,261** | 12,206 |
| (Over) under-provision in prior years | **(90)** | 901 |
| Other jurisdiction | | |
| Under-provision in prior years | **14** | 15 |
| | **11,185** | 13,122 |
| Deferred taxation *(note 25)* | | |
| Current year | **1,126** | 1,741 |
| (Over) under-provision in prior years | **(347)** | 457 |
| | **779** | 2,198 |
| Total | **11,964** | 15,320 |

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profit for the year.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 13. TAXATION (CONT'D)

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Loss before taxation | **(17,348)** | (42,752) |
| Tax at the Hong Kong Profits Tax rate of 16.5% (2016:16.5%) | **(2,862)** | (7,054) |
| Tax effect of share of results of associates | **1,438** | 199 |
| Tax effect of expenses not deductible for tax purpose | **23,969** | 23,115 |
| Tax effect of income not taxable for tax purpose | **(9,731)** | (1,997) |
| Tax effect of deductible temporary differences not recognised | **–** | 2 |
| Tax effect of tax losses not recognised | **–** | 254 |
| (Over) under-provision of taxation in respect of prior years | **(423)** | 1,373 |
| Utilisation of tax losses previously not recognised | **(149)** | (302) |
| Tax concession | **(265)** | (260) |
| Effect of different tax rates of a subsidiary operating in other jurisdiction | **(13)** | (10) |
| Tax expenses for the year | **11,964** | 15,320 |

## 14. DIVIDENDS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Interim, paid – HK2.2 cents (2016: HK2.2 cents) per share | **6,771** | 6,771 |
| Final, proposed – HK3.2 cents (2016: HK3.2 cents) per share | **9,848** | 9,848 |
| | **16,619** | 16,619 |

The final dividend of HK3.2 cents (2016: HK3.2 cents) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 15. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of HK$29,312,000 (2016: HK$58,072,000) and on number of 307,758,522 (2016: 307,758,522) ordinary shares in issue during the year.

The Company had no dilutive potential ordinary shares outstanding in both the years ended 31 March 2017 and 2016.

## 16. INVESTMENT PROPERTIES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At fair value | | |
| At 1 April | **3,057,213** | 3,195,912 |
| Exchange adjustments | **(137)** | (78) |
| Decrease in fair value of investment properties recognised in the consolidated statement of profit or loss and other comprehensive income | **(102,498)** | (138,621) |
| At 31 March | **2,954,578** | 3,057,213 |

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

The carrying amount of investment properties shown above comprises:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Properties in Hong Kong | | |
| Medium-term lease | **1,790,900** | 1,830,700 |
| Long-term lease | **1,158,400** | 1,222,200 |
| Properties outside Hong Kong | | |
| Freehold | **5,278** | 4,313 |
| At 31 March | **2,954,578** | 3,057,213 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 16. INVESTMENT PROPERTIES (CONT'D)

### Fair value measurement of the Group's investment properties

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

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

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

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2017 are as follows:

| | | **2017** | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Commercial property units located in Hong Kong | **–** | **–** | **2,949,300** | **2,949,300** |
| Residential property located in Canada | **–** | **–** | **5,278** | **5,278** |
| | **–** | **–** | **2,954,578** | **2,954,578** |

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 16. INVESTMENT PROPERTIES (CONT'D)

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

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

| | Fair Value 2017 HK$'000 | Fair Value 2016 HK$'000 | Valuation techniques | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Investment properties located in Hong Kong | **2,949,300** | 3,052,900 | Combination of direct comparison method and income capitalisation method | Estimated market unit rent per square foot; HK$17-HK$494 (2016: HK$22-HK$494) and market unit sales price per square foot | The increase/decrease in the market unit rent and/or sales price would result in an increase/decrease in the fair value of the property. |
| Investment properties located in Canada | **5,278** | 4,313 | Direct comparison method | Estimated market unit sales price per square foot | The increase/decrease in the market unit sales price would result in an increase/decrease in the fair value of the property. |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Buildings held under long-term lease in Hong Kong | Furniture and office equipment | Leasehold improvement | Motor vehicles | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **COST** | | | | | |
| At 1 April 2015 | 3,205 | 5,220 | 7,027 | 6,505 | 21,957 |
| Additions | – | 78 | 1,595 | 2,688 | 4,361 |
| Disposals | – | – | – | (5,127) | (5,127) |
| At 31 March 2016 and 1 April 2016 | 3,205 | 5,298 | 8,622 | 4,066 | 21,191 |
| Additions | – | 109 | 434 | – | 543 |
| Disposals | – | – | – | (477) | (477) |
| **At 31 March 2017** | **3,205** | **5,407** | **9,056** | **3,589** | **21,257** |
| **ACCUMULATED DEPRECIATION** | | | | | |
| At 1 April 2015 | 2,986 | 2,156 | 1,915 | 6,505 | 13,562 |
| Provided for the year | 128 | 1,000 | 715 | 672 | 2,515 |
| Eliminated upon disposals | – | – | – | (5,127) | (5,127) |
| At 31 March 2016 and 1 April 2016 | 3,114 | 3,156 | 2,630 | 2,050 | 10,950 |
| Provided for the year | 24 | 1,027 | 848 | 672 | 2,571 |
| Eliminated upon disposals | – | – | – | (477) | (477) |
| **At 31 March 2017** | **3,138** | **4,183** | **3,478** | **2,245** | **13,044** |
| **CARRYING AMOUNTS** | | | | | |
| **At 31 March 2017** | **67** | **1,224** | **5,578** | **1,344** | **8,213** |
| At 31 March 2016 | 91 | 2,142 | 5,992 | 2,016 | 10,241 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 18. LEASEHOLD LAND

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| **CARRYING AMOUNTS** | | |
| At 1 April | **15,198** | 15,290 |
| Amortisation | **(92)** | (92) |
| At 31 March | **15,106** | 15,198 |
| Analysed for reporting purpose as: | | |
| Non-current assets | **15,014** | 15,106 |
| Current assets | **92** | 92 |
| | **15,106** | 15,198 |

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

## 19. INTERESTS IN ASSOCIATES

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Share of net assets | **373,082** | 390,798 |
| Amounts due to an associate | **(4,708)** | (4,526) |
| | **368,374** | 386,272 |

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

Details of the Group's principal associates at 31 March 2017 are as follows:

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

* a wholly-owned subsidiary of Win Easy Development Limited

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 19. INTERESTS IN ASSOCIATES (CONT'D)

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

**Financial position:**

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current assets | **15,698** | 17,129 |
| Non-current assets | **755,282** | 787,521 |
| Current liabilities | **(11,603)** | (10,581) |
| Non-current liabilities | **(13,213)** | (12,473) |
| Net assets | **746,164** | 781,596 |
| Proportion of the Group's ownership interest therein | **50%** | 50% |
| Group's share of net assets of Win Easy | **373,082** | 390,798 |

**Profit or loss and other comprehensive income:**

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **30,622** | 30,164 |
| Loss for the year | **(17,432)** | (2,409) |
| Other comprehensive income | **–** | – |
| Total loss and total comprehensive expense for the year | **(17,432)** | (2,409) |
| Share of results of associates comprises: | | |
| Share of (loss) profits of associates | **(7,143)** | 276 |
| Share of taxation of associates | **(1,573)** | (1,481) |
| | **(8,716)** | (1,205) |
| Dividend paid by Win Easy during the year | **18,000** | 18,000 |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Listed investments: | | |
| Debt securities, at fair value *(note a)* | **479,099** | 208,748 |
| Equity securities, at fair value *(note a)* | **43,334** | 8,081 |
| | **522,433** | 216,829 |
| Unlisted investments: | | |
| Club debentures, at cost *(note b)* | **156** | 761 |
| | **522,589** | 217,590 |
| Analysed for reporting purpose as: | | |
| Non-current assets | **512,320** | 217,590 |
| Current assets | **10,269** | – |
| | **522,589** | 217,590 |

*Notes:*

(a) The fair value of the listed debt and equity securities are based on quoted market bid prices in active markets.

(b) The club debenture does not have a quoted market price in an active market and their fair value cannot be reliably measured.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 21. TRADE AND OTHER RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **592** | 176 |
| Other receivables | | |
| Interest receivables | **9,335** | 4,359 |
| Utilities deposits | **2,573** | 1,860 |
| Rental deposits | **–** | 190 |
| Prepayments | **890** | 803 |
| Others | **1,443** | 613 |
| | **14,833** | 8,001 |

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

The following is an aging analysis of rental receivables presented based on the debit note dates.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 30 days | **–** | 176 |
| 31-60 days | **439** | – |
| 61-90 days | **29** | – |
| Over 90 days | **124** | – |
| | **592** | 176 |

## 22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Pledged bank deposits | **2,729** | 2,143 |
| Bank balances and cash | **33,842** | 45,750 |

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

Bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate of 0.01% per annum (2016: 0.01% per annum) with an original maturity of three months or less.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 23. OTHER PAYABLES AND RECEIPTS IN ADVANCE

| | 2017 | 2016 |
|---|---|---|
| | HK$'000 | HK$'000 |
| Receipts in advance | 3,801 | 4,019 |
| Other payables | | |
| Accrued interest | 230 | – |
| Unclaimed dividend | 423 | 297 |
| Accrued expenses | 6,159 | 2,595 |
| Others | 68 | 363 |
| Total | 10,681 | 7,274 |

## 24. SECURED BANK BORROWINGS

| | 2017 | 2016 |
|---|---|---|
| | HK$'000 | HK$'000 |
| The secured bank borrowings are repayable as follows: | | |
| Within one year | 28,037 | – |
| More than one year but not exceeding two years | 8,175 | – |
| More than two years but not exceeding five years | 25,381 | – |
| More than five years | 148,407 | – |
| | 210,000 | – |
| Less: Amounts due within one year | 28,037 | – |
| | 181,963 | – |

All of the bank loans were denominated in Hong Kong dollars with interest rate ranging from 1.2% to 1.5% over HIBOR per annum.

At the end of the reporting period, the Group's banking facilities amounted to HK$990,000,000 (2016: HK$110,000,000) were supported by (i) guarantee provided by the Company; (ii) certain investment properties of subsidiaries; (iii) certain available-for-sale investments of subsidiaries; and (iv) certain pledged bank deposits of subsidiaries. Details of pledge of assets as disclosed in note 28 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 25. DEFERRED TAXATION

The following is the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

| | Accelerated tax depreciation | Tax allowance on investment properties | Tax losses | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2015 | 110 | 21,667 | – | 21,777 |
| Charge for the year *(note 13)* | 13 | 1,728 | – | 1,741 |
| Under-provision in prior years *(note 13)* | 1 | 456 | – | 457 |
| At 31 March 2016 and 1 April 2016 | 124 | 23,851 | – | 23,975 |
| Charge (credit) for the year *(note 13)* | (285) | 1,690 | (279) | 1,126 |
| (Over) under-provision in prior years *(note 13)* | 30 | (377) | – | (347) |
| **At 31 March 2017** | **(131)** | **25,164** | **(279)** | **24,754** |

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Deferred tax assets | **279** | – |
| Deferred tax liabilities | **(25,033)** | (23,975) |
| | **(24,754)** | (23,975) |

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

At the end of the reporting period, the Group has unused tax losses of approximately HK$1,826,000 (2016: approximately HK$2,075,000) available for offset against future profits. Certain deferred tax assets on tax losses had not been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 26. SHARE CAPITAL

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Number of ordinary shares** | ***HK$'000*** | Number of ordinary shares | *HK$'000* |
| Issued and fully paid | **307,758,522** | **229,386** | 307,758,522 | 229,386 |

There were no movements in the share capital of the Company for the year ended 31 March 2017. None of the Company's subsidiaries had repurchased, sold or redeemed any of the Company's shares during the year.

## 27. PENSIONS SCHEME

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

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

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

The Group's cost for the MPF Scheme charged to the statement of comprehensive income for the year ended 31 March 2017 amounted to HK$255,000 (2016: HK$229,000). As at 31 March 2017, contributions due in respect of the reporting period had been fully paid over to the MPF Scheme.

## 28. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounted to HK$990,000,000 (2016: HK$110,000,000).

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

i) Investment properties with carrying amounts of approximately HK$950,700,000 (2016: approximately HK$422,900,000);

ii) Available-for-sale financial assets with carrying amounts of approximately HK$501,927,000 (2016: approximately HK$189,484,000); and

iii) Bank deposits with carrying amounts of approximately HK$2,729,000 (2016: approximately HK$2,143,000).

At the end of the reporting period, the Group has utilised loan facilities from bank with an amount of HK$210,000,000 (2016: HK$Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 29. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **1,080** | 570 |
| In the second to fifth year inclusive | **270** | – |
| | **1,350** | 570 |

Operating lease payments represent rental payable by the Group for its director's quarter. The lease is fixed for two years.

### The Group as lessor

The investment properties of the Group are expected to generate average rental yields of approximately 3.29% (2016: approximately 3.43%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (2016: four years).

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **62,808** | 80,272 |
| In the second to fifth year inclusive | **30,972** | 29,834 |
| | **93,780** | 110,106 |

## 30. CAPITAL COMMITMENTS

As at 31 March 2017, the Group had outstanding purchase agreements which entailed capital commitments to complete the acquisition of computer systems of approximately HK$199,000 (2016: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 31. RELATED PARTY TRANSACTIONS

In addition to transactions and balances disclosed elsewhere in these consolidated financial statements, the Group, during the year, had the following transaction with the associates of the Group. The transaction prices were considered by the directors of the Company as estimated market price.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Received from Win Easy Development Limited: | | |
| Office rental income | **–** | 654 |
| Management fee income | **2,890** | – |
| Dividend income | **9,000** | 9,000 |
| Received from Home Easy Limited: | | |
| Management fee income | **210** | – |

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

## 32. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | |
| AFS financial assets | **522,589** | 217,590 |
| Loans and receivables | | |
| – Financial assets included in trade and other receivables | **13,943** | 7,198 |
| – Pledged bank deposits | **2,729** | 2,143 |
| – Bank balances and cash | **33,842** | 45,750 |
| | **573,103** | 272,681 |
| **Financial liabilities, at amortised cost** | | |
| Financial liabilities included in trade and other payables | **6,880** | 3,255 |
| Rental deposits from tenants | **28,106** | 29,452 |
| Secured bank borrowings | **210,000** | – |
| | **244,986** | 32,707 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 32. FINANCIAL INSTRUMENTS (CONT'D)

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

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

***Foreign currency risk management***

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

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

| | **Assets 2017 *HK$'000*** | **Liabilities 2017 *HK$'000*** | Assets 2016 *HK$'000* | Liabilities 2016 *HK$'000* |
|---|---|---|---|---|
| Renminbi ("RMB") | **80,098** | **–** | 29,328 | – |
| Canadian dollar ("CAD") | **230** | **25** | 172 | 26 |
| United States dollars ("USD") | **446,876** | **–** | 198,095 | – |

*Sensitivity analysis*

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

Decrease/increase in the loss for the year:

| | **2017 *HK$'000*** | 2016 *HK$'000* |
|---|---|---|
| Renminbi ("RMB") | **4,005** | 1,466 |
| Canadian dollar ("CAD") | **10** | 7 |
| United States dollars ("USD") | **22,344** | 9,905 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 32. FINANCIAL INSTRUMENTS (CONT'D)

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

***Liquidity risk management***

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

**2017**

| | Contractual undiscounted cash flow | | | | | | Carrying |
|---|---|---|---|---|---|---|---|
| | On demand | Within 1 year | 1-2 years | 2-5 years | Over 5 years | Total | amounts |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Financial liabilities included in trade and other payables | 6,880 | – | – | – | – | 6,880 | 6,880 |
| Rental deposits from tenants | 28,106 | – | – | – | – | 28,106 | 28,106 |
| Secured bank borrowings | – | 31,249 | 11,224 | 33,671 | 168,368 | 244,512 | 210,000 |
| | 34,986 | 31,249 | 11,224 | 33,671 | 168,368 | 279,498 | 244,986 |

2016

| | Contractual undiscounted cash flow | | | | | | Carrying |
|---|---|---|---|---|---|---|---|
| | On demand | Within 1 year | 1-2 years | 2-5 years | Over 5 years | Total | amounts |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Financial liabilities included in trade and other payables | 3,255 | – | – | – | – | 3,255 | 3,255 |
| Rental deposits from tenants | 29,452 | – | – | – | – | 29,452 | 29,452 |
| | 32,707 | – | – | – | – | 32,707 | 32,707 |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 32. FINANCIAL INSTRUMENTS (CONT'D)

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

***Credit risk management***

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that prompt follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

***Interest rate risk management***

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

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

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

*Sensitivity analysis*

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

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2017 would increase/decrease by approximately HK$1,734,000 (2016: decrease/increase by approximately HK$479,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 32. FINANCIAL INSTRUMENTS (CONT'D)

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

***Market price risk management***

The Group is exposed to market price risk because of investments in listed debt and equity securities held by the Group and recognised as AFS financial assets in the consolidated statement of financial position. The Group's market price risk primarily arises from listed debt and equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks and returns. In this regards, the management considers the Group's exposure to market price risk is reduced.

### (c) Fair values measurement of financial instruments

| | Fair value as at 31 March 2017 HK$'000 | Fair value as at 31 March 2016 HK$'000 | Fair value hierarchy | Valuation technique and key input |
|---|---|---|---|---|
| AFS financial assets | | | | |
| – Listed debt securities | **479,099** | 208,748 | Level 1 | Quoted bid prices in active markets |
| – Listed equity securities | **43,334** | 8,081 | Level 1 | Quoted bid prices in active markets |

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

The directors of the Company consider the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 33. CAPITAL RISK MANAGEMENT

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

As at 31 March 2017, the Group's strategy remained unchanged as compared to 31 March 2016. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total equity.

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Secured bank borrowings, net of bank balance and cash and pledged bank deposits | **173,429** | – |
| Total equity | **3,644,657** | 3,680,317 |
| Net debts to total equity ratio | **0.05** | N/A |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 34. PRINCIPAL SUBSIDIARIES

Details of the Company's wholly owned principal subsidiaries at 31 March 2017 are as follows:

| Name of subsidiaries | Place of incorporation/ operation | Issued and fully paid ordinary share capital | Principal activities |
|---|---|---|---|
| Funswin Investment Limited | Hong Kong | HK$2 | Securities investment |
| Grademark Limited | Hong Kong | HK$2 | Property investment |
| Grant Horn Investment Limited | Hong Kong | HK$2 | Property investment |
| High Spark Properties Limited | Hong Kong | HK$20 | Property investment |
| Kamillex Company Limited | Hong Kong | HK$2 | Investment holding |
| Kimberly Investment Limited | Hong Kong | HK$2 | Property investment |
| Kingunit Company Limited | Hong Kong | HK$2 | Property investment |
| Laquinta Investments Limited | The British Virgin Islands/Canada | US$1 | Property investment |
| Longo Investment Company Limited | Hong Kong | HK$2 | Property investment |
| Pomeroy Company Limited | Hong Kong | HK$2 | Property investment |
| Spark View Limited | Hong Kong | HK$20 | Property investment |
| Strongfort Company Limited | Hong Kong | HK$40,000 | Property investment |
| Take Easy Investment Limited | Hong Kong | HK$2 | Property investment |
| Tech Target Investment Limited | Hong Kong | HK$1 | Securities investment |
| Tern Management Limited | Hong Kong | HK$10,000 | Property management |
| Tern Treasury Limited | Hong Kong | HK$10,000 | Treasury management |
| Zepersing Limited | Hong Kong | HK$2 | Property investment |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Interests in subsidiaries *(note a)* | 762,113 | 784,622 |
| Interests in associates | – | – |
| Deferred tax assets | 279 | – |
| | 762,392 | 784,622 |
| **Current assets** | | |
| Trade and other receivables | 11,698 | 878 |
| Bank balances and cash | 31,522 | 3,112 |
| | 43,220 | 3,990 |
| **Current liabilities** | | |
| Trade and other payables | 525 | 310 |
| Amounts due to associates | 4,708 | 3,053 |
| | 5,233 | 3,363 |
| **Net current assets** | 37,987 | 627 |
| **Total assets less current liabilities** | 800,379 | 785,249 |
| **Non-current liability** | | |
| Amounts due to subsidiaries *(note a)* | 4,719 | 122,372 |
| **Net assets** | 795,660 | 662,877 |
| **Capital and reserve** | | |
| Share capital | 229,386 | 229,386 |
| Reserves *(note 36)* | 566,274 | 433,491 |
| **Total equity** | 795,660 | 662,877 |

The Company's statement of financial position was approved and authorised for issue by the board of directors on 15 June 2017 and are signed on its behalf by:

| | |
|---|---|
| **Chan Hoi Sow**<br>*Director* | **Chan Yan Tin, Andrew**<br>*Director* |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

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

***Note a: Interests in subsidiaries***

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **44,655** | 48,548 |
| Amounts due from subsidiaries | **731,500** | 754,019 |
| | **776,155** | 802,567 |
| Provision for impairment | **(14,042)** | (17,945) |
| | **762,113** | 784,622 |
| Amounts due to subsidiaries | **4,719** | 122,372 |

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

## 36. RESERVES OF THE COMPANY

| | **Dividend reserve** | **Accumulated profits** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2015 | 13,849 | 338,825 | 352,674 |
| Profit and total comprehensive income for the year | – | 101,437 | 101,437 |
| Dividends declared | 16,619 | (16,619) | – |
| Dividends paid | (20,620) | – | (20,620) |
| At 31 March 2016 and 1 April 2016 | 9,848 | 423,643 | 433,491 |
| Profit and total comprehensive income for the year | – | 149,402 | 149,402 |
| Dividends declared | 16,619 | (16,619) | – |
| Dividends paid | (16,619) | – | (16,619) |
| **At 31 March 2017** | **9,848** | **556,426** | **566,274** |

# Five-year Consolidated Financial Summary

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | **97,273** | 104,841 | 99,480 | 88,949 | 79,277 |
| (Loss) profit for the year attributable to owners of the Company | **(29,312)** | (58,072) | 266,743 | 250,846 | 702,471 |
| Basic (loss) earnings per share (HK cents) | **(9.52)** | (18.87) | 86.67 | 81.51 | 228.25 |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | **3,923,625** | 3,744,877 | 3,963,527 | 3,718,552 | 3,539,405 |
| Total liabilities | **278,968** | 64,560 | 211,593 | 196,430 | 250,587 |
| Total equity attributable to owners of the Company | **3,644,657** | 3,680,317 | 3,751,934 | 3,522,122 | 3,288,818 |

# Particulars of Major Properties

Details of properties held by the Group at 31 March 2017 are as follows:

## 1. LEASEHOLD LAND AND BUILDINGS

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

## 2. INVESTMENT PROPERTIES

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

# Particulars of Major Properties

## 2. INVESTMENT PROPERTIES (CONT'D)

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

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