Tern Properties
Company Limited

STOCK CODE : 277

Annual Report 2018

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chan Hoi Sow
Chairman and Managing Director
Chan Yan Tin, Andrew
Chan Yan Wai, Emily

NON-EXECUTIVE DIRECTOR

Chan Yan Mei, Mary-ellen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Kwok Wai
Cheung Chong Wai, Janet
(appointed on 31 March 2018)
Tse Lai Han, Henry
Leung Kui King, Donald
(resigned on 31 March 2018)

AUDIT COMMITTEE

Chan Kwok Wai
(Chairman)
Cheung Chong Wai, Janet
Tse Lai Han, Henry

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Chan Kwok Wai
(Chairman)
Chan Yan Wai, Emily
Tse Lai Han, Henry

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY SECRETARY

Lee Ka Man

AUDITOR

HLM CPA Limited

SOLICITORS

Woo, Kwan, Lee & Lo

WEBSITE

www.tern.hk

STOCK CODE

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Chairman's Statement

I am pleased to present to shareholders of Tern Properties Company Limited (the "Company") the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018.

FINANCIAL RESULTS

The revenue of the Group for 2018 was HK$81.3 million, a decrease of 16.4% from last year. The reduction was primarily attributable to lower rents from renewals both in office and retail properties.

The profit attributable to the owners of the Company for the year was HK$110.3 million. Such profit was mainly attributable by the increase of interest income derived from Group's long term investments in securities and increase in fair value of the Group's investment properties as a result of the recent surge in tourist arrivals and rising retail sales. Earnings per share amounted to HK35.8 cents.

DIVIDEND

The Board of Directors of the Company has resolved to recommend a final dividend of HK3.2 cents per share for the year ended 31 March 2018. Together with the interim dividend of HK2.2 cents per share that have already been paid, the total dividends for the year will amount to HK5.4 cents per share. The proposed final dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on Thursday, 16 August 2018, will be payable on Friday, 31 August 2018 to the shareholders on the Register of Members of the Company on Friday, 24 August 2018.

CLOSURE OF REGISTER MEMBERS

To ascertain the entitlement of the shareholders to attend and vote at the 2018 Annual General Meeting, the Register of Members of the Company will be closed from Monday, 13 August 2018 to Thursday, 16 August 2018, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to be eligible to attend and vote at the 2018 Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 10 August 2018.

Subject to the approval of the shareholders at the 2018 Annual General Meeting, the proposed final dividend will be payable to the shareholders whose names appear on the Register of Members of the Company on 24 August 2018. To ascertain the entitlement of the shareholders to the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 22 August 2018 to Friday, 24 August 2018, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 21 August 2018.

Chairman's Statement

BUSINESS OUTLOOK

The global economic expansion is expected to continue in 2018 mainly due to U.S. tax cuts, which will boost consumption and investment. The accelerated growth in the U.S. economy will be the key driver of continuous global economic expansion. However, the macroeconomic environment remains uncertain under the impact of global events such as interest rate hikes, uncertainty over Brexit terms, Sino-US trade disputes and the geopolitical situation in the Korean Peninsula. It is likely that such events will continue to unfold in the near future and continue to cast a shadow of economic uncertainty in the long run.

Due to the increasing number of visitors to Hong Kong, overall retail turnover has rebounded as compared with the same period in the previous year, while the recovery of the high-end consumer market may reduce the possibility for substantial downward rental adjustments upon shop lease renewals. As a result of short supply and improved business confidence, it is expected that the leasing market for office buildings will continue to deliver a stable and favourable performance.

The Group will remain prudent and continue to keep an eye on Hong Kong and overseas property markets for potential acquisition targets to expand its investment property portfolio and to increase its profitability. As before, the Group will continue to maintain its low debt level and keeping a good balance between financial stability and profit growth in order to maximise shareholders' return.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to the members of the Board, the management and our employees for their continued dedication, and to our shareholders for their support.

Chan Hoi Sow
Chairman and Managing Director

Hong Kong, 19 June 2018

Management Discussion and Analysis

INTRODUCTION

The core business of the Company and its associates consist of property investment and treasury investment. Details of properties held by the Group is shown on pages 111 to 112 to the consolidated financial statements.

FINANCIAL HIGHLIGHTS

In millions of Hong Kong dollars except per share amounts

		2018	2017
For the year	Revenue	**81.3**	97.3
	Profit (loss) for the year attributable to owners of the Company	**110.3**	(29.3)
As at 31 March	Capital & reserves attributable to owners of the Company	**3,735.9**	3,644.7
	Shares in issue (thousands)	**307,759**	307,759
Ratio	Return before the changes in fair value of investment properties on capital & reserves attributable to owners of the Company	**2.6%**	2.0%
Per Share	Net worth per share (HK$)	**12.14**	11.84
	Basic earnings (loss) per share (HK cents)	**35.83**	(9.52)
	Final dividend declared per share (HK cents)	**3.2**	3.2

FINANCIAL REVIEW

FINANCIAL RESULTS

Revenue

The revenue of the Group for the year was HK$81.3 million (2017: HK$97.3 million), a decrease of HK$16.0 million. This was primarily due to most of the Group's commercial shop and office properties recorded a decrease in rental rates upon renewal, although there is a slight increase in the Group's rental portfolio occupancy rate by 1.5% to 97.8% during the year.

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

FINANCIAL RESULTS (CONT'D)

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company for the year was HK$110.3 million (2017: loss of HK$29.3 million).

The turnaround of the result by recording a profit for the year as compared to a loss in last year was primarily due to:–

– an increase in interest income from Group's long term investments in securities by 58.6%; and

– an increase in fair value of investment properties upon revaluation at the year end.

Earnings per share

Earnings per share for the year ended 31 March 2018 were HK35.83 cents (2017: loss per share HK9.52 cents), an increase of HK45.35 cents from last year. The proposed final dividend of HK3.2 cents (2017: HK3.2 cents) per share will make a total distribution of interim and final dividend of HK5.4 cents (2017: HK5.4 cents) per share for the full year.

LIQUIDITY, BANK BORROWINGS AND FINANCE COSTS

At 31 March 2018, the Group's net current assets including bank deposits, balances and cash of HK$64.6 million (2017: HK$36.6 million) amounted to HK$72.4 million (2017: net current liabilities of HK$7.3 million), an increase of HK$70.5 million from last year mainly contributed by an increase of available-for-sale financial assets redeemable within one year.

At 31 March 2018, the Group's banking facilities amounting to HK$1,000.0 million (2017: HK$990.0 million) were fully secured by its investment properties, pledged bank deposits and available-for-sale financial assets with an aggregate fair value amounting to HK$1,821.3 million (2017: HK$1,455.4 million). At 31 March 2018, HK$350.0 million was utilised (2017: HK$210.0 million).

At 31 March 2018, the Group have bank borrowings of HK$350.0 million (2017: 210.0 million). At 31 March 2018, the total amount of outstanding bank borrowings net of bank balances and cash and pledged bank deposits were HK$285.4 million. The gearing ratio, which is the ratio of net bank borrowings to shareholders' funds was 7.6%.

Of the total bank borrowings at 31 March 2018, HK$82.4 million or 23.5% were repayable within one year. HK$12.6 million or 3.6% were repayable after one year but within two years. HK$39.2 million or 11.2% were repayable after two years but within five years. HK$215.8 million or 61.7% were repayable after five years.

The Group's finance costs for the year ended 31 March 2018 were HK$6.5 million (2017: HK$1.7 million), an increase of HK$4.8 million from last year which was resulted from the increase in bank borrowings to finance the purchase of long term available-for-sale financial assets.

Management Discussion and Analysis

FINANCIAL REVIEW (CONT'D)

SHAREHOLDERS' FUNDS

At 31 March 2018, the Group's shareholders' funds amounted to HK$3,735.9 million (2017: HK$3,644.7 million), a slight increase of 2.5% from last year. The net asset value per share was HK$12.14 (2017: HK$11.84). The increase in shareholders' funds was due primarily to the increase in the fair value of the investment properties of the Group upon revaluation at the end of the year.

SEGMENT INFORMATION

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

RISK OF FOREIGN EXCHANGE FLUCTUATION

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

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

Details regarding pledge of assets are set out in note 29 to the consolidated financial statements.

OPERATIONAL REVIEW

PROPERTIES

- The Group's rental income mainly derived from its Hong Kong property portfolio.
- The Group's rental income decreased by 16.4% when compared to 2017.
- At 31 March 2018, the Group's held investment properties amounting to HK$2,968.4 million, an increase of HK$13.8 million from last year. The increase was due to the increase in fair value of the Group's investment portfolio during the year.
- No acquisitions or disposals of properties during the year.

Management Discussion and Analysis

OPERATIONAL REVIEW (CONT'D)

TREASURY INVESTMENTS

- The Group's interest income mainly derived from its treasury investment portfolio.
- At 31 March 2018, the carrying value of investment portfolio was HK$707.3 million (2017: HK$522.6 million). Interest income increased by 58.6% in 2018 reflecting a higher average carrying value of investment portfolio during the year.

EMPLOYEES

At 31 March 2018, the total number of staff of the Group was 19 (2017: 18). The total staff costs including Directors' emoluments amounted to HK$23.8 million (2017: HK$22.4 million).

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

OUR RISK PROFILE

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

BUSINESS RISK

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

Management Discussion and Analysis

OPERATIONAL REVIEW (CONT'D)

OPERATIONAL RISK

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

FINANCIAL RISK

Financial risk included market risk, credit risk and liquidity risk. Market risk concerns that the value of an investment will change due to movements in market factors and which can be further divided into equity risk, interest rate risk and foreign exchange risk. Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Liquidity risk concerns that a given security or asset cannot be traded readily in the market to prevent a loss or make the required profit. Further discussion on financial risk management is outlined in note 33(b) to the consolidated financial statements.

ENVIRONMENTAL POLICIES

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

RELATIONSHIP WITH KEY STAKEHOLDERS

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

Profile of Directors and Senior Management

CHAN HOI SOW

Mr. Chan, aged 84, is the founder of the Group. He has been the Chairman and Managing Director of the Group since 1987. He is also a director of various members of the Group. Mr. Chan has closed to 40 years of experience in property investment and development in Hong Kong, the Mainland China and overseas and in financial investment. He is the father of Mr. Chan Yan Tin, Andrew, an Executive Director of the Company, Ms. Chan Yan Wai, Emily, an Executive Director of the Company and Ms. Chan Yan Mei, Mary-ellen, a Non-Executive Director of the Company.

CHAN YAN TIN, ANDREW

Mr. Chan, aged 54, has been an Executive Director of the Company since January 2004. He was an Executive Director from October 1987 to April 2001 and a Non-Executive Director from April 2001 to January 2004. He is also a member of the Remuneration Committee and a director of various members of the Group. He graduated from Simon Fraser University in Canada and has extensive experience in construction, property investment and development in Hong Kong, the Mainland China and overseas. Mr. Chan is a son of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as brother of Ms. Chan Yan Wai, Emily and Ms. Chan Yan Mei, Mary-ellen, who are the Executive Director and Non-Executive Director of the Company respectively.

CHAN YAN WAI, EMILY

Ms. Chan, aged 53, has been appointed as an Executive Director of the Company on 15 June 2017. She is also a member of the Nomination Committee and a director of various members of the Group. She holds a Bachelor of Arts degree from the University of British Columbia. She has been serving in the Group since 2002 and is currently a General Manager of operations and corporate functions. Ms. Chan is a daughter of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as sister of Mr. Chan Yan Tin, Andrew and Ms. Chan Yan Mei, Mary-ellen, who are the Executive Director and Non-Executive Director of the Company respectively.

CHAN YAN MEI, MARY-ELLEN

Ms. Chan, aged 50, has been a Non-Executive Director of the Company since June 2012. She holds a Bachelor of Science degree from the University of British Columbia in Canada and a Master of Business Administration degree from The Hong Kong University of Science and Technology. She has solid experience in supervisory role as well as financial and business management. Ms. Chan is a daughter of Mr. Chan Hoi Sow, the Group's Chairman and Managing Director and controlling shareholder of the Company as well as sister of Mr. Chan Yan Tin, Andrew and Ms. Chan Yan Wai, Emily who are both the Executive Directors of the Company.

Profile of Directors and Senior Management

CHAN KWOK WAI

Mr. Chan, aged 59, has been an Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Audit Committee, the Chairman of the Remuneration Committee and the Chairman of the Nomination Committee. Mr. Chan holds a Bachelor Degree of Business Administration from the Monash University, Australia. He is a member of the CPA Australia and a member of the Hong Kong Securities and Investment Institute. He has extensive experience in finance and accounting industry.

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

TSE LAI HAN, HENRY

Mr. Tse, aged 53, has been an Independent Non-Executive Director of the Company since September 2004. He is also a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee. He holds Bachelor and Master of Applied Science (Civil Engineering) degrees from the University of British Columbia in Canada. He has considerable experience in both construction and property development in Hong Kong and Overseas.

LEUNG KUI KING, DONALD

Mr. Leung, aged 62, has been an Independent Non-Executive Director of the Company since April 2008 to 31 March 2018. He resigned as a member of the Audit Committee on 31 March 2018. He holds a Bachelor of Science degree in Business Administration from The University of California, Berkeley and completed Harvard University's Advanced Management Program. He started his career in banking with Bank of America in 1977 and joined Wardley Limited (a member of HSBC Group) in 1984. He then spent 20 years with Sun Hung Kai Properties Group and retired as Assistant to Chairman in January 2006.

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

CHEUNG CHONG WAI, JANET

Ms. Cheung, aged 51, has been appointed as an Independent Non-Executive Director of the Company on 31 March 2018. She is also a member of the Audit Committee. Ms. Cheung holds a Bachelor of Commerce – Accounting & Management Information Systems degree from the University of British Columbia in Canada and a Master of Business Administration degree from the University of Michigan in U.S.A. She has been working as an airline executive with over 25 years' experience in leading complex procurement and financing projects.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has complied with all the applicable code provisions in the Code throughout the year ended 31 March 2018, except that the roles of chairman and chief executive are performed by the same individual which is a deviation from provision A.2.1 of the Code.

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

BOARD OF DIRECTORS

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

The Board held four meetings during the year ended 31 March 2018. The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management. The Executive Directors and management are delegated the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The Independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

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

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

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

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

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

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

BOARD DIVERSITY POLICY

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

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

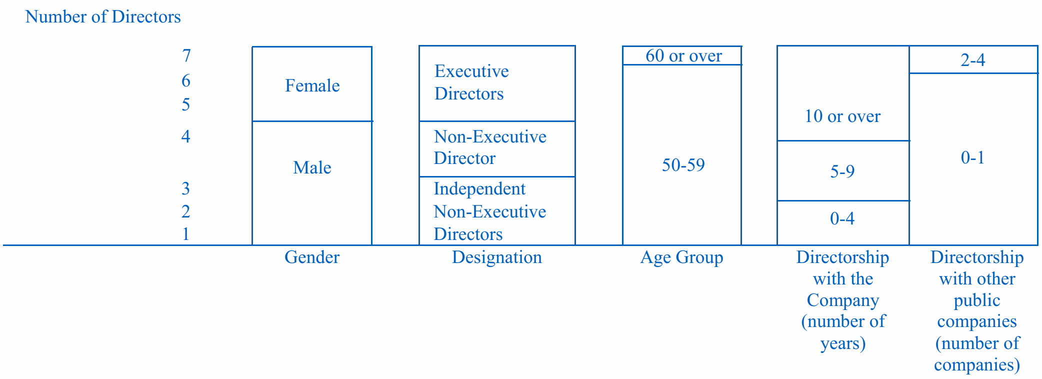
The Board will consider setting measurable objectives to implement the policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. At present, the Board has not set any measurable objectives.

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

Corporate Governance Report

BOARD DIVERSITY POLICY (CONT'D)

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



CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

Directors	**Reading Regulatory Updates/Other Materials**	**Attending Seminars/ Conferences/Briefings**
Executive Directors		
Chan Hoi Sow *Chairman and Managing Director*	√	–
Chan Yan Tin, Andrew	√	–
Chan Yan Wai, Emily	√	√
Non-Executive Director		
Chan Yan Mei, Mary-ellen	√	–
Independent Non-Executive Directors		
Chan Kwok Wai	√	√
Cheung Chong Wai, Janet (appointed on 31 March 2018)	√	–
Tse Lai Han, Henry	√	√
Leung Kui King, Donald (resigned on 31 March 2018)	√	√

Corporate Governance Report

DIRECTORS' AND OFFICERS' INSURANCE

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

BOARD COMMITTEES

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

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

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

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

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

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

AUDIT COMMITTEE

The Audit Committee has been established since March 2005. It comprises three Independent Non-Executive Directors, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Tse Lai Han, Henry and Mr. Leung Kui King, Donald. Mr. Leung Kui King, Donald resigned as member of the audit committee on 31 March 2018. On the same day, Ms. Cheung Chong Wai, Janet, an Independent Non-Executive Director of the Company, has been appointed as member of the audit committee. Mr. Chan Kwok Wai has extensive experience in finance and accounting industry with appropriate professional accounting qualification. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

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

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

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

Corporate Governance Report

AUDIT COMMITTEE (CONT'D)

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

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) the going concern assumptions and qualifications;

  (v) compliance with accounting standards; and

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

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

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

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

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

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

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2018. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of this report.

The Audit Committee reviewed the Group's financial statements for the year ended 31 March 2018 and for the six months ended 30 September 2017 respectively, discussed audit scope and findings with the Company's auditors and reviewed the Group's financial reporting system and internal control procedures and risk management policy. The Audit Committee also approved the remuneration of the Company's auditor for their audit services for the year.

The Audit Committee has reviewed the Group's audited financial statements for the year ended 31 March 2018 with the Directors.

Corporate Governance Report

REMUNERATION COMMITTEE

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

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

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

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

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

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

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2018. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2018, the Remuneration Committee reviewed the remuneration policy of the Company, assessed the performance of the Executive Directors and senior management, recommended specific remuneration packages for all the Directors and senior management to the Board, recommended the remuneration of non-executive directors.

NOMINATION COMMITTEE

The Nomination Committee has been established since 1 April 2012. It comprises two Independent Non-Executive Directors and an Executive Director, namely Mr. Chan Kwok Wai as the Chairman of the Committee, Mr. Chan Yan Tin, Andrew and Mr. Tse Lai Han, Henry. Mr. Chan Yan Tin, Andrew resigned as member of the Nomination Committee on 10 August 2017. On the same date, Ms. Chan Yan Wai, Emily, an Executive Director of the Company, has been appointed as member of the Nomination Committee. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if it is considered necessary.

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

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

Corporate Governance Report

NOMINATION COMMITTEE (CONT'D)

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

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

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

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. Two meetings were held during the year ended 31 March 2018. The attendance of each member is set out in the section headed "Attendance of Directors at Board and Committee Meetings and Annual General Meeting" of the report.

During the year ended 31 March 2018, the Nomination Committee reviewed the structure, size and composition of the board, made recommendations to the board on the selection of individuals nominated for directorships, and assessed the independence of independent non-executive directors.

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

The attendance of the Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Annual General Meeting during the year ended 31 March 2018 is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Chan Hoi Sow *(Chairman and Managing Director)*	4/4	2/2	–	–	1/1
Chan Yan Tin, Andrew	4/4	2/2	2/2	1/1	1/1
Chan Yan Wai, Emily	4/4	2/2	2/2	1/1	1/1
Non-Executive Director					
Chan Yan Mei, Mary-ellen	4/4	2/2	–	–	1/1
Independent Non-Executive Directors					
Chan Kwok Wai	4/4	2/2	2/2	2/2	1/1
Tse Lai Han, Henry	4/4	2/2	2/2	2/2	1/1
Leung Kui King, Donald (resigned on 31 March 2018)	4/4	2/2	–	–	1/1
Cheung Chong Wai, Janet (appointed on 31 March 2018)	–	–	–	–	–

Corporate Governance Report

DIRECTORS SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors of the Company. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2018.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Group and of the profit and cash flows for the year ended 31 March 2018 in accordance with the Hong Kong Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditor of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditor's Report on pages 43 to 47.

RISK MANAGEMENT CONTROL AND INTERNAL CONTROL ENVIRONMENT

RESPONSIBILITY

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

INTERNAL CONTROL

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

REVIEW OF INTERNAL CONTROL EFFECTIVENESS

In respect of the year ended 31 March 2018, the Board considered the internal controls system effective and adequate. No significant areas of concern that might affect the financial, operational, compliance controls, and risk management functions of the Group were identified.

Corporate Governance Report

RISK MANAGEMENT

ESTABLISHMENT OF RISK MANAGEMENT FRAMEWORK

The Company has established a Risk Management Framework that includes developing a risk management policy and procedures since 2017.

OUR RISK MANAGEMENT PROCESS

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

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

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

DISSEMINATION OF INSIDE INFORMATION

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

AUDITORS' REMUNERATION

The remuneration payable to the Group's auditor, HLM CPA Limited for their audit services for the year ended 31 March 2018 amounted to HK$460,000. The auditor did not provide any non-audit service to the Group during the year.

Corporate Governance Report

COMPANY SECRETARY

The Company's secretarial functions are outsourced to external service provider, Ms. Lee Ka Man ("Ms. Lee"), as its Company Secretary and Mr. Lee Siu Kau, the Financial Controller of the Company, is the primary contact person of the Company with the Company Secretary.

Ms. LEE is an associate member of both The Institute of Chartered Secretaries & Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. LEE obtained a bachelor's degree in Business Administration from The Open University of Hong Kong in June 2002 and a master's degree in Business Administration from The Open University of Hong Kong in December 2004. She has more than 15 years of experience in the field of company secretarial services.

Ms. Lee has been in full compliance with the requirements of Rule 3.29 of the Listing Rules during the year.

COMMUNICATION WITH SHAREHOLDERS

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

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

2017 ANNUAL GENERAL MEETING

At the 2017 annual general meeting, the chairman of the meeting explained the procedures for conducting a poll to the shareholders. Separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors, re-appointment of auditor, general mandates respectively authorising the Directors to buy back shares or to issue shares of the Company and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and the Chairman of respective committees attended the annual general meeting to address enquiries raised by shareholders and ensure effective communication with shareholders.

Corporate Governance Report

GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

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

The request:

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

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

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

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

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

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

Corporate Governance Report

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

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

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

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

The request:

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

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

Environmental, Social and Governance Report

INTRODUCTION OF THE REPORT

This is Tern Properties Company Limited's ("the Group" or "Tern Properties") second Environmental, Social and Governance (the 'ESG') report. This report summarizes the ESG activities of the Group during the financial year which began on 1 April 2017 to 31 March 2018.

In preparing this report, the Group has complied with the "Comply or Explain" provisions in accordance with the "ESG Reporting Guide" as set out in Appendix 27 to the Main Board Listing Rules of the Stock Exchange and in accordance with the practical circumstances of the Company.

OUR GOVERNANCE

The management of the environment, social and governance aspect of our business require sound governance practices. At Tern Properties, the structure includes ESG committee, target owners from across the business and ESG advisor.

The ESG Committee is to define the ESG strategy, knowhow of sustainable building and ensure the activities remain relevant to the Company business objectives and financial capacity.

The target owners are our service providers, the property management companies, those who have a day to day responsibility for delivering developments or managing our properties share the responsibility for data collection and our building improvement.

We also hired ESG advisors for reporting, recommendation, stakeholder engagement, identifying opportunities on how we can improve our building to reduce the environmental impact.

OUR APPROACH TO ESG

We believe that as a company we cannot separate success from responsibility. For this reason, we work to align our aims and actions with the ambitions and needs of our stakeholders.

We believe that creating a mutual advantage in this way is the right thing to do. We also believe that it makes us stronger and more successful business.

It is through acting responsibly that a company earns a reputation for integrity, and from integrity come to trust. It is impossible to fully measure the value of trust, but we know that it plays a profound role in our success and is certainly vital to our future.

Environmental, Social and Governance Report

OUR APPROACH TO ESG (CONT'D)

Our ESG focused on three key areas.

OUR ENVIRONMENT

– Reduce the environmental impact of the building
– Working with others to conserve our natural resources
– Engaging with property management company and tenants to improve the energy efficiency of the building

OUR PEOPLE

– Being an equal opportunity employer
– Ensuring the health and well-being of our people
– Improving our performance and development program to nurture talent

OUR MARKET

– Demonstrating the value of the responsible business to investors
– Working with suppliers to provide the best services to our tenants
– Meeting our responsibilities to those who work in or visit our building

OUR STAKEHOLDERS

We seek to address the most important issues that affect our business. We realize that our business decision affect the various stakeholders, which is why it is essential that we identify and understand these stakeholders requirements through regular communication.

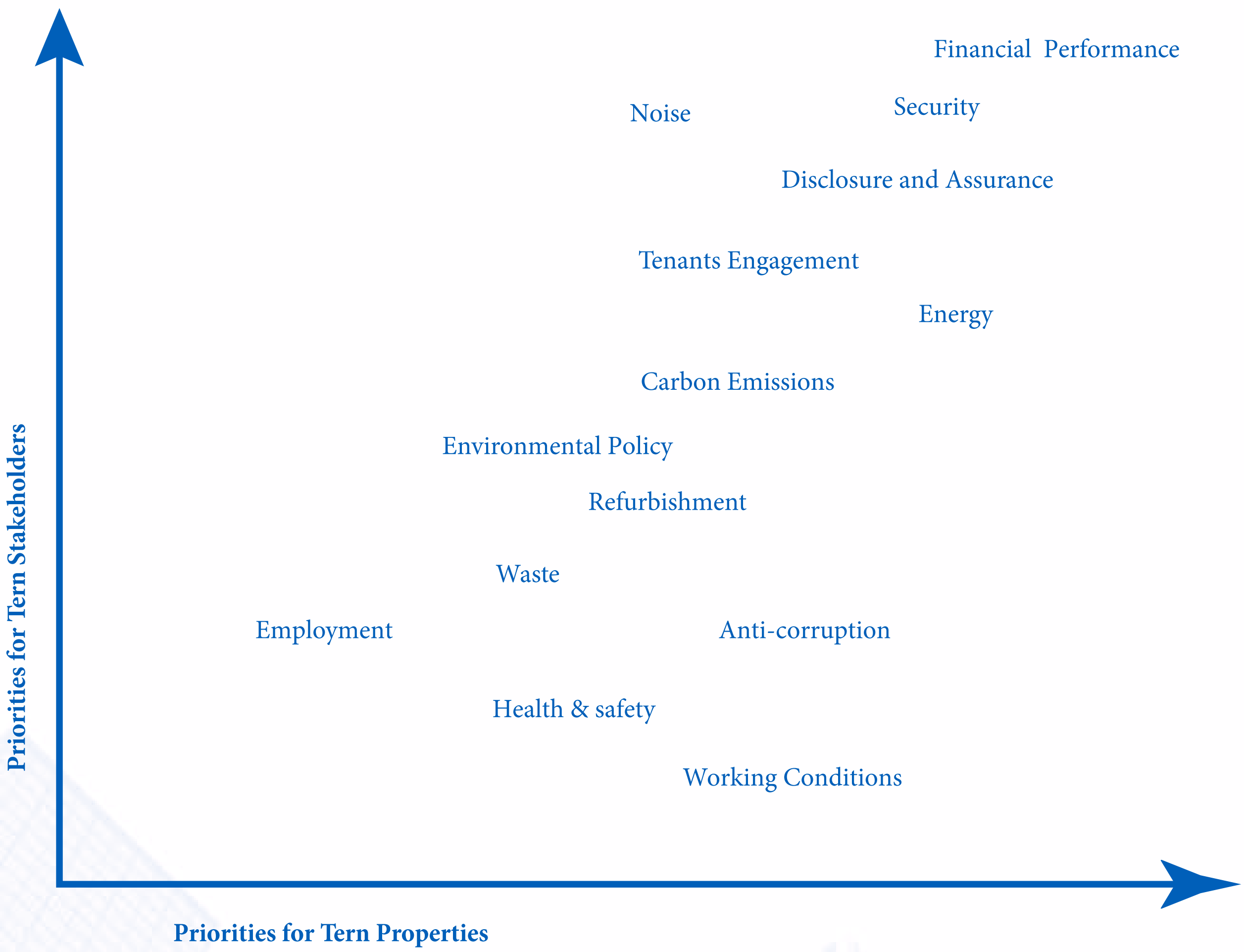
The feedback we receive from stakeholders informs our thinking about ESG priorities for our business and feeds into our ESG strategy.

Our stakeholder includes employees, tenants, and retailers, suppliers and service partner, shareholders, municipal authorities and regulators.

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

Tern Properties influence extends beyond our own operations and as a result, it covers environmental, social and economic impact. We have therefore taken a broad view of how we create value for our business and stakeholders. This is our second ESG materiality assessment, we have done it based on the Stock Exchange's ESG guideline. The matrix identifies the key issues of our business, including our green building, as well as our relationships with our tenants and retailers, shareholders, supplier and municipal authority.



Environmental, Social and Governance Report

ENVIRONMENT

EMISSIONS AND USE OF RESOURCES

Tern Properties business mainly involved in property investment and treasury investment without any manufacturing facility. The Group only has one office for own use located in one of the office portfolios.

Therefore, the Group does not generate a significant amount of hazardous waste, air emissions, and wastewater directly from its daily operation.

During the reporting period, we complied with all relevant environmental rules and regulation in Hong Kong that have a significant impact on the company's business. There were no significant fines or penalties for non-compliance with environmental laws and regulations during the year. And no material pollution and damage to the air, land, water sources and ecological environment in the vicinity has occurred.

We are a property investment company. We believe that business has an important role to play in addressing the environmental impact and we are committed to helping our tenants to reduce energy, emissions and develop a mitigation plan. We are also committed to improving our own operations by implementing a number of initiatives.

Our management responds to the initiative in its daily business operations by improving the efficiency of resources consumption through the following measures.

1) Installation of water saving design features such as dual flush toilets
2) Replace the lighting system in the office with LED light
3) Encourage double side printing and reuse of waste paper
4) Encourage paperless office by converting documents and other paper into digital forms
5) Keep indoor air-conditioning temperature at 24°c during summer
6) Staff is reminded to switch off lights and equipment after work, during lunch break or during the time working outside the office.
7) Administrative staff performs a final check on the electricity control at the end of the day

Many of the issues highlighted require a cultural change and this will require some form of communication effort. All our staff has been informed of these policies, what is required of them, and all relevant instructions.

Environmental, Social and Governance Report

ENVIRONMENT (CONT'D)

PAPER USAGE

Alongside environmental concerns of the Group is the drive to improve efficiency and to keep the cost under control over all aspects of the office's operations. Within this context, Tern Properties has identified paper usage as a key area to address. Since the beginning of 2017, we have started to record the paper usage.

During the reporting period, we have used 140 rims of A4 paper. This is the first step for us to assess paper use. The data is very useful for benchmark purpose for the year coming. We will start to identify areas of potential savings and consider the increased usage of recycled paper.

ENERGY

We have leased out our properties to tenants and the use of energy of our tenants from air conditioning to lighting over which we have limited control. Our tenants are directly responsible for many of the impacts of the properties they occupy so the challenges for us remains in helping to educate them on how energy saving can reduce environmental impacts.

Our largest sources of greenhouse gas (GHG) emissions is electricity consumption. This accounts for 85 percent of our total GHG emissions. Our Hong Kong Head office is our largest consumption of electricity and we continue to identify opportunities to improve energy efficiency. The intensity of the electricity based on consumption per head count is 4940 kWh.

The following table sets out our electricity and natural gas consumption during 2017/18.

The non-renewable energy	
Towngas	24840MJ
Electricity purchased	
Electricity	93860 kWh

MANAGING OUR TRANSPORT EMISSIONS

The Group management has 3 company vehicles for private use. The transport fleet is the second largest contributor to our emissions profile. During the reporting period, the fleet has used 5264.87 liters of Petrol. The company's vehicles bought and used for company management travel are all conform to national emission standards.

Number of Vehicle	3 x < 2.5 tonnes car
Car Petrol	5264.87 Liter

Environmental, Social and Governance Report

ENVIRONMENT (CONT'D)

GREENHOUSE GAS EMISSIONS

Our efforts to respond to the challenges posed by climate change are based on ongoing efforts to reduce our greenhouse gas emissions. Accurate measurement of our Scope 1, 2 and 3 on the business air travel of the GHG protocol gives us an accurate picture of our direct and indirect contribution to greenhouse gas emission. And during the reporting period, we have business air travel of 10287 km.

During the reporting period, the Group greenhouse gas inventory was compiled and organized according to ISO14064. The Group carbon footprint equated to a total of 86957.9 kg CO2e. The use of purchased electricity was the primary source of our carbon emission. We are committed to becoming more efficient in electricity usage at our office. We will start to set a target for reducing our carbon emissions. The intensity of the greenhouse gas based on consumption per head count is 4576 kg CO2e.

Scope 1 - Direct GHS emissions	
Petrol	11685 kg CO2e
Scope 2 - Energy indirect emissions	
Purchase Electricity	74149.4 kg CO2e
Towngas	310.5 kg CO2e
Scope 3 - Other indirect emissions	
Business Travel	813.0 kg CO2e
Total Emissions	**86957.9 kg CO2e**

WATER RESOURCES

We recognize that water consumption is a growing issue of importance for our business, and have set a target to reduce the average consumption of water across our building portfolio. Some of our properties use less water on average, thanks to the installation of water saving design features such as dual flush toilets.

While for our office, our water consumptions are mainly for domestic use, for example, from our pantry room and the toilet, our office uses 18 tonnes of water during the reporting period. The intensity of the water based on consumption per head count is 0.947 tonnes.

WASTE

Most of our waste was deemed non-hazardous. The only hazardous wastes generated from our office are light tubes, batteries and ink cartridges. We will pass this waste to property management company to further process.

In the course of the refurbishment of buildings, construction waste is generated. The disposal of construction waste is performed only by local waste management companies. The quantitative data on the total volume of waste consumption and the intensity were not disclosed due to the data collection mechanism still being developed.

Environmental, Social and Governance Report

ENVIRONMENT (CONT'D)

THE ENVIRONMENT AND NATURAL RESOURCES – ENVIRONMENT FOR OUR RETAIL AND OFFICE PORTFOLIOS

Tern Properties has a variety of tenants and the majority of our buildings are let on the basis that the tenants are directly responsible for the electricity, gas and water bills.

We are continuing to work to reduce energy intensity and water use in relation to our own consumption and the consumption which is recharged to our tenants. However, we recognize that we can have a more material impact on energy consumption across our portfolio through improving the energy efficiency of our existing buildings to reduce the amount of resources consumed by our tenants and this is a key focus of our ongoing ESG efforts.

During the reporting period, we made significant improvements in our data collection form by including more KPIs to understand our office and retailer portfolio performance.

SOCIAL

EMPLOYMENT

Tern Properties believe in being fair and equal employer and will work to ensure health and well-being of the employees. Being a company that has a small number of employee, we focus on succession planning and improve our performance and development program to ensure we nurture and promote talent from within the company.

We have developed sound employment policies covering the requirements and standards of recruitment, promotion, remuneration, resignation, treatment and so on, and regulates each requirement and standard to ensure the efficient management of human resources ("HR").

Our HR department adheres to the selection principle of fairness and selection of high caliber and provides equal job opportunities in accordance with their competence and abilities. In order to maintain a competitive remuneration package, we have carried out evaluation and adjustment on remuneration every year with reference to the social average wage, the consumption level, and the industry rate, so as to attract and retain talents.

The Group regularly evaluates employees' performance and uses the evaluation results as an important indicator for employees' remuneration adjustment and promotion. Every year, all the unit heads need to carry out appraisal reviews with their employees.

The Group strictly complies with Hong Kong's employment ordinance and regulations.

Environmental, Social and Governance Report

SOCIAL (CONT'D)

EMPLOYEE PROFILE

We have implemented a set of employment policies to attract and retain the talented people for the sustainable growth of the company. During the reporting period, our business had a total workforce of 19 employees. We have more female employees, and we have a middle age range workforce and all our employees are hired locally. Below is the composition of the employees.

	Number of Employees
Total Workforce	19
By Gender	
Total Male Employees	8
Total Female Employees	11
By Age	
Below 25 years old	0
25 - 34 years old	5
35 - 44 years old	4
45 - 55 years old	7
Above 55 years old	3
By Employment Mode	
Full time	18
Part-time	1
By Level	
Management	3
Non-management	16
By Location	
Hong Kong	19

Environmental, Social and Governance Report

SOCIAL (CONT'D)

EMPLOYEE TURNOVER RATE

The employee turnover rate refers to the percentage of employees who leave an organization during a certain period of time. People usually include voluntary resignation, dismissals, and retirements in the calculations. Employee turnover rates can vary widely across industries.

Tern Properties had 3 employees resigned. During the reporting period, 1 of them is male employee and 2 of them are female employees. The resigned employees were between 25 – 34 years old. The turnover rate is 15%. If we look from the number of employees, instead of percentage, it is a relatively small number. We have carried out the new recruitment for the replacement.

HEALTH AND SAFETY

At Tern Properties, health and safety is our primary concern in our operation. IQAir air cleaning systems are installed in the office to fight against indoor air pollutants and provide the best possible air quality to their staff.

We also take measures to prevent injuries at our office and our leasing portfolio. We implement a range of programs to prevent accidents, including on-site training, awareness program, fire drill and inspection. The company works through a hierarchy of risk control measures when managing risk. Our safety code of practice provides guidance on the selection, provision, and use of personal protective equipment and requirements for specific hazards. There are no fatalities across our operation. And we had zero reported instances of non-compliance with regulations concerning tenants health and safety in connection with our operations, including penalties and fines during the reporting period.

DEVELOPMENT AND TRAINING

Our success relies greatly on the consistent and efficient skills and performance of our employees. Based on the requirement of the business requirements of the business and position, the Group provides various types of training. During the reporting period, 38% of our employees are selected to participate the training, and 45% of them are female employees and 11% are male employees. The average training hours are 40 hours per trained employee annually.

Our HR department would collaborate on the preparation of this training. We provide developing skills that allow the employees to learn about management skill, about the latest green building trend and investor relationship skill. Every training is serialized to ensure that every employee can master proper skills, knowledge, and competencies for their working fulfillment and growth.

Environmental, Social and Governance Report

SOCIAL (CONT'D)

LABOUR STANDARD

Tern Properties strictly complies with Hong Kong labour regulation. Child and forced labour are strictly forbidden so as to guarantee the human and labour rights of the employees. During the reporting period, no events that violated the relevant laws and regulations regarding labour rights and interests occurred within the Group.

We carefully examine and review the age of the employee during the recruitment process. We will check their resident identity card and the relevant qualification before the interview.

We will not force any employee work overtime. All overtime work is performed on a voluntary basis, and employees may choose to apply for overtime work, and a daily limit is set on the maximum number of overtime hours. The terms of overtime work are clearly stated in the employment contract.

SUPPLY CHAIN MANAGEMENT

Tern Properties major suppliers are the property management companies and the contractors who help us to manage the property portfolios by providing leasing services, equipment maintenance, cleaning, waste handling, security, and extra. The Group has established the relevant policy on supply chain management, such as the Procurement Policy which explicitly stated the method of procurement, selection of suppliers, review and approval process and management, to ensure the process is fair and transparent.

We hold regular meetings with our suppliers, from day-to-day operational meetings to the collaborative discussion to ensure our tenants satisfactory and our building and equipment are services up to the standard we want.

PRODUCT RESPONSIBILITIES — TENANTS SATISFACTION

Every day, thousands of people work and shop in the offices and the retail outlets owned by us. As we have different type of properties, our tenants have different needs and expectation.

The feedback and satisfaction or our tenants are particularly important to us as it helps us to monitor service quality and invest in the equipment that can provide convenient and comfortable to our tenants.

We strive to raise customer satisfaction via numerous programs, such as working with property management companies to understand tenant's expectation on the properties they rent. We believe only satisfied customers provide us with the long-term relationships we need to ensure the sustainability of our business.

During the reporting period, we complied with the relevant laws and regulations relating to health and safety, advertising, leasing and privacy matters, relating to our property investment business.

SERVICES COMPLAINT

In relation to service support, Tern Properties let the property management companies to handle the tenant's service request, support, and complaints. In the event of quality issue, tenants can reach our property management team and give feedback. Our property management team will provide support and solution to help tenants to solve the problem.

Environmental, Social and Governance Report

SOCIAL (CONT'D)

NOISE CONTROL

With every asset of our portfolio, we take into consideration indoor air quality, the comfort of the tenants, the quality of the work-space. and in our refurbishment project, we are fully aware of our responsibility towards our tenants and the neighbourhood. We ensure communication are reached to affected tenants and the immediate neighbours. We also make sure our service provider use modern equipment to keep the noise level to a minimum and carry out the task during the permitted time.

TENANT'S DATA PRIVACY

Tern Properties attaches great importance to tenants information security to maintain a sound corporate reputation and establish a cooperative and trusted business relationship with tenants. We are committed to improving information confidentiality management system, and limiting employee's access to confidential information of tenants through the implementation of a number of information security measures and strict authority management in order to guarantee that the information is for authorized use only. During the reporting period, there was no circumstance of consumers' personal data being stolen, altered, damaged or leaked.

ANTI-CORRUPTION

Tern Properties's Code of Conduct establishes minimum standards of conduct for all employees. We take zero-tolerance approach to fraud and corruption. We comply fully with local anti-corruption and anti-bribery laws.

Our Anti-Corruption program is companywide initiative that sets standards for a consistent and comprehensive approach for our business. Aimed at both employees and third parties with whom we do business, the program and policy prohibit the offer, acceptance, payment or authorization of any bribe or any other form of corruption.

Anti-corruption training is given to all new onboard employees. All employees are required to sign anti-corruption undertakings, observe business ethics and the professional ethics in respect of integrity and constantly strengthen self-discipline and self-restraint.

Tern Properties has in place a whistle-blowing procedure where staff can raise concerns on possible improprieties relating to internal controls, bribery, corruption, as well as any breach of the Code of Business Conducts and Ethics. Under this procedure, arrangements are in place for investigation of such matters raised and for appropriate follow up action to be taken.

COMMUNITY INVESTMENT

The Group is actively seeking opportunities to make contribution to the society and the Group has always encouraged our employees to participate in voluntary and charitable events to serve the community and society. The Group plans to implement more community service to reflect its responsibility towards the society.

Directors' Report

The board of directors of the Company ("Board") presents its annual report and the audited consolidation financial statements of the Company and its subsidiaries (collectively "Group") for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company continues to act as an investment holding company. The principal activities of its principal subsidiaries and associates as at 31 March 2018 are set out in notes 35 and 19 to the consolidated financial statements respectively. The business review of the Group for the year ended 31 March 2018, as well as further discussion and analysis required by Schedule 5 to the Hong Kong Companies Ordinance, are set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 9 of the Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 48.

An interim dividend of HK2.2 cents per share amounting to HK$6,771,000 was paid on 12 December 2017. The Directors now recommend the payment of a final dividend of HK3.2 cents per share to be paid to the shareholders on the Register of Members on 24 August 2018 amounting to HK$9,848,000.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the end of the reporting period. The net surplus arising on revaluation, which has been charged directly to the consolidated statement of profit or loss and other comprehensive income, amounted to HK$13,592,000.

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

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2018 are set out on pages 111 to 112.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 27 to the consolidated financial statements.

Directors' Report

DIRECTORS

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

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

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

Independent Non-Executive Director
Mr. Chan Kwok Wai
Mr. Tse Lai Han, Henry
Mr. Leung Kui King, Donald *(resigned on 31 March 2018)*
Ms. Cheung Chong Wai, Janet *(appointed on 31 March 2018)*

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

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

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

DIRECTORS OF SUBSIDIARIES

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

Directors' Report

DIRECTORS' INTERESTS IN SHARES

At 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

(i) Interest in the Company (long position)

Name of Director	Capacity	Nature of interests	Number of shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital
Chan Hoi Sow	Beneficial owner	Personal Interest	2,036,000	173,772,896	56.46
	Interest of controlled corporation	Corporate Interest *(Note 1)*	25,822,896		
	Founder of a discretionary trust	Other Interest *(Notes 1 & 2)*	171,736,896		
Chan Yan Tin, Andrew	Beneficial owner	Personal Interest	792,000	172,528,896	56.05
	Beneficiary of a trust	Other Interest *(Notes 2 & 3)*	171,736,896		
Chan Yan Wai, Emily	Beneficiary of a trust	Other Interest *(Notes 2 & 4)*	171,736,896	171,736,896	55.80
Chan Yan Mei, Mary-ellen	Beneficiary of a trust	Other Interest *(Notes 2 & 5)*	171,736,896	171,736,896	55.80

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONT'D)

(i) Interest in the Company (long position) (Cont'd)

Notes:

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

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

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

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

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

(ii) Interest in an associated corporation of the Company (long position)

Name of Director	Name of the associated corporation	Capacity	Nature of interests
Chan Yan Wai, Emily	Win Easy Development Limited	Interest of Controlled Corporation	Corporate Interest

Note: The issued share capital of Win Easy Development Limited is beneficially owned as to 50% by the Company and as to 50% by Kotime Properties Limited which is owned as to 10% by Fortman Investments Limited, a company wholly owned by Ms. Chan Yan Wai, Emily.

Other than as disclosed above, none of the Directors had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO and none of the Directors nor their spouses or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company as at 31 March 2018 or had been granted or exercised any such right during the period.

Directors' Report

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS

At 31 March 2018, the interests and short positions of persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS (CONT'D)

Notes:

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

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

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

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

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

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

Other than as disclosed above, there was no person, other than a Director of the Company, who as at 31 March 2018, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for 36.4% of total turnover of the Group and the five largest suppliers of the Group accounted for less than 31.0% of total purchases of the Group. The Directors do not consider any one customer or supplier to be influential to the Group.

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

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

SUFFICIENCY OF PUBLIC FLOAT

Reference is made to the latest announcement of the Company dated 27 March 2018. The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08(1)(a) of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the date of this report, the public float of the Company is approximately 23.44%.

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

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risks of non-compliance with the applicable laws and regulations. During the year ended 31 March 2018 and up to the date of this report, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

AUDITOR

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

On behalf of the Board

Chan Hoi Sow
Chairman

Hong Kong, 19 June 2018

Independent Auditor's Report

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

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

OPINION

We have audited the consolidated financial statements of Tern Properties Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 109, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTER

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

Valuation of investment properties

Key Audit Matter

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

The Group had investment properties held by subsidiaries and associates as at 31 March 2018 for which a gain arising on change in fair value was recognised and presented as an "Increase (decrease) in fair value of investment properties" and "Share of results of associates" respectively in the consolidated statement of profit or loss and other comprehensive income. The fair value was determined by management with reference to the valuations performed by independent valuers (the "valuer") engaged by the Group.

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

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

– the selection of different inputs in the models.

How our audit addressed the Key Audit Matter

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

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

– evaluating the valuation methodology used and the appropriateness of the key assumptions and parameters based on our knowledge of other property valuations for similar types of properties;

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

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

We found the key assumptions used in management's valuation of investment properties were supported by the available evidence.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

HLM CPA Limited
Certified Public Accountants
Wong Kam Hing
Practising Certificate Number: P05697
Hong Kong, 19 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Turnover	5	**81,260**	97,273
Property expenses		**(2,992)**	(1,979)
Gross profit		**78,268**	95,294
Increase (decrease) in fair value of investment properties	16	**13,592**	(102,498)
Realised gain on disposal of available-for-sale financial assets		**10,364**	1,755
Realised gain on disposal of financial assets at fair value through profit or loss		**3,179**	–
Unrealised loss on revaluation of financial assets at fair value through profit or loss		**(1,029)**	–
Dividend income		**3,507**	2,213
Interest income	7	**45,600**	28,744
Other income, gains and losses	8	**3,358**	4,894
Administrative expenses		**(34,257)**	(37,355)
Profit (loss) from operations	9	**122,582**	(6,953)
Finance costs	10	**(6,496)**	(1,679)
Share of results of associates	19	**3,725**	(8,716)
Profit (loss) before taxation		**119,811**	(17,348)
Taxation	13	**(9,556)**	(11,964)
Profit (loss) for the year attributable to owners of the Company		**110,255**	(29,312)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Net gain arising on revaluation of available-for-sale financial assets		**5,874**	11,138
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		**(8,312)**	(867)
Other comprehensive (expense) income for the year, net of tax		**(2,438)**	10,271
Total comprehensive income (expense) for the year attributable to owners of the Company		**107,817**	(19,041)
Earnings (loss) per share			
Basic and diluted	15	**HK35.83 cents**	HK(9.52) cents

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	16	**2,968,412**	2,954,578
Property, plant and equipment	17	**6,368**	8,213
Leasehold land	18	**14,922**	15,014
Interests in associates	19	**363,174**	368,374
Available-for-sale financial assets	20	**604,439**	512,320
Deferred rental income		**131**	165
Deferred tax assets	26	**–**	279
		3,957,446	3,858,943
Current assets			
Trade and other receivables	21	**16,737**	14,833
Available-for-sale financial assets redeemable within one year	20	**80,761**	10,269
Financial assets at fair value through profit or loss	22	**22,113**	–
Leasehold land – current portion	18	**92**	92
Deferred rental income – current portion		**422**	635
Tax recoverable		**4,730**	2,282
Pledged bank deposits	23	**1,292**	2,729
Bank balances and cash	23	**63,339**	33,842
		189,486	64,682
Current liabilities			
Other payables and receipts in advance	24	**7,911**	10,681
Rental deposits from tenants		**23,921**	28,106
Tax liabilities		**2,800**	5,148
Secured bank borrowings – due within one year	25	**82,405**	28,037
		117,037	71,972
Net current assets (liabilities)		**72,449**	(7,290)
Total assets less current liabilities		**4,029,895**	3,851,653

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities	26	**26,426**	25,033
Secured bank borrowings – due after one year	25	**267,614**	181,963
		294,040	206,996
Net assets		**3,735,855**	3,644,657
Capital and reserves			
Share capital	27	**229,386**	229,386
Reserves		**3,506,469**	3,415,271
Total equity		**3,735,855**	3,644,657

The consolidated financial statements on pages 48 to 109 were approved and authorised for issue by the Board of Directors on 19 June 2018 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Yan Tin, Andrew
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital HK$'000	Investment revaluation reserve HK$'000	Dividend reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2016	229,386	7,075	9,848	3,434,008	3,680,317
Loss for the year	–	–	–	(29,312)	(29,312)
Other comprehensive income (expenses):					
Net gain arising on revaluation of available-for-sale financial assets	–	11,138	–	–	11,138
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(867)	–	–	(867)
Total other comprehensive income (expense) for the year	–	10,271	–	(29,312)	(19,041)
Dividends declared *(note 14)*	–	–	16,619	(16,619)	–
Dividends paid	–	–	(16,619)	–	(16,619)
At 31 March 2017 and 1 April 2017	229,386	17,346	9,848	3,388,077	3,644,657
Profit for the year	–	–	–	110,255	110,255
Other comprehensive income (expense):					
Net gain arising on revaluation of available-for-sale financial assets	–	5,874	–	–	5,874
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(8,312)	–	–	(8,312)
Total other comprehensive income (expense) for the year	–	(2,438)	–	110,255	107,817
Dividends declared *(note 14)*	–	–	16,619	(16,619)	–
Dividends paid	–	–	(16,619)	–	(16,619)
At 31 March 2018	**229,386**	**14,908**	**9,848**	**3,481,713**	**3,735,855**

The accumulated profits of the Group include approximately HK$394,807,000 (2017: approximately HK$391,082,000) retained by associates of the Group.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Operating activities			
Profit (loss) for the year		**110,255**	(29,312)
Adjustments for:			
Share of results of associates	*19*	**(3,725)**	8,716
Interest income	*7*	**(45,600)**	(28,744)
Dividend income		**(3,507)**	(2,213)
Interest expenses	*10*	**6,496**	1,679
Tax expenses	*13*	**9,556**	11,964
(Increase) decrease in fair value of investment properties	*16*	**(13,592)**	102,498
Depreciation of property, plant and equipment	*17*	**2,577**	2,571
Amortisation of leasehold land	*18*	**92**	92
Gain on disposal of property, plant and equipment		**–**	(29)
Realised gain on disposal of available-for-sale financial assets		**(10,364)**	(1,755)
Realised gain on disposal of financial assets at fair value through profit or loss		**(3,179)**	–
Unrealised loss on revaluation of financial assets at fair value through profit or loss		**1,029**	–
Exchange adjustments on investment properties	*16*	**(242)**	137
Operating cash flows before movements in working capital		**49,796**	65,604
Decrease (increase) in trade and other receivables		**753**	(1,856)
Decrease in deferred rental income		**247**	676
(Decrease) increase in other payables and receipts in advance		**(2,928)**	3,177
Decrease in rental deposits from tenants		**(4,185)**	(1,346)
Cash generated from operations		**43,683**	66,255
Profits Tax paid		**(12,875)**	(11,603)
Profits Tax refunded		**195**	418
Net cash from operating activities		**31,003**	55,070

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Investing activities			
Interest received		**41,924**	23,768
Dividends received from investments		**3,507**	2,213
Dividends received from an associate		**9,000**	9,000
Placement of pledged bank deposits		**–**	(586)
Withdrawal of pledged bank deposits		**1,437**	–
Purchases of available-for-sale financial assets		**(283,777)**	(339,146)
Proceeds from disposal of available-for-sale financial assets		**130,111**	46,173
Purchases of financial assets at fair value through profit or loss		**(136,062)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**116,099**	–
Purchases of property, plant and equipment	*17*	**(732)**	(543)
Proceeds from disposal of property, plant and equipment		**–**	29
Net cash used in investing activities		**(118,493)**	(259,092)
Financing activities			
Dividends paid		**(16,619)**	(16,619)
Interest paid		**(6,338)**	(1,449)
New bank borrowings raised		**1,431,109**	1,215,000
Repayments of bank borrowings		**(1,291,090)**	(1,005,000)
(Repayments) advance from an associate		**(75)**	182
Net cash from financing activities		**116,987**	192,114
Net increase (decrease) in cash and cash equivalents		**29,497**	(11,908)
Cash and cash equivalents at beginning of the year		**33,842**	45,750
Cash and cash equivalents at end of the year			
Represented by bank balances and cash	*23*	**63,339**	33,842

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

1. GENERAL INFORMATION

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

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

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 35 and 19 to the consolidated financial statements respectively.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Amendments to HKFRS 12 included in Annual Improvement to HKFRSs 2014-2016 Cycle

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 & HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfer of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective date to be determined

4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

5 Effective for annual periods beginning on or after 1 January 2021

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition and, in November 2013, to include new requirements for general hedge accounting. HKFRS 9 was further revised in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

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 which objective is to collect 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 which objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at 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 nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) 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 a financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's 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 is 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

HKFRS 9 "Financial Instruments" *(Cont'd)*

- 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 effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have performed a preliminary assessment of the impact of HKFRS 9 to the Group's consolidated financial statements. All financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under HKAS 39.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 April 2018 for the Group and since the Group does not intend to early apply this standard, the assessment of the potential impact is subject to change.

HKFRS 16 "Leases"

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$270,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs and interpretations will have no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in these consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "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".

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of consolidation

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interests in subsidiaries

Interests in subsidiaries presented in the statement of financial position included in note 36 to the consolidated financial statements are stated at cost less any identified impairment loss.

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interests by the Group. When the Group's share of losses of an associate exceeds the Group's interests in that associate (which include any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interests in associates (Cont'd)

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

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

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

Revenue recognition

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

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

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

Service income is recognised when services are provided.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment properties

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

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

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

Leasehold land and building

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

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment

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

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

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

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

Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets (Cont'd)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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 for the period in which they arise.

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

Retirement benefits scheme

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

Borrowing costs

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

Taxation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation (Cont'd)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

Current and deferred tax 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

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

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

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

Cash and cash equivalents

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

Financial instruments

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

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

Financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets *(Cont'd)*

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.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income, gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 33(c).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets *(Cont'd)*

Loans and receivables

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

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

AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividend is established. Other changes in the carrying amounts of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets *(Cont'd)*

Impairment of financial assets

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

Financial assets *(Cont'd)*

Impairment of financial assets (Cont'd)

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (Cont'd)

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Depreciation

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

Deferred taxation on investment properties

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

Key sources of estimation uncertainty

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

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2018 at their fair value of approximately HK$2,968,412,000 (2017: approximately HK$2,954,578,000). The fair value was based on a valuation on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. TURNOVER

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

	2018	2017
	HK$'000	*HK$'000*
Property rental income	**81,260**	97,273

6. OPERATING SEGMENTS

The Group's operating activities are attributable to two operating segments under HKFRS 8 "Operating Segments", namely property investment and treasury investment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

For treasury investment, the segment represents the investment in debt and equity securities. Financial information is provided to the Board on a company-by-company basis. Information provided includes realised gain on disposal of financial assets at FVTPL and AFS financial assets, unrealised loss on revaluation of financial assets at FVTPL and interest income from debt securities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

6. OPERATING SEGMENTS (CONT'D)

Segment information

For the year ended 31 March 2018

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Gross rental income	81,260	–	81,260
Property expenses	(2,992)	–	(2,992)
Net rental income	78,268	–	78,268
Increase in fair value of investment properties	13,592	–	13,592
Realised gain on disposal of AFS financial assets	–	10,364	10,364
Realised gain on disposal of financial assets at FVTPL	–	3,179	3,179
Unrealised loss on revaluation of financial assets at FVTPL	–	(1,029)	(1,029)
Dividend income	–	3,507	3,507
Interest income	4	45,596	45,600
Other income, gains and losses	4,549	(1,191)	3,358
Administrative expenses	(29,705)	(4,552)	(34,257)
Profit from operations	66,708	55,874	122,582
Finance costs	–	(6,496)	(6,496)
Share of results of associates	3,725	–	3,725
Profit before taxation	70,433	49,378	119,811
Taxation	(7,317)	(2,239)	(9,556)
Profit for the year	63,116	47,139	110,255

At 31 March 2018

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Segment assets	3,382,313	764,619	4,146,932
Segment liabilities	(59,951)	(351,126)	(411,077)
Net assets	3,322,362	413,493	3,735,855
Other segment information:			
Depreciation and amortisation	2,669	–	2,669
Addition to property, plant and equipment	732	–	732

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

6. OPERATING SEGMENTS (CONT'D)

Segment information (Cont'd)

For the year ended 31 March 2017

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

At 31 March 2017

	Property investment *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
Segment assets	3,386,105	537,520	3,923,625
Segment liabilities	(64,983)	(213,985)	(278,968)
Net assets	3,321,122	323,535	3,644,657

Other segment information:

Depreciation and amortisation	2,663	–	2,663
Addition to property, plant and equipment	543	–	543

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

6. OPERATING SEGMENTS (CONT'D)

Segment information (Cont'd)

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

Information on major customers

Included in revenue arising from rental income of approximately HK$81.3 million (2017: approximately HK$97.3 million) are rental income of approximately HK$8.2 million (2017: approximately HK$15.7 million) attributable to the Group's largest tenant. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2018 and 2017.

7. INTEREST INCOME

	2018	2017
	HK$'000	*HK$'000*
Interest income from:		
– AFS financial assets	**45,595**	28,741
– bank deposits	**5**	3
	45,600	28,744

8. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Management fee income	**3,381**	3,100
Late payment service charges from tenants	**242**	234
Gain on disposal of property, plant and equipment	**–**	29
Exchange (loss) gain, net	**(1,011)**	566
Others	**746**	965
	3,358	4,894

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

9. PROFIT (LOSS) FROM OPERATIONS

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) from operations has been arrived at after charging:		
Staff costs (including directors' emoluments *(note 11)*)	**23,554**	22,134
MPF contributions	**261**	255
Total staff costs	**23,815**	22,389
Auditor's remuneration	**460**	435
Depreciation of property, plant and equipment	**2,577**	2,571
Amortisation of leasehold land	**92**	92
Lease payments under operating leases in respect of rented properties	**1,080**	1,120
Exchange loss, net	**1,011**	–
and after crediting:		
Dividend income	**3,507**	2,213
Gain on disposal of property, plant and equipment	**–**	29
Exchange gain, net	**–**	566
Gross rental income from investment properties	**81,260**	97,273
Less:		
Direct operating expenses from investment properties that generated rental income	**(2,238)**	(1,555)
Direct operating expenses from investment properties that did not generate rental income	**(754)**	(424)
Net rental income	**78,268**	95,294

10. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**6,496**	1,679

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

11. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the applicable Listing Rules and section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2018

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Chan Hoi Sow *(Note 1)*	–	8,353	–	8,353
Chan Yan Tin, Andrew	–	2,416	18	2,434
Chan Yan Wai, Emily (appointed on 15 June 2017)	–	1,445	14	1,459
Non-executive director:				
Chan Yan Mei, Mary-ellen	120	–	–	120
Independent non-executive directors:				
Chan Kwok Wai	120	–	–	120
Tse Lai Han, Henry	120	–	–	120
Leung Kui King, Donald (resigned on 31 March 2018)	120	–	–	120
Cheung Chong Wai, Janet (appointed on 31 March 2018)	–	–	–	–
	480	12,214	32	12,726

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

11. DIRECTORS' EMOLUMENTS (CONT'D)

(a) Directors' emoluments (Cont'd)

2017

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

Note:

1. A rent-free accommodation with rateable value of approximately HK$1,040,000 (2017: approximately HK$1,035,000), is provided to Mr. Chan Hoi Sow by the Group.

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

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

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

During the years ended 31 March 2018 and 31 March 2017, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

11. DIRECTORS' EMOLUMENTS (CONT'D)

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

No directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2017: Nil).

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

No loans, quasi-loans and other dealings in favour of directors or body corporate controlled by such directors, or entities connected with such directors, subsisted at the end of the year or at any time during the year (2017: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included three (2017: two) directors of the Company whose emoluments were included in note 11(a) above. The emoluments of the remaining two (2017: three) individuals were as follows:

	2018	2017
	HK\$'000	*HK\$'000*
Salaries, allowance and other benefits in kind	**2,881**	4,481
Retirement benefits scheme contributions	**36**	54
	2,917	4,535

Their emoluments were within the following bands:

	2018	2017
	HK\$'000	*HK\$'000*
HK\$Nil to HK\$1,000,000	**–**	–
HK\$1,000,001 to HK\$2,000,000	**2**	3
	2	3

During the years ended 31 March 2018 and 31 March 2017, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

13. TAXATION

	2018	2017
	HK$'000	*HK$'000*
Tax expenses attributable to the Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	**8,492**	11,261
Over-provision in prior years	**(625)**	(90)
Other jurisdiction		
Under-provision in prior years	**17**	14
	7,884	11,185
Deferred taxation *(note 26)*		
Current year	**1,393**	1,126
Under (over)-provision in prior years	**279**	(347)
	1,672	779
Total	**9,556**	11,964

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

13. TAXATION (CONT'D)

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

	2018	2017
	HK$'000	*HK$'000*
Profit (loss) before taxation	**119,811**	(17,348)
Tax at the Hong Kong Profits Tax rate of 16.5% (2017:16.5%)	**19,769**	(2,862)
Tax effect of share of results of associates	**(615)**	1,438
Tax effect of expenses not deductible for tax purpose	**921**	23,969
Tax effect of income not taxable for tax purpose	**(10,153)**	(9,731)
Tax effect of tax losses not recognised	**424**	–
Over-provision of taxation in respect of prior years	**(329)**	(423)
Utilisation of tax losses previously not recognised	**–**	(149)
Tax concession	**(437)**	(265)
Effect of different tax rates of a subsidiary operating in other jurisdiction	**(24)**	(13)
Tax charge for the year	**9,556**	11,964

14. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim, paid – HK2.2 cents (2017: HK2.2 cents) per share	**6,771**	6,771
Final, proposed – HK3.2 cents (2017: HK3.2 cents) per share	**9,848**	9,848
	16,619	16,619

The final dividend of HK3.2 cents (2017: HK3.2 cents) per share has been proposed by the board of directors and is subject to approval by the shareholders in the annual general meeting.

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15. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share is based on the profit for the year attributable to the owners of the Company of HK$110,255,000 (2017: loss for the year attributable to the owners of the Company of HK$29,312,000) and on number of 307,758,522 (2017: 307,758,522) ordinary shares in issue during the year.

The Company had no dilutive potential ordinary shares outstanding in both the years ended 31 March 2018 and 2017. Accordingly, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

16. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 April	**2,954,578**	3,057,213
Increase (decrease) in fair value recognised in profit or loss	**13,592**	(102,498)
Exchange adjustments	**242**	(137)
At 31 March	**2,968,412**	2,954,578

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

The carrying amount of investment properties shown above comprises:

	2018	2017
	HK$'000	*HK$'000*
Properties in Hong Kong		
Medium-term lease	**1,776,300**	1,790,900
Long-term lease	**1,185,500**	1,158,400
Properties in Canada		
Freehold	**6,612**	5,278
At 31 March	**2,968,412**	2,954,578

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16. INVESTMENT PROPERTIES (CONT'D)

Fair value measurement of the Group's investment properties

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

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

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

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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For the year ended 31 March 2018

16. INVESTMENT PROPERTIES (CONT'D)

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

	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2018	2017				
	HK$'000	*HK$'000*				
Commercial properties located in Hong Kong	**2,961,800**	2,949,300	Level 3	Combination of direct comparison method and income capitalisation method	Estimated market unit rent per square foot (saleable area) HK$29–HK$545 (2017: HK$26–HK$547), capitalisation rate 2.80%–3.75% (2017: 2.80%–3.75%) and market unit sales price per square foot	The increase/decrease in the market unit rent and/or sales price would result in an increase/decrease in the fair value of the property.
Residential properties located in Canada	**6,612**	5,278	Level 3	Direct comparison method	Estimated market unit sales price per square foot	The increase/decrease in the market unit sales price would result in an increase/decrease in the fair value of the property.

Details of the pledge of assets are set out in note 29 to the consolidated financial statements.

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For the year ended 31 March 2018

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings held under long-term lease in Hong Kong	Furniture and office equipment	Leasehold improvement	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 April 2016	3,205	5,298	8,622	4,066	21,191
Additions	–	109	434	–	543
Disposals	–	–	–	(477)	(477)
At 31 March 2017 and 1 April 2017	3,205	5,407	9,056	3,589	21,257
Additions	–	732	–	–	732
At 31 March 2018	**3,205**	**6,139**	**9,056**	**3,589**	**21,989**
ACCUMULATED DEPRECIATION					
At 1 April 2016	3,114	3,156	2,630	2,050	10,950
Provided for the year	24	1,027	848	672	2,571
Eliminated upon disposals	–	–	–	(477)	(477)
At 31 March 2017 and 1 April 2017	3,138	4,183	3,478	2,245	13,044
Provided for the year	67	964	874	672	2,577
At 31 March 2018	**3,205**	**5,147**	**4,352**	**2,917**	**15,621**
CARRYING AMOUNTS					
At 31 March 2018	**–**	**992**	**4,704**	**672**	**6,368**
At 31 March 2017	67	1,224	5,578	1,344	8,213

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18. LEASEHOLD LAND

	2018	2017
	HK$'000	*HK$'000*
CARRYING AMOUNTS		
At 1 April	**15,106**	15,198
Amortisation	**(92)**	(92)
At 31 March	**15,014**	15,106
Analysed for reporting purpose as:		
Non-current portion	**14,922**	15,014
Current portion	**92**	92
	15,014	15,106

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

19. INTERESTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Share of net assets	**367,807**	373,082
Amounts due to an associate	**(4,633)**	(4,708)
	363,174	368,374

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

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19. INTERESTS IN ASSOCIATES (CONT'D)

Details of the Group's principal associates at 31 March 2018 are as follows:

Name of associates	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Group	Principal activities
Win Easy Development Limited	Hong Kong	HK$2	50%	Property investment
Home Easy Limited*	Hong Kong	HK$1	50%	Property investment

* a wholly-owned subsidiary of Win Easy Development Limited

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

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

Financial position as at 31 March 2018

	2018 *HK$'000*	2017 *HK$'000*
Current assets	**8,253**	15,698
Non-current assets	**752,753**	755,282
Current liabilities	**(11,446)**	(11,603)
Non-current liabilities	**(13,946)**	(13,213)
Net assets	**735,614**	746,164
Proportion of the Group's ownership interest therein	**50%**	50%
Group's share of net assets of Win Easy	**367,807**	373,082

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19. INTERESTS IN ASSOCIATES (CONT'D)

Profit or loss and other comprehensive income for the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
Revenue	**25,588**	30,622
Profit (loss) for the year	**7,450**	(17,432)
Other comprehensive income	**–**	–
Total comprehensive income (expense) for the year	**7,450**	(17,432)
Share of results of associates comprises:		
Share of profits (loss) of associates	**4,693**	(7,143)
Share of taxation of associates	**(968)**	(1,573)
	3,725	(8,716)
Dividend paid by Win Easy during the year	**18,000**	18,000

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

Notes to the Consolidated Financial Statements

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20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	HK$'000	*HK$'000*
Listed investments:		
Debt securities, at fair value *(note a)*	**641,738**	479,099
Equity securities, at fair value *(note a)*	**43,306**	43,334
	685,044	522,433
Unlisted investments:		
Club debentures, stated at cost *(note b)*	**156**	156
	685,200	522,589
Analysed for reporting purpose as:		
Non-current assets	**604,439**	512,320
Current assets	**80,761**	10,269
	685,200	522,589

Notes:

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

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

21. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**436**	592
Other receivables		
Interest receivables	**11,992**	9,335
Utilities deposits	**1,738**	2,573
Prepayments	**849**	890
Management fee receivables	**856**	1,431
Others	**866**	12
	16,737	14,833

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21. TRADE AND OTHER RECEIVABLES (CONT'D)

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

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

	2018	2017
	HK$'000	*HK$'000*
31-60 days	**436**	439
61-90 days	**–**	29
Over 90 days	**–**	124
	436	592

All trade receivables balances are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired.

	2018	2017
	HK$'000	*HK$'000*
31-60 days	**436**	439
61-90 days	**–**	29
Over 90 days	**–**	124
	436	592

The Group has not provided for the receivables because historical experience indicated that such receivables would be recoverable from the relevant debtors.

Notes to the Consolidated Financial Statements

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	*HK$'000*
Financial assets at FVTPL:		
Listed equity securities in Hong Kong	**4,301**	–
Listed equity securities in overseas	**2,772**	–
Listed investment funds	**15,040**	–
	22,113	–

Note:

The fair value of the listed equity securities and investment funds are based on quoted market bid price in active markets.

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2018	2017
	HK$'000	*HK$'000*
Pledged bank deposits	**1,292**	2,729
Bank balances and cash	**63,339**	33,842

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

Bank balances and cash comprise cash and short-term bank deposits carrying effective interest rate of 0.01% per annum (2017: 0.01% per annum) with an original maturity of three months or less.

24. OTHER PAYABLES AND RECEIPTS IN ADVANCE

	2018	2017
	HK$'000	*HK$'000*
Receipts in advance	**3,803**	3,801
Other payables		
Accrued interests	**388**	230
Unclaimed dividend	**507**	423
Accrued expenses	**2,377**	6,159
Others	**836**	68
	7,911	10,681

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25. SECURED BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Carrying amounts of secured bank borrowings repayable based on contractual repayment dates:		
Within one year	**82,405**	28,037
More than one year but not exceeding two years	**12,613**	8,175
More than two years but not exceeding five years	**39,223**	25,381
More than five years	**215,778**	148,407
	350,019	210,000
Less: Amounts due within one year shown under current liabilities	**82,405**	28,037
Amount due after one year	**267,614**	181,963

All of the bank loans were denominated in Hong Kong dollars with interest rates ranging from 1.2% to 1.35% (2017: 1.2% to 1.5%) over HIBOR per annum.

At the end of the reporting period, the Group's banking facilities amounting to approximately HK$1,000,019,000 (2017: HK$990,000,000) were supported by (i) guarantee provided by the Company; (ii) certain investment properties of subsidiaries; (iii) certain available-for-sale financial assets of subsidiaries; and (iv) certain pledged bank deposits of subsidiaries. Details of the assets pledged are disclosed in note 29 to the consolidated financial statements.

During the year ended 31 March 2018, the Company has raised and repaid bank borrowings of approximately HK$1,431,109,000 and approximately HK$1,291,090,000 (2017: HK$1,215,000,000 and HK$1,005,000,000) respectively.

Notes to the Consolidated Financial Statements

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26. DEFERRED TAXATION

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

	Accelerated tax depreciation	**Tax allowance on investment properties**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2016	124	23,851	–	23,975
Charge (credit) for the year	(285)	1,690	(279)	1,126
(Over) under-provision in prior years	30	(377)	–	(347)
At 31 March 2017 and 1 April 2017	(131)	25,164	(279)	24,754
Charge (credit) for the year *(note 13)*	(297)	1,690	–	1,393
Under-provision in prior years *(note 13)*	–	–	279	279
At 31 March 2018	**(428)**	**26,854**	**–**	**26,426**

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

	2018	2017
	HK$'000	*HK$'000*
Deferred tax assets	**–**	279
Deferred tax liabilities	**(26,426)**	(25,033)
	(26,426)	(24,754)

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

At the end of the reporting period, the Group has unused tax losses of approximately HK$4,475,000 (2017: approximately HK$1,826,000) available for offset against future profits. Certain deferred tax assets on tax losses had not been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

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27. SHARE CAPITAL

	2018		2017	
	Number of ordinary shares	**Amount**	Number of ordinary shares	Amount
		HK$'000		*HK$'000*
Issued and fully paid	**307,758,522**	**229,386**	307,758,522	229,386

There were no movements in the share capital of the Company for the year ended 31 March 2018. None of the Company's subsidiaries had repurchased, sold or redeemed any of the Company's shares during the year.

28. RETIREMENT BENEFITS SCHEME

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

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

The MPF Scheme is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's monthly relevant income. The maximum relevant income for contribution purpose is HK$30,000 per month.

Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group's cost for the MPF Scheme charged to profit or loss for the year ended 31 March 2018 in respect of MPF scheme amounted to HK$261,000 (2017: HK$255,000).

29. PLEDGE OF ASSETS

At the end of the reporting period, the Group's banking facilities amounted to HK$1,000,019,000 (2017: HK$990,000,000).

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

i) Investment properties with carrying amounts of approximately HK$1,159,000,000 (2017: approximately HK$950,700,000);

ii) AFS financial assets with carrying amounts of approximately HK$661,003,000 (2017: HK$501,927,000); and

iii) Bank deposits with carrying amounts of approximately HK$1,292,000 (2017: HK$2,729,000).

At the end of the reporting period, the Group has utilised loan facilities from bank with an amount of approximately HK$350,019,000 (2017: HK$210,000,000).

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30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**270**	1,080
In the second to fifth year inclusive	**–**	270
	270	1,350

Operating lease payments represent rental payables by the Group for its director's quarters. Leases are fixed for two years.

The Group as lessor

The investment properties of the Group are expected to generate average rental yields of approximately 2.74% (2017: approximately 3.29%) on an ongoing basis. All of the properties held have committed tenants not exceeding four years (2017: four years).

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**55,083**	62,808
In the second to fifth year inclusive	**19,019**	30,972
	74,102	93,780

31. CAPITAL COMMITMENTS

As at 31 March 2018, the Group had no outstanding capital commitments (2017: outstanding purchase agreements which entailed capital commitments to complete the acquisition of computer systems of approximately HK$199,000).

Notes to the Consolidated Financial Statements

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32. RELATED PARTY TRANSACTIONS

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

	2018 HK$'000	2017 HK$'000
Received from Win Easy Development Limited:		
Management fee income	**3,142**	2,890
Dividend income	**9,000**	9,000
Received from Home Easy Limited:		
Management fee income	**239**	210

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

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
AFS financial assets	**685,200**	522,589
Financial assets at FVTPL	**22,113**	–
Loans and receivables		
– Financial assets included in trade and other receivables	**15,888**	13,943
– Pledged bank deposits	**1,292**	2,729
– Bank balances and cash	**63,339**	33,842
	787,832	573,103
Financial liabilities, at amortised cost		
Financial liabilities included in other payables and receipts in advance	**4,108**	6,880
Rental deposits from tenants	**23,921**	28,106
Secured bank borrowings	**350,019**	210,000
	378,048	244,986

Notes to the Consolidated Financial Statements

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33. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management objectives and policies

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

Foreign currency risk management

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

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

	Assets	**Liabilities**	Assets	Liabilities
	2018	**2018**	2017	2017
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Renminbi ("RMB")	**160,856**	**–**	80,098	–
Canadian dollars ("CAD")	**295**	**30**	230	25
United States dollars ("USD")	**551,794**	**–**	446,876	–

Sensitivity analysis

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

	2018	2017
	HK$'000	*HK$'000*
Renminbi ("RMB")	**8,043**	4,005
Canadian dollar ("CAD")	**13**	10
United States dollars ("USD")	**27,590**	22,344

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33. FINANCIAL INSTRUMENTS (CONT'D)

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

Liquidity risk management

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

2018

	Contractual undiscounted cash flow						
	On demand and less than 1 month	**Within 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**	**Carrying amounts**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Financial liabilities included in other payables and receipts in advance	**4,108**	**–**	**–**	**–**	**–**	**4,108**	**4,108**
Rental deposits from tenants	**23,921**	**–**	**–**	**–**	**–**	**23,921**	**23,921**
Secured bank borrowings	**70,000**	**17,181**	**17,181**	**51,544**	**243,516**	**399,422**	**350,019**
	98,029	**17,181**	**17,181**	**51,544**	**243,516**	**427,451**	**378,048**

2017

	Contractual undiscounted cash flow						
	On demand and less than 1 month	Within 1 year	1-2 years	2-5 years	Over 5 years	Total	Carrying amounts
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and receipts in advance	6,880	–	–	–	–	6,880	6,880
Rental deposits from tenants	28,106	–	–	–	–	28,106	28,106
Secured bank borrowings	20,000	11,249	11,224	33,671	168,368	244,512	210,000
	54,986	11,249	11,224	33,671	168,368	279,498	244,986

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33. FINANCIAL INSTRUMENTS (CONT'D)

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

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's fixed deposits and bank balances are deposited with banks of high quality in Hong Kong and overseas.

The Group made transactions with counterparties with acceptable credit quality in conformance to the Group's treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transaction.

In order to minimise the credit risk from counterparties other than financial institution, the Group also monitors potential exposures to each counterparty. Management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that prompt follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

When making decisions on investments in debt securities, the management of the Group has made reference to the credit ratings of the issuers and assessed theirs financials. The Group reviews the credit and performance of the issuers periodically to monitor the credit risk on debt securities.

Interest rate risk management

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

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

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

Notes to the Consolidated Financial Statements

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33. FINANCIAL INSTRUMENTS (CONT'D)

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

***Interest rate risk management** (Cont'd)*

Sensitivity analysis

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

If interest rates have been 100 basis-points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2018 would decrease/increase by approximately HK$2,854,000 (2017: loss for the year would increase/decrease by approximately HK$1,734,000).

Market price risk management

The Group's market price risk is primarily attributable to available-for-sale financial assets and financial assets at FVTPL which were stated at their fair values at the end of the reporting period. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

As at 31 March 2018, carrying values of available-for sale financial assets and financial assets at fair value through profit or loss which were stated at their fair values amounted to approximately HK$685,044,000 and approximately HK$22,113,000 respectively. For sensitivity analysis purpose, a 15% change in the fair value of corresponding financial instruments would result in the movement in investments revaluation reserve of approximately HK$102,757,000 and changes in results for the year of approximately HK$3,317,000 respectively.

As at 31 March 2017, carrying values of available-for-sale investments which were stated at fair values amounted to HK$522,433,000. For sensitivity analysis purpose, a 15% change in the fair value of corresponding financial instruments would have resulted in the movements in last year's investments revaluation reserve of approximately HK$78,365,000.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

33. FINANCIAL INSTRUMENTS (CONT'D)

(c) Fair value measurement of financial instruments

Fair value of the Group's financial instruments 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, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement are observable.

	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 March 2018	31 March 2017		
	HK$'000	*HK$'000*		
AFS financial assets				
– Listed debt securities	**641,737**	479,099	Level 1	Quoted bid price in active markets
– Listed equity securities	**43,307**	43,334	Level 1	Quoted bid price in active markets
Financial assets at FVTPL				
– Listed equity securities	**22,113**	–	Level 1	Quoted bid price in active markets

The fair values of listed equity and debt securities classified as Level 1 were determined by quoted market prices in active markets.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

34. CAPITAL RISK MANAGEMENT

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

As at 31 March 2018, the Group's strategy remained unchanged as compared to 31 March 2017. Management of the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing (net of bank balances and cash and pledged bank deposits) divided by total equity.

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

	2018	2017
	HK$'000	*HK$'000*
Secured bank borrowings, net of bank balances and cash and pledged bank deposits	**285,388**	173,429
Total equity	**3,735,855**	3,644,657
Total debts to total equity ratio	**7.64%**	4.76%

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. PRINCIPAL SUBSIDIARIES

Details of the Company's wholly owned principal subsidiaries at 31 March 2018 are as follows:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AT 31 MARCH 2018

	2018 *HK$'000*	2017 *HK$'000*
Non-current assets		
Interests in subsidiaries *(note a)*	**846,923**	762,113
Interests in associates	**–**	–
Property, plant and equipment	**655**	–
Deferred tax assets	**–**	279
	847,578	762,392
Current assets		
Trade and other receivables	**4,825**	11,698
Bank balances and cash	**19,294**	31,522
	24,119	43,220
Current liabilities		
Other payables	**580**	525
Amounts due to associates	**4,638**	4,708
	5,218	5,233
Net current assets	**18,901**	37,987
Total assets less current liabilities	**866,479**	800,379
Non-current liability		
Amounts due to subsidiaries (note a)	**9,754**	4,719
Net assets	**856,725**	795,660
Capital and reserve		
Share capital	**229,386**	229,386
Reserves	**627,339**	566,274
	856,725	795,660

The Company's statement of financial position was approved and authorised for issue by the board of directors on 19 June 2018 and are signed on its behalf by:

Chan Hoi Sow	**Chan Yan Tin, Andrew**
Director	*Director*

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

Note a: Interests in subsidiaries

	2018	2017
	HK$'000	*HK$'000*
Unlisted shares, at cost	**44,666**	44,655
Amounts due from subsidiaries	**812,721**	731,500
	857,387	776,155
Provision for impairment	**(10,464)**	(14,042)
	846,923	762,113
Amounts due to subsidiaries	**9,754**	4,719

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

37. RESERVES OF THE COMPANY

	Dividend reserve	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2016	9,848	423,643	433,491
Profit and total comprehensive income for the year	–	149,402	149,402
Dividends declared	16,619	(16,619)	–
Dividends paid	(16,619)	–	(16,619)
At 31 March 2017 and 1 April 2017	9,848	556,426	566,274
Profit and total comprehensive income for the year	–	77,684	77,684
Dividends declared	16,619	(16,619)	–
Dividends paid	(16,619)	–	(16,619)
At 31 March 2018	**9,848**	**617,491**	**627,339**

Five-year Group Financial Summary

RESULTS

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**81,260**	97,273	104,841	99,480	88,949
Profit (loss) for the year attributable to owners of the Company	**110,255**	(29,312)	(58,072)	266,743	250,846
Basic earnings (loss) per share (HK cents)	**35.83**	(9.52)	(18.87)	86.67	81.51

ASSETS AND LIABILITIES

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**4,146,932**	3,923,625	3,744,877	3,963,527	3,718,552
Total liabilities	**411,077**	278,968	64,560	211,593	196,430
Total equity attributable to owners of the Company	**3,735,855**	3,644,657	3,680,317	3,751,934	3,522,122

Particulars of Major Properties

Details of properties held by the Group at 31 March 2018 are as follows:

1. LEASEHOLD LAND AND BUILDINGS

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

2. INVESTMENT PROPERTIES

Location		Use	Category of lease	Group's interest
Hong Kong				
1.	Shops no. G15, G16, G17 and G21 on ground floor and shops no. 8, 9A and 11A on 1st floor, site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
2.	Duplex shop F on ground floor and 1st floor, Burlington House, 90-94C Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
3.	Shops no. B and C on ground floor, the whole of upper ground floor and 1st floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
4.	Shop no. 18A on ground floor, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon	Commercial	Long-term	100%
5.	Shops no. 5 on ground floor, Lee Fat Building, 30-36 Jardine's Crescent, Causeway Bay, Hong Kong	Commercial	Long-term	100%

Particulars of Major Properties

2. INVESTMENT PROPERTIES (CONT'D)

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

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