HENRY GROUP HOLDINGS LIMITED
鎮科集團控股有限公司


2016/17
ANNUAL REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Ng Ian *(Chairman)*
Chan Kwok Hung

Non-executive directors

Ng Chun For, Henry
Mak Wah Chi

Independent non-executive directors

Li Kit Chee
Chu Tak Sum
Chan Kam Man

COMPANY SECRETARY

Lee Pui Lam

AUTHORISED REPRESENTATIVES

Chan Kwok Hung
Lee Pui Lam

AUDIT COMMITTEE

Li Kit Chee *(Committee Chairman)*
Mak Wah Chi
Chan Kam Man

NOMINATION COMMITTEE

Chan Kam Man *(Committee Chairman)*
Mak Wah Chi
Chu Tak Sum

REMUNERATION COMMITTEE

Li Kit Chee *(Committee Chairman)*
Mak Wah Chi
Chu Tak Sum

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS

Suite 1711
Tower 2
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Dah Sing Bank, Limited
China Construction Bank (Asia) Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

LEGAL ADVISERS

as to Hong Kong law:
Cheung, Tong & Rosa

as to Bermuda law:
Conyers Dill & Pearman

FINANCIAL ADVISER

Lego Corporate Finance Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belevedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.henrygroup.hk

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited

STOCK CODE

859

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the board of directors (the "Board"), I would like to present the annual report of Henry Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2017.

OVERVIEW

During the year under review, Hong Kong's external business environment was difficult and challenging in early 2016 particularly after the result of the referendum in the United Kingdom during June last year to leave the European Union. However the global economy has shown some improvement in the second half of the year driven by stronger US currency demand and steady economic growth in the Mainland.

Turning to Hong Kong, as the pace of global economic growth weakened, the local economy expanded at a slower pace during the year under review, at 1.9%, as compared with the 2.4% growth in prior year. Notwithstanding the slowdown in inbound tourism and weakness in retail sales, the economic performance for the year was supported in part as Hong Kong's total export of goods rose modestly while domestic demand remained resilient benefitting from the labour market maintaining full employment all through the year, dragged by the drop in visitor arrivals, the local retail market remained weak, consequently dampening the leasing activity and rents continued to decline and undergo adjustment period. Despite retail sentiment remaining sluggish, the Group's tenant portfolio for the year enjoyed a good retention rate as it less exposed to the luxury retail sector.

REVIEW OF OPERATIONS

Despite challenging business environment, the Group's total revenue generated from investment properties in Hong Kong for the year ended 31 March 2017 was approximately HK$65.8 million, increasing 15.0% from approximately HK$57.2 million in 2016. Contributing factors to the rental growth included (i) full year effect of rental income contributed from two investment properties (namely, No. 57 and No. 41, ground level shops at Jardine Bazaar) acquired in December 2015; and (ii) benefited from good occupancy levels maintained throughout the year. The credit for the relatively good performance also goes to the management team for refining the tenant portfolio while restructuring the Group's investment properties portfolio into a strategically well-balanced and diverse tenant portfolio better able to respond to changes in the market and business environment. Our tenant portfolio is now made up of differentiated vertical service-based retailers including quality spa and beauty services, premium food and beverage catering, etc., better able to respond to the growing demand of consumers for unique personal care services and healthy dining experiences which will provide a stable revenue contribution to the Group.

The Group's investment properties portfolio in Hong Kong as of 31 March 2017 was approximately HK$3,065,000,000. A breakdown of properties valuation and the comparison of the revenue by property for two financial years ended 31 March 2017 are shown below:

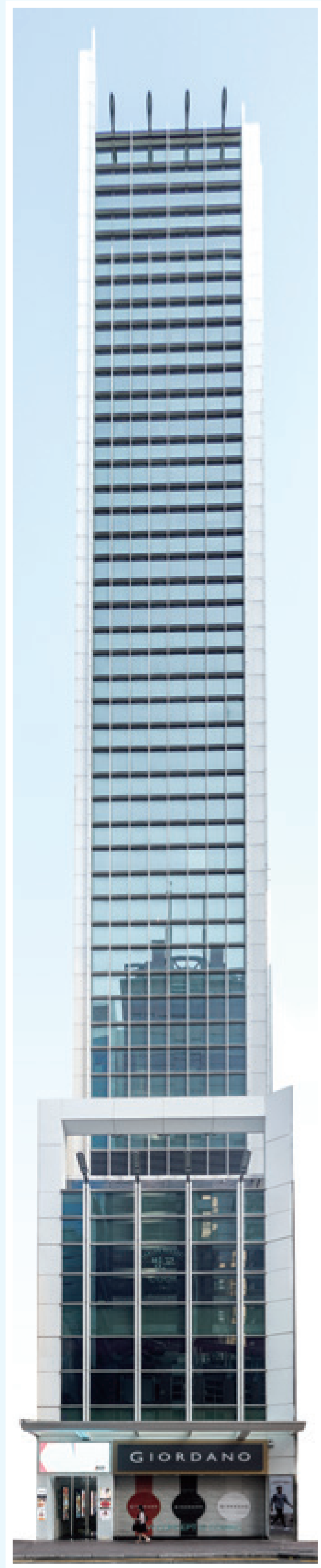
By property	Properties Valuation as of 31 March 2017 (HK$'000)	Revenue for the year ended 31 March 2017 (HK$'000)	2016 (HK$'000)	Change
Causeway Bay				
Jardine Center, No. 50 Jardine's Bazaar	1,470,000	29,522	26,955	9.5%
L'hart, Nos. 487–489 Lockhart Road	960,000	25,582	22,954	11.4%
Ground Floor, No. 38 Jardine's Bazaar	100,000	2,245	2,085	7.7%
First Floor, Nos. 38–40 Jardine's Bazaar	14,000	410	27	1,419%
Ground Floor, No. 41 Jardine's Bazaar	135,000	2,532	1,009	151%
Ground Floor, No. 57 Jardine's Bazaar	138,000	3,167	957	231%
Mid-levels West				
Ground Floor of K.K. Mansion, Nos. 119, 121, 125, Caine Road	50,000	119	1,328	(91)%
Island South				
House No. 12, Villa Bel-Air, Bel-Air on the Peak	198,000	2,249	1,932	16%
Total	3,065,000	65,826	57,247	15%

Jardine Center

Jardine Center is located on No. 50 Jardine's Bazaar, Causeway Bay. It is a 24-storey Ginza-style building marking the Group's first adoption of Gin-za-i-za-tion (our self-created word) — enabling retail businesses to operate above the ground floor level of buildings, giving them an effective CBD presence in a city. The concept has since proven successful over almost a decade of our ownership. Right in the heart of Causeway Bay, it is just steps away from Jardine's Crescent, a traditional "must-visit" tourist destination in the city as recommended by the Hong Kong Tourism Board. As such, Jardine Center boasts a consistently high occupancy rate during the year. With structural frontage construction enhancement works at ground floor leasable areas and the lobby renovation completed in mid-September 2016, Jardine Center now has a higher appeal to consumers and is able to better cope with peak hour customer traffic, which will translate into higher rental income contributions to the Group. Jardine Center has also been relaunched as the brand "50 Jardine" to address changes in consumption trends.

L'hart

L'hart is located at Nos. 487–489 Lockhart Road — another Ginza-style building of the Group rising 26 storeys, it has the special attraction of a duplex floor layout offering retail tenants the opportunity to truly customise business space and reinforce the distinctive personality of their unique business style and brand. To optimise this advantage, during the year, L'hart has brought in to its podium ground level a renowned fashion brand (namely Giordano) in order to meet changing consumer preferences as well as attract new retailers in the mid-range-to-affordable retail goods segments.



Nos. 38, 41 and 57, Ground Level Shops at Jardine Bazaar

Besides two core ginza-style buildings, the Group's investment properties portfolio also includes several other street-front shops at Nos. 38, 41 and 57 Jardine's Bazaar neighbouring Jardine Center. These properties and Jardine Center together are presenting synergies conducive to enhancing return on investments for the Group.

Disposal of a Residential House No. 12 Villa Bel-Air — Discloseable Transaction

As announced on 11 May 2017, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose a residential property situated at House No.12, Villa Bel-Air, Bel-Air on the Peak at a consideration of approximately HK$205,000,000. The disposal of the property constituted a discloseable transaction of the Company under the Listing Rules. Completion of the disposal of the property is to take place in August 2017.

OUTLOOK

The 2017 global financial market is expected to be challenging being buffeted by (i) the potential rise of the protectionist policy adopted by the new US administration after the beginning of the Trump administration in January 2017; (ii) probable likelihood of further raises in federal funds/interest rates to be announced by the Federal Reserve; and (iii) Brexit-related developments and the upcoming general elections in several major European countries. We anticipate market volatility to be intensified over time.

Notwithstanding the above-mentioned external threats and uncertainties, Hong Kong still remains an attractive tourist destination and we foresee that the Hong Kong local retail sales market will continue to improve benefitting from (i) the change in China's tourist policy of banning Chinese tour groups from visiting South Korea; (ii) Hong Kong being relatively safe for tourist as compared with Europe and the UK where there are frequent warnings of high terrorism threats; and (iii) despite falling arrivals Hong Kong remaining first among the top 100 city destinations as released by Euromonitor International in January 2017.

Going forward, management is confident that the investment properties portfolio will provide a stable contribution to the Group and will manage this premium assets driving rental growth by adopting a proactive and resilient management strategy in response to the rapidly changing local business environment. Taking into account that retail properties remained in negative territory, we will take a cautious approach to capture opportunities for acquiring potential premier investment properties to strengthen capacity of our investment property portfolio in order to build up the Group's net asset value through future growth in a way to enhance shareholders returns.

APPRECIATION

I would also like to take this opportunity to express my gratitude to my fellow directors for their guidance, to all staff for their dedication and hard work and to our principal banks for their continuing support.

Ng Ian
Chairman
Hong Kong, 27 June 2017

FINANCIAL REVIEW

For the year ended 31 March 2017, the Group's revenue was approximately HK$65.8 million, representing an increase of approximately HK$8.6 million (2016: HK$57.2 million). The increase was mainly due to (i) the continuous expansion of investment properties portfolio of the Group; and (ii) good occupancy maintained throughout the year due to the higher tenant retention rate and fewer new lettings.

Other income and gains decreased by approximately HK$6.4 million to approximately HK$4.8 million (2016: HK$11.2 million) which was mainly due to reduction of bank deposits interest income and non-cash flow accounting adjustment for decrease in fair value of derivative financial asset component of convertible notes.

Investment properties of the Group in Hong Kong were revalued at 31 March 2017 by Savills Valuation and Professional Services Limited, an independent property valuer. A net increase in the fair value of investment properties of HK$30,200,000 (2016: HK$9,862,000) was recorded during the year. The unrealised fair value changes would not affect the cash flow of the Group. Accordingly, profit from operations increased by approximately HK$36,880,000 to approximately HK$70,302,000 (2016: HK$33,422,000).

Finance costs increased by approximately HK$6.7 million to approximately HK$33.6 million (2016: HK$26.9 million). The increase was primarily attributable to the full year effect of non-cash flow accounting adjustments — effective imputed interest of convertible notes and one-off bank borrowings arrangement costs of HK$2.7 million incurred for entered into several new bank borrowings with a total amount of HK$650 million out of which (i) HK$550 million utilised for refinancing bank borrowings thereby reducing interest margins; and (ii) HK$100 million retained for Group's business development and general corporate purposes.

Profit and total comprehensive income for the year attributable to owners of the Company was approximately HK$34,106,000 as compared to approximately HK$1,571,000 for last year. The increase was mainly due to the increase in net gain in fair value of investment properties is as follows:

	Year ended 31 March	
	2017	2016
	HK$'000	HK$'000
Profit/(loss) attributable to owners of the Company before taking into account the net increase in fair value of investment properties	**3,906**	(8,291)
Add:		
Net increase in fair value of investment properties	**30,200**	9,862
Profit and total comprehensive income attributable to owners of the Company before taking into account the net increase in fair value of investment properties	**34,106**	1,571

Liquidity and Financial Resources

The Group mainly finances its business operations with its internal resources and bank borrowings. As at 31 March 2017, the Group had cash bank balances of approximately HK$400.1 million (2016: HK$299.7 million). The increase in cash and bank balances was mainly attributable to the new bank borrowings raised of approximately HK$100 million. The Group's cash and bank balances are deposited in Hong Kong Dollars ("HKD") which mainly are preserved in risk-free bank deposits liquidity financial resources available for business expansion and for general corporate purposes. As of 31 March 2017, the Group has undrawn bank loan facilities with a total of approximately HK$110 million (2016: HK$100 million) which will provide adequate funding for the Group's operational and capital expenditure requirements.

As at 31 March 2017, the Group's total bank borrowings are all denominated in HKD and carry interest at a Hong Kong Interbank Offer Rate (HIBOR) plus a margin in aggregate of approximately HK$1,173.0 million (2016: HK$1,081.3 million) with a maturity profile set out as follows:

	2017 **HK$'000**	2016 HK$'000
Repayable		
Within 1 year	**30,300**	26,750
After 1 year but within 2 years	**33,300**	29,750
After 2 years but within 5 years	**275,425**	498,251
Over 5 years	**834,000**	526,622
	1,173,025	1,081,373

As of 31 March 2017, the outstanding balance of the debt component of convertible note repayable after 2 years but within 5 years was approximately HK$47,018,000 (2016: HK$73,170,000)

During the year, the Group did not engage in any derivative activities or use any financial instruments for hedging of its bank borrowing bearing floating interest rates.

The Group's gearing ratio as at 31 March 2017, which is calculated on the basis of total liabilities over total assets, was approximately 36.2% (2016: 35.7%) whilst the current ratio of the Group expressed as a ratio of current assets over current liabilities as at 31 March 2017, was approximately 9.8 (2016: 9.0). The Group continues to adopt a prudent financial policy so as to sustain an optimal level of borrowings to meet its funding requirements.

Capital Structure

During the year under review, the issued share capital of the Company was enlarged from 971,798,352 ordinary shares to 1,029,043,534 ordinary shares as at 31 March 2017 as a result of the issue and allotment of (i) 56,745,182 ordinary shares by virtue of exercise of a convertible note with a principal amount of approximately HK$53,000,000 at its conversion price of HK$0.934 per share; and (ii) 500,000 ordinary shares by virtue of exercise of share options. Subsequent to the balance sheet date, the issued share capital of the Company has been increased to 1,094,354,026 ordinary shares as a result of the partial conversion of convertible note with a principal amount of approximately HK$61,000,000 into 65,310,492 ordinary shares of the Company. The new ordinary shares rank *pari passu* to the existing ordinary shares of the Company

As at 31 March 2017, the audited net assets attributable to owners of the Company amounted to approximately HK$2,227.1 million (2016: HK$2,161.9 million), representing an increase of 3% as compared with the same as at 31 March 2016. With the total number of 1,029,043,534 ordinary shares in issue as at 31 March 2017, the audited net assets per share was approximately HK$2.16 (2016: HK$2.22).

Treasury Policy

The Group's business has been conducted in Hong Kong and its monetary assets and liabilities are mainly denominated in HKD. The Group regularly reviews its major funding positions to assure that it has adequate financial resources in meeting its financial obligations.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.213 (2016: Nil) per ordinary share for the year ended 31 March 2017 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 23 August 2017. However, the proposed payment of the dividend shall be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 17 August 2017 ("AGM"). The proposed final dividend will be payable on or about Thursday, 31 August 2017.

GUARANTEE

As at 31 March 2017, the Company has given several corporate guarantees of approximately HK$1,316,000,000 (31 March 2016: HK$1,877,500,000) for securing banking facilities granted to its subsidiaries.

CHARGES ON GROUP ASSETS

At at 31 March 2017, the Group has pledged the following assets for securing bank facilities granted from several banks to its subsidiaries:

(1) legal charges over certain investment properties in Hong Kong with an aggregate carrying amount of approximately HK$3,051,000,000 (31 March 2016: HK$2,740,000,000);

(2) Share mortgages of several subsidiaries; and

(3) Rental assignment of the investment properties.

CONTINGENT LIABILITIES

High Fly Investments Limited ("High Fly"), an indirect non-wholly subsidiary of the Company which were dissolved by virtue of voluntary liquidation with the British Virgin Islands ("BVI") Registry of Corporate Affairs approved on 24 January 2014 and Premium Assets Development Limited ("Premium Assets") (collectively the "Indemnifiers") had signed Deed of Indemnity (the "Deed") on 4 October 2013 (being date of completion of the sale and purchase agreement ("SPA") with Double Favour Limited ("Double Favour"). Pursuant to the Deed, each of the Indemnifiers hereby severally, pro rata to their respective shareholdings in the High Luck International Limited ("High Luck") immediately before completion of the SPA (i.e. 45% as to Premium Assets and 55% as to High Fly) (the "Relevant Proportion") undertakes to Double Favour (for itself and as trustee of the High Luck and its subsidiaries ("Disposal Group")) to pay them an amount or amounts equal to each of the following:

(a) any liability to taxation in connection with any claim in respect of all taxation falling on any member of the Disposal Group resulting from or by reference to any transaction, event, matters or thing occurred or effected during the period from 1 September 2007 to 4 October 2013 (being date of completion of the SPA) ("Relevant Period"), or in respect of any gross receipts, income, profits or gains earned, accrued or received, or alleged or deemed to have been earned, accrued, or received by any member of the Disposal Group during the Relevant Period, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

(b) all action, claims, losses, damages, cost (including all legal costs), charges, expenses, interests, penalties or any other liabilities to which any member of the Disposal Group is or may be subject or which any member of the Disposal Group or Double Favour may reasonably and properly incur in connection with:

(i) any investigation, assessment or the contesting of any claim or any of the matter referred to in (a) above;

(ii) the settlement of any claim or any of the matters referred to in (a) above;

(iii) any legal proceedings or actions in which the Purchaser or any member of the Disposal Group claims under or in respect of the Deed and in which judgment is given in favour of Double Favour or any member to the Disposal Group; or

(iv) the enforcement of any such settlement or judgment,

and each of the Indemnifiers severally in the Relevant Proportion undertakes to indemnify an hold harmless or demand any member of the Disposal Group and Double Favour in respect of the matters referred to (a) to (b) (inclusive) above.

Notwithstanding anything to the contrary herein provided and the guarantee provided in the SPA, Double Favour further agrees and acknowledges to High Fly acting as trustee for the benefit of Uptodate Management Limited ("Uptodate"), an indirect wholly owned subsidiary of the Company and Best Task Limited that their respective obligations under the guarantee in respect of any obligations arising from any claims against High Fly under the Deed and/or the SPA ("Relevant Claims"), the obligations of Uptodate under the guarantee for such Relevant Claims should only be limited to 54.55% of the said claims (i.e. not more than 30% of total claims).

Pursuant to the Deed, the Board is of the opinion that it would be unlikely for the Group through Uptodate to suffer any material financial loss as a result of giving the aforesaid indemnity on several basis limited to 30% of the Relevant Claims.

As of 31 March 2017, there was no Relevant Claims reported. Save as disclosed aforesaid, the Group did not have any significant contingent liabilities as at 31 March 2017.

COMMITMENTS

As of 31 March 2017, the Group had no material capital commitments.

EVENTS AFTER THE REPORTING PERIOD

(1) On 11 May 2017 (after trading hours), the vendor, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to dispose a residential property situated at House No. 12, Villa Bel-Air, Bel-Air on the Peak at a consideration of HK$205,000,000. The disposal of the property constituted a discloseable transaction of the Company under the Listing Rules. For details, please refer to the Company's announcement dated 11 May 2017.

(2) On 5 June 2017, Superb Global Group Limited, a convertible note holder (being a limited company incorporated in British Virgin Islands controlled by the Chairman), exercised its conversion right to convert the principal amount of HK$61,000,000 into 65,310,492 ordinary shares of the Company.

LITIGATION

On 21 November 2014, Land Base Limited ("LBL"), a wholly owned subsidiary of the Company, the owner of a building named "L'hart" located at Nos. 487 and 489 Lockhart Road Hong Kong, which is built upon certain pieces of land including The Remaining Portion of Subsection 14 of Section A of Inland Lot No. 2836 ("Subsection 14"), received an originating summons issued by Tierra Trading Limited and Keep Forever Development Limited (as Plaintiffs), the owners of a building named "Kyoto Plaza" located at Nos. 491, 493, 495, 497 and 499 Lockhart Road, Hong Kong, which is built upon certain pieces of land, including Subsection 15 of Section A of Inland Lot No. 2836 ("Subsection 15") against LBL (as defendant) and filed with the High Court of the Hong Kong Special Administrative Region Court of First Instance.

The litigation relates to a dispute regarding the ownership of a strip of land (the "Disputed Area") which is the common staircase located on Subsection 15, in between L'hart and Kyoto Plaza, which the Plaintiffs had not used since 1992. It is LBL's case that, since, the demolition of the old building on Subsection 14 and the construction of Kyoto Plaza which has been in use since 1992, LBL's predecessors in title had been in exclusive possession, management and control of the Disputed Area by using the common staircase and other parts of the Disputed Area for various purposes. Since LBL became the registered owner of Subsection 14, it continued in exclusive possession, management and control of the Disputed Areas without interruption. Since the development of the L'hart building, LBL have, for safety, hygiene and aesthetic reasons, sealed off the Disputed Area by erecting a façade over the entrance to the Disputed Area from Lockhart Road forming part of L'hart.

The hearing was convened on 13 August 2015. On 21 August 2015, Recorder Cheng SC handed down a written decision refusing LBL's application and acceding to the Plaintiffs' application to proceed in the form of Originating Summons and gave directions for the cross-examination of witnesses and the filing of a report by a single joint expert (the "Order"). The Order further provides for leave for filing a further Affirmation by LBL ("2nd Affirmation").

On 4 September 2015, LBL and the Plaintiffs agreed to jointly appoint Mr. Daniel Tong of Daniel Tong Chartered Architect and Associates Limited ("Mr. Tong") as single joint expert to opine on three issues.

On 15 September 2015, LBL filed the 2nd Affirmation in reply to the 2nd Affirmation of Leung Mei Sze, following which neither party may file further affirmation evidence without leave of the court.

LBL has requested that two additional issues (which only came in place after the filing of the 2nd Affirmation) be addressed by Mr. Tong. These relate to (1) the residual plot ratio of Subsection 15, and (2) whether the permissible plot ratio of the Kyoto Plaza development was in fact exceeded.

The Plaintiffs refused to include the additional issues and LBL have on 7 October 2015 issued a summons for the matter to be heard before a judge. On 15 February 2016 Recorder Cheng SC handed down a written decision granting leave to include the first issue.

On 17 March 2016, joint instructions were sent to Mr. Tong, who has accordingly rendered his report on 13 April 2016.

The originating summons taken out by the Plaintiffs had been heard on 5, 6 and 9 June 2017 before Deputy High Court Judge Kenneth Kwok SC. He has reserved judgment to be handed down in due course.

Should the Plaintiffs succeed in the Action, they will (1) obtain a declaration that the right of way at the Disputed Area given in favour of LBL's land has been extinguished; (2) regain possession of the Disputed Area; (3) be at liberty to demolish the structures at the Disputed Area; and (4) obtain legal costs from LBL. All legal costs awarded by the court are subject to assessment/taxation by the court, which is usually around or no more 70% of the actual costs incurred.

If LBL succeeds in defending the Action, it will get possessory title over the Disputed Area, meaning no one can disturb its possession or quiet enjoyment of or challenge its title to the Disputed Area, and legal costs.

After the hearing and from the response of the presiding judge, the legal team is of the view that the Plaintiffs' chance of success appears to be higher than LBL. The judgment is expected to be handed down in around July/August 2017.

The Directors, based on legal advice, consider that the Plaintiff's chance of success appears to be higher than LBL. Therefore, the directors of the Company have prudently made a provision of approximately HK$2,300,000 in relation to the legal costs expected to be obtained by the Plaintiff.

EMPLOYEES AND REMUNERATION POLICY

As of 31 March 2017, the Group had about 8 employees based in Hong Kong. The Group offers its employees competitive remuneration packages which commensurate with their performance, experience and job nature. The Group also provides other benefits including but not limited to medical insurance, discretionary bonus, share options and mandatory provident fund schemes.

DIRECTORS' SECURITIES TRANSACTIONS COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry by the Company, all the Directors have confirmed that they have fully complied with the Model Code for the year under review.

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

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

AUDIT COMMITTEE

The audit committee comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Chan Kam Man. The audit committee had reviewed and discussed with management the accounting principles and practices adopted by the Group, audit, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 March 2017.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments, material acquisitions or disposals during the year.

REPORT OF THE DIRECTORS

The directors of the Company ("Directors") are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements on pages 117 to 119 of this annual report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated financial statements on page 47 of this annual report.

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.213 (2016: Nil) per ordinary share for the year ended 31 March 2017 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 23 August 2017. However, the proposed payment of the dividend shall be subject to the approval of the shareholders of the Company at the forthcoming annual general meeting to be held on Thursday, 17 August 2017 ("AGM"). The proposed final dividend will be payable on or about Thursday, 31 August 2017.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 11 August 2017 to Thursday, 17 August 2017 (both dates inclusive), during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Thursday, 10 August 2017.

(b) Entitlement to the proposed final dividend

For determining the entitlement to the proposed final dividend for the year ended 31 March 2017 (subject to approval by shareholders of the Company at the AGM), the register of members of the Company will be closed on, Wednesday, 23 August 2017 during which no transfer of shares can be registered. In order to be eligible for the above proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Tuesday, 22 August 2017.

INVESTMENT PROPERTIES

The Group's investment properties as at 31 March 2017 were revalued by an independent firm of professional properties valuers using income capitalisation approach and direct comparison approach. Details of movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

Movements in reserves of the Group and the Company during the year are set out on pages 49 and 121 of this annual report respectively.

As at 31 March 2017, the Company's reserve available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted of approximately HK$329,557,000 (2016: HK$345,347,000).

SHARE OPTION SCHEMES

Particulars of the share option schemes, share options granted and movement are set out in note 29 to the consolidated financial statements.

MAJOR PROPERTIES

Particulars of the major properties held by the Group are set out on page 124.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 123 of this annual report.

DIRECTORS

The Directors during the year and subsequent to the end of reporting period were:

Executive Directors

Mr. Ng Ian *(Chairman)*
Mr. Chan Kwok Hung

Non-executive Directors

Mr. Ng Chun For, Henry
Mr. Mak Wah Chi

Independent non-executive Directors

Mr. Li Kit Chee
Mr. Chu Tak Sum
Mr. Chan Kam Man

In accordance with the Company's Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), two non-executive Directors, Mr. Ng Chun For, Henry and Mr. Mak Wah Chi and all three independent non-executive Directors, Mr. Chan Kam Man, Mr. Li Kit Chee and Mr. Chu Tak Sum, will retire from office at the forthcoming annual general meeting and being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management as at the date of this report are set out on pages 25 to 26 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS' on pages 18 to 22 of this annual report, at no time during the year were rights to acquire benefits by means of the acquisitions of shares, or underlying shares in, or debenture of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors (not being the independent non-executive Directors) are considered to have interests in the business which compete or are likely to compete with the business of the Group ("Competing Business") pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as set out below:

Name/Entity	Competing Entity	Nature of Interest	Competing Business
Mr. Ng Chun For, Henry, Director ("Mr. Ng") and his associates	Certain private companies owned by Mr. Ng and his family	Shareholder/director	Residential and commercial property development and investment
Mr. Ng Ian, Director and his associates	Certain private companies owned by Mr. Ng Ian and his family	Shareholder/director	Residential and commercial property development and investment
Mr. Mak Wah Chi and his associates	Certain private companies owned by Mr. Mak Wah Chi and his family	Shareholder/director	Residential property investment

As the Board of the Company operates independently of the boards of the competing entities owned by Mr. Ng, Mr. Ng Ian and Mr. Mak Wah Chi, the independent non-executive Directors would assist in monitoring the operation of the Group and thus the Group is capable of carrying on its business independently of and at an arm's length from the Competing Business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 30.8% of the Group's total turnover and the Group's largest customer accounted for approximately 15.1% of the Group's total turnover.

The Group had no major suppliers due to the nature of the principal activities of the Group.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in major customers or suppliers noted above.

CONNECTED TRANSACTION

For the year ended 31 March 2017, the Group had no connected transactions as defined in the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 March 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

	Number of ordinary shares held (long position)		Number of underlying shares in respect of (share options)	Number of underlying shares in respect of (Convertible notes)		
Name of Directors	Personal Interest	Corporate Interest	Personal Interest	Corporate Interest	Total	Approximate percentage of issued share capital of the Company
Mr. Ng Ian*	—	752,780,918 (note 1)	9,788,000 (note 2)	77,087,794 (note 3)	839,656,712	81.64%
Mr. Ng Chun For, Henry*	127,200	—	—	—	127,200	0.01%
Mr. Chan Kwok Hung	2,000	—	13,579,612 (note 2)	—	13,581,612	1.3%
Mr. Mak Wah Chi	2,029,225	—	—	—	2,029,225	0.19%

* Son of Mr. Ng Chun For, Henry

Notes:

(1) Mr. Ng Ian is deemed to be interested in 752,780,918 shares which represent an aggregate of (i) 740,217,035 shares were held by Golden Tool International Limited ("Golden Tool"); and (ii) 12,563,883 shares were held by Trade Icon Holdings Limited ("Trade Icon"). Golden Tool and Trade Icon both are wholly and beneficially owned by him.

(2) these interests represent the interests in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, the details of which are set out in the share options section as out on pages 21 to 22 of this annual report.

(3) Mr. Ng Ian is deemed to be interested in 77,087,794 underlying shares which represent the convertible notes with a principal amount of HK$72 million carrying rights to convert into 77,087,794 shares at an initial conversion price of HK$0.934 per share (subject to adjustment) upon full conversion issued by the Company to Superb Global Group Limited ("Superb"), a company wholly and beneficial owned by him.

(II) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Associated Corporations of the Company

Long positions in the shares of the associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity and nature of interests	Number of issued ordinary shares held	Approximately percentage of issued share capital of the associated corporation
Mr. Ng Ian	Golden Tool	Personal interests (held as beneficial owner)	1	100%
Mr. Ng Ian	Trade Icon	Personal interests (held as beneficial owner)	1	100%
Mr. Ng Ian	Superb	Personal interests (held as beneficial owner)	1	100%

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 March 2017, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange were as follows:

Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares held (long position)	Number of underlying shares held	Total	Approximate percentage of issued share capital of the Company
Mr. Ng Ian	Personal and interests in corporation	752,780,918 (note 1)	86,875,794 (note 2)	839,656,712	81.64%
Golden Tool	beneficial owner	740,217,035 (note 1)	—	740,217,035	71.9%
Superb	beneficial owner	—	77,087,794 (note 2)	77,087,794	13.78%

Notes:

(1) Mr. Ng Ian is deemed to be interested in 752,780,918 shares which represent an aggregate of (i) 740,217,035 shares were held by Golden Tool International Limited ("Golden Tool"); and (ii) 12,563,883 shares were held by Trade Icon Holdings Limited ("Trade Icon"). Golden Tool and Trade Icon both are wholly and beneficially owned by him.

(2) Ng Ian is deemed to be interested in 86,875,794 underlying shares which represent an aggregate of (i) 9,788,000 underlying shares by his personal interests in 9,788,000 share options; and (ii) 77,087,794 underlying shares through his controlled corporation, Superb which is the beneficial owner of convertible notes

Save as disclosed above, as at 31 March 2017, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 29 to the consolidated financial statements.

The following table discloses details of share options outstanding under the share option scheme previously adopted on 3 September 2003 and lapsed on 2 September 2013 ("2003 Scheme") and movement during the year:

Name of Grantee	Notes	Date of grant of share options	Exercise price HK$	Exercise price per share after adjustments (note 3) HK$	Number of share options: Outstanding as at 1 April 2016	Number of share options: Exercised during the year	Number of share options: Outstanding as at 31 March 2017
Eligible participants	(1)	31 August 2007	1.156	1.1394	1,014,612	(500,000)	514,612
Employees	(2)	18 April 2011	0.66	0.6505	3,551,144	—	3,551,144
					4,565,756	(500,000)	4,065,756

Notes:

(1) The exercisable period is from 31 August 2007 to 30 August 2017 (both dates inclusive).

(2) The exercisable period is from 18 April 2016 to 17 April 2021 (both dates inclusive).

(3) Adjustments for the open offer applicable to share options of the 2003 Scheme remained outstanding as of 4 September 2014 with effect from 4 September 2014. Details of the adjustments to the share options, please refer to the Company's announcement dated 4 September 2014.

The following table discloses details of share options outstanding under the share option scheme pursuant to shareholders' resolution passed at annual general meeting held on 3 September 2013 ("2013 Scheme") and movement during the year:

Name of Grantee	Notes	Date of grant of share options	Exercise price HK$	Exercise price per share after adjustments (note 5) HK$	Number of share options: Outstanding as at 1 April 2016	Granted during the year	Exercised during the year	Outstanding as at 31 March 2017
Mr. Ng Ian *(Director)*	(3)	28 August 2015	0.878	N/A	5,300,000	—	—	5,300,000
	(6)	2 September 2016	1.114	N/A	—	4,488,000	—	4,488,000
Mr. Chan Kwok Hung *(Director)*	(1)	30 April 2014	1.036	1.0211	1,014,612	—	—	1,014,612
	(2)	5 September 2014	0.9100	N/A	2,850,000	—	—	2,850,000
	(3)	28 August 2015	0.878	N/A	5,198,000	—	—	5,198,000
	(4)	31 March 2016	1.382	N/A	4,517,000	—	—	4,517,000
Eligible participants	(1)	30 April 2014	1.036	1.0211	7,102,290	—	—	7,102,290
	(4)	31 March 2016	1.382	N/A	9,717,000	—	—	9,717,000
					35,698,902	4,488,000	—	40,186,902

Notes:

(1) The exercisable period is from 30 April 2014 to 29 April 2024 (both dates inclusive).

(2) The exercisable period is from 5 September 2014 to 4 September 2024 (both dates inclusive).

(3) The exercisable period is from 28 August 2015 to 27 August 2025 (both dates inclusive).

(4) The exercisable period is from 31 March 2016 to 30 March 2026 (both dates inclusive).

(5) Adjustments for the open offer applicable to share options of the 2013 Scheme remained outstanding as of 4 September 2014 with effect from 4 September 2014. Details of the adjustments to the share options, please refer to the Company's announcement dated 4 September 2014.

(6) The exercisable period is from 2 September 2016 to 1 September 2026 (both dates inclusive).

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

DIRECTORS' INDEMNITIES

In accordance with the Bye-law 166(1) of the Bye-laws provides that, among other, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices and related matters provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

There are potential risks and uncertainties which could impact the Group's business model, future performance and solvency which are considered by the Board on a regular basis. The Board, through Audit Committee by establishing and maintaining the Group's internal control system and risk management process to monitor significant risks in order to achieve the Group's strategic objectives and mission. Additional information on the Group's risk management and internal control is set out in the Corporate Governance Report. The key major risks affecting the Group's business are as follows:

Economic and Financial Risk

The Group's investment properties are located in Hong Kong and thus the Group's revenue and results of operations are exposed to the risk of uncertainly and/or negative performance of Hong Kong economics, and financial and property markets, either directly or indirectly through the adverse impact on the Group's bankers by restrictions in the availability of credit and tenants in terms of reduction in retail rental and occupancy. Such adverse impact in effect might reduce the Group's rental revenue, increase finance cost and decrease of fair value of the Group's investment properties and net asset values.

Regulatory Breach and Change Risk

The Group is subject to the introduction of new laws, policies or regulations, changes in the interpretation or application of new laws, policies and regulations.

During the year ended 31 March 2017 and up to the date of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on our business and operation.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 March 2017.

EVENTS AFTER THE REPORTING PERIOD

(1) On 11 May 2017 (after trading hours), the vendor, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to dispose a residential property situated at House No. 12, Villa Bel-Air, Bel-Air on the Peak at a consideration of HK$205 million. The disposal of the property constituted a discloseable transaction of the Company under the Listing Rules. For details, please refer to the Company's announcement dated 11 May 2017.

(2) On 5 June 2017, Superb Global Group Limited, a convertible note holder (being a limited company incorporated in British Virgin Islands controlled by the Chairman), exercised its conversion right to convert the principal amount of HK$61,000,000 into 65,310,492 ordinary shares of the Company.

AUDITORS

The consolidated financial statements for the year ended 31 March 2017 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting, and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Ian
Chairman
Hong Kong, 27 June 2017

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

Ng Ian (Aged 50)

Mr. Ng Ian has been appointed as the Chairman and resigned as Deputy Chairman on 28 March 2013. Prior to the appointment as the Chairman, he has been appointed as an executive Director of the Company since 30 April 2005 and became the Chief Executive Officer and Deputy Chairman on 21 May 2005 and 11 July 2005 respectively. On 28 March 2013, Mr. Ng Ian has been appointed as the Chairman and resigned as the Deputy Chairman and Chief Executive Officer. Mr. Ng Ian graduated from University of California, Los Angeles in the United States of America with a Bachelor of Arts Degree in Psychology with a specialisation in Business Administration and is a member of American Institute of Certified Public Accountant. Mr. Ng Ian is responsible for overall strategic planning and the supervision of the operation of the Group with focus on the accounting affairs and financial control of the Group.

Chan Kwok Hung (Aged 52)

Mr. Chan has been appointed as an executive Director since 4 July 2013 and he has over 20 years of property agency experience. Prior to the joining of the Company, he held senior management position in a Hong Kong renowned listed property agency firm. Mr. Chan is responsible for implementation of business plans of the Group.

Non-executive Directors

Ng Chun For, Henry (Aged 79)

Mr. Ng resigned as the Chairman and has been re-designated as a non-executive Director on 28 March 2013. Prior to the re-designation, he had been appointed as an executive Director of the Company since 30 April 2005 and became the Chairman on 21 May 2005. Mr. Ng is the father of Mr. Ng Ian, the Chairman and the executive Director of the Company. Mr. Ng has made investments in the real estate market in Hong Kong and Macau Special Administrative Region of the PRC which included sale and purchase and development of real estate properties.

Mak Wah Chi (Aged 63)

Mr. Mak has been appointed as a non-executive Director since 1 May 2005. Mr. Mak is currently in full time practice as Certified Public Accountant in Hong Kong. Mr. Mak is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants and has over 25 years of experience in accounting and finance.

Independent non-executive Directors

Li Kit Chee (Aged 62)

Mr. Li has been appointed as an independent non-executive Director since 4 April 2007. Mr. Li is a Certified public accountant and has been practising in Hong Kong since 1989. Mr. Li is a fellow member of both the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants and is a managing director of Arthur Li, Yau & Lee C.P.A. Limited. Mr. Li is a director of Cheong Yip Corporate Services Limited, which is principally engaged in corporate service related business. Mr. Li is also an independent non-executive director of Hong Kong International Construction Investment Management Group Co., Limited (stock code 687) and National Arts Entertainment and Culture Group Limited (stock code 8228) whose shares are listed on the Main Board and Growth Enterprise Market ("GEM") of the Stock Exchange respectively.

Chan Kam Man (Aged 54)

Mr. Chan has been appointed as an independent non-executive Director since 19 February 2010. Mr. Chan is a certified public accountant and has been practising in Hong Kong since 1995. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants and has over 25 years of experience in accounting and finance. Mr. Chan is currently the managing director of CL Partners CPA Limited and a director of Eastern Empire Investments Limited and Venture Strategic Advisory Limited.

Chu Tak Sum (Aged 69)

Mr. Chu has been appointed as an independent non-executive Director since 19 February 2010. Mr. Chu is a registered architect in Hong Kong under the provisions of the Architects Registration Ordinance and has been engaged as an architect for about 40 years. Mr. Chu holds a Bachelor degree in Architecture from The University of Hong Kong. He is also a fellow member of the Hong Kong Institute of Architects and holds Class 1 Registered Architect qualification of the People's Republic of China. Mr. Chu is currently the managing director of T.S. Chu Architects Limited. Mr. Chu is also an independent non-executive director of Sam Woo Construction Group Limited (Stock code 3822) with effect from 15 September 2014 whose shares are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Lee Pui Lam (Aged 46)

Mr. Lee has been appointed as the Financial Controller and Company Secretary of the Company with effect from 1 January 2006. Mr. Lee has been promoted to Chief Financial Officer since 1 April 2011. Mr. Lee holds a Master Degree in Professional Accounting awarded from The Hong Kong Polytechnic University and Diploma in law awarded from University of London. Mr. Lee is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Lee worked for a number of main board and GEM board listed companies in Hong Kong and has extensive professional experience in auditing, accounting and financial management.

Yang Ki Kit (Aged 37)

Mr. Yang joined the Company with effect from 30 December 2008 and has been promoted to Senior Accounting Manager since September 2010. Mr. Yang holds a Master Degree in Corporate Governance from The Hong Kong Polytechnic University. Mr. Yang is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Prior to joining the Company, Mr. Yang worked for a number of audit firms and a listed company and has extensive experience in auditing and accounting.

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company ("Board") is committed to high standards of corporate governance practices in order to safeguard the interests of the shareholders and enhance the performance of the Group.

The Company has adopted a corporate governance code prepared based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from time to time as the guidelines for corporate governance of the Company, and has taken steps to comply with the CG Code wherever appropriate.

Unless the context otherwise requires, terms used herein shall have the same meaning as those defined in the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year, with the following reasons for exceptions:

1. **Under Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.**

   After the appointment of Mr. Ng Ian as the Chairman of the Company with effect from 28 March 2013, he resigned as the Deputy Chairman and Chief Executive Officer ("CEO") of the Company. The Board considered that the management structure of the Board could be optimised by Mr. Ng Ian (the former CEO of the Company, the current Chairman and executive Director) taking up both the roles of Chairman and CEO of the Company after considering the following factors:

   a. it will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues pertaining to the operations of the Company;

   b. it is conducive to strong and consistent leadership, and enables the Group to make and implement decisions promptly and efficiently; and

   c. it is beneficial to the Company and its shareholders as a whole having taken into account that the Group's business scale has been narrowed down to business operation in Hong Kong after disposal of the joint-venture-based property under construction in Mainland China.

2. **Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company and develop a balanced understanding of the views of the shareholders.**

   Mr. Ng Chun For, Henry did not attend annual general meeting of the Company 2015–2016 held on 12 August 2016 ("2016 AGM") due to his other prior business engagement.

3. **Under Code Provision D.1.4, all Directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment.**

The Company has no formal letters of appointment for all Directors as most of them have been serving as Directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the Directors, and so there is no written record of the same. In any event, all Directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the Bye-laws of the Company and on re-election of the retiring Directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors.

ROLES AND RESPONSIBILITIES OF THE BOARD AND DELEGATED FUNCTIONS OF THE MANAGEMENT

The Board is responsible for the leadership and overall control of the Company, oversees the Group's business, formulates strategic plans/decisions and monitors financial and operational performances, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. In practice, the Board takes responsibilities for decision making in all major matters of the Company which include, approving and monitoring all policy matters, setting of objectives, and overall strategies, material transactions, appointment of Directors and other significant financial and operational matters. The day-to-day management, administration and operation of the Company are delegated to the executive Directors and senior management under the direction and supervision of the Chairman of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board. Approval has to be obtained from the Board prior to entering into of any significant transactions by the executive Directors and the Board has the full support from them to discharge its duties and responsibilities.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions including (i) developing and reviewing the Company's policies, practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and (iv) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMPOSITION

The Board currently comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The Company has three independent non-executive Directors, representing more than one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 25 to 26 of this annual report. Save as Mr. Ng Ian being the son of Mr. Ng Chun For, Henry, there is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. After the appointment of Mr. Ng Ian as the Chairman of the Company with effect from 28 March 2013, he resigned as the Deputy Chairman and Chief Executive Officer of the Company but remains as an executive Director and in all other positions in the Company and its subsidiaries.

The Board considered that the management structure of the Board could be optimised by Mr. Ng Ian (the former CEO of the Company, the current Chairman and an executive Director of the Company) taking up both the roles of Chairman and CEO of the Company after considering the following factors:

1. it will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues pertaining to the operations of the Company;

2. it is conducive to strong and consistent leadership, and enables the Group to make and implement decisions promptly and efficiently; and

3. it is beneficial to the Company and its shareholders as a whole having taken into account that the Group's business scale has been narrowed down to business operation in Hong Kong after disposal of the joint-venture based property development project in Mainland China.

THE BOARD

The Board held 4 regular meetings and 14 additional meetings during the financial year ended 31 March 2017.

Attendance of individual Directors at the Board meetings and 2016 AGM for the year ended 31 March 2017 are as follows:

Name of Directors	Regular Board Meetings attendance/ Number of meetings[2]	Additional Board Meetings attendance/ Number of meetings[3]	2016 AGM
Executive Directors			
Mr. Ng Ian *(Chairman)*[1]	4/4	11/14	1/1
Mr. Chan Kwok Hung	4/4	13/14	1/1
Non-executive Directors			
Mr. Ng Chun For, Henry[1]	4/4	1/14	0/1
Mr. Mak Wah Chi	4/4	3/14	1/1
Independent non-executive Directors			
Mr. Li Kit Chee	4/4	2/14	1/1
Mr. Chu Tak Sum	4/4	2/14	1/1
Mr. Chan Kam Man	4/4	2/14	1/1

Notes:

(1) Save as Mr. Ng Ian being son of Mr. Ng Chun For, Henry, there is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

(2) Regular Board Meetings are attended by a majority of the Directors in person or through other electronic means of communication.

(3) Additional Board Meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention.

The Company Secretary assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for all Board meetings. Relevant information is circulated to all Directors normally three days in advance of the Board meetings.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising from Board meetings and that they receive adequate information in a timely manner to assist them to make informed decisions and discharge their duties as Directors. Upon reasonable request, the Directors and Board committees will have access to independent professional advice in appropriate circumstances at the Company's expense in carrying out their duties.

Meeting minutes of the Board and Board committees are recorded in appropriate details and draft minutes are circulated to the respective Board members for comments before being approved by the Board and Board committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors on reasonable notice.

In accordance with the Bye-law 166(1) of the Bye-laws provides that, among other, every director and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices and related matters provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

Accordingly, the Company has arranged Directors' and officers' liability insurance coverage for the Directors and officers of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The code provision A.4.2 of the CG Code requires every Director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation at each annual general meeting,

In the 2016 AGM, Mr. Chan Kwok Hung, Mr. Ng Chun For, Henry, Mr. Mak Wah Chi, Mr. Chan Kam Man, Mr. Chu Tak Sum and Mr. Li Kit Chee retired from office by rotation pursuant to Bye-laws, and were re-elected as Directors.

The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Two non-executive Directors (namely Mr. Ng Chun For, Henry and Mr. Mak Wah Chi) and three independent non-executive Directors (namely Mr. Li Kit Chee, Mr. Chu Tak Sum and Mr. Chan Kam Man) were re-elected at the 2016 AGM to hold office until the conclusion of the next annual general meeting to be held in August 2017. As such, all non-executive Directors including the independent non-executive Directors have been appointed for a specific term and accordingly the Company has been in compliance with the code provision A.4.1.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual written confirmations of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

Mr. Li Kit Chee has served the Company for about 9 years, since his appointment in 2007. However, the Company considers Mr. Li Kit Chee to be independent. Mr. Li Kit Chee 's further appointment was subject to a separate resolution approved by shareholders in the next annual general meeting to be held in August 2017. The circular accompanying that resolution has included the reasons why the Board believed he was still independent and should be re-elected.

The names and biographical details of the Directors who will offer themselves for election or re-election at the next annual general meeting are included in the circular to shareholders containing the notice of the forthcoming annual general meeting.

RESPONSIBILITIES OF DIRECTORS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 March 2017. Every Director is required to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group. On appointment, new Directors will receive a comprehensive, formal induction on the Group's business and his responsibilities as a Director.

All Directors are also encouraged to attend training courses relevant on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates at the Company's expenses.

DIRECTORS' SECURITIES TRANSACTIONS COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry by the Company, all the Directors have confirmed that they have fully complied with the Model Code for the year under review.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Directors newly appointed during the reporting period have received induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Under the code provision A.6.5 of the CG Code, all Directors should participate in continuous development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors are continuously updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments to the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuous briefing and seminars on professional development for Directors are arranged where necessary. During the year ended 31 March 2017, regulatory updates and relevant materials on amendment to Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training each Director received during the year ended 31 March 2017 is summarized as below:

Name of Directors	Seminars on regulations and updates	Reading materials relating to regulatory update and corporate governance matters
Executive Directors		
Mr. Ng Ian	√	√
Mr. Chan Kwok Hung	√	√
Non-executive Directors		
Mr. Ng Chun For, Henry	√	√
Mr. Mak Wah Chi	√	√
Independent non-executive Directors		
Mr. Li Kit Chee	√	√
Mr. Chu Tak Sum	√	√
Mr. Chan Kam Man	√	√

BOARD COMMITTEES

The Board currently has established three Board Committees, including, the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the affairs of the Group. All Board committees have been established with specific terms of reference, which are available on the Company's website at http://www.henrygroup.hk. All the Board Committees should report to the Board on their decisions or recommendations made.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The duties and work done by the foregoing three Board Committees for the year ended 31 March 2017 are detailed below.

Remuneration Committee

The Remuneration Committee was established on 20 May 2005 and is governed by its terms of reference. The Remuneration Committee currently comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Chu Tak Sum.

The Remuneration Committee assists the Board to develop and administer fair and transparent procedures for setting policies on the remuneration of Directors and senior management of the Company, to assess their performance and with delegated responsibility to determine the remuneration packages of all executive Directors and make recommendations to the Board of the remuneration of non-executive Directors. It is also responsible for the administration of the share option schemes adopted by the Company, reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, the compensation payable to executive Directors and senior management in connection with any loss or termination of their office, their dismissal, removal or appointment; and advising shareholders on how to vote with respect to any service contracts of Directors that requires shareholders' approval under the Listing Rules.

During the year under review, the Remuneration Committee determined the remuneration packages of all executive Directors and senior management, reviewed and made recommendations on the remuneration packages of the non-executive Directors. It also determined the policy for the remuneration of executive Directors and assessed the performance of executive Directors.

Details of Directors' emoluments on named basis for the year ended 31 March 2017 are set out in note 10 to the consolidated financial statements. In addition, pursuant to the code provision B.1.5, the annual remuneration of the senior management by bands for the year ended 31 March 2017 is set out below:

Remuneration bands	No. of senior management 2017
HK$Nil–HK$1,000,000	1
HK$1,000,001–HK$1,500,000	1
	2

The Remuneration Committee held 1 meeting during the year under review and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meeting(s)
Mr. Li Kit Chee *(Independent non-executive Director and the Chairman of Remuneration Committee)*	1/1
Mr. Mak Wah Chi *(Non-executive Director)*	1/1
Mr. Chu Tak Sum *(Independent non-executive Director)*	1/1

Audit Committee

The Audit Committee was established on 20 May 2015 and is governed by its terms of reference which has been revised on 4 December 2015 and are closely aligned with the relevant CG code and are available on the Company website at http://www.henrygroup.hk.

The Audit Committee meets at least twice a year to review the Company's interim and annual results and the integrity of the Group's financial statements. The Audit Committee is accountable to the Board and assists the Board in meeting its responsibilities in ensuring that an effective and adequate system is in place for internal controls and risk management and for meeting its external financial reporting obligations and compliance with other legal and regulatory requirements. The Audit Committee also reviews and monitors the scope and effectiveness of the work of external auditors.

The audit committee comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Chan Kam Man. The audit committee had reviewed and discussed with management the accounting principles and practices adopted by the Group, audit, internal control and risk management systems and financial reporting matters including but not limited to the review of the completeness and accuracy of the unaudited interim report for the six months ended 30 September 2016 as well as audited consolidated financial statements for the year ended 31 March 2016 agreed by the external auditors.

The Audit Committee held 3 committee meetings during the year under review and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meetings
Mr. Li Kit Chee *(Independent non-executive Director and Chairman of Audit Committee)*	3/3
Mr. Mak Wah Chi *(Non-executive Director)*	3/3
Mr. Chan Kam Man *(Independent non-executive Director)*	3/3

Nomination Committee

The Nomination Committee established on 19 March 2012 and is governed by its terms of reference which was revised on 1 September 2013, are available on the Company website at http://www.henrygroup.hk. The Nomination Committee currently comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Chan Kam Man (Committee Chairman) and Mr. Chu Tak Sum.

The principal duties of the Nomination Committee include, among other things, i) to review the structure, size and composition of the board at least annually; ii) to make recommendations to the Board on the appointment and re-appointment of Directors of the Company; and iii) to assess the independence of independent non-executive Directors of the Company.

During the year under review, the Nomination Committee reviewed the composition and rotation of the Board and determined the policy for the nomination of Directors; and consideration was given to the independence of Mr. Li Kit Chee who has been serving on the Board for more than 9 years.

The Nomination Committee adopted the following procedures and criteria for nomination of Directors:

In relation to the nomination procedures:

1. When the Board considers it necessary to appoint a new Director, the Board evaluates the balance of skills, knowledge and experience of the Board, and identifies any special requirements for the vacancy (e.g. independence status in the case of an independent non-executive Director).

2. Prepare a description of the role and capabilities required for the particular vacancy.

3. Identify a list of candidates through personal contacts/recommendations by Board members, senior management, business partners or investors.

4. Arrange interview(s) with each candidate for the Board to evaluate whether he/she meets the established written criteria for nomination of Directors. One or more members of the Board will attend the interview.

5. Conduct verification of information provided by the candidate.

6. Make recommendations to the Board on the appointment or re-appointment of Directors.

In relation to the nomination criteria:

1. Common Criteria for All Directors:

   (a) Character and integrity

   (b) The willingness to assume broad fiduciary responsibility

   (c) Present needs of the Board for particular experience or expertise and whether the candidate would satisfy those needs

   (d) Relevant experience, including experience at the strategy/policy setting level, high level managerial experience in a complex organization, industry experience and familiarity with the products and processes used by the Company

   (e) Significant business or public experience relevant and beneficial to the Board and the Company

   (f) Breadth of knowledge about issues affecting the Company

(g) Ability to objectively analyse complex business problems and exercise sound business judgment

(h) Ability and willingness to contribute special competencies to Board activities

(i) Fit with the Company's culture

2. Criteria Applicable to non-executive Directors/independent non-executive Directors:

(a) Willingness and ability to make a sufficient time commitment to the affairs of the Company in order to effectively perform the duties of a Director, including attendance at and active participation in Board and committee meetings

(b) Accomplishments of the candidate in his/her field

(c) Outstanding professional and personal reputation

(d) The candidate's ability to meet the independence criteria for Directors established in the Listing Rules

The Company has adopted a board diversity policy ("Board Diversity Policy") since September 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Board will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

The Company considers that the current composition of the Board is characterised by diversity, whether considered in terms of professional background and skills.

The Nomination Committee held 1 committee meeting during the year under review and the record at attendance of its members is as follows:

Name of member	Attendance/Number of meeting(s)
Mr. Chan Kam Man *(Independent non-executive Director and Chairman of Nomination Committee)*	1/1
Mr. Mak Wah Chi *(Non-executive Director)*	1/1
Mr. Chu Tak Sun *(Independent non-executive Director)*	1/1

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting.

The reporting responsibilities of HLB Hodgson Impey Cheng Limited are stated in the Independent Auditors' Report on pages 45 to 46 of the annual report.

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year under review, the remuneration charged to the Group was HK$800,000 all for statutory audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The management has the responsibility to maintain appropriate and effective risk management and internal control systems, and the Board has the responsibility to review and monitor the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective. The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function. The Company has conducted an annual review on whether there is a need for an internal audit department. Given the Group's corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

Regarding the internal control system, the Company has adopted a set of internal control policies and procedures (including but not limited to retaining Jones Lang LaSalle Management Services Limited as property manager of the core buildings) to safeguard the Group's assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations.

Directors and senior management are responsible for monitoring the performance of business operating units, identifying the operation risk of the Group and reporting to the Audit Committee any significant risks identified by submitting internal control report.

External auditors will report on the weakness in the Group's internal control and accounting procedure (if any) which have come to their attention during the course of audit. For the year ended 31 March 2017, no critical internal control issues have been identified.

Each year, the Audit Committee reviews the findings made by the external auditors in respect of issues encountered by it in preparation of the audit report, which often cover issues relating to internal control. The Audit Committee also reviews the internal control report regarding the risks of the Group submitted by the Company's senior management. The Audit Committee would also review the effectiveness of the internal control and risk management systems of the Group, including financial, operational and compliance, in the key activities of the Company's business, having considered the findings of the external auditors and the internal control report. The Audit Committee will then review the actions performed or the plans to be carried out by the management in addressing the issues including but not limited to material internal control defects. The issues identified and the corresponding remedial plans and recommendations are then submitted to the Board for consideration. The Board would direct the management to implement the plans as appropriate.

The Board conducts a review of the effectiveness of the Group's risk management and internal control systems at least annually. During the year under review, in the audit committee meeting and Board meeting held in June 2016, the Directors, through the Audit Committee, have reviewed the effectiveness of the Group's risk management and internal control systems which covers review on all material controls including financial, operational and compliance controls and the relevant report, and other duties under the Code for the financial year ended 31 March 2016, so as to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions, and the Board considers such systems are effective and adequate.

Regarding the handling and dissemination of inside information, to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures and the preservation of confidential information, certain measures have been taken from time to time, which include:

1. the access of inside information is restricted to a limited number of employees on a need-to-know basis, who are fully aware of their obligations to preserve confidentiality; and

2. the executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

COMPANY SECRETARY

Mr. Lee Pui Lam, the company secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience, and is capable of performance of the functions of the company secretary. The Company will provide fund for Mr. Lee to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board shall maintain an on-going dialogue with shareholders, investors and other stakeholders of the Company and shall ensure effective and timely dissemination of information to shareholders and encourage their participation at general meetings of the Company.

The Shareholders' Communication Policy adopted on 19 March 2012 which is available on the Company's website at http://www.henrygroup.hk. The Company communication channels include the annual general meeting, special general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website at http://www.henrygroup.hk and meetings with investors and analysts.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

All resolutions put forward at shareholders' meeting of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange at http://www.hkexnews.hk and of the Company at http://www.henrygroup.hk after each shareholders' meeting.

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58 of the Bye-laws of the Group, a special general meeting may be convened by the Board upon requisition by any shareholder(s) holding at the date of deposit of the written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The shareholder(s) shall make a written requisition to the Board or the Company Secretary of the Company at the head office address of the Company, specifying the shareholding information of the shareholder(s), his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. Pursuant to Bye-law 59, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within 21 days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act").

Put Forward Proposals at a General Meeting by Shareholders

Pursuant to the Companies Act, either any number of the registered Shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 100 of such registered Shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to Shareholders entitled to receive notice of the next general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition signed by all the requisitionists may consist of several documents in like form, each signed by one or more of the requisitionists; and it must be deposited at the Registered Office with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required by the Companies Act shall be deemed to have been properly deposited for the purposes thereof.

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office in Hong Kong at Suite 1711, Tower 2, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is Henry Group Holdings Limited's (together with its subsidiaries, the "Group") first published Environmental, Social and Governance Report ("ESG Report"). The purpose of this ESG Report is to communicate our sustainability strategies, management approach, and current practices. This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Listing Rules, for the year ended 31 March 2017. Given this is the Group's first report of such kind, relevant data are limited to certain environmental and social key performance indicators. The Group will continuously improve and expand on its data collection system.

A. ENVIRONMENTAL

A1 Emissions

- To positively contribute to the effort against climate change, the Group is committed to adopting effective measures and procedures to reduce greenhouse gas emissions at the office, including reducing energy usage. For more information on energy reduction, please see the following section under "Use of Resources".

- Office waste mainly comprises of paper and general waste. Paper recycling has been effectively implemented.

- While Jardine Center and L'hart currently have recycling measures within the building management office, both buildings have continuous discussion to review the feasibility of implementing recycling bins for the tenants, due to limited space.

- The Group produces no hazardous waste.

- We have fully complied with relevant environment laws and regulations.

A2 Use of Resources

- The Group's investment properties contribute significantly towards the Group's energy usage. Hence, the Group is committed to reducing energy usage via operational and equipment changes in its investment properties.

- During the year, the Group's investment properties have undergone a comprehensive renovation construction and have installed new air-conditioners with high energy efficiency ratio (EER).

- Procurement of office equipment would consider the level of energy efficiency. The guidelines from Electrical & Mechanical Services Department (EMSD) for Grade 1 or Grade 2 Energy Labels are considered when purchasing new office equipment. For example, both Jardine Center and L'hart have replaced their air-conditioning unit with Grade 2 Energy Label for the elevators.

- For advertisements, LED lighting systems have been installed in our advertisement panels, light boxes, televisions wall, and most of the external lightings of both Jardine Center and L'hart. This system has replaced the traditional lighting system and has effectively reduced our energy usage.

- Other necessary measures have also been implemented to minimize our energy consumption, including maintaining operational control for lightings and air-conditioning at both properties. Our building management periodically reviews the effectiveness of adjusting lightings and air-conditioning during off-peak hours, among other measures.

- We have fully complied with all relevant regulatory requirements, including but not limited to Energy Audit under the Building Energy Efficiency Ordinance.

- Both Jardine Center and L'hart have pledged to support and will sign up for the "Energy Saving Charter 2017" to promote energy efficiency and to encourage our staff members to adopt energy saving practices together. In order to demonstrate our support for the Charter, the Group and our professional building management contractor will cooperate and maintain an average indoor temperature between 24-26°C during the summer months of June.

A3 Environment and Natural Resources

- The Group strives to maximize resource utilization and minimize waste within our operations to achieve effective and efficient resource management.
- Encourages staff members to adopt environmentally responsible behavior and to raise awareness of environmental protection with its tenants and customers.

B. SOCIAL

B1 Employment and Labour Practices

- Staff members are treated fairly during recruitment, promotions, working hours, dismissal, and other employment processes. They are remunerated based on work performances, professional experience and other industry practices. They are compensated with basic salaries, discretionary bonuses, pension fund, medical insurance, and share options scheme, among others.
- Discrimination is prohibited under any circumstances. All labour practices are treated equally, regardless of gender, age, race, religion, national origin, sexual preference, mental or physical disability, or any other basis protected by law.
- All related policies are fully compliant with local employment ordinances.

B2 Healthy and Safety

- Our staff members' health and wellbeing is essential to the sustainable development of the Group.
- The Group cares about its stakeholders and seeks to implement practical safety measures at the office and its properties.
- Awareness of health and safety issues and measures are enhanced through trainings.
- This year, sufficient guidelines and instructions have been provided to Jardine Center and L'hart.
- Trainings have also been provided to the employees of Jones Lang LaSalle Management Services Limited ("JLL") (being the international professional building management company) engaged by the Company to ensure they are well-equipped to mange the Core buildings of the Group. Trainings may include updates on regulatory changes in the building management sector, environmental protection, and health and safety.
- Regular risk assessment inspections are conducted annually at Jardine Center and L'hart to ensure all potential risks are addressed.
- During the year under review, no employee injury was reported.

B3 Development and Training

- The Group values all employees and is concerned with their professional development and career goals.
- It is deemed necessary for our employees to develop their overall quality and professional skills, and to enhance their capabilities.
- Throughout the year, our Directors and employees have received sufficient trainings. These trainings may include updates on regulatory changes, changes in Listing Rules and other applicable regulations, industry practices, among others.

B4 Labour Standards

- All employees are employed under relevant employment ordinances.
- Recruitment process requires the checking of legitimate identification, education references, past work references and others. This process effectively ensures that no child labour shall be employed under any circumstances.
- At the Group request, employees are free to decide on extra working hours. All overtime is compensated according to our policies.
- The Group fully complies with relevant labour laws against child and forced labour.

B5 Supply Chain Management

- The core buildings are managed by JLL who is committed to environmental sustainability and energy management.
- JLL complies with the requirement for the certification of OHSAS 18001 Occupational Health and Safety and provides sufficient trainings to its staff members.

B6 Product Responsibility

- As a landlord, the Group has responsibility over the overall quality of the properties it owns.
- JLL has been engaged to professionally manage the Group's core properties.
- Tenants are free to contact the Group, via the communication channels the Group has set up. All tenants' information and communication shall be kept confidential. All issues shall be resolved in a timely manner.

B7 Anti-Corruption

- The Group is committed to the highest ethical standards.
- This year, the Group has formulated a "Code for Securities Transactions by Relevant Employees". This code governs employees' trading activities in the Group's securities. It prohibits the trade of Company's shares during black-out period and any time when employees are in possession of inside information.
- Unauthorized disclosure of confidential information shall not be conducted for the benefit of anyone.
- Fully complied with relevant anti-corruption legislation.
- During the year under review, the Board is not aware of any non-compliance of laws and regulations that have a significant impact on the Group.
- During the year under review, the Group did not receive any report of bribery, extortion, fraud or money laundering.

C. COMMUNITY

- This year, the Group supported Earth Hour 2017, by participating in the switching-off of the Group's two buildings' non-essential lights for one hour. Organized by World Wide Fund (WWF), Earth Hour 2017 aims to raise awareness of climate change and our actions against it.
- Both Jardine Center and L'hart sit at the heart of tourist area in Hong Kong and the Group believes that cultural exchanges and promotion of local culture are essential to support tourism activities and local economy. When selecting tenants, it is one of the Group's consideration that they promote and stimulate cultural exchanges.

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

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

TO THE SHAREHOLDERS OF
HENRY GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Henry Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 122, 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit address the key audit matter

Valuation of investment properties

Refer to Note 16 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.

Key audit matter	How our audit address the key audit matter
Management has estimated the fair value of the Group's investment properties to be approximately HK$3,065,000,000 as at 31 March 2017, with net gain in fair value for the year ended 31 March 2017 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$30,200,000. Independent external valuations were obtained in order to support management's estimates. The valuations are dependent on certain key assumptions that require significant management judgement, including market unit value of comparable properties, market rental and assuming the properties are capable of being sold in the existing status.	Our procedures in relation to management's determination of the valuation of the investment properties included: • Evaluation of the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the relevant industry and using our valuation experts; and • Checking, on sample basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

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 auditors' report thereon ("Other Information").

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Wong Sze Wai, Basilia.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 27 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
Revenue	5	**65,826**	57,247
Other income and gains	7	**4,799**	11,215
Net gain in fair value of investment properties	16	**30,200**	9,862
Staff costs	8	**(12,123)**	(17,678)
Depreciation of property, plant and equipment	15	**(478)**	(80)
Other operating expenses		**(17,922)**	(27,144)
Profit from operations	8	**70,302**	33,422
Finance costs	9	**(33,611)**	(26,877)
Profit before taxation		**36,691**	6,545
Taxation	12	**(2,585)**	(4,974)
Profit for the year		**34,106**	1,571
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**34,106**	1,571
Profit and total comprehensive income for the year attributable to the owners of the Company		**34,106**	1,571
EARNINGS PER SHARE			
— Basic (in HK cents)	14	**3.41**	0.16
— Diluted (in HK cents)	14	**3.27**	0.05

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**4,100**	82
Investment properties	16	**3,065,000**	3,034,800
		3,069,100	3,034,882
Current assets			
Trade and other receivables	17	**3,558**	6,220
Available-for-sale financial assets	18	**—**	74
Derivative financial instruments	22	**16,085**	21,300
Tax recoverable		**907**	—
Cash and bank balances	19	**400,107**	299,680
		420,657	327,274
Current liabilities			
Other payables, accruals and rental deposits received, current portion	20	**12,390**	7,783
Bank borrowings, current portion (secured)	21	**30,300**	26,750
Tax payable		**104**	1,924
		42,794	36,457
Net current assets		**377,863**	290,817
Total assets less current liabilities		**3,446,963**	3,325,699
Non-current liabilities			
Other payables and rental deposits received, non-current portion	20	**11,885**	14,679
Bank borrowings, non-current portion (secured)	21	**1,142,725**	1,054,623
Convertible notes	23	**47,018**	73,170
Deferred tax liabilities	24	**18,218**	21,325
		1,219,846	1,163,797
Net assets		**2,227,117**	2,161,902
CAPITAL AND RESERVES			
Share capital	25	**102,904**	97,180
Reserves		**2,124,213**	2,064,722
Total equity		**2,227,117**	2,161,902

These consolidated financial statements were approved and authorised for issue by the board of directors on 27 June 2017 and signed on its behalf by:

Ng Ian	**Chan Kwok Hung**
Director	*Director*

The accompanying notes form part of these consolidated financial statements.

	Attributable to the owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note 26)	Capital reserve HK$'000 (note 26)	Share-based payment reserve HK$'000 (note 26)	Convertible notes equity reserve HK$'000 (note 26)	Contributions from shareholders HK$'000 (note 26)	Contribution surplus HK$'000 (note 26)	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015	95,088	718,549	9,628	926	14,172	—	250,139	—	1,119	1,529,471	2,619,092
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	—	—	1,571	1,571
Issue of convertible notes (note 23)	—	—	—	—	—	72,816	—	—	—	—	72,816
Deferred tax liability arising from issue of convertible notes (note 24)	—	—	—	—	—	(8,957)	—	—	—	—	(8,957)
Recognition of share-based payment (note 29)	—	—	—	—	14,067	—	—	—	—	—	14,067
Exercise of share options (note 25)	2,092	18,113	—	—	(6,976)	—	—	—	—	—	13,229
Reduction of share premium and transfer between share premium and contributed surplus	—	(720,617)	—	—	—	—	—	720,617	—	—	—
Distribution (note 13)	—	—	—	—	—	—	—	(549,916)	—	—	(549,916)
At 31 March 2016 and 1 April 2016	97,180	16,045	9,628	926	21,263	63,859	250,139	170,701	1,119	1,531,042	2,161,902
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	—	—	34,106	34,106
Recognition of share-based payment (note 29)	—	—	—	—	2,297	—	—	—	—	—	2,297
Exercise of share options (note 25)	50	757	—	—	(237)	—	—	—	—	—	570
Release of deferred tax liability upon conversion of convertible notes (note 24)	—	—	—	—	—	3,348	—	—	—	—	3,348
Issue of shares upon conversion of convertible notes (note 25)	5,674	49,644	—	—	—	(30,424)	—	—	—	—	24,894
Released upon de-registration of subsidiaries	—	—	—	(146)	—	—	(4,678)	—	(1,119)	5,943	—
At 31 March 2017	**102,904**	**66,446**	**9,628**	**780**	**23,323**	**36,783**	**245,461**	**170,701**	**—**	**1,571,091**	**2,227,117**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		36,691	6,545
Adjustments for:			
Depreciation of property, plant and equipment	15	478	80
Net gain in fair value changes of investment properties	16	(30,200)	(9,862)
Share-based payment expenses		2,297	14,067
Interest income	7	(1,382)	(4,961)
Interest expenses	9	33,611	26,877
Impairment loss on trade receivables		58	—
Forfeiture of convertible note interest payable		(717)	—
Fair value gain of derivative financial instruments		—	(1,732)
Change in fair value of derivative financial asset component of convertible notes	23	(2,604)	(3,799)
Operating cash flows before movements in working capital		38,232	27,215
Decrease/(increase) in trade and other receivables		2,604	(1,067)
Decrease in other payables, accruals and rental deposits received		(1,473)	(1,642)
CASH GENERATED FROM OPERATIONS		39,363	24,506
Interest paid		(23,047)	(23,754)
Income tax paid		(5,071)	(2,140)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		11,245	(1,388)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(4,496)	(34)
Net cash outflow from acquisition of assets through acquisition of subsidiaries	31	—	(401,521)
Proceeds from disposal of available-for-sale financial assets		74	—
Interest received		1,382	4,961
Withdrawal of pledged bank deposits		—	15,004
NET CASH USED IN INVESTING ACTIVITIES		(3,040)	(381,590)

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(564,348)**	(26,751)
Issue of shares pursuant to exercise of share options		**570**	13,229
New bank loans raised		**656,000**	100,000
Distribution paid	13	**—**	(549,916)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**92,222**	(463,438)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**100,427**	(846,416)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**299,680**	1,146,096
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	19	**400,107**	299,680

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

1. GENERAL

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company acts as an investment holding company and the principal activities of the Group are property leasing and development.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

At 31 March 2017, the ultimate holding company of the Company is Golden Tool International Limited, a company incorporated in the British Virgin Islands.

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

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations (the "new and amendments to HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods on or after 1 April 2016.

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisitions of Interests 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 new and amendments to HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

New and amendments to HKFRSs in issue 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[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 15	Clarification of HKFRS 15 Revenue from Contracts with Customers[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrecognised Losses[1]
Amendments to HKAS 40	Transfer of Investment Property[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 HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]
HK(IFRIC) — Int 22	Foreign Currency Translations 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 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 Financial Instruments

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

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

New and amendments to HKFRSs in issue not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

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

New and amendments to HKFRSs in issue not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

New and amendments to HKFRSs in issue not yet effective (Continued)

HKFRS 16 Leases

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

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

In contrast to lessee accounting, HKFRS 16 substantially carried 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.

The directors of the Company do not anticipate that the applications of these will have a material effect on the Group's consolidated financial statements.

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

New and amendments to HKFRSs in issue not yet effective (Continued)

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a "net settlement feature", such as arrangement should be classified as equity-settled in its entirely, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   (i) the original liability is derecognised;

   (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 2 will have a material impact on the Group's consolidated financial statements.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") 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 disclosures requirements of the Hong Kong Companies Ordinance ("CO").

(ii) Basis of preparation of financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain 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 liability, the Group takes into account the 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 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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 entirely, which are described as follows:

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) 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.

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Business combinations (Continued)

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

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

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

(v) Property, plant and equipment

Property, plant and equipment 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 (other than properties under construction) less their residual values over their 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 the current year are as follows:

Leasehold improvements	50% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 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 asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vi) Investment properties

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

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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.

(vii) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the 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.

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each assets in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(vii) Impairment of assets (Continued)

Where 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.

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

(a) Financial assets

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. 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 of financial assets 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(a) Financial assets (Continued)

Available-for-sale financial assets

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

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

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 trade and other receivables and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets

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

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

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

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

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

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

— For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss for the period. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(a) Financial assets (Continued)

Impairment of financial assets (Continued)

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss in subsequent periods. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

(b) 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 to 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 a group entity are recognised at the proceeds received, net of direct issue costs.

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 premium 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.

Financial liabilities at amortised cost

Other financial liabilities including other payables and accruals and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(c) Convertible notes

The component parts of the convertible notes issued by the Company are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. A redemption option that will be settled by the exchange of a fixed amount of cash or another financial asset is a redemption option derivative.

At the date of issue, both the liability component and redemption option derivative are recognised at fair value. In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability component, equity component and derivative financial asset component in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to the equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method. Transaction costs relating to the derivative financial asset component are charged to profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(viii) Financial instruments (Continued)

(d) Derecognition

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

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

The Group derecognised 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.

(ix) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an in significant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(x) 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 the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xi) Employees' benefits

(a) Short term benefits

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

(b) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

(c) Share option granted to certain directors and employees

The Group issues share options to certain directors, employees and other parties. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in the share-based payment reserve, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the revenue until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

Fair value is measured using the Binomial Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(xii) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xiii) Provisions

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

The amount recognised for a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where 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, the 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.

(xiv) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(xv) Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xv) Taxation (Continued)

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

The carrying amount of deferred tax assets is reviewed at the end of 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 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 reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

(xvi) Borrowing costs

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xvii) Related party

A related party is a person or entity that is related to the entity that is preparing the financial statements:

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

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

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

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

(a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) 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).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) 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).

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

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

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

(a) that person's children and spouse or domestic partner;

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(xviii) Segment reporting

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

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

(xix) 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 under operating lease is recognised on a straight-line basis over the relevant lease term.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of trade and other receivables

As explained in note 17, the Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(c) Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. Management performs their analysis of fair value, based on various assumptions and estimates.

(d) Valuation of share options

As explained in note 29, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(e) Fair value of investment properties

As set out in note 16, investment properties were revalued as at 31 March 2017 on an open market value existing use basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contract), adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flow.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

(f) Fair value of derivatives and other financial instruments

As explained in note 23, the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

(g) Income taxes and deferred taxation

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

5. REVENUE

The Group's revenue comprises:

	2017 HK$'000	2016 HK$'000
Gross rental income from investment properties in Hong Kong	**65,826**	57,247

6. SEGMENT INFORMATION

The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. For the year ended 31 March 2017 and 31 March 2016, the Group only engaged operating segment in property leasing. No analysis of the Group's results, assets and liabilities of other reportable segment is presented.

Revenue from major products and services

All of the Group's revenue for the year ended 31 March 2017 and 31 March 2016 represented gross rental income from investment properties in Hong Kong.

Geographical information

As all of the Group's revenue are derived from Hong Kong and all the Group's identifiable assets and liabilities are located in Hong Kong, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

Revenue for the years ended 31 March 2017 and 31 March 2016 represented gross income from leasing of investment properties in Hong Kong.

For the year ended 31 March 2017, no revenue from customers with whom transactions in aggregate have exceeded 10% of the Group's revenue during the year.

For the year ended 31 March 2016, included in revenue of approximately HK$57,247,000 are revenue of approximately HK$9,173,000 which arose from the Group's largest one customer with whom transactions in aggregate have exceeded 10% of the Group's revenue during the year.

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue, are set out below:

	2017 HK$'000	2016 HK$'000
Customer A (Note)	**—**	9,173

Note:

No information was disclosed as the corresponding revenue did not contribute over 10% of the Group's revenue for the year ended 31 March 2017.

7. OTHER INCOME AND GAINS

	2017 HK$'000	2016 HK$'000
Bank interest income	1,382	4,961
Change in fair value of derivative financial asset component of convertible notes (note 23)	2,604	3,799
Fair value gains of derivative financial instruments	—	1,732
Forfeiture of convertible note interest payable	717	—
Sundry income	96	723
	4,799	11,215

8. PROFIT FROM OPERATIONS

	2017 HK$'000	2016 HK$'000
Profit from operations is arrived at after charging/(crediting):		
Directors' emoluments (note 10)	8,480	13,661
Other staff costs		
Salaries and allowances	3,353	3,535
Retirement benefit scheme contributions	96	95
Other benefits in kind	194	387
	3,643	4,017
Total staff costs	12,123	17,678
Net exchange loss	—	5,486
Auditors' remuneration		
— Audit services	800	780
— Non-audit services	—	600
Depreciation of property, plant and equipment (note 15)	478	80
Impairment loss on trade receivables	58	—
Share-base payment expenses	2,297	14,067
Gross rental income from investment properties	(65,826)	(57,247)
Less: Direct operating expenses from investment properties that generated rental income during the year	4,975	3,491
	(60,851)	(53,756)

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings		
— wholly repayable within five years	9,075	8,285
— wholly repayable after five years	12,346	15,469
Other finance costs	3,986	—
Effective interest expense on convertible notes (note 23)	8,204	3,123
	33,611	26,877

10. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

Year ended 31 March 2017

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000 (note 30)	Share options HK$'000 (note 29)	Total HK$'000
Executive directors					
Ng Ian	4	3,625	18	2,281	5,928
Chan Kwok Hung	—	1,706	18	—	1,724
	4	5,331	36	2,281	7,652
Non-executive directors					
Mak Wah Chi	520	—	—	—	520
Ng Chun For, Henry	8	—	—	—	8
	528	—	—	—	528
Independent non-executive directors					
Li Kit Chee	100	—	—	—	100
Chan Kam Man	100	—	—	—	100
Chu Tak Sum	100	—	—	—	100
	300	—	—	—	300
Total	832	5,331	36	2,281	8,480

10. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 March 2016

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefits schemes HK$'000 (note 30)	Share options HK$'000 (note 29)	Total HK$'000
Executive directors					
Ng Ian	4	3,515	18	2,073	5,610
Chan Kwok Hung	—	1,451	18	5,232	6,701
	4	4,966	36	7,305	12,311
Non-executive directors					
Mak Wah Chi	520	—	—	—	520
Ng Chun For, Henry	8	522	—	—	530
	528	522	—	—	1,050
Independent non-executive directors					
Li Kit Chee	100	—	—	—	100
Chan Kam Man	100	—	—	—	100
Chu Tak Sum	100	—	—	—	100
	300	—	—	—	300
Total	832	5,488	36	7,305	13,661

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of each of the two years ended 31 March 2017 and 31 March 2016.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 29 to the Group's consolidated financial statements.

No emoluments were paid or payable 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 during the years ended 31 March 2017 and 2016. No directors waived or agreed to waive any remuneration during the years ended 31 March 2017 and 2016.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three directors (2016: three directors), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2016: two) highest paid employees who are neither a director or chief executive of the Company are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and other benefits	2,176	2,152
Pension contributions	36	36
	2,212	2,188

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	No. of individuals	
	2017	2016
HK$ Nil–HK$1,000,000	1	1
HK$1,000,001–HK$1,500,000	1	1
	2	2

The emoluments of senior management (excluding the directors as disclosed in note 10) are within the following bands:

	No. of senior management	
	2017	2016
HK$ Nil–HK$1,000,000	1	1
HK$1,000,001–HK$1,500,000	1	1
	2	2

No emoluments were paid or payable by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2017 and 2016. No five highest paid individuals waived or agreed to waive any remuneration during the years ended 31 March 2017 and 2016.

12. TAXATION

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 HK$'000	2016 HK$'000
Current tax — Hong Kong		
— Provision for the year	2,038	2,111
— Under provision in prior years	306	999
	2,344	3,110
Deferred taxation		
— Charged to the consolidated statement of profit or loss and other comprehensive income (note 24)	241	1,864
	2,585	4,974

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) of the estimated assessable profit for the year ended 31 March 2017.

(b) The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2017 %	2016 HK$'000	2016 %
Profit before taxation	36,691		6,545	
Tax at the Hong Kong profits tax rate of 16.5% (2015: 16.5%)	6,054	16.5	1,080	16.5
Tax effect of expenses not deductible for tax purpose	29,943	81.6	6,342	96.9
Tax effect of income not taxable for tax purpose	(33,815)	(92.2)	(3,605)	(55.1)
Under provision in respect of prior years	306	0.8	999	15.3
Utilisation of tax losses previously not recognised	(14)	—	(444)	(6.8)
Tax effect of tax losses not recognised	111	0.3	602	9.2
Income tax expense and effective tax rate for the year	2,585	7.0	4,974	76.0

13. DIVIDENDS AND DISTRIBUTION

Dividend recognised as distribution during the year:

	2017 HK$'000	2016 HK$'000
Distribution, paid, of HK$0.5767 per ordinary share	—	549,916

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2017 of HK$0.213 per ordinary share has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

Save as the above, no dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of reporting period.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2017 HK$'000	2016 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	34,106	1,571
Effects of dilutive potential ordinary shares		
Effective interest expenses on convertible notes, net of tax	5,278	2,718
Fair value gains on the derivative financial asset component of convertible notes	(3,817)	(3,799)
Earnings for the purpose of diluted earnings per share	35,567	490

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,000,979	965,518
Effects of dilutive potential ordinary shares:		
Share options	8,276	6,220
Convertible notes	77,088	42,167
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,086,343	1,013,905

The diluted earnings per share for the years ended 31 March 2017 and 31 March 2016 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The outstanding share options and convertible notes were assumed to have been converted into ordinary shares, and the profit for the years ended 31 March 2017 and 31 March 2016 was adjusted to reflect the effective interest expense on convertible notes less tax effect, if any.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture fixtures and equipment HK$'000	Total HK$'000
COST			
At 1 April 2015	1,426	1,862	3,288
Additions	—	34	34
Written-off	—	(77)	(77)
At 31 March 2016 and 1 April 2016	1,426	1,819	3,245
Additions	3,882	614	4,496
Written-off	(1,252)	(1,068)	(2,320)
At 31 March 2017	4,056	1,365	5,421
ACCUMULATED DEPRECIATION			
At 1 April 2015	1,419	1,741	3,160
Provided for the year	7	73	80
Written-off	—	(77)	(77)
At 31 March 2016 and 1 April 2016	1,426	1,737	3,163
Provided for the year	388	90	478
Written-off	(1,252)	(1,068)	(2,320)
At 31 March 2017	562	759	1,321
CARRYING VALUES			
At 31 March 2017	**3,494**	**606**	**4,100**
At 31 March 2016	—	82	82

The above items of property, plant and equipment are depreciated on a straight-line basis at the followings rates per annum:

Leasehold improvements	50% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 25%

16. INVESTMENT PROPERTIES

	Completed investment properties, in Hong Kong HK$'000
FAIR VALUE:	
At 1 April 2015	2,494,800
Acquired during the year (note 31)	530,138
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	9,862
At 31 March 2016 and 1 April 2016	3,034,800
Net gain in fair value recognised in the consolidated statement of profit or loss and other comprehensive income	30,200
At 31 March 2017	3,065,000
Unrealised net gain in fair value of investment properties included in profit or loss	30,200

(a) The analysis of the carrying amount of investment properties is as follows:

	2017 HK$'000	2016 HK$'000
In Hong Kong		
— medium-term leases	198,000	202,000
— long-term leases	2,867,000	2,832,800
	3,065,000	3,034,800

(b) Pledge of investment properties

Investment properties with a carrying amount in aggregate of HK$3,051,000,000 (2016: HK$2,740,000,000) are pledged to several banks for Group's borrowings, details of which set out in note 21.

16. INVESTMENT PROPERTIES (Continued)

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

The fair value of the Group's investment properties as at 31 March 2017 and 2016 has been arrived at on the basis of a valuation carried out by Savills Valuation and Professional Services Limited (2016: CBRE Limited), independent qualified professional valuers not connected to the Group.

Savills Valuation Professional Services Limited and CBRE Limited are members of the Institute of Valuers in Hong Kong, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on i) direct comparison approach, which involves an analysis of sales transactions of comparable properties within the neighbourhood area of the property; and ii) income capitalisation approach, which involves estimating the rental incomes of the property and capitalising them all on appropriate rate to produce a capital value respectively.

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

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

The Group's policy is to recognise transfers into and transfer out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

During the year ended 31 March 2016, the valuation technique of certain investment properties, were changed from direct comparison approach to income capitalisation approach because of the information previously used is no longer available for those particular investment properties. The fair value of certain investment properties of approximately HK$1,112,800,000 categorised into Level 2 fair value hierarchy was changed to Level 3 of the fair value hierarchy.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2017 and 31 March 2016 are as follows:

	Level 2 HK$'000	Level 3 HK$'000	Fair values as at 31 March 2017 HK$'000
Residential units located in Hong Kong	**198,000**	**14,000**	**212,000**
Commercial units located in Hong Kong	**423,000**	**2,430,000**	**2,853,000**
Total	**621,000**	**2,444,000**	**3,065,000**

	Level 2 HK$'000	Level 3 HK$'000	Fair values as at 31 March 2016 HK$'000
Residential units located in Hong Kong	202,000	12,800	214,800
Commercial units located in Hong Kong	440,000	2,380,000	2,820,000
Total	642,000	2,392,800	3,034,800

16. INVESTMENT PROPERTIES (Continued)

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

For all residential units and certain commercial units located in Hong Kong with Level 2 fair value hierarchy, the fair value was derived using the direct comparison approach based on recent market prices without any significant adjustments being made to the market observable data.

	Fair value 2017 HK$'000	2016 HK$'000	Valuation technique	Significant unobservable inputs	Sensitivity
Investment properties located in Hong Kong	**621,000**	642,000	Direct comparison approach	Market unit value, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in market unit value used would result in significant increase in fair value, and vice versa.
Investment properties located in Hong Kong	**2,444,000**	2,392,800	Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental, income potential, nature of property, and prevailing market condition, of 2.25% to 3.0% (2016: 1.9% to 3.5% per annum).	The higher the capitalisation rate, the lower the fair value.
				Monthly market rent, taking into account the differences in location, and individual factor, such as frontage and size, between the comparables and the property.	A significant increase in the market rent used would result in significant increase in fair value, and vice versa.

Reversionary yield is the rate taking into account the capitalisation of rental income potential, nature of the property and prevailing market condition. Market rent per square foot is the market rent taking into account the direct comparable market transactions to the related properties.

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

16. INVESTMENT PROPERTIES (Continued)

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

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Residential properties in Hong Kong HK$'000	Commercial properties in Hong Kong HK$'000	Total HK$'000
Carrying amount at 1 April 2015	—	1,280,000	1,280,000
Transfer to level 3 fair value hierarchy	12,800	1,100,000	1,112,800
Carrying amount at 31 March 2016 and 1 April 2016	12,800	2,380,000	2,392,800
Fair value changes	1,200	50,000	51,200
Carrying amount at 31 March 2017	**14,000**	**2,430,000**	**2,444,000**

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

17. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**2,194**	2,855
Less: Impairment loss on trade receivables	**(58)**	—
	2,136	2,855
Other receivables and prepayments	**1,422**	3,365
	3,558	6,220

(i) Rentals and deposits are receivable in advance from tenants pursuant to the Group's lease agreements entered into with all tenants.

The Group maintains a defined and restricted credit policy to assess the credit quality of each counterparty or tenant. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The trade receivables mainly consist of rental receivables. The rental receivables are payable in advance by tenants.

17. TRADE AND OTHER RECEIVABLES (Continued)

(ii) The trade receivables included in trade and other receivables mainly consist of rental receivables. Rentals and deposits are payable in advance by tenants. The ageing analysis of the Group's trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
Effective rental receivables (0 days)	1,730	2,506
Up to 30 days	406	349
	2,136	2,855

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	1,730	2,506
Less than 1 month past due	406	349
	2,136	2,855

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(iv) Movements in the allowance for doubtful debts:

	2017 HK$'000	2016 HK$'000
At the beginning of the year	—	—
Impairment loss recognised on trade receivables	58	—
At the end of the year	58	—

Included in the impairment loss on trade receivables are individually impaired trade receivables with an aggregate balance of approximately HK$58,000 (2016: Nil) as the directors of the Company consider that the outstanding amount were not recoverable.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Unlisted bond	—	74

The bond bears interest at 0.25% per annum. During the year ended 31 March 2017, the bond was disposed by the Group at a consideration of approximately HK$74,000.

19. CASH AND BANK BALANCES

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and bank balances. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flow can be reconciled to the related items in the consolidated statement of financial position as follows:

	2017 HK$'000	2016 HK$'000
Cash and bank balances	203,107	299,680
Time deposits	197,000	—
	400,107	299,680

Cash and bank balances comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.01% to 0.55% (2016: 0.01% to 0.35%) per annum and have original maturity of three months or less.

As at 31 March 2017, the cash and bank balances of the Group included currencies denominated in Renminbi amounted to approximately HK$191,000 (2016: HK$190,000).

20. OTHER PAYABLES, ACCRUALS AND RENTAL DEPOSITS RECEIVED

	2017 HK$'000	2016 HK$'000
Rental deposits received	15,673	19,380
Accruals and other payables	8,341	2,895
	24,014	22,275
Advance rental received	261	187
	24,275	22,462
Less: Other payables and rental deposits received — Non-current portion	(11,885)	(14,679)
	12,390	7,783

21. BANK BORROWINGS — SECURED

	2017 HK$'000	2016 HK$'000
Bank loans	**1,173,025**	1,081,373
Less: Current portion	**(30,300)**	(26,750)
Non-current portion	**1,142,725**	1,054,623
The carrying amount of the above bank borrowings are repayable as follows:		
On demand or within one year	**30,300**	26,750
Within a period of more than one year but within two years	**33,300**	29,750
Within a period of more than two years but within five years	**275,425**	498,251
Within a period of more than five years	**834,000**	526,622
	1,173,025	1,081,373
Less: Amounts due within one year shown under current liabilities	**(30,300)**	(26,750)
Amounts shown under non-current liabilities	**1,142,725**	1,054,623

Bank borrowings with total outstanding principal amounts of approximately HK$1,173,025,000 (2016: HK$1,081,373,000) bearing floating interest rate at HIBOR plus under certain banking facilities granted to the Company's several subsidiaries provided by several banks in Hong Kong. These bank borrowings are secured by the Group's investment properties in Hong Kong of approximately HK$3,051,000,000 (2016: HK$2,740,000,000), rent assignments in respect the investment properties, share mortgage of several subsidiaries of the Company and corporate guarantees to the extent of approximately HK$1,316,000,000 (2016: HK$1,877,500,000) given by the Company.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Current assets:		
Derivative financial asset component of convertible notes (note 23)	**16,085**	21,300

23. CONVERTIBLE NOTES

The Company issued in aggregate of HK$125,000,000 1.68% convertible notes on 7 December 2015 (the "Issue Date") and recognised its book as of fair values appraised by BMI Appraisals Limited, being an independent financial valuer. The convertible notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the first business day immediately following the fifth anniversary date of the Issue Date (the "Maturity Date") at a conversion price of HK$0.934 per share per convertible notes (subject to adjustment). If the notes have not been converted, they will be redeemed by the Company on the Maturity Date at the aggregate of (i) its principal amount outstanding as at the Maturity Date; and (ii) all interest accrued thereon up to and including the Maturity Date. Interest of 1.68% will be payable by the Company on maturity date.

The Company shall have the right to redeem the convertible notes, in full or in part (provided that in the case of a partial redemption the aggregate principal amount of the convertible notes being redeemed shall be at least HK$3,000,000 or above), held by the noteholder at an amount equal to the aggregate of (a) the aggregate principal amount of the convertible notes held by such noteholder being the subject of the redemption (the "Redeemed Principal"); and (b) all interest accrued thereon up to and including the date of such redemption at any time on or after the first month from the Issue Date by giving a redemption notice setting out the Redeemed Principal, the Company redemption amount and the early redemption date to such noteholder not less than five business days prior to the early redemption date.

The convertible notes contain three components: liability component, equity component and redemption option derivative, which is classified as derivative financial asset component. The equity component is presented in equity heading "convertible notes equity reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 13.73% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible notes are as follows:

	At 7 December 2015	At 31 March 2016	**At 26 September 2016**	**At 31 March 2017**
Risk-free rate	1.05%	0.96%	**0.62%**	**1.22%**
Expected life	4.92 years	4.69 years	**4.2 years**	**3.69 years**
Expected volatility	67.44%	67.40%	**70.0%**	**70.98%**
Expected dividend yield	Nil	Nil	**Nil**	**Nil**

23. CONVERTIBLE NOTES (Continued)

The movement of the equity component, liability component and redemption option derivative of the convertible notes for the year is set out below:

	Liability component HK$'000	Equity component HK$'000	Redemption option derivative HK$'000	Total HK$'000
At 1 April 2015	—	—	—	—
Issue of convertible notes (note 31)	70,715	72,816	(17,501)	126,030
Deferred tax liability arising from issue of convertible notes (note 24)	—	(8,957)	—	(8,957)
Effective interest charged (note 9)	3,123	—	—	3,123
Interest payable	(668)	—	—	(668)
Change in fair value of derivative financial asset component of convertible notes (note 7)	—	—	(3,799)	(3,799)
At 31 March 2016 and 1 April 2016	73,170	63,859	(21,300)	115,729
Effective interest charged (note 9)	8,204	—	—	8,204
Interest payable	(1,644)	—	—	(1,644)
Release of deferred tax liability upon conversion of convertible notes (note 24)	—	3,348	—	3,348
Conversion of convertible notes	(32,712)	(30,424)	7,819	(55,317)
Change in fair value of derivative financial asset component of convertible notes (note 7)	—	—	(2,604)	(2,604)
At 31 March 2017	**47,018**	**36,783**	**(16,085)**	**67,716**

On 26 September 2016, a holder of convertible notes exercised its conversion right to convert the principal amount of HK$53,000,000 into 56,745,182 ordinary shares.

As at 31 March 2017, the outstanding principal of the convertible notes was HK$72,000,000 (31 March 2016: HK$125,000,000).

24. DEFERRED TAX

	2017 HK$'000	2016 HK$'000
At 1 April	**21,325**	10,504
Deferred tax liability arising from issue of convertible notes recognised directly in equity (note 23)	**—**	8,957
Release of deferred tax liability upon conversion of convertible notes (note 23)	**(3,348)**	—
Charged to consolidated statement of profit or loss and other comprehensive income (note 12)	**241**	1,864
At 31 March	**18,218**	21,325

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year were as follows:

	Deferred tax liabilities		Deferred tax assets	
	Depreciation allowances in excess of the related depreciation HK$'000	Convertible notes HK$'000	Tax loss HK$'000	Total HK$'000
At 1 April 2015	11,531	—	(1,027)	10,504
Deferred tax liability arising from issue of convertible notes recognised directly in equity (note 23)	—	8,957	—	8,957
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income (note 12)	1,242	(405)	1,027	1,864
At 31 March 2016 and 1 April 2016	12,773	8,552	—	21,325
Release of deferred tax liability upon conversion of convertible notes (note 23)	—	(3,348)	—	(3,348)
Charged/(credited) to the consolidated statement of profit or loss and other comprehensive income (note 12)	1,323	(1,082)	—	241
At 31 March 2017	**14,096**	**4,122**	**—**	**18,218**

As at 31 March 2017, the Group had unused tax losses of approximately HK$35,296,000 (2016: HK$45,473,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses of approximately HK$35,296,000 (2016: HK$45,473,000) due to the unpredictability of future profit streams. The unused tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares		Amount	
	2017	2016	**2017**	2016
	Number '000	Number '000	**HK$'000**	HK$'000
Authorised:				
Ordinary of shares of HK$0.10 each				
At 1 April and at 31 March	**2,000,000**	2,000,000	**200,000**	200,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 April	**971,798**	950,876	**97,180**	95,088
Issue of shares on exercise of the share options (notes (a) and (b))	**500**	20,922	**50**	2,092
Issue of shares on conversion of convertible notes (note (c))	**56,745**	—	**5,674**	—
At 31 March	**1,029,043**	971,798	**102,904**	97,180

Notes:

(a) During the year ended 31 March 2016, 1,502,000 and 19,419,688 ordinary shares of HK$0.10 each were issued as a result of exercise of share options under the 2013 Scheme and 2003 Scheme respectively.

(b) During the year ended 31 March 2017, 500,000 ordinary shares of HK$0.10 each were issued as a result of exercise of share options under the 2003 Scheme.

(c) During the year ended 31 March 2017, a convertible note with principal amounted to HK$53,000,000 was converted into 56,745,182 ordinary shares at conversion price of HK$0.934 per share.

26. RESERVES

Nature of reserves

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the Group reorganisation in April 2000.

Capital reserve

The capital reserve represents capital contribution from a related company, a shareholder, and a non-controlling shareholder in the form of interest free loans. The amounts are estimated by discounting the nominal value of their non-interest bearing loans to the Group at current market interest rate for similar financial instruments.

Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors or employees of the Company recognised in accordance with the accounting policy adopted for share based payment set out in note 3(xi)(c).

Convertible notes equity reserve

The convertible notes equity reserve represents the equity component (conversion rights) of convertible notes issued by the Company. If the convertible notes are not converted at the maturity date, the convertible notes equity reserve will be reclassified subsequently to profit or loss.

Contribution from shareholders

The contributions from shareholders represent the aggregation of discount on acquisitions of three indirectly wholly owned subsidiaries — Seedtime International Limited, Honeyguide Investments Limited ("Honeyguide") and Uptodate Management Limited with their respective amount of approximately HK$11,855,000, HK$4,678,000 and HK$233,606,000 from the former controlling shareholder — Mr. Ng Chun For, Henry (Upon Honeyguide struck off during the year, its attributable contributions from shareholders amounted to approximately HK$4,678,000 transferred to retained profits for the year).

Contributed surplus

Pursuant to the approval of a special resolution at the special general meeting of the Company on 13 May 2015, the amount of approximately HK$720,617,000 standing to the credit of share premium has been reduced and transferred to the contributed surplus. The contributed surplus is a distributable reserve and will be used for payment of dividends and for such other purposes as allowed by the Companies Act 1981 of Bermuda.

27. CAPITAL COMMITMENTS

As at 31 March 2017, the Group has no material capital commitments (2016: Nil).

28. OPERATING LEASES

The Group as lessee

	2017 HK$'000	2016 HK$'000
Minimum lease payments paid under operating leases during the year	**1,231**	1,102

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 HK$'000	2016 HK$'000
Within one year	**1,288**	652
In the second to fifth year inclusive	**1,765**	—
	3,053	652

Operating lease payments represent rentals payable by the Group for certain of its office and warehouse premises. Leases are negotiated for an average term of 2 years and rentals are fixed during the lease period.

The Group as lessor

Property rental income earned during the year was HK$65,826,000 (2016: HK$57,247,000). The properties are expected to generate rental yields of 2.15% (2016: 1.89%) on an ongoing basis.

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

	2017 HK$'000	2016 HK$'000
Within one year	**40,412**	54,180
In the second to fifth year inclusive	**20,666**	43,440
	61,078	97,620

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company has adopted a share option scheme which was approved by the shareholders of the Company at the Annual General Meeting ("AGM") held on 3 September 2013 (the "2013 Scheme") upon the share option scheme previously adopted on 3 September 2003 and lapsed on 2 September 2013 (the "2003 Scheme"). Upon the expiration of the 2003 Scheme, no further option could be granted under the 2003 Scheme, but the provisions of the 2003 Scheme applicable for outstanding 4,065,756 share options shall remain in full force in all respects.

The primary purpose of 2013 Scheme is to provide incentives to participants (as defined including but not limited to (a) any employees; (b) any supplier of goods or services to any member of the Group; (c) any customer of the Group; and (d) any director or independent non-executive director and/or shareholder of the Company and/or any member of the Group) who has contribution to the Group and to enable the Group to recruit and retain high caliber employees.

Pursuant to Note (2) to Rule (2) to Rule 17.03(3) of the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercise under the 2013 Scheme and any other share option schemes of the Company must not exceed 30% of the number of the Company's shares in issue from time to time. No options may be granted under any scheme of the Company if this will result in this 30% limit being exceeded.

The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the AGM held on 12 August 2016, the share of the Company (the "Share") in issue at the AGM held on 12 August 2016 was 971,798,352 Shares and thus the maximum number of Shares allowed to be issued upon exercise of all options to be granted under the 2013 Scheme and any other share option scheme of the Company shall not exceed 97,179,835 Shares which represented 10% of the issued share capital of the Company as at the AGM held on 12 August 2016.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the board of directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Movements in the share options granted to the directors, employees of the Company and other eligible participants under the 2003 Scheme during the year were as follows:

2017

	Date of grant	Exercise price HK$	Number of share options Outstanding at 1 April 2016 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31 March 2017 '000
Eligible participants	31 August 2007	1.1394	1,015	—	(500)	515
Employee	18 April 2011	0.6505	3,551	—	—	3,551
			4,566	—	(500)	4,066

2016

	Date of grant	Exercise price HK$	Number of share options Outstanding at 1 April 2015 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31 March 2016 '000
Directors	2 April 2007	0.6761	2,029	—	(2,029)	—
	12 April 2012	0.5421	7,102	—	(7,102)	—
	25 April 2013	0.6328	7,102	—	(7,102)	—
			16,233	—	(16,233)	—
Eligible participants	28 October 2005	0.6663	649	—	(649)	—
	2 April 2007	0.6761	2,029	—	(2,029)	—
	31 August 2007	1.1394	1,015	—	—	1,015
			3,693	—	(2,678)	1,015
Employees	2 April 2007	0.6761	507	—	(507)	—
	18 April 2011	0.6505	3,551	—	—	3,551
			4,058	—	(507)	3,551
			23,984	—	(19,418)	4,566

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Movements in the share options granted to the directors, employees of the Company and other eligible participants under the 2013 Scheme during the year were as follows:

2017

	Date of grant	Exercise price HK$	Number of share options: Outstanding at 1 April 2016 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31 March 2017 '000
Directors	30 April 2014	1.0211	1,015	—	—	1,015
	5 September 2014	0.9100	2,850	—	—	2,850
	28 August 2015	0.8780	10,498	—	—	10,498
	31 March 2016	1.3820	4,517	—	—	4,517
	2 September 2016	1.1140	—	4,488	—	4,488
			18,880	4,488	—	23,368
Eligible participants	30 April 2014	1.0211	7,102	—	—	7,102
	31 March 2016	1.3820	9,717	—	—	9,717
			16,819	—	—	16,819
			35,699	4,488	—	40,187

2016

	Date of grant	Exercise price HK$	Number of share options: Outstanding at 1 April 2015 '000	Granted during the year '000	Exercised during the year '000	Outstanding at 31 March 2016 '000
Directors	30 April 2014	1.0211	1,015	—	—	1,015
	5 September 2014	0.9100	4,350	—	(1,500)	2,850
	28 August 2015	0.8780	—	10,500	(2)	10,498
	31 March 2016	1.3820	—	4,517	—	4,517
			14,550	15,017	(1,502)	18,880
Eligible participants	30 April 2014	1.0211	7,102	—	—	7,102
	31 March 2016	1.3820	—	9,717	—	9,717
			7,102	9,717	—	16,819
			12,467	24,734	(1,502)	35,699

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
28 October 2005	Vested upon granted	From 28 October 2005 to 27 October 2015	HK$0.6663
2 April 2007	Vested upon granted	From 2 April 2007 to 1 April 2017	HK$0.6761
31 August 2007	Vested upon granted	From 31 August 2007 to 30 August 2017	HK$1.1394
18 April 2011	Vesting on 18 April 2016	From 18 April 2016 to 17 April 2021	HK$0.6505
12 April 2012	Vested upon granted	From 12 April 2012 to 11 April 2022	HK$0.5421
25 April 2013	Vested upon granted	From 25 April 2013 to 24 April 2023	HK$0.6328
30 April 2014	Vested upon granted	From 30 April 2014 to 29 April 2024	HK$1.0211
5 September 2014	Vested upon granted	From 5 September 2014 to 4 September 2024	HK$0.9100
28 August 2015	Vested upon granted	From 28 August 2015 to 27 August 2025	HK$0.8780
31 March 2016	Vested upon granted	From 31 March 2016 to 30 March 2026	HK$1.3820
2 September 2016	Vested upon granted	From 2 September 2016 to 1 September 2026	HK$1.1140

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.4 years (2016: 8.5 years).

During the year ended 31 March 2017, 4,488,000 options were granted on 2 September 2016. The estimated fair values of the options on the grant date was HK$2,281,000. During the year ended 31 March 2016, 10,500,000 options and 14,234,000 options were granted on 28 August 2015 and 31 March 2016 respectively. The estimated fair values of the options on the grant dates were HK$4,327,000 and HK$9,388,000 respectively.

These fair values were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	2017	2016
Weighted average share price	**HK$1.07**	HK$0.87–1.37
Weighted average exercise price	**HK$1.114**	HK$0.878–1.380
Expected volatility	**73.71%**	74.64–76.39%
Expected life	**10 years**	10 years
Risk free rate	**0.94%**	1.28–1.835%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The expected life of the options was the contractual life of the options. Expected dividends are based on historical dividends.

The Group recognised total expenses of approximately HK$2,297,000 (2016: approximately HK$14,067,000) related to equity-settled share-based payment transactions during the year.

30. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK$1,500 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

The Group's contribution to retirement benefits schemes for the year ended 31 March 2017 amounted to approximately HK$132,000 (2016: approximately HK$131,000).

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

Summary of assets acquired and liabilities recognised on acquisition:

	Acquisition of South Shine Limited ("South Shine") (Note (a)) HK$'000	Acquisition of Pioneer Delight Limited ("Pioneer Delight") (Note (b)) HK$'000	Acquisition of Top Grade Properties Limited ("Top Grade") (Note (c)) HK$'000	Acquisition of Wealth Properties Limited ("Wealth Properties") (Note (d)) HK$'000	Total HK$'000
Investment properties	197,954	56,154	136,143	139,887	530,138
Trade and other receivables	130	8	1	5	144
Cash and bank balances	32	61	147	250	490
Other payables, rental deposits received and accruals	(552)	(428)	(872)	(773)	(2,625)
Amount due to a related party	(85,159)	—	—	—	(85,159)
Amount due to a director	—	(51,297)	—	(44,110)	(95,407)
Amount due to a holding company	—	—	(45,346)	—	(45,346)
Tax payable	—	(62)	(2)	(180)	(244)
Bank borrowings	(80,444)	—	(57,200)	(40,600)	(178,244)
Net assets acquired	31,961	4,436	32,871	54,479	123,747
Assignment of amount due to a related party	85,159	—	—	—	85,159
Assignment of amount due to a director	—	51,297	—	44,110	95,407
Assignment of amount due to a holding company	—	—	45,346	—	45,346
Consideration for settlement of bank borrowings, accrued bank loan interest and provision for prepayment penalty	80,530	—	57,232	40,620	178,382
Total consideration	197,650	55,733	135,449	139,209	528,041
Total consideration satisfied by:					
Cash	197,650	55,733	62,856	85,772	402,011
Issue of convertible notes (note 23)	—	—	72,593	53,437	126,030
	197,650	55,733	135,449	139,209	528,041
Net cash outflow on acquisition:					
Cash consideration paid	(197,650)	(55,733)	(62,856)	(85,772)	(402,011)
Cash and cash equivalent balances acquired	32	61	147	250	490
	(197,618)	(55,672)	(62,709)	(85,522)	(401,521)

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

Notes:

(a) On 20 May 2015, the Group acquired the entire issued share capital of South Shine for an aggregate consideration of HK$197,960,000 (subject to post-completion adjustment). Based on the post-completion adjustments, the consideration was adjusted downwards from HK$197,960,000 to HK$197,650,000. South Shine is engaged in investment holding. The subsidiaries of South Shine are solely engaged in property investment. The consideration of HK$197,650,000 was satisfied by cash.

The acquisition of South Shine did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Investment properties	197,954
Other receivables	130
Cash and bank balances	32
Other payables, rental deposits received and accruals	(552)
Amount due to a related party	(85,159)
Bank borrowings	(80,444)
Net assets acquired	31,961
Assignment on amount due to a related party	85,159
Consideration for settlement of bank borrowings, accrued bank loan interest and provision for prepayment penalty	80,530
Total consideration	197,650

Total consideration satisfied by:

	HK$'000
Cash	197,650

Net cash outflow on acquisition of South Shine

	HK$'000
Cash consideration paid	(197,650)
Cash and cash equivalent balances acquired	32
	(197,618)

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

Notes: (Continued)

(b) On 28 May 2015, the Group acquired the entire issued share capital of Pioneer Delight for an aggregate consideration of HK$56,154,000 (subject to post-completion adjustments). Based on the post-completion adjustment, the consideration was adjusted downwards from HK$56,154,000 to HK$55,733,000. Pioneer Delight is solely engaged in property investment. The consideration of HK$55,733,000 was satisfied by cash.

The acquisition of Pioneer Delight did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Investment properties	56,154
Trade and other receivables	8
Cash and bank balances	61
Other payables, rental deposits received and accruals	(428)
Amount due to a director	(51,297)
Tax payable	(62)
Net assets acquired	4,436
Assignment on amount due to a director	51,297
Total consideration	55,733

Total consideration satisfied by:

	HK$'000
Cash	55,733

Net cash outflow on acquisition of Pioneer Delight

	HK$'000
Cash consideration paid	(55,733)
Cash and cash equivalent balances acquired	61
	(55,672)

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

Notes: (Continued)

(c) On 7 December 2015, the Group acquired the entire issued share capital of Top Grade for an aggregate consideration of HK$135,550,000 (subject to post-completion adjustment). Based on the post-completion adjustment, the consideration was adjusted downwards from HK$135,550,000 to approximately HK$134,856,000. Top Grade is engaged in property investment. The consideration of approximately HK$134,856,000 was satisfied by: (i) cash of approximately HK$62,856,000 and (ii) issue of a convertible note with a principal amount of HK$72,000,000. The fair values of the aggregate consideration as at 7 December 2015 was approximately HK$135,449,600.

The acquisition of Top Grade did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Investment properties	136,143
Other receivables	1
Cash and bank balances	147
Other payables, rental deposits received and accruals	(872)
Amount due to holding company	(45,346)
Bank borrowings	(57,200)
Tax payable	(2)
Net assets acquired	32,871
Assignment on amount due to a holding company	45,346
Consideration for settlement of bank borrowings and accrued bank loan interest	57,232
Total consideration	135,449

Total consideration satisfied by:

	HK$'000
Cash	62,856
Issue of a convertible note with a principal amount of HK$72,000,000	72,593
	135,449

Net cash outflow on acquisition of Top Grade

	HK$'000
Cash consideration paid	(62,856)
Cash and cash equivalent balances acquired	147
	(62,709)

31. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

Notes: (Continued)

(d) On 7 December 2015, the Group acquired the entire issued share capital of Wealth Properties for an aggregate consideration of HK$139,450,000 (subject to post-completion adjustment). Based on the post-completion adjustment, the consideration was adjusted downwards from HK$139,450,000 to approximately HK$138,772,000. Wealth Properties is engaged in property investment. The consideration of approximately HK$138,772,000 was satisfied by: (i) cash of approximately HK$85,772,000 and (ii) issue of a convertible note with a principal amount of HK$53,000,000. The fair values of the aggregate consideration as at 7 December 2015 was approximately HK$139,209,000.

The acquisition of Wealth Properties did not constitute a business. In accordance with HKFRS 3, such acquisition did not give rise to goodwill. The acquisition has been accounted for as an acquisition of assets and liabilities.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Investment properties	139,887
Other receivables	5
Cash and bank balances	250
Other payables, rental deposits received and accruals	(773)
Amount due to a director	(44,110)
Bank borrowings	(40,600)
Tax payable	(180)
Net assets acquired	54,479
Assignment on amount due to a director	44,110
Consideration for settlement of bank borrowings and accrued bank loan interest	40,620
Total consideration	139,209

Total consideration satisfied by:

	HK$'000
Cash	85,772
Issue of a convertible note with a principal amount of HK$53,000,000	53,437
	139,209

Net cash outflow on acquisition of Wealth Properties

	HK$'000
Cash consideration paid	(85,772)
Less: cash and cash equivalent balances acquired	250
	(85,522)

32. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following material related party transactions:

(a) Key management personnel remuneration represents amounts paid to the Company's directors and the highest paid employees as disclosed in note 10.

33. PLEDGE OF ASSETS

As at 31 March 2017, the Group has pledged the following assets:

(1) Legal charges over certain investment properties in Hong Kong with an aggregate carrying amount of approximately HK$3,051,000,000 (2016: HK$2,740,000,000) for securing certain bank borrowings granted from several banks to its wholly-owned subsidiaries;

(2) Share mortgages of several subsidiaries for securing their respective bank borrowings; and

(3) Rental assignments in respect of the investment properties held by the Group.

34. EVENTS AFTER THE REPORTING PERIOD

(1) On 11 May 2017 (after trading hours), the vendor, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with an independent third party to dispose a residential property situated at House No. 12, Villa Bel-Air, Bel-Air on the Peak at a consideration of HK$205,000,000. The disposal of the property constituted a discloseable transaction of the Company under the Listing Rules. For details, please refer to the Company's announcement dated 11 May 2017.

(2) On 5 June 2017, Superb Global Group Limited, a convertible note holder (being a limited company incorporated in British Virgin Islands controlled by the Mr. Ng Ian, an executive director of the Company), exercised its conversion right to convert the principal amount of HK$61,000,000 into 65,310,492 ordinary shares of the Company.

35. CONTINGENT LIABILITIES

High Fly Investments Limited ("High Fly"), an indirect non-wholly owned subsidiary of the Company which were dissolved by virtue of voluntary liquidation with the British Virgin Islands ("BVI") Registry of Corporate Affairs approved on 24 January 2014 and Premium Assets Development Limited ("Premium Assets") (collectively the "Indemnifiers") had signed Deed of Indemnity (the "Deed") on 4 October 2013 (being date of completion of the SPA) with Double Favour Limited ("Double Favour"). Pursuant to the Deed, each of indemnifiers hereby severally, pro rata to their respective shareholdings in the High Luck International Limited ("High Luck") immediately before completion of the SPA (i.e. 45% as to Premium Assets and 55% as to High Fly) (the "Relevant Proportion") undertakes to Double Favour (for itself and as trustee of the High Luck and its subsidiaries (the "Disposal Group") to pay them an amount or amounts equal to each of the following:

(a) any liability to taxation in connection with any claim in respect of all taxation falling on any member of the Disposal Group resulting from or by reference to any transaction, event, matters or thing occurred or effected during the period from 1 September 2007 to 4 October 2013 (being date of completion of the SPA) (the "Relevant Period"), or in respect of any gross receipts, income, profits or gains earned, accrued or received, or alleged or deemed to have been earned, accrued, or received by any member of the Disposal Group during the Relevant Period, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company; and,

(b) all action, claims, losses, damages, cost (including all legal costs), charges, expenses, interests, penalties or any other liabilities to which any member of the Disposal Group is or may be subject or which any member of the Disposal Group or Double Favour may reasonably and properly incur in connection with:

   (i) any investigation, assessment or the contesting of any claim or any of the matter referred to in (a) above;

   (ii) the settlement of any claim or any of the matters referred to in (a) above;

   (iii) any legal proceedings or actions in which the Purchaser or any member of the Disposal Group claims under or in respect of the Deed and in which judgment is given in favour of the Double Favour or any member to the Disposal Group; or

   (iv) the enforcement of any such settlement or judgment,

and each of the Indemnifiers severally in the Relevant Proportion undertakes to indemnify an hold harmless or demand any member of the Disposal Group and Double Favour in respect of the matters referred to (a) to (b) (inclusive) above.

Notwithstanding anything to the contrary herein provided and the guarantee provided in the SPA, Double Favour further agrees and acknowledges to High Fly acting as trustee for the benefit of Uptodate Management Limited ("Uptodate"), an indirect wholly owned subsidiary of the Company and Best Task Limited that their respective obligations under the guarantee in respect of any obligations arising from any claims against High Fly under the Deed and/or the SPA (the "Relevant Claims"), the obligations of Uptodate under the guarantee for such Relevant Claims should only be limited to 54.55% of the said claims (i.e. not more than 30% of total claims).

Pursuant to the Deed, the Board is of the opinion that it would be unlikely for the Group through Uptodate to suffer any material financial loss as a result of giving the aforesaid indemnity on several basis limited to 30% of the Relevant Claims.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts (which includes bank borrowings and convertible notes), cash and bank balances and equity attributable to equity holders of the Company.

The Group's risk management actively and regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio, expressed as total liabilities over total assets, at the end of the reporting period was as follows:

	2017 HK$'000	2016 HK$'000
Total assets	3,489,757	3,362,156
Total liabilities	1,262,640	1,200,254
Gearing ratio	36.2%	35.7%

37. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

(i) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further quantitative disclosure of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

The credit risk for cash and bank balances, time deposits and pledged bank deposits exposed is considered minimal as such amounts are placed with good credit ratings.

Other than concentration of credit risk on liquid fund which are deposited with several banks with high credit ratings and save as disclose elsewhere in the financial statements, the Group does not have any other significant concentration of credit risk.

37. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk

The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The following tables detail the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Non-derivative financial liabilities						
2017						
Bank borrowings	**1,173,025**	**1,295,965**	**51,216**	**53,633**	**331,801**	**859,315**
Convertible notes	**47,018**	**72,000**	**—**	**—**	**72,000**	**—**
Other payables and rental deposits received	**19,244**	**19,244**	**8,287**	**9,363**	**1,594**	**—**
	1,239,287	**1,387,209**	**59,503**	**62,996**	**405,395**	**859,315**
2016						
Bank borrowings	1,081,373	1,293,887	50,005	52,373	592,139	599,370
Convertible notes	73,170	125,000	—	—	125,000	—
Other payables and rental deposits received	20,600	20,600	5,921	14,012	667	—
	1,175,143	1,439,487	55,926	66,385	717,806	599,370

37. FINANCIAL RISK MANAGEMENT (Continued)

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

The following table details the interest rate profile of the Group's net borrowings at the end of reporting period:

	2017 Effective interest rate	2017 HK$'000	2016 Effective interest rate	2016 HK$'000
Net variable rate borrowings				
Bank borrowings	**(Note)**	**1,173,025**	(Note)	1,081,373
Bank balances (included pledged deposits)	**0.01% to 0.55%**	**(400,107)**	0.01% to 0.35%	(299,680)
		772,918		781,693

Note: Details of the Group's bank borrowings are set out in note 21 to the consolidated financial statements.

At 31 March 2017, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit before taxation by approximately HK$7,729,000 (2016: decrease/increase profit before taxation by approximately HK$7,817,000). Retained profits will decrease/increase by the same amount.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2016.

37. FINANCIAL RISK MANAGEMENT (Continued)

(iv) Foreign exchange risk

The Group have foreign currency denominated monetary assets, which exposed the Group to foreign currency risk.

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

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi ("RMB")	**191**	190	**—**	—
United States Dollars ("USD")	**291**	385	**—**	—

Foreign currency sensitivity analysis

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

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in Hong Kong Dollars against RMB. The sensitivity analysis includes outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit or equity where the Hong Kong Dollars strengthen 5% (2016: 5%) against RMB. For a 5% (2016: 5%) weakening of the Hong Kong Dollars against RMB, there would be an equal and opposite impact on the profit or equity, and the balances below would be negative.

	Impact of RMB	
	2017	2016
	HK$'000	HK$'000
Profit or loss (note)	**10**	10

Note:

This is mainly attributable to the exposure outstanding on monetary items denominated in RMB not subject to cash flow hedge at the end of the reporting period.

37. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 March 2017 HK$'000	Fair value as at 31 March 2016 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Derivative financial asset component of convertible notes	**Assets –HK$16,085,000**	Assets –HK$21,300,000	Level 3	The binomial option pricing model	Risk-free rate adopted was 1.22% (2016: 0.96%). Expected volatility of 70.98% (2016: 67.40%).

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

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

37. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	2017		2016	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes	**47,018**	**48,925**	73,170	67,881

Fair value hierarchy as at 31 March 2017

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Derivative financial asset component of convertible notes	**—**	**—**	**16,085**	**16,085**

Fair value hierarchy as at 31 March 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Derivative financial asset component of convertible notes	—	—	21,300	21,300

37. FINANCIAL RISK MANAGEMENT (Continued)

(v) Fair values measurements of financial instruments (Continued)

(iii) Reconciliation of Level 3 fair value measurements

	Derivative financial asset component of convertible notes HK$'000
At 1 April 2015	—
Issue of convertible notes	17,501
Fair value change	3,799
At 31 March 2016 and 1 April 2016	21,300
Conversion of convertible notes	(7,819)
Fair value change	2,604
At 31 March 2017	**16,085**

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2017 and 31 March 2016 are categorised as follows:

	2017 HK$'000	2016 HK$'000
Financial assets		
Loan and receivables (including cash and bank balances)	**403,665**	303,795
Available-for-sale financial assets	**—**	74
Derivative financial instruments	**16,085**	21,300
Financial liabilities		
Financial liabilities measured at amortised cost	**1,239,287**	1,175,143

39. NON-CASH TRANSACTIONS

The Group entered into the following major non-cash transactions which are not reflected in the consolidated statement of cash flows:

(a) During the year ended 31 March 2016, part of the consideration for the acquisition of the entire share capital of Top Grade and Wealth Properties were satisfied by issuing of convertible notes. Further details of the acquisition is set out in note 31(c) and note 31(d) respectively.

(b) Pursuant to the approval of a special resolution at the special general meeting of the Company on 13 May 2015, the amount of approximately HK$720,617,000 standing to the credit of share premium has been reduced and transferred to the contributed surplus.

(c) During the year ended 31 March 2017, the convertible notes holder exercised its conversion right to convert part of the principal amount into ordinary shares of the Company. Please refer to note 23 to the consolidated financial statements for details.

40. LITIGATION

On 21 November 2014, Land Base Limited ("LBL"), a wholly owned subsidiary of the Company, the owner of a building named "L'hart" located at Nos. 487 and 489 Lockhart Road Hong Kong, which is built upon certain pieces of land including The Remaining Portion of Subsection 14 of Section A of Inland Lot No. 2836 ("Subsection 14"), received an originating summons issued by Tierra Trading Limited and Keep Forever Development Limited (as Plaintiffs), the owners of a building named "Kyoto Plaza" located at Nos. 491, 493, 495, 497 and 499 Lockhart Road, Hong Kong, which is built upon certain pieces of land, including Subsection 15 of Section A of Inland Lot No. 2836 ("Subsection 15") against LBL (as defendant) and filed with the High Court of the Hong Kong Special Administrative Region Court of First Instance.

The litigation relates to a dispute regarding the ownership of a strip of land (the "Disputed Area") which is the common staircase located on Subsection 15, in between L'hart and Kyoto Plaza, which the Plaintiffs had not used since 1992. It is LBL's case that, since, the demolition of the old building on Subsection 14 and the construction of Kyoto Plaza which has been in use since 1992, LBL's predecessors in title had been in exclusive possession, management and control of the Disputed Area by using the common staircase and other parts of the Disputed Area for various purposes. Since LBL became the registered owner of Subsection 14, it continued in exclusive possession, management and control of the Disputed Areas without interruption. Since the development of the L'hart building, LBL have, for safety, hygiene and aesthetic reasons, sealed off the Disputed Area by erecting a façade over the entrance to the Disputed Area from Lockhart Road forming part of L'hart.

The hearing was convened on 13 August 2015. On 21 August 2015 Recorder Cheng SC handed down a written decision refusing LBL's application and acceding to the Plaintiffs' application to proceed in the form of Originating Summons and gave directions for the cross-examination of witnesses and the filing of a report by a single joint expert (the "Order"). The Order further provides for leave for filing a further Affirmation by LBL ("2nd Affirmation").

On 4 September 2015, LBL and the Plaintiffs agreed to jointly appoint Mr. Daniel Tong of Daniel Tong Chartered Architect and Associates Limited ("Mr. Tong") as single joint expert to opine on three issues.

On 15 September 2015, LBL filed the 2nd Affirmation in reply to the 2nd Affirmation of Leung Mei Sze, following which neither party may file further affirmation evidence without leave of the court.

40. LITIGATION (Continued)

LBL has requested that two additional issues (which only came in place after the filing of the 2nd Affirmation) be addressed by Mr. Tong. These relate to (1) the residual plot ratio of Subsection 15, and (2) whether the permissible plot ratio of the Kyoto Plaza development was in fact exceeded.

The Plaintiffs refused to include the additional issues and LBL have on 7 October 2015 issued a summons for the matter to be heard before a judge. On 15 February 2016 Recorder Cheng SC handed down a written decision granting leave to include the first issue.

On 17 March 2016, joint instructions were sent to Mr. Tong, who has accordingly rendered his report on 13 April 2016.

The originating summons taken out by the Plaintiffs had been heard on 5, 6 and 9 June 2017 before Deputy High Court Judge Kenneth Kwok SC. He has reserved judgment to be handed down in due course.

Should the Plaintiffs succeed in the Action, they will (1) obtain a declaration that the right of way at the Disputed Area given in favour of LBL's land has been extinguished; (2) regain possession of the Disputed Area; (3) be at liberty to demolish the structures at the Disputed Area; and (4) obtain legal costs from LBL. All legal costs awarded by the court are subject to assessment/taxation by the court, which is usually around or no more 70% of the actual costs incurred.

If LBL succeeds in defending the Action, it will get possessory title over the Disputed Area, meaning no one can disturb its possession or quiet enjoyment of or challenge its title to the Disputed Area, and legal costs.

After the hearing and from the response of the presiding judge, the legal team is of the view that the Plaintiffs' chance of success appears to be higher than LBL. The judgment is expected to be handed down in around July/August 2017.

The directors of the Company, based on legal advice, consider that the Plaintiff's chance of success appears to be higher than LBL. Therefore, the directors of the Company have prudently made a provision of approximately HK$2,300,000 in relation to the legal costs expected to be obtained by the Plaintiff.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 March 2017 were as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the Company		Principal activities
			Direct	Indirect	
Henry Group Assets Management Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	Investment holding
New Treasure Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	Investment holding
Henry Group Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Gold Matrix Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	Investment holding
Henry Group Property Management Limited	Hong Kong	Ordinary HK$1	—	100%	Inactive
Henry Group Management Limited	Hong Kong	Ordinary HK$1	100%	—	Provision of administrative service to group companies
Rose City Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Max Act Enterprises Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Sharp Wonder Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Top Bright Properties Limited ("Top Bright")	Hong Kong	Ordinary HK$9,999 Deferred share HK$1	—	99.99% (note 1)	Property investment

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the Company		Principal activities
			Direct	Indirect	
Wingplace Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Smart Land Properties Limited	Hong Kong	Ordinary HK$1	—	100%	Property investment
Seedtime International Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Land Base Limited	Hong Kong	Ordinary HK$2	—	100%	Property investment
Maxwing Investment Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Winning Pride Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Inactive
Joy Depot Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Bond Victory Limited	Hong Kong	Ordinary HK$5,000	—	100%	Property investment
South Shine Limited	The British Virgin Islands Hong Kong	Ordinary US$1	—	100%	Investment holding
Sunny Coast Limited	Hong Kong	Ordinary HK$1	—	100%	Investment holding
Asia Goal International Limited	Hong Kong	Ordinary HK$1	—	100%	Property investment
Pioneer Delight Limited	Hong Kong	Ordinary HK$1	—	100%	Property investment
Top Grade Properties Limited	Hong Kong	Ordinary HK$1	—	100%	Property investment
Wealth Properties Limited	Hong Kong	Ordinary HK$1	—	100%	Property investment

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid-up share capital	Percentage of equity attributable to the Company/ proportion of voting power held by the Company		Principal activities
			Direct	Indirect	
New Headland Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	Investment holding
Joyfield Global Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Crystal City Global Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Perfect Shield Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Red Ribbon Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Uptodate Management Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Inactive

Notes

1. One non-voting deferred share of Top Bright is held by Capital Garden Holdings Limited, a company incorporated in the British Virgin Islands being controlled by Mr. Ng Ian, a director of the Company. Pursuant to the Article of Association of Top Bright, on a winding up, the holder of the deferred share shall be entitled out of the surplus assets of Top Bright to a return of the capital paid up on the one non-voting share but only after a holder of ordinary share has received in full the return of capital paid on them and, in aggregate, a total sum of HK$100,000,000,000,000.

The above table lists the subsidiaries of the Group, which in the opinion of directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in to opinion of directors, result in particulars of excessive lengths.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries (Note)	296,267	491,470
CURRENT ASSETS		
Other receivables	567	16
Amounts due from subsidiaries	296,180	—
Derivative financial instruments	16,085	21,300
Cash and bank balances	10,160	114,182
	322,992	135,498
CURRENT LIABILITIES		
Other payables	458	884
NET CURRENT ASSETS	322,534	134,614
TOTAL ASSETS LESS CURRENT LIABILITIES	618,801	626,084
NON-CURRENT LIABILITIES		
Interest and other payables	2,303	668
Convertible notes	47,018	73,170
Deferred taxation	4,122	8,552
	53,443	82,390
NET ASSETS	565,358	543,694
CAPITAL AND RESERVES		
Share capital	102,904	97,180
Reserves	462,454	446,514
TOTAL EQUITY	565,358	543,694

Note:

As at 31 March 2017 and 31 March 2016, the balance of interests in subsidiaries included amounts due from subsidiaries.

The Company's financial statements were approved and authorised for issue by the board of directors on 27 June 2017 and signed on its behalf by:

Ng Ian
Director

Chan Kwok Hung
Director

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium HK$'000	Share-based payment reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000 (Note)	Retained profits HK$'000	Total HK$'000
At 1 April 2015	718,549	14,172	—	39,258	160,302	932,281
Loss and total comprehensive loss for the year	—	—	—	—	(24,914)	(24,914)
Issue of convertible notes	—	—	72,816	—	—	72,816
Deferred tax liability arising from issue of convertible notes	—	—	(8,957)	—	—	(8,957)
Recognition of share-based payments	—	14,067	—	—	—	14,067
Exercise of share options	18,113	(6,976)	—	—	—	11,137
Reduction of share premium and transfer between share premium and contributed surplus	(720,617)	—	—	720,617	—	—
Distribution	—	—	—	(549,916)	—	(549,916)
At 31 March 2016 and 1 April 2016	16,045	21,263	63,859	209,959	135,388	446,514
Loss and total comprehensive loss for the year	—	—	—	—	(9,445)	(9,445)
Recognition of share-based payments	—	2,297	—	—	—	2,297
Exercise of share options	757	(237)	—	—	—	520
Release of deferred tax liability upon conversion of convertible notes	—	—	3,348	—	—	3,348
Issue of shares upon conversion of convertible notes	49,644	—	(30,424)	—	—	19,220
At 31 March 2017	**66,446**	**23,323**	**36,783**	**209,959**	**125,943**	**462,454**

Note:

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the group reorganisation in April 2000 and the nominal value of the Company's shares issued for the acquisition. In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company had distributable reserve of approximately HK$329,557,000 at the end of the reporting period (2016: HK$345,347,000).

43. CORPORATE GUARANTEES

As of 31 March 2017, the Company provided several corporate guarantees of approximately HK$1,316,000,000 (2016: HK$1,877,500,000) of which given to banks for securing banking facilities granted to the Company's subsidiaries.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2017.

	Year ended 31 March				
	2013 HK$'000	2014 HK$'000 (restated) (note)	2015 HK$'000	2016 HK$'000	**2017 HK$'000**
Revenue	49,977	53,555	51,270	57,247	**65,826**
Other income and gains	4,618	7,817	20,450	11,215	**4,799**
Increase/(decrease) in fair value of investment properties	652,650	(22,367)	488,000	9,862	**30,200**
Loss on disposal of financial asset held for sale	—	(3)	—	—	**—**
Gain on disposal of subsidiaries	—	297,739	—	—	**—**
Staff costs	(21,667)	(48,739)	(32,489)	(17,678)	**(12,123)**
Depreciation of property, plant and equipment	(635)	(400)	(141)	(80)	**(478)**
Other operating expenses	(22,699)	(20,572)	(13,159)	(27,144)	**(17,922)**
Profit from operations	662,244	267,030	513,931	33,422	**70,302**
Finance costs	(31,544)	(32,457)	(26,070)	(26,877)	**(33,611)**
Profit before taxation	630,700	234,573	487,861	6,545	**36,691**
Taxation charge/(credit)	(87,391)	3,431	(1,692)	(4,974)	**(2,585)**
Profit for the year	543,309	238,004	486,169	1,571	**34,106**
Profit for the year attributable to:					
Owners of the Company	354,080	123,600	486,169	1,571	**34,106**
Non-controlling interests	189,229	114,404	—	—	**—**
	543,309	238,004	486,169	1,571	**34,106**
Dividend and distribution	—	—	—	549,916	**—**
Earnings per share					
— Basic (in HK cents)	49.42	16.99	56.52	0.16	**3.41**
— Diluted (in HK cents)	48.91	16.09	55.93	0.05	**3.27**
ASSETS AND LIABILITIES					
Total assets	6,234,883	2,992,141	3,662,068	3,362,156	**3,489,757**
Total liabilities	3,749,865	1,032,703	1,042,976	1,200,254	**1,262,640**
	2,485,018	1,959,438	2,619,092	2,161,902	**2,227,117**

Note:

The basic and diluted earnings per share for the year ended 31 March 2014 has been adjusted to reflect the open offer completed during the year ended 31 March 2015.

SCHEDULE OF PROPERTIES HELD BY THE GROUP

For the year ended 31 March 2017

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 March 2017 were as follows:

Location	Type of property	Group interest	Approximately area
Jardine Center No. 50 Jardine's Bazaar Causeway Bay Hong Kong	Commercial	100%	Gross floor area of approximately 49,779 sq. ft
L'hart No. 487–489 Lockhart Road Causeway Bay Hong Kong	Commercial	100%	Gross floor area of approximately 32,728 sq. ft
Ground Floor and Cockloft Floor No. 38 Jardine's Bazaar Causeway Bay Hong Kong	Commercial	100%	Saleable area of approximately 700 sq. ft. with yard of 29 sq. ft. on the ground floor
First Floor of No. 38 Jardine's Bazaar and No.40 Jardine's Bazaar Causeway Bay Hong Kong	Residential	100%	Saleable area of approximately 762 sq. ft. with flat roof of 99 sq. ft.
House No. 12, Villa Bel-Air Bel-Air of the Peak Island South No. 12 Bel-Air Peak Rise Hong Kong	Residential	100%	Saleable area of approximately 3,603 sq. ft. with ancillary areas as follows: Garage 474 sq. ft. Plant room 150 sq. ft. Landscape garden 493 sq. ft. Flat roof 568 sq. ft. Roof 682 sq. ft. Stairhood 125 sq. ft.
Shop No.1 on G/F including Portions of The Flat Roof and Canopy over and above The Shop No. 1 on G/F, K.K. Mansion Nos. 119, 121 & 125 Caine Road Hong Kong	Commercial	100%	Saleable area of approximately 1,300 sq. ft. with flat roof of approximately 254 sq. ft.
Ground Floor including Cockloft No. 41 Jardine's Bazaar Causeway Bay Hong Kong	Commercial	100%	Saleable area of approximately 1,056 sq. ft. with yard of 82 sq. ft. on the ground floor
Ground Floor No. 57 Jardine's Bazaar Causeway Bay Hong Kong	Commercial	100%	Saleable area of approximately 715 sq. ft.