



# Tai Cheung Holdings Limited

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(Stock Code: 88)

**2016 ANNUAL REPORT**

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## Financial Highlights

	<b>2016</b>	<b>2015</b>	Percentage
	<b><i>HK\$Million</i></b>	<b><i>HK\$Million</i></b>	Change
Profit Attributable to Equity Holders of the Company	<b>226.3</b>	553.9	-59%
Dividends	<b>185.2</b>	185.2	–
Total Equity	<b>6,945.5</b>	6,921.4	–
Earnings Per Share	<b>\$0.37</b>	\$0.90	-59%
Dividends Per Share	<b>\$0.30</b>	\$0.30	–

## Corporate Information

### Board of Directors

David Pun CHAN *Chairman and Managing Director*  
Ivy Sau Ching CHAN  
\*Joseph Wing Siu CHEUNG  
\*Karl Chi Leung KWOK  
\*Man Sing KWONG  
William Wai Lim LAM  
Wing Sau LI

\* *Independent non-executive directors*

### Audit Committee

Karl Chi Leung KWOK *Committee Chairman*  
Ivy Sau Ching CHAN  
Joseph Wing Siu CHEUNG  
Man Sing KWONG

### Remuneration Committee

Karl Chi Leung KWOK *Committee Chairman*  
Ivy Sau Ching CHAN  
Man Sing KWONG

### Nomination Committee

David Pun CHAN *Committee Chairman*  
Karl Chi Leung KWOK  
Man Sing KWONG

### Company Secretary

Kit Yan LUK

### Bankers

Bank of Communications Co., Ltd.  
The Bank of East Asia, Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*

### Registered Office

The Belvedere Building,  
69 Pitts Bay Road,  
Pembroke HM08,  
Bermuda

### Head Office

20th Floor, The Hong Kong  
Club Building,  
3A Chater Road, Central,  
Hong Kong  
Telephone: (852) 2532 2688  
Fax: (852) 2810 4108  
Website: [www.taicheung.com](http://www.taicheung.com)

### Principal Share Registrar and Transfer Office

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

### Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-16,  
17th Floor, Hopewell Centre,  
183 Queen's Road East,  
Wanchai,  
Hong Kong

### Depository

The Bank of New York Mellon  
American Depositary Receipts  
101 Barclay Street,  
22nd Floor,  
New York, NY 10286,  
U.S.A.

## Biography of Directors and Senior Management

### Directors

#### **David Pun CHAN, SB HonLLD**

David Pun CHAN, 65, joined the group in 1973, appointed a director of its holding company in 1975 and Chairman in 1981. He has more than 30 years' experience in construction, property development and investment businesses. Currently, he is a member of the MIT Sloan Asia Executive Board, a member of Council of Lingnan University, Life Honorary Chairman of The Chinese General Chamber of Commerce and a director of The Real Estate Developers Association of Hong Kong. He is the brother of Ivy Sau Ching Chan, another director of the company.

#### **Ivy Sau Ching CHAN, BA**

Ivy Sau Ching CHAN, 63, has been a director of the group's holding company since 1981. She is currently a Partner with Messrs Woo, Kwan, Lee & Lo with over 30 years' experience in the legal field. She advises on legal matters of the businesses of the group. She is the sister of David Pun Chan, another director of the company.

#### **Joseph Wing Siu CHEUNG, MS**

Joseph Wing Siu CHEUNG, 70, appointed a director of the group's holding company in 2004. He is a director of The Garden Company Limited and its major subsidiaries ("The Garden Group") and has over 30 years' experience in manufacturing, sales and marketing management in The Garden Group.

#### **Karl Chi Leung KWOK, BA MBA MH**

Karl Chi Leung KWOK, 67, has been a director of the group's holding company since 1983. He has more than 30 years' management experience in the banking and finance businesses. He is Chairman of Wing On International Holdings Limited, Wing On Company International Limited

and The Hong Kong – America Center, a member of the Board of The Trustees of Chung Chi College of The Chinese University of Hong Kong, a trust member of The Outward Bound Trust of Hong Kong Limited, vice president of Sports Federation & Olympic Committee of Hong Kong, China, a director of Hong Kong Sports Institute and a Council member (Group J representative) of World Sailing.

#### **Man Sing KWONG, BAsc**

Man Sing KWONG, 69, appointed a director of the group's holding company in 2006. He was with PricewaterhouseCoopers, Certified Public Accountants for more than 32 years, of which he was an audit partner since 1980 until he retired from the firm on 30th June 2002.

#### **William Wai Lim LAM, BBus MBA CPA CPA(Aust.) CPA(US) FCCA**

William Wai Lim LAM, 52, joined the group in 1996, appointed a director of its holding company in 2004. He has more than 30 years' experience in auditing, accounting, corporate finance and strategic planning. He is also the Financial Controller of the group.

#### **Wing Sau LI, BA DipMS**

Wing Sau LI, 63, joined the group in 1994, appointed a director of its holding company in 1997. Prior to joining the group, he worked as project manager of a project and construction management consultant company in Canada. He has more than 30 years' project management experience both in Hong Kong and Canada. He is also the Controller of Project Management and Construction division of the group.

## Biography of Directors and Senior Management

### Senior Management

#### Head of Construction

Yung Kan KU, BEng(Hon) MSc(Civil) Eur Eng CEng MHKIE MRICS, 47, the Construction Manager of the group. He joined the group in 2013, prior to which he was a project manager of a major listed property developer and builder. He has more than 25 years' project and construction management experience in Hong Kong, Macau and China.

#### Head of Sales

Chuk Yin NG, graduate of Secretarial Practice, Lingnan College (presently known as Lingnan University), 57, the Sales Manager of the group. She joined the group in 1979 and served at various positions within the Sales Department. She has been responsible for sales projects, including pre-sales planning, legal compliance, property sales and leasing matters. She has more than 30 years' sales experience.

#### Head of Property Management

Winnie Yuk Kwai LIU, BSc MHKIH CIHAPB, 53, the Chief Property Manager of the group. She joined the group in 2014, prior to which she was an assistant general manager of a professional management company. She has more than 25 years' experience in property management services.

#### Head of US Operations

Chi Hung POON, BA MSc MBA, 69, the President of the US Operations. He joined the group in 1988. He has more than 30 years' experience in property development, civil engineering and construction in the United States. He is the cousin of David Pun Chan and Ivy Sau Ching Chan, the directors of the company.

#### Head of General Secretarial

Kit Yan LUK, FCIS FCS MBA, 51, the Company Secretarial Manager of the group. She joined the group in 1991 and has been responsible for company secretarial, corporate governance and compliance matters. Prior to joining the group, she was an assistant company secretary of a listed company. She has more than 25 years' company secretarial experience.

#### Head of Information Technology

Wing Ip TANG, MBA, 66, the IT Manager and also the Senior Manager of Corporate Affairs of the group. He joined the group in 1979 initially as accountant and subsequently transferred to the Information Technology division in 1982. Prior to joining the group, he was an internal auditor with a listed company. He has more than 30 years' experience in commercial accounting, corporate auditing and information technology.

#### Head of Human Resources

Maggie Wai Man LAI, BBA MSc MIHRM, 45, the Human Resources Manager of the group. She joined the group in 1994 and served at various positions within the Human Resources Department. Prior to joining the group, she worked for a large construction company. She has more than 20 years' human resources management experience.

## Report of the Directors

The directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31st March 2016.

### Principal Activities

The principal activity of the company is investment holding. The principal activities of its subsidiaries include property investment and development, investment holding and property management. Details are set out in note 32 to the consolidated financial statements.

An analysis of the group's performance for the year by reporting segment is set out in note 5 to the consolidated financial statements.

### Results and Appropriations

The results of the group for the year are set out in the consolidated income statement on page 24.

The directors declared an interim dividend of HK 11 cents per ordinary share, totalling HK\$67.9 million, which was paid on 7th January 2016.

The directors recommend the payment of a final dividend of HK 19 cents per ordinary share, totalling HK\$117.3 million, to the shareholders on the register of members of the company on 8th September 2016.

### Reserves

Movements in the reserves of the group during the year are set out in note 25 to the consolidated financial statements.

### Property, Plant and Equipment

Details of the movements in property, plant and equipment of the group are set out in note 14 to the consolidated financial statements.

### Financial Summary

A five year financial summary of the group is set out on page 74.

### Borrowings

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

### Major Properties

Particulars of major properties of the group are set out on page 73.

### Directors

The directors in office during the year and up to the date of this report are Messrs David Pun Chan, Joseph Wing Siu Cheung\*, Karl Chi Leung Kwok\*, Man Sing Kwong\*, William Wai Lim Lam, Wing Sau Li and Ms Ivy Sau Ching Chan.

## Report of the Directors

In accordance with Bye-law 84 of the company's Bye-laws, Mr William Wai Lim Lam and Mr Wing Sau Li retire from the board by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The company has received from each of its independent non-executive directors a confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company is of the view that all independent non-executive directors are independent in accordance with the terms of the guidelines set out in Rule 3.13 of the Listing Rules.

None of the directors has a service contract with the company which is not determinable within one year without payment of compensation.

\* Independent non-executive directors

### Biography of Directors and Senior Management

The biographical details of the directors and senior management are set out on pages 3 and 4.

### Directors' Interests

At 31st March 2016, the interests of the directors and chief executive in the shares of the company as recorded in the register maintained under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Name	Number of shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
David Pun Chan	118,699,971	–	*61,335,074	–	<b>180,035,045</b>
Ivy Sau Ching Chan	20,132,706	–	–	–	<b>20,132,706</b>
Karl Chi Leung Kwok	282,462	–	–	–	<b>282,462</b>
Wing Sau Li	73,000	–	–	–	<b>73,000</b>

\* Such shares were held through a corporation wholly owned by Mr David Pun Chan.

All the interests disclosed above represent long positions in the shares of the company.

Save as disclosed above, no directors, chief executive or their associates had any interest or short position in the shares of the company or any of its associated corporations (within the meaning of Part XV of the 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").



## Report of the Directors

During the year, the company did not grant to the directors or chief executive any right to subscribe for shares of the company.

No transactions, arrangements or contracts of significance in relation to the group's business to which the company or its subsidiaries was a party and in which a director of the company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the company or any subsidiary 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.

### Substantial Shareholders

At 31st March 2016, the register of substantial shareholders maintained under section 336 of the SFO showed that the company has been notified of the following interest, being 5% or more of the company's issued voting shares. This interest is in addition to those disclosed above in respect of the directors and chief executive:

Name	Number of shares
*Chan Poon Wai Kuen	96,185,380

\* Madam Chan Poon Wai Kuen is the mother of Mr David Pun Chan, a director of the company.

The interest disclosed above represents a long position in the shares of the company.

Save as disclosed above, the company has not been notified by any other person (other than a director of the company disclosed above) who has an interest or short position in the shares of the company which is required to be recorded in the register kept by the company pursuant to section 336 of the SFO.

### Purchase, Sale or Redemption of Shares

The company did not redeem any of its shares during the year. Neither the company nor any of its subsidiaries purchased or sold any of the company's shares during the year.

### Public Float

Based on the information that is publicly available to the company and within the knowledge of the directors, the company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

### Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the company.

## Report of the Directors

### Management Contracts

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

### Assets Value

The group has equity accounted for its interest in Sheraton-Hong Kong Hotel, which has adopted the cost model for its hotel land and buildings which are stated at cost less accumulated depreciation, in accordance with the current accounting standards.

In order to fully reflect the underlying economic value of the group's hotel properties, the group considers it appropriate also to present to shareholders, as set out below, supplementary information on the group's statement of net assets on the basis that the group were to state these hotel properties at their open market valuations as at 31st March 2016.

	<b>2016</b> <b>(Unaudited)</b> <b>HK\$Million</b>	<b>2015</b> <b>(Unaudited)</b> <b>HK\$Million</b>
Non-current assets, including interest in associates	<b>247.6</b>	256.1
Add: Attributable revaluation surplus relating to hotel properties*	<b>3,227.8</b>	3,380.9
	<b>3,475.4</b>	3,637.0
Current assets	<b>7,161.8</b>	7,103.2
Current liabilities	<b>(158.2)</b>	(211.7)
Net current assets	<b>7,003.6</b>	6,891.5
Total assets less current liabilities	<b>10,479.0</b>	10,528.5
Non-current liabilities	<b>(305.7)</b>	(226.2)
Net assets as if the hotel properties were stated at open market value	<b>10,173.3</b>	10,302.3
Net assets per ordinary share as if the hotel properties were stated at open market value	<b>\$16.47</b>	\$16.68

\* Based on open market valuations as at 31st March 2016 and 2015 respectively, carried out by DTZ Cushman & Wakefield Limited, an independent firm of professional valuers.

### Major Suppliers and Customers

For the year ended 31st March 2016, the five largest suppliers and the largest supplier of the group accounted for approximately 56% and 48% respectively of the group's total purchases and the five largest customers and the largest customer of the group accounted for approximately 79% and 23% respectively of the group's revenue.

At 31st March 2016, none of the directors, their close associates or any shareholder (which to the knowledge of the directors owned more than 5% of the number of issued shares of the company) had a beneficial interest in any of the group's five largest suppliers or five largest customers.

### Business Review

A review of the business of the group during the year and a discussion on the group's future development are provided in the Chairman's Statement on pages 22 to 23.

An analysis of the group's performance during the year using financial key performance indicators is provided in the group's Financial Summary on page 74.

### Liquidity and Financial Resources

The group's funding requirements are met with cash on hand, internally generated cash and, to the extent required, by external floating rate bank borrowings. Other sources of funds include dividends received from associates.

At 31st March 2016, the group's cash net of borrowings was HK\$2,627.4 million as compared with HK\$2,216.6 million last year. The group's borrowing facilities were secured by certain properties held by the group with a total carrying value of HK\$240.0 million. All the group's borrowings were denominated in United States dollars. The US dollar loans are directly tied in with the business of the group's United States operations, and therefore these loans are substantially hedged by assets in the same currency.

As at year end, all the group's borrowings were payable within two years.

The group strives to maintain its gearing ratio, which is calculated as the ratio of the bank borrowings to equity, at a low level. It was 1.8% at 31st March 2016 as compared with 1.5% last year.

Committed borrowing facilities available to the group, but not drawn, at 31st March 2016 amounted to HK\$131.2 million. Together with the receipts over the next twelve months from tenants and purchasers of the group's properties, the liquid funds of the group are adequate to meet the anticipated working capital requirement in the coming year.

### **Treasury Policy**

The group's overall treasury and funding policy is that of risk management and control. The assets and liabilities of the group are denominated either in Hong Kong or United States dollars. Accordingly, the group has minimal exposure to foreign exchange fluctuation. However, the group will closely monitor the overall currency and interest rate exposures and, when considered appropriate, the group will take the necessary actions to ensure that such exposures are properly hedged.

### **Principal Risks and Uncertainty**

#### *Business Risks*

The group operates in Hong Kong and the United States. The economic and market conditions including property market sentiment and property values, legislative and regulatory changes, government policies and political conditions in Hong Kong and the United States may have impact on the group's operating results and financial conditions.

#### *Operational Risks*

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

#### *Financial Risks*

The group is subject to financial risks in the normal course of business. Details are set out in note 3 to the consolidated financial statements.

### **Important Events after Year End**

There have been no important events affecting the group that have occurred since the end of the year.

### **Environmental Policies and Performance**

The group has formulated environmental policy which demonstrates the group's commitment to sustainability development and responsible environmental stewardship. The policy commitments are as follows:

- Give due consideration to environmental issues in corporate decision-making process and actively minimize the impact of its business operations on the environment
- Follow environmental sustainable development principles and comply with all applicable environmental laws and regulations
- Follow eco-friendly construction and management practices

- Make efficient use of resources and minimize wastes in its daily operations
- Give priority to environmental-friendly designs, materials and construction approach and explore green alternatives for its projects
- Favour consultants, contractors and suppliers who follow environmental-friendly practices in providing their designs, services and products
- Enhance environmental awareness amongst its staff members, business partners and the public

The Environmental Policy is kept under constant review to address the changing environmental challenges.

The group actively pursues green building certification for its development projects. During the year, the current development project at R.B.L. 1165, Repulse Bay Road, Hong Kong has been registered for certification under the “Building Environmental Assessment Method Plus for New Buildings” (“BEAM Plus New Buildings”)\*. By adopting an affordable range of best practices, the assessment scheme seeks to reduce the environmental impacts of a new building while also improving environmental quality and user satisfaction.

\* A comprehensive environmental assessment scheme for new buildings recognized by the Hong Kong Green Building Council. All rated projects have to undergo assessment of their site, energy use, indoor environmental quality, materials, water use and innovations.

### **Compliance with Laws and Regulations**

During the year, the group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

### **Employees and Emolument Policy**

The group, excluding associates, employs a total of 209 people in Hong Kong and the United States. Employees’ costs, excluding directors’ emoluments, amounted to HK\$59.7 million for the year ended 31st March 2016. The group understands that employees are valuable assets. Remuneration packages are reviewed annually with other employee benefits including medical subsidies, a non-contributory provident fund scheme and a mandatory provident fund scheme. The group also provides education subsidies to eligible employees.

The emolument policy for the general staff of the group is set up by the management of the group on the basis of their merits, qualifications and competence.

The emoluments of the directors and senior management of the company are reviewed by the Remuneration Committee, having regard to individual duties and market practices.

## Report of the Directors

### **Relationships with Suppliers and Customers**

The group understands that it is important to maintain good relationship with its suppliers and customers to fulfill its immediate and long-term goals. The group strives to maintain fair co-operating relationship with its suppliers and aims at delivering constantly high standards of quality in the products and services to its customers to maintain competitiveness.

### **Equity-Linked Agreements**

For the year ended 31st March 2016, neither the company nor any of its subsidiaries entered into any equity-linked agreement.

### **Permitted Indemnity Provision**

A permitted indemnity provision for the benefit of the directors is currently in force and was in force throughout the financial year.

The company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the directors of the company and its subsidiaries.

### **Contingent Liabilities**

The company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

### **Corporate Governance**

Details of the corporate governance practices of the company are set out on pages 13 to 21.

### **Connected Transactions**

No transaction entered by the group during the year ended 31st March 2016 constituted a connected transaction under the Listing Rules.

### **Auditor**

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**David Pun Chan**

*Chairman*

Hong Kong, 16th June 2016

### (A) Corporate Governance Practices

During the year ended 31st March 2016, all those principles as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the “CG Code”) were applied by the company, and the relevant code provisions in the CG Code were met by the company, with the exception of certain deviations to be discussed below. The application of the relevant principles, and the reasons for the abovementioned deviations from the CG code provisions, are stated in the following sections.

### (B) Directors’ Securities Transactions

The company has adopted the Model Code set out in Appendix 10 to the Listing Rules as amended from time to time by the Stock Exchange. All directors have confirmed, following enquiry by the company, that they have complied with the required standard set out in the Model Code throughout the year.

### (C) Board of Directors

#### (i) Composition of the Board, Number of Board/General Meetings and Directors’ Attendance

The company’s board has a balance of skills and experience and a balanced composition of executive and non-executive directors. The board comprises Mr David Pun Chan (Chairman and Managing Director), Mr William Wai Lim Lam and Mr Wing Sau Li as executive directors, Ms Ivy Sau Ching Chan as non-executive director and Mr Joseph Wing Siu Cheung, Mr Karl Chi Leung Kwok and Mr Man Sing Kwong as independent non-executive directors. Ms Ivy Sau Ching Chan is the sister of Mr David Pun Chan.

Four board meetings and an annual general meeting were held during the year ended 31st March 2016. The attendance of the directors is set out below:

Directors	Attendance at Board Meetings	Attendance at Annual General Meeting
David Pun Chan, <i>Chairman</i>	4	1
Ivy Sau Ching Chan	4	1
Joseph Wing Siu Cheung	4	1
Karl Chi Leung Kwok	4	1
Man Sing Kwong	4	1
William Wai Lim Lam	4	1
Wing Sau Li	4	1

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

**(ii) Board Diversity**

The company's board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the board. The Policy provides that selection of candidates of board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, interpersonal skills, functional expertise and length of services.

The existing board members are well experienced in the construction industry, property development, investment, banking and finance businesses. Some of them are professionals in finance, accounting, legal and project management with more than 30 years of experience.

In view of the present size and complexities of the group's operations and the nature of the risks and challenges it faces, the board considers the company has struck a right balance of skills, experience and knowledge among the present board members.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and to review the same annually taking into consideration specific needs for the group's business.



### **(iii) Operation of the Board**

The company is headed by an effective board which takes decisions objectively in the interests of the company. The company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensive assessment of the group's performance, position and prospects. Where these changes are pertinent to the company or directors' disclosure obligations, the directors are either briefed during board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the group. Newly appointed directors receive briefings and materials on their legal and other responsibilities as a director and the role of the board. The company has also provided appropriate information in a timely manner to the directors to enable them to make an informed decision and to discharge their duties and responsibilities as directors of the company.

There is a clear division of responsibilities between the board and the management. Decisions on important matters are specifically reserved to the board while decisions on the group's general operations are delegated to the management. Important matters include those affecting the group's strategic policies, major investment and funding decisions and major commitments relating to the group's operations.

The company has arranged appropriate insurance cover in respect of legal actions against its directors and officers.

### **(iv) Re-election of Directors**

Under the second part of code provision A.4.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Every director of the company, including those appointed for a specific term (save for any chairman or managing director under the company's Private Act which was enacted in Bermuda in 1990), shall be subject to retirement by rotation at least once every three years. Pursuant to section 4(g) of the Private Act of the company, any chairman or any managing director of the company shall not be subject to retirement by rotation under the Bye-laws.

**(v) Directors' Continuous Professional Development**

The company encourages directors to participate in continuous professional development to develop and refresh their knowledge and skills needed for acting as a director of the company.

According to the training records provided by the directors to the company, all directors participated in continuous professional development during the year by reading materials or attending seminars on topics relevant to directors' duties and responsibilities.

**(D) Chairman and Chief Executive Officer**

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The company does not have a separate Chairman and Chief Executive Officer and Mr David Pun Chan currently holds both positions. The board considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the company's strategies to grasp business opportunities efficiently and promptly. Such arrangement, which has been adopted by many local and international corporations, enables the company to meet the rapidly changing business environment which needs quicker decision making to achieve business efficiency.

**(E) Non-executive Directors**

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive directors of the company are not appointed for a specific term. However, they are subject to retirement by rotation and re-election at an annual general meeting of the company in accordance with the company's Bye-laws.

**(F) Board Committees**

**(i) Remuneration Committee**

The company has set up a Remuneration Committee consisting of a non-executive director and two independent non-executive directors.

One Remuneration Committee meeting was held during the year ended 31st March 2016. Attendance of the Members is set out below:

<b>Members</b>	<b>Attendance at Meeting</b>
Karl Chi Leung Kwok, <i>Chairman of the Committee</i>	1
Ivy Sau Ching Chan	1
Man Sing Kwong	1

The main duties of the Remuneration Committee are to review and recommend remuneration policy and packages of directors and senior management of the company. The terms of reference of the Remuneration Committee are aligned with the code provisions set out in the CG Code and are available on the company's website.

The work performed by the Remuneration Committee for the year ended 31st March 2016 is summarized below:

- (a) review of the company's policy and structure for all directors' and senior management remuneration;
- (b) making recommendations to the board on the remuneration packages of individual executive directors and senior management; and
- (c) review of the level of fees for directors.

The basis of determining the emoluments payable to its directors and senior management by the company is by reference to individual duties and market practices. The basis of determining the directors' fees (2015: HK\$180,000 for each director) is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors. The directors' fees are subject to approval from time to time by shareholders at annual general meetings of the company.

### (ii) **Nomination Committee**

The company has set up a Nomination Committee consisting of the Chairman of the board and two independent non-executive directors.

One Nomination Committee meeting was held during the year ended 31st March 2016. Attendance of the Members is set out below:

<b>Members</b>	<b>Attendance at Meeting</b>
David Pun Chan, <i>Chairman of the Committee</i>	1
Karl Chi Leung Kwok	1
Man Sing Kwong	1

The main duties of the Nomination Committee are to review the structure, size and diversity of the board; and to identify, select and nominate suitable individuals for appointment as directors of the company. The terms of reference of the Nomination Committee are aligned with the code provisions set out in the CG Code and are available on the company's website.

The work performed by the Nomination Committee for the year ended 31st March 2016 is summarized below:

- (a) review of the structure, size and composition of the board;
- (b) considering the independence of each independent non-executive director;
- (c) review of Board Diversity Policy; and
- (d) making recommendation to the board on the re-election of retiring directors at the company's forthcoming annual general meeting.

No new members have been appointed to the board during the year.

### (iii) Audit Committee

The company has set up an Audit Committee consisting of a non-executive director and three independent non-executive directors.

Two Audit Committee meetings were held during the year ended 31st March 2016. Attendance of the Members is set out below:

<b>Members</b>	<b>Attendance at Meetings</b>
Karl Chi Leung Kwok, <i>Chairman of the Committee</i>	2
Ivy Sau Ching Chan	2
Joseph Wing Siu Cheung	2
Man Sing Kwong	2

The main duties of the Audit Committee are to provide an independent review of the effectiveness of the financial reporting process and internal control system of the group. During the year, revised terms of reference of the Audit Committee were approved and adopted by the board to align with the code provisions set out in the recently amended CG Code. The terms of reference of the Audit Committee are available on the company's website.

The work performed by the Audit Committee for the year ended 31st March 2016 is summarized below:

- (a) approval of the remuneration and terms of engagement of the external auditor;
- (b) review of the half-year and annual financial statements before submission to the board;
- (c) review of the internal audit findings and internal audit plan;

- (d) review of the effectiveness of the internal control system of the group;
- (e) review of the external auditor's audit plan; and
- (f) making recommendation to the board on the re-appointment of external auditor.

#### **(iv) Corporate Governance Function**

The board is responsible for performing the corporate governance duties including:

- (a) develop and review the company's policies and practices on corporate governance;
- (b) review and monitor the training and continuous professional development of directors and senior management;
- (c) review and monitor the company's policies and practices on compliance with legal and regulatory requirements;
- (d) develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
- (e) review the company's compliance with the CG Code and disclosure in the Corporate Governance Report.

#### **(G) Auditor's Remuneration**

The fees in relation to the audit and other services provided by PricewaterhouseCoopers, the external auditor of the company, amounted to HK\$1.5 million and HK\$0.1 million respectively.

### **(H) Internal Control**

The directors are ultimately responsible for the internal control system of the group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organizational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorized use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole group. The Internal Audit Manager reports to the Audit Committee.

A review of the effectiveness of the group's internal control system and procedures was conducted by the Audit Committee and subsequently reported to the board. The review covered all material controls, including financial, operational and compliance and risk management. It also considered the adequacy of resources, qualifications and experience of staff of the group's accounting and financial reporting function, and their training programmes and budget. Based on the result of the review in respect of the year ended 31st March 2016, the directors considered that the internal control system and procedures of the group were effective and adequate.

### **(I) Directors' Responsibilities for the Financial Statements**

The directors are responsible for the preparation of consolidated financial statements of the company and its subsidiaries that give a true and fair view in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. In preparing the consolidated financial statements for the year ended 31st March 2016, the directors have ensured the selection of suitable accounting policies and consistent application thereof; made judgments and estimates that are prudent and reasonable, stated the reasons for any significant departures from applicable accounting standards and ensured the going concern basis of presentation has been applied.

The independent auditor's report, which contains the statement of the external auditor about its reporting responsibilities on the consolidated financial statements of the company and its subsidiaries, is set out on pages 71 and 72.

### **(J) Shareholders' Rights**

#### **(i) Convening a Special General Meeting**

Pursuant to Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act"), shareholders holding not less than one-tenth (10%) of the paid-up capital of the company carrying voting rights at general meetings of the company are entitled to make a requisition to the board to convene a special general meeting ("SGM").

The requisition stating the purposes of the meeting, duly signed by the requisitionists must be deposited at the registered office or head office of the company.

#### **(ii) Putting Forward Proposals at General Meetings**

Pursuant to Sections 79 and 80 of the Companies Act, shareholders holding not less than one-twentieth (5%) of the total voting rights of the company, or not less than 100 shareholders are entitled to put forward a proposal at a general meeting of the company.

The requisition specifying the proposal, duly signed by the requisitionists, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office or head office of the company.

#### **(iii) Proposing a Person for Election as a Director**

Details of the procedures for proposing a person for election as a director are available on the company's website.

#### **(iv) Putting Enquiries to the Board**

Shareholders may send their enquiries to the board in writing through the Company Secretary at the head office (e-mail: [tcpl@taicheung.com](mailto:tcpl@taicheung.com)).

### **(K) Constitutional Documents**

There was no change to the company's Memorandum of Association and Bye-laws during the year.

### Financial Results

I am pleased to report that the audited group profit attributable to the equity holders of the company for the year ended 31st March 2016 amounted to HK\$226.3 million, as compared with the profit of HK\$553.9 million last year. The decline in profit is mainly attributable to no valuation gain for the year ended 31st March 2016 as compared to the valuation gain on the group's investment property last year.

An interim dividend of HK 11 cents per share was paid on 7th January 2016. The board has recommended the payment of a final dividend of HK 19 cents per share to the shareholders on the register of members of the company on 8th September 2016. Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 20th September 2016 and the total dividend for the year will be HK 30 cents per share.

### Property Development

Plans for the development of our Repulse Bay site have been submitted to various government departments for approval. Building plans have been approved. Site formation and foundation works have been completed. Superstructural works are in progress. The project is expected to be completed in the second half of 2017.

Metropole Square, an industrial building in Shatin with approximately 430,000 sq.ft., has been given a formal approval by government for a Special Waiver for Conversion from industrial to office and shop uses. No land premium is payable. Alteration and addition works for upgrading the building have been completed. A letter of confirmation certifying

completion of works has been formally issued by the Lands Department in December 2014. Sales of this project so far has been satisfactory and the group will continue to market this project.

As the US economy is improving, the first phase of our French Valley Airport Center project in California has begun in the fourth quarter of 2015.

### Hotel

As the supply of new 5-star hotels is going to be limited over the next few years, the Sheraton-Hong Kong Hotel, in which the group has 35% interest, will continue to have satisfactory performance in the next few years. Sogo has leased the whole Shopping Mall. This is expected to generate higher steady income for the hotel. Sogo had a grand opening in December 2014. A site next to the hotel was sold in 2014 at a price much higher than market expectations. The current slowdown in tourist arrivals from Mainland China has affected the hotel only slightly.

### Business Strategy

The group has been pursuing to build and manage quality properties mainly in Hong Kong, with focuses on luxury residential properties in recent years, delivering attractive and sustainable returns to our shareholders.

The group with its strong financials and past history in the business which allow it to identify and to acquire high potential new projects into our land bank at appropriate timing, taking account of the market outlook, with insights into the likely impact and with regard to market developments to achieve its long term goals.



## Chairman's Statement

### **Prospects**

With the expected rise in U.S. interest rates and economic slowdown in Hong Kong, the mass residential and retail sectors of the property market will be most affected. The high class residential and office sectors, which the group concentrates on, would be the least affected.

Our cash position is still very strong. With the slowdown in the property market, it is a good opportunity for the group to increase its land bank over the next twelve months.

Finally, I would like to thank all staff for their loyal support and hard work.

**David Pun Chan**

*Chairman*

Hong Kong, 16th June 2016

## Consolidated Income Statement

(For the year ended 31st March 2016)

	<i>Note</i>	<b>2016</b> <b>HK\$Million</b>	<b>2015</b> <b>HK\$Million</b>
Revenue	5	<b>588.6</b>	454.4
Cost of sales		<b>(518.3)</b>	(287.8)
Gross profit		<b>70.3</b>	166.6
Other income	6	<b>35.8</b>	23.5
Administrative expenses		<b>(54.2)</b>	(49.9)
Change in fair value of an investment property		-	370.1
Operating profit	7	<b>51.9</b>	510.3
Finance costs	10	<b>(3.3)</b>	(3.9)
Share of results of associates, net of tax	15	<b>142.5</b>	139.0
Profit before income tax		<b>191.1</b>	645.4
Income tax credit/(expense)	11	<b>35.2</b>	(91.5)
Profit attributable to equity holders of the company		<b>226.3</b>	553.9
Dividends	12	<b>185.2</b>	185.2
Earnings per share (basic and diluted)	13	<b>\$0.37</b>	\$0.90

## Consolidated Statement of Comprehensive Income

(For the year ended 31st March 2016)

	<i>Note</i>	<b>2016</b> <b>HK\$Million</b>	2015 <i>HK\$Million</i>
Profit for the year		<b>226.3</b>	553.9
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of an associate	25	<b>1.6</b>	(1.7)
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Change in fair value on available-for-sale financial assets	25	<b>(18.6)</b>	17.3
Exchange differences	25	-	(0.1)
		<b>(17.0)</b>	15.5
Total comprehensive income for the year and attributable to equity holders of the company		<b>209.3</b>	569.4

# Consolidated Balance Sheet

(As at 31st March 2016)

	Note	2016 HK\$Million	2015 HK\$Million
<b>Non-current assets</b>			
Property, plant and equipment	14	11.4	11.3
Associates	15	113.1	100.0
Amount due from an associate	15	–	24.6
Available-for-sale financial assets	16	82.7	119.6
Deferred income tax assets	23	40.0	–
Mortgage loans receivable	17	0.4	0.6
		<b>247.6</b>	<b>256.1</b>
<b>Current assets</b>			
Properties for sale		2,323.6	2,804.1
Properties under development	18	2,042.4	1,935.1
Debtors and other receivables	19	15.6	42.7
Amounts due from associates	15	25.3	0.7
Bank balances and cash	20	2,754.9	2,320.6
		<b>7,161.8</b>	<b>7,103.2</b>
<b>Current liabilities</b>			
Creditors, deposits and accruals	21	105.5	85.2
Borrowings	22	–	104.0
Current income tax liabilities		52.7	22.5
		<b>158.2</b>	<b>211.7</b>
<b>Net current assets</b>		<b>7,003.6</b>	<b>6,891.5</b>
<b>Total assets less current liabilities</b>		<b>7,251.2</b>	<b>7,147.6</b>
<b>Non-current liabilities</b>			
Borrowings	22	127.5	–
Deferred income tax liabilities	23	178.2	226.2
		<b>305.7</b>	<b>226.2</b>
<b>Net assets</b>		<b>6,945.5</b>	<b>6,921.4</b>
<b>Equity</b>			
Share capital	24	61.7	61.7
Reserves	25	6,766.5	6,742.4
Proposed final dividend	25	117.3	117.3
<b>Total equity</b>		<b>6,945.5</b>	<b>6,921.4</b>

Approved by the Board of Directors on 16th June 2016.

## Consolidated Statement of Changes in Equity

(For the year ended 31st March 2016)

	<i>Note</i>	<b>2016</b> <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Total equity at the beginning of the year		<b>6,921.4</b>	6,537.2
Profit for the year	25	<b>226.3</b>	553.9
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income of an associate	25	<b>1.6</b>	(1.7)
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Change in fair value on available-for-sale financial assets	25	<b>(18.6)</b>	17.3
Exchange differences	25	-	(0.1)
Total comprehensive income for the year		<b>209.3</b>	569.4
Transaction with equity holders:			
Dividends	25	<b>(185.2)</b>	(185.2)
<b>Total equity at the end of the year</b>		<b>6,945.5</b>	6,921.4

## Consolidated Statement of Cash Flows

(For the year ended 31st March 2016)

	<i>Note</i>	<b>2016</b> <i>HK\$Million</i>	<b>2015</b> <i>HK\$Million</i>
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	456.9	312.6
Interest paid		(3.3)	(3.9)
Hong Kong profits tax (paid)/credit		(22.7)	0.6
<b>Net cash from operating activities</b>		<b>430.9</b>	<b>309.3</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(0.8)	(0.3)
Interest received		16.4	22.8
Dividends received from associates		131.0	130.6
Additions to investment property		–	(96.6)
Additions to available-for-sale financial assets		(3.9)	(5.5)
Distributions from available-for-sale financial assets		22.2	15.6
Decrease in mortgage loans receivable		0.2	–
<b>Net cash from investing activities</b>		<b>165.1</b>	<b>66.6</b>
<b>Cash flows from financing activities</b>			
Drawdowns of borrowings		24.3	–
Repayments of borrowings		(0.8)	(3.1)
Dividends paid		(185.2)	(185.2)
<b>Net cash used in financing activities</b>		<b>(161.7)</b>	<b>(188.3)</b>
<b>Net increase in bank balances and cash</b>		<b>434.3</b>	<b>187.6</b>
<b>Bank balances and cash at the beginning of the year</b>		<b>2,320.6</b>	<b>2,133.0</b>
<b>Bank balances and cash at the end of the year</b>		<b>2,754.9</b>	<b>2,320.6</b>

# Notes to the Consolidated Financial Statements

## 1. General Information

Tai Cheung Holdings Limited is a limited liability company incorporated in Bermuda. The address of its registered office is The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

The company has its primary listing on The Stock Exchange of Hong Kong Limited.

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

## 2. Principal Accounting Policies

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

### (a) Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

### (b) Improvements effective in 2015/16 and adopted by the group

During the year, the group adopted the following amendments to the existing HKFRSs and improvements which are effective in 2015/16 and are relevant to its operations:

Annual improvements project	Annual improvements 2010–2012 cycle
Annual improvements project	Annual improvements 2011–2013 cycle

There are no other new standards, amendments, interpretations and improvements that are effective for the first time in 2015/16 that would have a material impact to the group.

## 2. Principal Accounting Policies (continued)

### (c) New Standards, Improvements and Amendments to Existing Standards that are not yet effective

Certain new or revised standards, improvements and amendments to existing standards have been published which are relevant to the group's operations and financial statements and are mandatory for the group's accounting periods beginning on or after 1st April 2016 as follows:

HKAS 1 (Amendments)	Disclosure initiative <sup>1</sup>
HKAS 7 (Amendments)	Disclosure initiative <sup>2</sup>
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses <sup>2</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation <sup>1</sup>
HKAS 27 (Amendments)	Equity method in separate financial statements <sup>1</sup>
HKFRS 9 (2014)	Financial instruments <sup>3</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment entities: applying the consolidation exception <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>5</sup>
HKFRS 11 (Amendments)	Accounting for acquisitions of interest in joint operations <sup>1</sup>
HKFRS 14	Regulatory deferral accounts <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>3</sup>
HKFRS 16	Leases <sup>4</sup>
Annual improvements project	Annual improvements 2012–2014 cycle <sup>1</sup>

<sup>1</sup> Effective for accounting periods beginning on 1st January 2016

<sup>2</sup> Effective for accounting periods beginning on 1st January 2017

<sup>3</sup> Effective for accounting periods beginning on 1st January 2018

<sup>4</sup> Effective for accounting periods beginning on 1st January 2019

<sup>5</sup> The original effective date of 1st January 2016 has been postponed until further announcement by the HKICPA

The group is in the process of making an assessment of the impact of these new or revised standards, improvements and amendments to standards and is not yet in a position to state whether they would have a significant impact on the group's results and financial position.



### 2. Principal Accounting Policies (continued)

#### (d) Consolidation

##### (i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

##### (a) Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transaction, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

##### (b) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement, as appropriate. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

### 2. Principal Accounting Policies (continued)

#### (d) Consolidation (continued)

##### (ii) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

##### (iii) *Associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated income statement where appropriate.

The group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of associates' in the consolidated income statement.

## 2. Principal Accounting Policies (continued)

### (d) Consolidation (continued)

#### (iii) Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of associates has been changed where necessary to ensure consistency with the accounting policies adopted by the group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

### (e) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisitions of the items. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives as follows:

Leasehold land classified as finance lease	Over their remaining lease term of 963 years
Buildings	Shorter of remaining lease term of 14 years or useful lives
Vehicles, fixtures and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(g)).

### 2. Principal Accounting Policies (continued)

#### (f) Properties under Development and for Sale

Properties under development are investments in land and buildings on which construction work and development have not been completed and are intended for sale upon completion. Properties under development are stated at the lower of cost and net realisable value. Cost comprises land acquisition costs and construction costs and amounts capitalised in respect of borrowing costs incurred during the construction period and up to the date of completion of construction. On completion, the properties are reclassified to properties for sale at the then carrying amount.

Properties for sale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

#### (g) Impairment of Investments in Subsidiaries, Associates and Non-financial Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2. Principal Accounting Policies (continued)

#### (h) Financial Assets

The group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The group determines the classification of its financial assets at initial recognition.

##### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the reporting period. These are classified as non-current assets. Loans and receivables include mortgage loans receivable, debtors and deposits, bank balances and cash and amounts due from associates.

##### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months from the end of reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Both loans and receivables and available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Loans and receivables are subsequently carried at amortised cost (note 2(i)).

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

The group assesses at the end of reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered an indication that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that equity security previously recognised in the consolidated income statement – is reclassified from equity to the consolidated income statement. Such impairment losses are not reversed through the consolidated income statement where there is subsequent increase in the fair value of the equity securities. In the case of loans and receivables, the impairment policy is set out in note 2(i).

### 2. Principal Accounting Policies (continued)

#### (i) Trade and Other Debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

#### (j) Trade and Other Creditors

Trade and other creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### (l) Current and Deferred Income Tax

The tax expenses for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### 2. Principal Accounting Policies (continued)

#### (l) Current and Deferred Income Tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference can be controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (m) Financial Guarantees

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The group does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing the carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the consolidated income statement immediately.

### 2. Principal Accounting Policies (continued)

#### (n) Revenue Recognition

Revenue comprises the fair value for the sale of goods and services in the ordinary course of the group's activities, net of discounts and after eliminating sales within the group. Revenue is recognised as follows:

##### (i) Sales of properties

Revenue on sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the properties sold and it is probable that future economic benefits will flow to the entity. The group considers that the significant risks and rewards of ownership are generally transferred upon execution of a binding sales agreement or the relevant occupation permits being issued by the authorities, whichever is the later.

##### (ii) Rental income

Rental income from letting the group's portfolio of properties is recognised on a straight-line basis over the lease term.

##### (iii) Dividend income

Dividend income is recognised when the group's right to receive payment is established.

##### (iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

##### (v) Property management fee

Property management fee is recognised when the services are rendered.

#### (o) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease income from an operating lease is recognised on a straight-line basis over the lease term. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the lease term.



### 2. Principal Accounting Policies (continued)

#### (p) Employee Benefits

##### (i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### (ii) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For the non-contributory defined contribution provident fund scheme, regular monthly contributions payable by the group at the rate specified in the trust deed are expensed as incurred. Contributions to the scheme by the group are calculated as a percentage of employees' basic salaries. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions. The assets of the scheme are held separately from those of the group in funds under the control of a professional trustee and are managed by an independent fund manager.

For the mandatory provident fund scheme in Hong Kong, the group's contributions are set at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance and are expensed as incurred.

#### (q) Foreign Currency Translation

##### (i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the company's functional and the group's presentation currency.

### 2. Principal Accounting Policies (continued)

#### (q) Foreign Currency Translation (continued)

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

##### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on disposal.

### 2. Principal Accounting Policies (continued)

#### (r) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

#### (s) Contingent Liabilities

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

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

#### (t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the directors of the company. The executive directors, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the steering committee that makes strategic decisions.

#### (u) Dividend Distribution

Dividend distribution to the company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the company's shareholders or directors, where appropriate.

### 3. Financial Risk Management

#### (a) Financial risk factors

The group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow interest-rate risk and price risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

### 3. Financial Risk Management (continued)

#### (a) Financial risk factors (continued)

##### (i) Foreign exchange risk

The group operates in Hong Kong and the United States but is exposed to limited foreign exchange risk as most assets and liabilities are denominated in HK dollars and US dollars.

The group has not entered into any forward contracts to manage the exposure to foreign exchange risk. When considered appropriate, the group will take the necessary actions to ensure that such exposure is properly hedged primarily through borrowings denominated in the relevant foreign currencies.

##### (ii) Credit risk

The carrying amounts of mortgage loans receivable, debtors and deposits, bank balances and cash and amounts due from associates represent the group's maximum exposure to credit risk in relation to financial assets. Credit risk is managed on a group basis.

The group has policies in place to ensure that sales and leases of properties and mortgage loans are made only to customers with appropriate credit histories. The group assesses the credit quality of the customers and the associates, taking into account its financial position, past experience and other factors. The group also has policies to require placement of rental deposits from tenants prior to commencement of leases.

The group places its deposits with reputable banks to mitigate the risk arising from banks.

##### (iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group aims to maintain flexibility in funding by keeping committed credit lines available.

The following table analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

## Notes to the Consolidated Financial Statements

### 3. Financial Risk Management (continued)

#### (a) Financial risk factors (continued)

##### (iii) Liquidity risk (continued)

	Less than 1 year <i>HK\$Million</i>	1–2 years <i>HK\$Million</i>	Total <i>HK\$Million</i>
At 31st March 2016			
Creditors and deposits	<b>98.8</b>	–	<b>98.8</b>
Borrowings	–	<b>130.8</b>	<b>130.8</b>
<b>Total</b>	<b>98.8</b>	<b>130.8</b>	<b>229.6</b>
At 31st March 2015			
Creditors and deposits	78.9	–	78.9
Borrowings	107.9	–	107.9
<b>Total</b>	186.8	–	186.8

##### (iv) Cash flow interest-rate risk

The group's interest-rate risk arises from borrowings, mortgage loans receivable and amount due from an associate. Borrowings issued at variable rates expose the group to cash flow interest-rate risk. The group has not entered into any interest-rate swap contracts as the exposure to interest-rate risk is not considered significant.

At the balance sheet date, if interest rates on borrowings had been 0.5% (2015: 0.5%) lower/higher with all other variables held constant, the post-tax profit of the group would have been higher/lower by approximately HK\$0.4 million (2015: HK\$0.5 million) resulting from the change in the bank borrowing costs.

There is no significant exposure on cash flow interest-rate risk arising from mortgage loans receivable and amount due from an associate.

## 3. Financial Risk Management (continued)

### (a) Financial risk factors (continued)

#### (v) Price risk

The group is exposed to equity securities price risk for available-for-sale financial assets held by the group. The group is not exposed to commodity price risk.

The carrying amount of the available-for-sale financial assets and the revaluation reserve (before any further impairment) of the group would increase/decrease by approximately HK\$8.3 million (2015: HK\$12.0 million) if the fair value of the available-for-sale financial assets were to increase/decrease by 10% (2015: 10%).

### (b) Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the capital structure.

The directors of the company review the capital structure periodically and consider the cost of capital and the risks associated with capital. The directors of the company also balance its overall capital structure through the payment of dividends, new share issues as well as drawdown and repayment of borrowings.

The group's total capital is calculated as the sum of total equity and borrowings, as shown in the consolidated balance sheet. The company's strategy remained unchanged from the year ended 31st March 2015 and there was no significant change in the total capital during the year.

The group monitors capital by seeking to maintain a prudent gearing ratio based on prevailing market environment and economic condition. This ratio is calculated as bank borrowings to total equity.

The gearing ratios at 31st March 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$Million</b>	<b>HK\$Million</b>
Total borrowings	<b>127.5</b>	104.0
Total equity	<b>6,945.5</b>	6,921.4
Gearing ratio	<b>1.8%</b>	1.5%

## Notes to the Consolidated Financial Statements

### 3. Financial Risk Management (continued)

#### (c) Fair value estimation

##### (i) Financial instruments

The disclosure of the fair value measurements of the financial instruments is based on the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets that are measured at fair value at 31st March 2016 and 2015.

	<b>2016</b>	<b>2015</b>
	<b>Level 3</b>	<b>Level 3</b>
	<b>HK\$Million</b>	<b>HK\$Million</b>
Assets		
Available-for-sale financial assets	<b>82.7</b>	<b>119.6</b>

If one or more of the significant inputs is not based on observable market data, the assets are included in level 3.

Details on the fair value measurement for available-for-sale financial assets are set out in note 16 to the consolidated financial statements.

##### (ii) Debtors and creditors

The nominal values less impairment provisions of debtors and creditors are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

### 4. Critical Accounting Estimates and Assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(a) Estimate of net realisable value of properties for sale and properties under development**

Net realisable value of properties for sale and properties under development is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling properties of similar nature. They could change significantly as a result of changes in market condition. Management will reassess the estimations at each balance sheet date.

**(b) Estimate of fair value of available-for-sale financial assets**

The fair values of available-for-sale financial assets that are not traded in an active market are determined by using valuation techniques. The group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

**(c) Impairment of available-for-sale financial assets**

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



## Notes to the Consolidated Financial Statements

### 4. Critical Accounting Estimates and Assumptions (continued)

#### (d) Revenue recognition

The group has recognised revenue from the sale of properties as disclosed in note 2(n). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers and all other criteria for revenue recognition of sale of properties requires the examination of the circumstances of each of the transactions.

### 5. Revenue and Segment Information

The principal activity of the company is investment holding. The group is principally engaged in property investment and development, investment holding and property management.

Revenue recognised during the year, which is also the group's turnover, comprises:

	<b>2016</b>	<b>2015</b>
	<b><i>HK\$Million</i></b>	<b><i>HK\$Million</i></b>
Gross proceeds from sales of properties	<b>578.0</b>	433.8
Gross rental income from properties	<b>0.5</b>	12.8
Property management fees	<b>10.1</b>	7.8
	<b>588.6</b>	454.4

Segment information is presented on the same basis as that used by the directors to assess the performance of each reporting segment.

## Notes to the Consolidated Financial Statements

### 5. Revenue and Segment Information (continued)

#### (a) Revenue and profit attributable to equity holders of the company For the year ended 31st March 2016

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Total <i>HK\$Million</i>
Revenue	578.5	10.1	-	-	588.6
Segment results and operating profit	14.6	1.8	-	35.5	51.9
Finance costs	(3.3)	-	-	-	(3.3)
Share of results of associates, net of tax	2.9	-	139.6	-	142.5
Profit before income tax					191.1
Income tax credit/(expense)	35.5	(0.3)	-	-	35.2
Profit attributable to equity holders of the company					226.3

## Notes to the Consolidated Financial Statements

### 5. Revenue and Segment Information (continued)

#### (a) Revenue and profit attributable to equity holders of the company (continued)

For the year ended 31st March 2015

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Total <i>HK\$Million</i>
Revenue	446.6	7.8	-	-	454.4
Segment results	116.9	1.9	-	21.4	140.2
Change in fair value of an investment property	370.1	-	-	-	370.1
Operating profit	487.0	1.9	-	21.4	510.3
Finance costs	(3.9)	-	-	-	(3.9)
Share of results of associates, net of tax	1.5	-	137.5	-	139.0
Profit before income tax					645.4
Income tax expense	(91.2)	(0.3)	-	-	(91.5)
Profit attributable to equity holders of the company					553.9

## Notes to the Consolidated Financial Statements

### 5. Revenue and Segment Information (continued)

#### (b) Total assets and liabilities As at 31st March 2016

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Total <i>HK\$Million</i>
Segment assets	4,433.0	61.7	-	2,776.3	7,271.0
Associates	27.0	-	119.2	(7.8)	138.4
Total assets					7,409.4
Segment liabilities	393.0	61.5	-	9.4	463.9
Net assets					<u>6,945.5</u>

#### As at 31st March 2015

	Property development and leasing <i>HK\$Million</i>	Property management <i>HK\$Million</i>	Hotel operation <i>HK\$Million</i>	Investment holding <i>HK\$Million</i>	Total <i>HK\$Million</i>
Segment assets	4,796.0	51.8	-	2,386.2	7,234.0
Associates	23.8	-	108.9	(7.4)	125.3
Total assets					7,359.3
Segment liabilities	375.9	52.9	-	9.1	437.9
Net assets					<u>6,921.4</u>

## Notes to the Consolidated Financial Statements

### 6. Other Income

	2016 <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Interest income	16.5	22.4
Investment income from available-for-sale financial assets	19.3	1.1
	<b>35.8</b>	<b>23.5</b>

### 7. Operating Profit

	2016 <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Operating profit is stated after charging the following:		
Auditor's remuneration	1.5	1.4
Cost of property sales	485.8	261.5
Depreciation	0.7	0.6
Operating lease rentals in respect of land and buildings	11.2	11.3
Outgoings in respect of properties	0.1	0.6

### 8. Staff Costs

The amount of staff costs (excluding directors' emoluments as disclosed in note 9) charged to the consolidated income statement represents:

	2016 <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Salaries and allowances	56.8	54.1
Provident fund contributions less forfeitures ( <i>note (a)</i> )	2.9	3.0
<i>Less:</i> Staff costs capitalised under properties under development and investment property	<b>(11.8)</b>	<b>(12.4)</b>
<i>Less:</i> Recharge of staff costs to building management funds ( <i>note (b)</i> )	<b>(29.7)</b>	<b>(26.2)</b>
	<b>18.2</b>	<b>18.5</b>

*Notes:*

(a) No contributions forfeited by employees leaving the scheme were utilised to offset contributions during the year (2015: Nil). At the balance sheet date, there were no forfeited contributions (2015: Nil) available to reduce the contributions payable in future years. Contributions payable as at 31st March 2016 were HK\$0.2 million (2015: HK\$0.2 million).

(b) Recharge of staff costs represents reimbursement for property management services rendered.

## Notes to the Consolidated Financial Statements

### 9. Directors' and Senior Management's Emoluments

#### (a) Directors' emoluments

The remunerations of the directors for the year ended 31st March 2016 are set out below:

Name of director	Fees	Salaries and other emoluments	Discretionary bonuses	Provident fund contributions	Total
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
David Pun Chan	0.36	2.87	0.24	0.29	3.76
William Wai Lim Lam	0.18	1.45	0.12	0.14	1.89
Wing Sau Li	0.18	1.77	0.15	0.18	2.28
Ivy Sau Ching Chan	0.18	-	-	-	0.18
Joseph Wing Siu Cheung	0.18	-	-	-	0.18
Karl Chi Leung Kwok	0.18	-	-	-	0.18
Man Sing Kwong	0.18	-	-	-	0.18
	1.44	6.09	0.51	0.61	8.65

The remunerations of the directors for the year ended 31st March 2015 are set out below:

Name of director	Fees	Salaries and other emoluments	Discretionary bonuses	Provident fund contributions	Total
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
David Pun Chan	0.36	2.74	0.23	0.27	3.60
William Wai Lim Lam	0.18	1.38	0.11	0.14	1.81
Wing Sau Li	0.18	1.69	0.14	0.17	2.18
Ivy Sau Ching Chan	0.18	-	-	-	0.18
Joseph Wing Siu Cheung	0.18	-	-	-	0.18
Karl Chi Leung Kwok	0.18	-	-	-	0.18
Man Sing Kwong	0.18	-	-	-	0.18
	1.44	5.81	0.48	0.58	8.31

### 9. Directors' and Senior Management's Emoluments (continued)

#### (a) Directors' emoluments (continued)

(i) *Directors' retirement benefits and termination benefits*

None of the directors received any retirement benefits or termination benefits during the financial year (2015: Nil).

(ii) *Consideration provided to third parties for making available directors' services*

The group did not pay consideration to any third parties for making available directors' services during the financial year (2015: Nil).

(iii) *Information about loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities*

There are no loans, quasi-loans and other dealings in favour of directors, their controlled bodies corporate and connected entities (2015: None).

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

During the year and at the year end, no director of the company had or has 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 (2015: None).

## Notes to the Consolidated Financial Statements

### 9. Directors' and Senior Management's Emoluments (continued)

#### (b) Senior management

(biographical details of members of senior management are set out on page 4)

- (i) Of the five individuals with the highest emoluments, three (2015: three) of them are directors whose emoluments are disclosed in note 9(a) and two (2015: two) of them are senior management employees whose emoluments are disclosed as follows:

	2016 <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Salaries and other emoluments	2.4	2.5
Discretionary bonuses	0.2	0.2
Provident fund contributions	0.2	0.3
	<b>2.8</b>	<b>3.0</b>

The above emoluments are analysed as follows:

	Number of employees	
	2016	2015
HK\$1,000,001 - HK\$1,500,000	2	1
HK\$1,500,001 - HK\$2,000,000	-	1

- (ii) The emoluments of the remaining senior management employees fell within the following bands:

	Number of employees	
	2016	2015
HK\$1,000,000 or below	3	2
HK\$1,000,001 - HK\$1,500,000	2	2

*Note:* The above emoluments include salaries and other emoluments, discretionary bonuses and provident fund contributions.



## Notes to the Consolidated Financial Statements

### 10. Finance Costs

	2016 <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Interest on bank borrowings – bank loans wholly repayable within five years	<b>3.3</b>	3.9

### 11. Income Tax (Credit)/Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the group operates.

	2016 <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Current income tax		
Hong Kong profits tax	<b>52.8</b>	24.4
Deferred income tax ( <i>note 23</i> )	<b>(88.0)</b>	67.1
	<b>(35.2)</b>	91.5

The taxation on the group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	2016 <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Profit before income tax	<b>191.1</b>	645.4
Less: Share of results of associates, net of tax	<b>(142.5)</b>	(139.0)
	<b>48.6</b>	506.4
Theoretical tax at a tax rate of 16.5% (2015: 16.5%)	<b>8.0</b>	83.6
Income not subject to tax	<b>(6.0)</b>	(3.8)
Expenses not deductible for tax purposes	<b>2.1</b>	1.6
Tax losses not recognised	<b>1.0</b>	3.0
Tax losses recognised	<b>(40.0)</b>	–
Effect of re-measurement of deferred tax upon reclassification of an investment property to a property for sale	–	7.2
Others	<b>(0.3)</b>	(0.1)
Income tax (credit)/expense	<b>(35.2)</b>	91.5

## Notes to the Consolidated Financial Statements

### 12. Dividends

	<b>2016</b>	2015
	<b><i>HK\$Million</i></b>	<i>HK\$Million</i>
Interim, paid, of HK 11 cents (2015: HK 11 cents) per ordinary share	<b>67.9</b>	67.9
Final, proposed, of HK 19 cents (2015: HK 19 cents) per ordinary share ( <i>note</i> )	<b>117.3</b>	117.3
	<b>185.2</b>	185.2

*Note:* At a meeting held on 16th June 2016, the directors proposed a final dividend of HK 19 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st March 2017.

### 13. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to equity holders of the company of HK\$226.3 million (2015: HK\$553.9 million) and ordinary shares in issue of 617,531,425 (2015: 617,531,425). There were no potential dilutive ordinary shares outstanding during the year (2015: Nil).

## Notes to the Consolidated Financial Statements

### 14. Property, Plant and Equipment

	Land and building <i>HK\$Million</i>	Vehicles, fixtures and equipment <i>HK\$Million</i>	<b>Total</b> <b><i>HK\$Million</i></b>
<b>Cost</b>			
Balance at 1st April 2015	11.1	35.8	<b>46.9</b>
Additions	–	0.8	<b>0.8</b>
Disposals	–	(0.6)	<b>(0.6)</b>
Balance at 31st March 2016	11.1	36.0	<b>47.1</b>
<b>Accumulated depreciation</b>			
Balance at 1st April 2015	1.0	34.6	<b>35.6</b>
Charge for the year	0.2	0.5	<b>0.7</b>
Disposals	–	(0.6)	<b>(0.6)</b>
Balance at 31st March 2016	1.2	34.5	<b>35.7</b>
<b>Net book value</b>			
Balance at 31st March 2016	9.9	1.5	<b>11.4</b>
<b>Cost</b>			
Balance at 1st April 2014	11.1	36.2	<b>47.3</b>
Additions	–	0.3	<b>0.3</b>
Disposals	–	(0.7)	<b>(0.7)</b>
Balance at 31st March 2015	11.1	35.8	<b>46.9</b>
<b>Accumulated depreciation</b>			
Balance at 1st April 2014	0.8	34.9	<b>35.7</b>
Charge for the year	0.2	0.4	<b>0.6</b>
Disposals	–	(0.7)	<b>(0.7)</b>
Balance at 31st March 2015	1.0	34.6	<b>35.6</b>
<b>Net book value</b>			
Balance at 31st March 2015	10.1	1.2	<b>11.3</b>

## Notes to the Consolidated Financial Statements

### 15. Associates

	<b>2016</b> <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Share of net assets, unlisted investments	<b>113.1</b>	100.0

The amounts due from associates are unsecured and interest free, and have no fixed terms of repayment except for an amount due from an associate of HK\$24.6 million (2015: HK\$24.6 million) which bears interest at 0.8% (2015: 0.8%) above the Hong Kong Interbank Offered Rate and is repayable on 31st July 2016 (2015: repayable on 31st July 2016). The carrying amounts of the amounts due from associates approximate their fair value.

Set out below are the summarised financial information of an associate, Consolidated Hotels Limited, which is material to the group. The information below reflects the amounts presented in the financial statements of the associate (and not the group's share of those amounts). The associate is accounted for using the equity method.

	<b>2016</b> <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Revenue	<b>989.2</b>	992.1
Expenses	<b>(511.9)</b>	(522.7)
Profit before income tax	<b>477.3</b>	469.4
Income tax expense	<b>(78.4)</b>	(76.6)
Profit for the year	<b>398.9</b>	392.8
Other comprehensive income	<b>4.4</b>	(4.8)
Total comprehensive income	<b>403.3</b>	388.0
Assets		
Non-current assets	<b>480.1</b>	500.4
Current assets	<b>216.9</b>	164.3
	<b>697.0</b>	664.7
Liabilities		
Non-current liabilities	<b>(112.0)</b>	(161.2)
Current liabilities	<b>(314.7)</b>	(262.5)
	<b>(426.7)</b>	(423.7)
Net assets	<b>270.3</b>	241.0
Interest in associate (35%)	<b>94.6</b>	84.3

## Notes to the Consolidated Financial Statements

### 15. Associates (continued)

The aggregate amount of the group's share of its associates which are not individually material are as follows:

	<b>2016</b> <i>HK\$Million</i>	<b>2015</b> <i>HK\$Million</i>
Profit and total comprehensive income from continuing operations	<b>2.9</b>	1.5
Net assets	<b>18.5</b>	15.7

Other particulars of the associates are shown in note 32 to the consolidated financial statements.

### 16. Available-for-sale Financial Assets

	<b>2016</b> <i>HK\$Million</i>	<b>2015</b> <i>HK\$Million</i>
At the beginning of the year	<b>119.6</b>	112.4
Additions	<b>3.9</b>	5.5
Distributions	<b>(22.2)</b>	(15.6)
Change in fair value (note 25)	<b>(18.6)</b>	17.3
At the end of the year	<b>82.7</b>	119.6

The group has determined that the reported net assets value represents their fair values at the balance sheet date. These valuations fall within level 3 of the fair value measurement hierarchy.

The group's available-for-sale financial assets are unquoted and denominated in US dollars.

### 17. Mortgage Loans Receivable

Mortgage loans receivable represent the second mortgage loans granted to the purchasers of certain properties developed by the group and are secured by the properties.

The mortgage loans receivable are denominated in Hong Kong dollars and carry interest at 1% over the Hong Kong dollar prime rate with interest free periods of 18 months to 3 years from the respective dates when the mortgage loans were drawn. Repayments will commence after the expiry of the interest free period and will be made by instalments over a period of 10 years to 23 years thereafter. Amounts due within 12 months are included within current assets.

According to the group's credit terms, mortgage loans receivable that are less than three months past due are not considered impaired. As at 31st March 2016, the mortgage loans receivable of HK\$0.4 million (2015: HK\$0.6 million) were fully performing.

## Notes to the Consolidated Financial Statements

### 17. Mortgage Loans Receivable (continued)

As at 31st March 2016, no impairment loss provision (2015: Nil) was made on the mortgage loans receivable of the group.

The carrying amounts of mortgage loans receivable approximate their fair values.

### 18. Properties under Development

As at 31st March 2016, properties under development amounting to HK\$240.0 million (2015: HK\$200.3 million) were pledged as security for bank loan facilities granted to the group (note 26).

### 19. Debtors and Other Receivables

	<b>2016</b>	<b>2015</b>
	<i>HK\$Million</i>	<i>HK\$Million</i>
Trade debtors, aged 0-3 months	<b>5.6</b>	36.6
Other receivables, deposits and prepayments	<b>10.0</b>	6.1
	<b>15.6</b>	42.7

Debtors, other receivables, deposits and prepayments are mainly denominated in Hong Kong dollars.

Credit terms given to customers vary and generally range from 3 to 6 months.

As at 31st March 2016, trade debtors of HK\$5.6 million (2015: HK\$36.6 million) were fully performing.

As at 31st March 2016, no trade debtor was impaired (2015: Nil).

## Notes to the Consolidated Financial Statements

### 20. Bank Balances and Cash

The carrying amounts of bank balances and cash are denominated in the following currencies:

	<b>2016</b>	<b>2015</b>
	<i>HK\$Million</i>	<i>HK\$Million</i>
Hong Kong dollars	<b>2,712.6</b>	2,305.7
US dollars	<b>42.3</b>	14.9
	<b>2,754.9</b>	2,320.6

Pursuant to various management agreements with property management funds, the group has restricted bank balances of approximately HK\$61.2 million as at 31st March 2016 (2015: HK\$50.6 million) held in specific bank accounts on behalf of the management funds as a property manager.

### 21. Creditors, Deposits and Accruals

	<b>2016</b>	<b>2015</b>
	<i>HK\$Million</i>	<i>HK\$Million</i>
Creditors, aged 0-3 months	<b>6.4</b>	6.3
Deposits and accruals	<b>99.1</b>	78.9
	<b>105.5</b>	85.2

The creditors and deposits are mainly denominated in Hong Kong dollars.

## Notes to the Consolidated Financial Statements

### 22. Borrowings

	<b>2016</b>	2015
	<i>HK\$Million</i>	<i>HK\$Million</i>
Non-current		
Bank loans		
– unsecured	<b>28.7</b>	–
– secured ( <i>note 26</i> )	<b>98.8</b>	–
	<b>127.5</b>	–
Current		
Bank loans		
– unsecured	–	29.5
– secured ( <i>note 26</i> )	–	74.5
	–	104.0
<b>Total borrowings</b>	<b>127.5</b>	<b>104.0</b>

The group's borrowings are repayable between 1 and 2 years.

The group's borrowings are all subject to interest-rate changes and contractual repricing within 6 months from year end date (2015: 6 months).

The carrying amounts of borrowings approximate their fair values.

The borrowings of HK\$127.5 million (2015: HK\$104.0 million) are denominated in US dollars and the effective interest rate of borrowings at the balance sheet date was 3.9% (2015: 3.7%) per annum.



## Notes to the Consolidated Financial Statements

### 23. Deferred Income Tax

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2015: 16.5%).

The component of deferred income tax liabilities/(assets) recognised in the consolidated balance sheet and the movement during the year are as follows:

<b>Deferred income tax liabilities</b>	<b>2016 Fair value gain HK\$Million</b>	<b>2015 Fair value gain HK\$Million</b>
At the beginning of the year	226.2	159.1
(Credited)/charged to consolidated income statement (note 11)	(48.0)	67.1
At the end of the year	178.2	226.2

<b>Deferred income tax assets</b>	<b>2016 Tax losses HK\$Million</b>	<b>2015 Tax losses HK\$Million</b>
At the beginning of the year	-	-
Credited to consolidated income statement (note 11)	(40.0)	-
At the end of the year	(40.0)	-

The whole balance of the deferred income tax liabilities/(assets) is to be settled after more than twelve months.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Deferred income tax assets of HK\$21.9 million (2015: HK\$62.1 million) arising from unused tax losses of HK\$76.2 million (2015: HK\$321.6 million) have not been recognised in the consolidated financial statements. These unused tax losses are to be carried forward in offsetting against the future taxable income.

Included in such unused tax losses are amounts of HK\$23.0 million (2015: HK\$269.9 million) which have no expiry date. The remaining balance will expire at various dates up to and including 2036.

## Notes to the Consolidated Financial Statements

### 24. Share Capital

	<b>2016</b>	<b>2015</b>
	<b>HK\$Million</b>	<b>HK\$Million</b>
Authorised:		
1,000,000,000 (2015: 1,000,000,000) ordinary shares of HK\$0.1 each	<b>100.0</b>	<b>100.0</b>
Issued and fully paid:		
617,531,425 (2015: 617,531,425) ordinary shares of HK\$0.1 each	<b>61.7</b>	<b>61.7</b>

### 25. Reserves

	Other reserve	Revaluation reserve	Exchange fluctuation reserve	Retained profits	Contributed surplus	<b>Total</b>
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<b>HK\$Million</b>
At 1st April 2015	(0.3)	77.8	0.2	6,434.0	348.0	<b>6,859.7</b>
Profit for the year	-	-	-	226.3	-	<b>226.3</b>
Share of other comprehensive income of an associate	1.6	-	-	-	-	<b>1.6</b>
Change in fair value on available- for-sale financial assets	-	(18.6)	-	-	-	<b>(18.6)</b>
2015 final dividend paid	-	-	-	(117.3)	-	<b>(117.3)</b>
2016 interim dividend paid	-	-	-	(67.9)	-	<b>(67.9)</b>
At 31st March 2016	<b>1.3</b>	<b>59.2</b>	<b>0.2</b>	<b>6,475.1</b>	<b>348.0</b>	<b>6,883.8</b>
Representing:						
2016 final dividend proposed						<b>117.3</b>
Reserves at 31st March 2016						<b>6,766.5</b>
						<b>6,883.8</b>

## Notes to the Consolidated Financial Statements

### 25. Reserves (continued)

	Other reserve <i>HK\$Million</i>	Revaluation reserve <i>HK\$Million</i>	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	<b>Total <i>HK\$Million</i></b>
At 1st April 2014	1.4	60.5	0.3	6,065.3	348.0	<b>6,475.5</b>
Profit for the year	-	-	-	553.9	-	<b>553.9</b>
Share of other comprehensive income of an associate	(1.7)	-	-	-	-	<b>(1.7)</b>
Change in fair value on available- for-sale financial assets	-	17.3	-	-	-	<b>17.3</b>
Exchange differences	-	-	(0.1)	-	-	<b>(0.1)</b>
2014 final dividend paid	-	-	-	(117.3)	-	<b>(117.3)</b>
2015 interim dividend paid	-	-	-	(67.9)	-	<b>(67.9)</b>
At 31st March 2015	(0.3)	77.8	0.2	6,434.0	348.0	<b>6,859.7</b>
Representing:						
2015 final dividend proposed						<b>117.3</b>
Reserves at 31st March 2015						<b>6,742.4</b>
						<b>6,859.7</b>

### 26. Pledge of Assets

Certain properties under development of the group with carrying values of HK\$240.0 million (2015: HK\$200.3 million) have been pledged to banks as security for facilities granted to the extent of HK\$220.0 million (2015: HK\$74.6 million) against which HK\$98.8 million (2015: HK\$74.5 million) has been utilised at the balance sheet date.

### 27. Commitments

	<b>2016 <i>HK\$Million</i></b>	<b>2015 <i>HK\$Million</i></b>
Capital commitments in respect of available-for-sale financial assets	<b>6.0</b>	<b>10.0</b>
Development expenses contracted but not provided for in respect of properties	<b>234.2</b>	<b>66.8</b>
	<b>240.2</b>	<b>76.8</b>

## Notes to the Consolidated Financial Statements

### 28. Lease Commitments

The group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	<b>2016</b>	2015
	<b>HK\$Million</b>	<i>HK\$Million</i>
Not later than one year	<b>5.3</b>	11.2
Later than one year and not later than five years	<b>1.2</b>	6.6
	<b>6.5</b>	17.8

### 29. Note to Consolidated Statement of Cash Flows

Reconciliation of profit before income tax to cash generated from operations:

	<b>2016</b>	2015
	<b>HK\$Million</b>	<i>HK\$Million</i>
Profit before income tax	<b>191.1</b>	645.4
Share of results of associates, net of tax	<b>(142.5)</b>	(139.0)
Change in fair value of an investment property	-	(370.1)
Depreciation	<b>0.7</b>	0.6
Interest expense	<b>3.3</b>	3.9
Interest income	<b>(16.5)</b>	(22.4)
Operating profit before working capital changes	<b>36.1</b>	118.4
Decrease in properties for sale	<b>480.6</b>	259.5
Increase in properties under development	<b>(107.3)</b>	(48.2)
Decrease/(increase) in debtors and other receivables	<b>27.2</b>	(16.8)
Increase/(decrease) in creditors, deposits and accruals	<b>20.3</b>	(0.3)
Cash generated from operations	<b>456.9</b>	312.6

### 30. Related Party Transactions

During the year, in addition to the balances with the associates as disclosed in note 15 and the directors' emoluments disclosed in note 9(a), the following transactions were carried out with related parties in the normal course of the group's business:

	<b>2016</b>	2015
	<b>HK\$Million</b>	<i>HK\$Million</i>
Interest income received from an associate (note 15)	<b>0.3</b>	0.2
Key management compensation		
– Salaries and other employee benefits (note 9(b))	<b>2.8</b>	3.0

## Notes to the Consolidated Financial Statements

### 31. Balance Sheet and Reserve Movement of the Company

#### Balance Sheet of the Company

	2016 <i>HK\$Million</i>	2015 <i>HK\$Million</i>
Non-current assets		
Subsidiaries	2,349.2	2,349.2
Current assets		
Amount due from a subsidiary	517.5	511.9
Bank balances and cash	5.1	5.5
	522.6	517.4
Current liabilities		
Deposits and accruals	7.3	7.3
	7.3	7.3
Net current assets	515.3	510.1
<b>Net assets</b>	<b>2,864.5</b>	<b>2,859.3</b>
Equity		
Share capital	61.7	61.7
Reserves	2,802.8	2,797.6
	<i>Note (a)</i>	
<b>Total equity</b>	<b>2,864.5</b>	<b>2,859.3</b>

Approved by the Board of Directors on 16th June 2016.

**David Pun Chan**

**Wing Sau Li**

*Directors*

## Notes to the Consolidated Financial Statements

### 31. Balance Sheet and Reserve Movement of the Company (continued)

Note (a) Reserve Movement of the Company

	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	<b>Total <i>HK\$Million</i></b>
At 1st April 2015	854.3	1,943.3	<b>2,797.6</b>
Profit for the year	190.4	–	<b>190.4</b>
2015 final dividend paid	(117.3)	–	<b>(117.3)</b>
2016 interim dividend paid	(67.9)	–	<b>(67.9)</b>
<b>At 31st March 2016</b>	<b>859.5</b>	<b>1,943.3</b>	<b>2,802.8</b>
Representing:			
2016 final dividend proposed			<b>117.3</b>
Reserves at 31st March 2016			<b>2,685.5</b>
			<b>2,802.8</b>
	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	<b>Total <i>HK\$Million</i></b>
At 1st April 2014	849.2	1,943.3	<b>2,792.5</b>
Profit for the year	190.3	–	<b>190.3</b>
2014 final dividend paid	(117.3)	–	<b>(117.3)</b>
2015 interim dividend paid	(67.9)	–	<b>(67.9)</b>
<b>At 31st March 2015</b>	<b>854.3</b>	<b>1,943.3</b>	<b>2,797.6</b>
Representing:			
2015 final dividend proposed			<b>117.3</b>
Reserves at 31st March 2015			<b>2,680.3</b>
			<b>2,797.6</b>

The contributed surplus arose upon the group's restructuring in prior years, and is available for distribution. The distributable reserves of the company at 31st March 2016 amounted to HK\$2,802.8 million (2015: HK\$2,797.6 million).

## Notes to the Consolidated Financial Statements

### 32. Particulars of Subsidiaries and Associates

Subsidiaries	Principal activities	Issued ordinary share capital held		Number of shares issued
		by Group %	by Company %	
Tai Cheung (B.V.I.) Company Limited	Investment holding	100	100	100
Tai Cheung Properties Limited	Investment holding and property development	100	–	386,633,750
Acmax Enterprises Limited	Property development	100	–	2
Acura Enterprises Limited	Property development	100	–	2
Cosmopolitan Estates Limited	Property holding	100	–	1,000,000
Denmore Limited	Investment holding	100	–	2
Dumex Limited	Investment holding	100	–	30,000
Edward Properties LLC	Property management	100	–	–
Enrich Investments Limited	Property development	100	–	2
French Valley Airport Center LLC	Property development	100	–	–
Jaco Limited	Property development	100	–	2
Junco (Nominees) Limited	Nominee company	100	–	2
Maidstone Construction Company Limited	Construction	100	–	60,000
South Land Enterprises Limited	Property development	100	–	2
Sum Lung Investment Company Limited	Property development	100	–	100,000
Tai Cheung Capital Limited	Investment holding	100	–	50,000
Tai Cheung Construction Company Limited	Property development	100	–	2,500
Tai Cheung Management Company Limited	Property management	100	–	45,000
Tai Cheung Secretaries Limited	Corporate secretary	100	–	2
Taico Properties, Inc.	Property development	100	–	1,000,000
Tareau International Company Limited	Investment holding	100	–	2
Victory Field Development Limited	Property development	100	–	2
Walsmith Corporation Limited	Investment holding	100	–	2
Wang Yip Construction Company Limited	Construction	100	–	50,000
Wealth Start Development Limited	Property development	100	–	2
Winfield Investments Limited	Property development	100	–	2
Woodmont Investments Limited	Property development	100	–	2
Yescott International Limited	Investment holding	100	–	2

## Notes to the Consolidated Financial Statements

### 32. Particulars of Subsidiaries and Associates (continued)

Associates	Principal activities	Principal place of business	Issued ordinary share capital held	
			by Group	by Company
			%	%
* ** Consolidated Hotels Limited	Hotel investment	Hong Kong	35	–
* Macfull Limited	Property development	Hong Kong	20	–
* Macfull Finance Limited	Investment holding	Hong Kong	20	–
* ** Shepherd Investments Limited	Investment holding	Hong Kong	48	–

All subsidiaries and associates are incorporated in Hong Kong except Edward Properties LLC, French Valley Airport Center LLC and Taico Properties, Inc. which are incorporated in the United States; and Tai Cheung (B.V.I.) Company Limited which is incorporated in the British Virgin Islands. The principal country of operation is the same as the country of incorporation except for Tai Cheung (B.V.I.) Company Limited which operates internationally.

\* Associates with 31st December year ends.

\*\* The financial statements of these associates for the year ended 31st December 2015 have been audited by firms other than PricewaterhouseCoopers, Hong Kong. For the current year, the share of net assets and profit before income tax of these associates attributable to the group amounted to HK\$94.6 million and HK\$139.6 million respectively.



# Independent Auditor's Report

## **Independent Auditor's Report to the Shareholders of Tai Cheung Holdings Limited**

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Tai Cheung Holdings Limited (the "company") and its subsidiaries set out on pages 24 to 70, which comprise the consolidated balance sheet as at 31st March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors' responsibility for the consolidated financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditor's Report

### **Independent Auditor's Report to the Shareholders of Tai Cheung Holdings Limited (continued)**

(incorporated in Bermuda with limited liability)

#### **Opinion**

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

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 16th June 2016

## Schedule of Properties

The directors are of the opinion that a complete list of the properties held by the group will be of excessive length and therefore the following list contains only those properties which are material to the group as at 31st March 2016:

### (I) Properties held for development or sale

Location	Stage of completion	Expected date of completion	Type	Group's ownership	Approximate floor area attributable to the group
<b>Metropole Square</b> 2 On Yiu St., Sha Tin, New Territories, Hong Kong	Completed	N/A	C	100%	335,754 s.f.
<b>3 Plunkett's Road</b> 3 Plunkett's Road, The Peak, Hong Kong	Completed	N/A	R	100%	19,238 s.f.
<b>R.B.L. 1165</b> Repulse Bay Road, Hong Kong	Superstructural work in progress	Second half of 2017	R	100%	42,000 s.f.
<b>French Valley Airport Center</b> California, U.S.A.	Construction of infrastructures in progress	By phases from the end of 2017 to the end of 2020	I/C	100%	781,000 s.f.

### (II) Hotel property

Location	Description	Group's ownership	Approximate floor area attributable to the group
<b>Sheraton Hong Kong Hotel and Towers</b> 20 Nathan Road, Tsimshatsui, Hong Kong	Hotel and shopping mall	35%	208,796 s.f.

**Note:** I = Industrial      R = Residential      C = Commercial

## Five Year Financial Summary

	2012 <i>HK\$Million</i>	2013 <i>HK\$Million</i>	2014 <i>HK\$Million</i>	2015 <i>HK\$Million</i>	2016 <i>HK\$Million</i>
<b>Consolidated Income Statement</b>					
Revenue	1,381.9	991.8	100.4	454.4	<b>588.6</b>
Profit attributable to equity holders of the company	737.9	565.7	1,012.5	553.9	<b>226.3</b>
Dividends	185.2	185.2	185.2	185.2	<b>185.2</b>
<b>Consolidated Balance Sheet</b>					
Property, plant and equipment	11.9	11.5	11.6	11.3	<b>11.4</b>
Investment properties	–	–	1,779.0	–	–
Associates	72.5	85.2	93.2	100.0	<b>113.1</b>
Amount due from an associate	–	24.6	–	24.6	–
Available-for-sale financial assets	103.3	114.1	112.4	119.6	<b>82.7</b>
Deferred income tax assets	–	–	–	–	<b>40.0</b>
Mortgage loans receivable	2.1	1.2	0.6	0.6	<b>0.4</b>
Net current assets	5,112.8	5,463.0	4,699.5	6,891.5	<b>7,003.6</b>
Total assets less current liabilities	5,302.6	5,699.6	6,696.3	7,147.6	<b>7,251.2</b>
Borrowings	–	–	–	–	<b>127.5</b>
Deferred income tax liabilities	–	–	159.1	226.2	<b>178.2</b>
Net assets	5,302.6	5,699.6	6,537.2	6,921.4	<b>6,945.5</b>
Share capital	61.7	61.7	61.7	61.7	<b>61.7</b>
Reserves	5,123.6	5,520.6	6,358.2	6,742.4	<b>6,766.5</b>
Proposed final dividend	117.3	117.3	117.3	117.3	<b>117.3</b>
Total equity	5,302.6	5,699.6	6,537.2	6,921.4	<b>6,945.5</b>
<b>Performance Statistics</b>					
Earnings per share	\$1.19	\$0.92	\$1.64	\$0.90	<b>\$0.37</b>
Dividends per share	\$0.30	\$0.30	\$0.30	\$0.30	<b>\$0.30</b>
Dividend cover	4.0	3.1	5.5	3.0	<b>1.2</b>
Net assets per share	\$8.59	\$9.21	\$10.59	\$11.21	<b>\$11.25</b>
Current ratio	18.6	22.3	26.4	33.6	<b>45.3</b>
Gearing	2.2%	2.0%	1.6%	1.5%	<b>1.8%</b>