NATIONAL ELECTRONICS HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

ANNUAL REPORT 2012

CONTENTS

CORPORATE INFORMATION

Executive Directors

Jimmy Lee Yuen Ching
Chairman
Loewe Lee Bon Chi
Managing Director
James Lee Yuen Kui
Managing Director
Edward Lee Yuen Cheor
Ricky Wai Kwong Yuen

Non-Executive Director

Dorathy Lee Yuen Yu

Independent Non-Executive Directors

Dr. Samson Sun, M.B.E., J.P.
William Chan Chak Cheung
Chan Kwok Wai

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Solicitors

Baker & Mckenzie
JSM
Richards Butler

Company Secretary

Andy Wong Kam Kee

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
Chiyu Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office

Suite 3201, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

Registrars

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Branch Registrars and Transfer Office

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

On behalf of the Board (the "Board") of Directors (the "Directors") of National Electronics Holdings Limited (the "Company"), I am pleased to report the results of the Company and its subsidiaries (together, the "Group") for the year ended 31 March, 2012.

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March, 2012 was HK$210,050,641 (2011: HK$283,912,424). The basic and diluted earnings per share of the Company for the year ended 31 March, 2012 were 21.6 HK cents per share and 21.5 HK cents per share respectively (2011: the basic and diluted earnings per share were 29.3 HK cents and 29.2 HK cents respectively).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share for the year ended 31 March, 2012 (2011: Final dividend of 4.0 HK cents per share).

BUSINESS REVIEW

WATCHES AND WATCH COMPONENTS

During the period under review, despite the continuous increase in labour cost in China and the sluggish world economic environment, the Group's watch manufacturing and watch components trading division was able to maintain its turnover and profit margin.

PROPERTY DEVELOPMENT AND INVESTMENT

During the year under review, on 28 March 2012, the Group completed the purchase of Apollo Global Real Estate Managements' 80% shareholding in Roebuck Investments Ltd., which indirectly owns the boutique hotel apartment The Putman at 202 Queen's Road Central, Hong Kong.

The Group together with Apollo Global Real Estate Management disposed of their joint venture company which holds the boutique hotel apartment at 138 Connaught Road West, Hong Kong and the transaction was completed on 23 March 2012.

The first joint venture boutique hotel apartment project with a real estate fund managed by J.P.Morgan Asset Management, The Jervois located on 89 Jervois Street, Hong Kong launched in December 2011.

PROSPECTS

WATCHES AND WATCH COMPONENTS

The current debt crisis in the Eurozone countries has caused worldwide concern and demand from consumers has been directly affected. The Group is cautious on the performance of its watch manufacturing and watch component trading business in this coming financial year.

PROPERTY DEVELOPMENT AND INVESTMENT

Twenty One Whitfield, the Group's second joint venture boutique hotel apartment project with J.P.Morgan Asset Management located on 21 Whitfield Road, Hong Kong launched in June 2012.

The Group's third joint venture project with the same real estate fund, 99 Bonham Strand is expected to launch in the third quarter of this year.

With regards to the luxurious residential joint venture development at 45 Tai Tam Road, the application to the Hong Kong Town Planning Board for seven houses was approved in March this year and the Group is currently in the process of discussing the land premium with the Hong Kong Lands Department.

The two-hands analog watch is developed to work with smart phones that utilize the new universal Bluetooth Low Energy (BLE) protocol. The watch can synchronize its time with the smart phone, and light indicators on the watch will respond to messages or calls from the phone. There is also a security lock feature when the watch is away from the phone.

The foundation work of the Group's own boutique hotel apartment development at 194-196 Queen's Road Central, Hong Kong has completed and the superstructure work has commenced.

On 11 June 2012, the Group together with Apollo Global Real Estate Management disposed of their joint venture Grade A commercial investment property at 50 Connaught Road Central, Hong Kong for HK$4.88 billion to the Agricultural Bank of China. With the cash flow generated by this sale, the Group is searching for new investment opportunities.

Finally, on behalf of the Board, I would like to thank all the staff of the Group for their loyalty and dedication during the previous year.

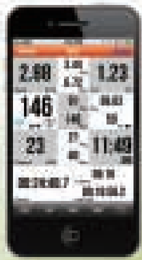
Lee Yuen Ching Jimmy
Chairman
Hong Kong, 27 June 2012

The Bluetooth Low Energy (BLE) smart watch is a high-resolution color LCD watch that works with smart phones with BLE transceivers. Smart phones can download applications that link the watch with the phone. Information such as Time, Date, Alarm, Weather, Messages, Calls, Emails or Facebook info from the phone will be transmitted wirelessly to the watch.

BLUTOL FOR CYCLING
SPEED / CADENCE

Blutol C-POD

Blutol SC



The Speed and Cadence sensors are developed to be mounted on a bike and can detect the rotation of the wheel and pedal. The sensors are designed to use the universal Bluetooth Low Energy (BLE) signal so that smart phones or computers with BLE receivers can monitor various aspects of the bike ride.

BUSINESS REVIEW

WATCHES AND WATCH COMPONENTS

During the year under review, the sales revenue of the Group's watch and watch components and trading divisions increased by 6% to HK$1,284 million while the segment profit increased by 24% to HK$44 million. Due to management's effort on increasing sales of higher margin electronic products, the profit of the Group's watch and watch components improved.

PROPERTY DEVELOPMENT AND INVESTMENT

Segment profit of the division for the year under review included the net increase in fair value of investment properties of the Group.

ASSOCIATES

The Group shared a profit of HK$100 million (2011: HK$196 million) from its associates.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group's total borrowings were approximately HK$961 million (2011: HK$1,151 million), representing a decrease of approximately HK$190 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK$583 million repayable within one year, approximately HK$134 million within two to five years and HK$244 million beyond five years.

At the year end date, the Group's gearing ratio was 0.28 (2011: 0.50) which is calculated based on the Group's long-term borrowings of approximately HK$378 million (2011: HK$606 million) and shareholders' funds of approximately HK$1,369 million (2011: HK$1,224 million).

As at 31 March 2012, the Group's total bank balances and cash was approximately HK$283 million (2011: HK$175 million).

Similar to the past years, the Group has maintained a reasonable level of cash resources and stand-by credit facilities to provide adequate liquid funds to finance its commitments and working capital requirements.

TREASURY POLICIES

As at 31 March 2012, 71% of the Group's borrowings was in HK$, 8% in US$, 14% in JPY and 7% in CAD. As at 31 March 2012, 50% of the Group's bank balances and cash was in HK$, 22% in US$, 2% in CAD, 9% in JPY, 2% in EUR and 15% in RMB.

All the Group's borrowings are variable-rate borrowings. The Group will carefully monitor its foreign exchange and interest rates exposure and utilise financial instruments such as forward contracts and interest rate swaps as necessary.

ENERGY BAND

The Energy Band is designed as a stylish and handy wristband with a built-in motion sensor and universal Bluetooth Low Energy (BLE) transmitter. The Energy Band works with smart phones or computers with BLE receivers to set goals for workouts as it tracks your daily activities to improve your body's fitness.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group currently has no other plans for material investments. Any acquisition will be funded by internal resources of the Group and bank borrowings.

CHARGES ON ASSETS

As at 31 March 2012, certain properties of the Group of approximately HK$1,092 million (2011: HK$1,530 million) were pledged to secure banking facilities for the Group.

EMPLOYEES

As at 31 March 2012, the Group employed approximately 1,900 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to HK$154 million (2011: HK$135 million). Remuneration is determined by reference to market terms as well as the qualifications and experiences of the staff concerned. Salaries are reviewed annually and discretionary bonuses may be paid depending on individual performance and the profitability of the Group.

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

EXECUTIVE DIRECTORS

Mr. Jimmy Lee Yuen Ching, aged 65, is the Chairman of the Group. He received his university education in the United States and Canada. His initial experience in the watch industry was gained in his family's watch business and he subsequently became a co-founder of the Group. He was responsible for the founding of the Group's property division twenty years ago and has been responsible for the management of the property division since that time.

Mr. Loewe Lee Bon Chi, aged 32, is the Managing Director of the Group. He graduated from Harvard University and obtained a bachelor of arts degree with honours in economics. He joined the Group in July 2005 and is responsible for overseeing the overall operations of the watch components trading division as well as the property development and investment division. He is also a director of The Federation of Hong Kong Watch Trades & Industries Limited. Prior to joining the Group, he was an investment banker at JP Morgan in New York.

Mr. James Lee Yuen Kui, aged 58, is the Managing Director of the Group. He joined the Group in 1976 and is currently responsible for administration, trading of watch components and material procurement from foreign suppliers.

Mr. Edward Lee Yuen Cheor, aged 54, is an executive Director of the Group. He joined the Group in 1981 and is currently responsible for the supervision in the properties development in Hong Kong.

Mr. Ricky Wai Kwong Yuen, M.Sc., aged 65, is the President and an executive Director of National Electronics and Watch Company Limited. Mr. Wai joined the Group in 1976 and is responsible for its LCD and LCD hybrid watch business and other electronic products.

NON-EXECUTIVE DIRECTOR

Ms. Dorathy Lee Yuen Yu, aged 52, has not previously held any positions with the Company or its subsidiaries before joining the Group in September, 2004. Ms. Lee is the sister of Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor, who are also the Managing Director and executive Directors of the Company. She is also a cousin of Mr. Jimmy Lee Yuen Ching, the Chairman of the Company and an aunt of Mr. Loewe Lee Bon Chi, the Managing Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Samson Sun, M.B.E., J.P., aged 87, is the Chairman of the Sun International Group of companies. He was the Deputy Chairman of Gilman & Co., Limited and later of Inchape Hong Kong in each case from 1967 to 1985. Dr. Sun is the Honorary Permanent President of The Federation of Hong Kong Watch Trades & Industries Limited. He has over 56 years' experience in the manufacturing, marketing and distribution of watches and 28 years' experience in the marketing and distribution of consumer and electronic products. Dr. Sun has chaired many voluntary community services and charitable organizations and is the former Vice-Chairman of Business and Professionals Federation of Hong Kong (BPF), and a member of Basic Law Consultative Committee in 80's.

Mr. William Chan Chak Cheung, aged 64, graduated from the University of Toronto and the Schulich School of Business. He is also a member of the Canadian Institute of Chartered Accountants. Mr. Chan is an independent non-executive Director of King Fook Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chan is also an independent non-executive Director of The Link Management Limited, Manager of The Link REIT which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chan is a retired partner of PricewaterhouseCoopers ("PwC") after a career spanning 33 years in Canada, Hong Kong and Mainland China. He was partner in charge of China tax services at PwC and brings experience in solving complex business issues in many different industries.

Mr. Chan Kwok Wai, aged 53, has been an independent non-executive Director of the Company since April 2005. Mr. Chan is a member of the Hong Kong Securities Institute and an associate member of CPA Australia. Mr. Chan is currently a director of High Progress Consultants Limited. He is also an independent non-executive Director of Junefield Department Store Group Limited, China Investments Holdings Limited, Tern Properties Company Limited, Chinese Estates Holdings Limited and Far East Consortium International Limited, the shares of all of which are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Andrew Lo Kwong Yiu, B.Sc. (Econ.), B.Sc. (Building Surveying), ARICS, AHKIS, aged 58, is an executive Director of National Properties Holdings Limited. Mr. Lo joined the Group in 1992 and is responsible for property development projects.

The directors have pleasure in presenting to shareholders their annual report and the audited consolidated financial statements for the year ended 31 March 2012.

Principal activities

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development, property investment and hotel operation.

Results and appropriations

The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement on page 22.

The directors now recommend the payment of a dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share to the shareholders of the Company whose names appear on the register of members on Tuesday, 21 August 2012, amounting to approximately HK$53,764,838.

Investment properties and property, plant and equipment

Details of movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 15 and 16 to the consolidated financial statements, respectively.

Major properties

Details of the major properties of the Group at 31 March 2012 are set out on page 113.

Subsidiaries, associates and jointly controlled entities

Details of the Company's subsidiaries, associates and jointly controlled entities at 31 March 2012 are set out in notes 47, 20 and 21 to the consolidated financial statements, respectively.

Share capital

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

Pre-emptive rights

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

Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 27 and in note 35 to the consolidated financial statements, respectively.

Purchase, sale or redemption of shares

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited, details of which are set out in note 34 to the consolidated financial statements.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

Directors

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

Mr. Jimmy Lee Yuen Ching
Mr. Loewe Lee Bon Chi
Mr. James Lee Yuen Kui
Mr. Edward Lee Yuen Cheor
Mr. Ricky Wai Kwong Yuen
Ms. Dorathy Lee Yuen Yu**
Dr. Samson Sun, M.B.E., J.P.*
Mr. William Chan Chak Cheung*
Mr. Chan Kwok Wai*

* Independent non-executive directors
** Non-executive director

In accordance with the Bye-laws 99 of the Company, Mr. Loewe Lee Bon Chi, Mr. Ricky Wai Kwong Yuen and Dr. Samson Sun, M.B.E., J.P., shall retire by rotation and, being eligible, offer themselves for re-election.

Each non-executive and independent non-executive directors was appointed for a term of period up to his retirement and re-election by rotation under the Bye-laws of the Company.

Appointment of independent non-executive directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

Service contracts

Save as disclosed above, none of the directors has entered into any service agreement with any member of the Group nor are there any other service agreements proposed which will not expire or be determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' interests in contracts of significance

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

Arrangements to purchase shares or debentures

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

Directors' interests in shares and share options

At 31 March 2012, the interests of the directors, chief executives and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

(a) Ordinary shares of HK$0.10 each

Name of director	Capacity	Personal interests	Corporate interests	Other interests	Total interests	Percentage of the issued share capital of the Company
Mr. Jimmy Lee Yuen Ching	Chairman	—	—	258,137,835 *(note a)*	258,137,835	26.407%
Mr. Loewe Lee Bon Chi	Managing Director	15,000,000	—	258,137,835 *(note a)*	273,137,835	27.941%
Mr. James Lee Yuen Kui	Managing Director	5,940	—	244,602,979 *(note b)*	244,608,919	25.023%
Mr. Edward Lee Yuen Cheor	Director	—	—	244,602,979 *(note b)*	244,602,979	25.022%
Mr. Ricky Wai Kwong Yuen	Director	—	37,267,767 *(note d)*	—	37,267,767	3.812%
Dr. Samson Sun, M.B.E., J.P.	Director	—	4,988,968 *(note c)*	—	4,988,968	0.510%

(b) Share options

Name of director	Capacity	Number of options held	Number of underlying shares
Mr. Loewe Lee Bon Chi	Managing Director (Beneficial owner)	15,200,000	15,200,000
Dr. Samson Sun, M.B.E., J.P.	Independent Non-executive Director (Beneficial owner)	300,000	300,000
Mr. William Chan Chak Cheung	Independent Non-executive Director (Beneficial owner)	300,000	300,000
Mr. Chan Kwok Wai	Independent Non-executive Director (Beneficial owner)	300,000	300,000

Notes:

(a) The 258,137,835 shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members including Mr. Loewe Lee Bon Chi are named beneficiaries.

(b) The 244,602,979 shares are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor are named beneficiaries.

(c) The 4,988,968 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P.

(d) The 37,267,767 shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.

Saved as disclosed above, at 31 March 2012, none of the director or chief executive or any of their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

Share options

Particulars of the Company's share option scheme are set out in note 43 to the consolidated financial statements.

The following table disclosed movements in the Company's share options during the year:

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Balance at 1.4.2011	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at 31.3.2012
Mr. Loewe Lee Bon Chi	18.3.2010	18.3.2010 - 17.3.2018	0.542	9,200,000	—	—	—	—	9,200,000
	23.3.2011	23.3.2011 - 22.3.2018	0.760	6,000,000	—	—	—	—	6,000,000
Dr. Samson Sun, M.B.E., J.P.	23.3.2011	23.3.2011 - 22.3.2018	0.760	300,000	—	—	—	—	300,000
Mr. William Chan Chak Cheung	23.3.2011	23.3.2011 - 22.3.2018	0.760	300,000	—	—	—	—	300,000
Mr. Chan Kwok Wai	23.3.2011	23.3.2011 - 22.3.2018	0.760	300,000	—	—	—	—	300,000

The closing price of the Company's share immediately before 18 March 2010, the date of grant of the options, was HK$0.542 and before 23 March 2011, the date of grant of the options, was HK$0.760.

Substantial shareholders

Other than the interests of certain directors disclosed under the heading "Directors' interests in shares and share options" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interest or short position in the issued share capital of the Company as at 31 March 2012.

Guarantees to associates

As at 31 March 2012, HK$90,000,000 was given by the Group to banks in respect of banking facilities granted to associates.

Major suppliers and customers

For the year ended 31 March 2012, the Group's five largest suppliers accounted for approximately 92.16% of the Group's purchases of which 89.83% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 61.74% of the Group's turnover of which 28.10% was attributable to the largest customer.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers during the year.

Corporate governance

The Company has complied throughout the year ended 31 March 2012 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Emolument policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Company, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2012.

Donations

During the year, the Group made charitable donations amounting to HK$53,651.

Events after the reporting period

Details of significant events occurring after the reporting period are set out in note 46 to the consolidated financial statements.

Auditors

The consolidated financial statements for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming Annual General Meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

LEE YUEN CHING JIMMY
Chairman

Hong Kong, 27 June 2012

For the year ended 31 March 2012 (the "Year"), in the opinion of the Board, the Group applied the principles in the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and complied with the code provisions in the CG Code.

Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all Directors who have confirmed that, during the Year, they have complied with the required standard set out in the Model Code.

The Board

As at 31 March 2012, the Board consisted of 9 directors including 5 executive directors, 1 non-executive director and 3 independent non-executive directors (the "INEDs").

During the Year, the Board held 4 meetings. Attendance of each director at the Board meetings held in the Year is set out below:

Directors	**Meetings Attended/Held**
Executive Directors:	
Mr. Jimmy Lee Yuen Ching (Chairman)	4/4
Mr. Loewe Lee Bon Chi (Managing Director)	4/4
Mr. James Lee Yuen Kui (Managing Director)	4/4
Mr. Edward Lee Yuen Cheor	4/4
Mr. Ricky Wai Kwong Yuen	4/4
Non-Executive Director:	
Ms. Dorathy Lee Yuen Yu	4/4
Independent Non-Executive Directors:	
Dr. Samson Sun, M.B.E., J.P.	4/4
Mr. William Chan Chak Cheung	4/4
Mr. Chan Kwok Wai	4/4

The Board is responsible for leadership and control of the Group. The Board reviews and approves the objectives, strategies, directions and policies of the Group. The Board also reviews the Group's performance and monitored the activities of the Group. The Board has appointed several Board committees to oversee different areas of the Company's affairs. Details of these Board committees are given below.

The Board has delegated the responsibility of the day-to-day operations of the Group to the management of the Group.

Mr. James Lee Yuen Kui, Mr. Edward Lee Yuen Cheor and Ms. Dorathy Lee Yuen Yu are brothers and sister and they are cousins of Mr. Jimmy Lee Yuen Ching, who is the father of Mr. Loewe Lee Bon Chi.

The Company has received annual confirmations of independence from each of the INEDs and considers all INEDs are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

In accordance with the Bye-laws of the Company, at each annual general meeting (the "AGM") one-third of the Directors shall retire from office by rotation save any Director holdings office as Chairman or Managing Director. The Directors to retire in every year shall be those who have been longest in office since their last election. The retiring Directors shall be eligible for re-election.

Each non-executive and independent non-executive director was appointed for a term of period up to his retirement by rotation and reelection in accordance with the Bye-laws of the Company.

With the introduction of the CG Code and to comply with code provision A.4.2 of the CG Code, all Directors (including the Chairman and the Managing Directors of the Group) voluntarily retire at the AGM at least once every three years.

Chairman and Managing Directors

The Chairman of the Board is Mr. Jimmy Lee Yuen Ching and the Managing Directors of the Group are Mr. Loewe Lee Bon Chi and Mr. James Lee Yuen Kui. The roles of the Chairman and the Managing Directors were segregated. The Chairman is primarily responsible for the management and effective performance of the Board as well as the high-level strategies determination. The Managing Directors are primarily responsible for the day-to-day management of the business of the Group.

Remuneration Committee

The Board has established a remuneration committee (the “RC”) and its principal roles and functions are:

(i) to make recommendations to the Board on the Company’s policy and structure of remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(ii) to determine the remuneration packages of the directors and senior management; and

(iii) to review and approve performance based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The RC consists of 5 members. They are Dr. Samson Sun, M.B.E., J.P. who is the Chairperson of the RC, Mr. Chan Kwok Wai, Mr. William Chan Chak Cheung, Mr. Jimmy Lee Yuen Ching and Mr. James Lee Yuen Kui.

During the Year, the RC held one meeting with full attendance. The RC reviewed the remuneration policy of the Group and the remuneration packages of the Directors and the senior management.

Nomination Committee

The Board has established a nomination committee (the “NC”). The NC is responsible for developing criteria to identify, assess the qualifications of and evaluate candidates for the Board. They identify individuals suitably qualified in terms of skill, knowledge and experience to become members of the Board, taking into account of the then existing composition of the Board in terms of skill, knowledge and experience and make recommendation to the Board for approval.

The NC consists of 5 members. They are Mr. William Chan Chak Cheung who is the Chairperson of the NC, Dr. Samson Sun, M.B.E., J.P., Mr. Chan Kwok Wai, Mr. Jimmy Lee Yuen Ching and Mr. James Lee Yuen Kui.

During the Year, the NC held one meeting with full attendance. The NC reviewed the policy on nomination and appointment of Directors and the structure, size and composition (including skill, knowledge and experience) of the Board. The NC also assessed the independence of the INEDs.

Audit Committee

The Board has established an audit committee (the "AC") and its principal roles and functions are:

(i) to make recommendation to the Board on the appointment, reappointment and removal of the Company's auditors and to review and monitor their independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(ii) to oversee the Group's relation with the Company's auditors;

(iii) to review the financial information of the Group including monitoring the integrity of the Group's financial statements, annual reports and accounts, and interim reports and reviewing significant accounting policies; and

(iv) to oversee the Group's financial reporting system and internal control procedures.

The AC comprised 3 members and all of them are INEDs. Attendance of each member at the AC meetings held in the Year is set out below:

Members	Meetings Attended/Held
Dr. Samson Sun, M.B.E., J.P. (Chairman)	4/4
Mr. William Chan Chak Cheung	4/4
Mr. Chan Kwok Wai	4/4

The following is a summary of the work performed by the AC during the Year:

— Reviewed the audited annual results of the Group for the year ended 31 March 2011;

— Reviewed the interim results of the Group for the six months ended 30 September 2011;

— Reviewed the internal audit reports covering the evaluation of internal controls of the Group;

— Reviewed the auditors' remuneration and their performance and confirmed their independence;

— Reviewed the Corporate Governance Report of the Group for the year ended 31 March 2011; and

— Evaluate and assess the effectiveness of the Audit Committee and the adequacy of the Audit Committee Charter and consider any changes are required.

Auditors

The consolidated financial statements for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming Annual General Meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming Annual General Meeting.

Auditors' Remuneration

During the Year, the remunerations payable to the Company's external auditors for audit and non-audit services performed by HLB Hodgson Impey Cheng are set out below:

Services rendered

	Fees payable
	HK$'000
Audit services	1,200
Non-audit services	649
Total	1,849

The non-audit services are relating to taxation services and professional services rendered in connection with the issue of a major transaction circular of the Company in accordance with the Listing Rules.

The remuneration payable to other auditors of the Group in respect of audit services for the year ended 31 March 2012 amounted to approximately HK$651,000.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial year which give a true and fair view of the state of affairs of the Group. The reporting responsibilities of the Company's auditors are set out in this annual report on page 21.

The Board has conducted a review of the effectiveness of the system of internal control of the Group. The Board considered the Group has effective internal control system. Nevertheless, the Board will continue to improve the Group's internal control system through periodic review and recommendation from external auditors identified during their audit.

HLB 國衛會計師事務所 Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF
NATIONAL ELECTRONICS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of National Electronics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 112, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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.

Auditors' 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 Bermuda Companies Act, 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 27 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012 (in HK Dollars)

	Notes	**2012**	2011
Revenue	7	**1,294,715,363**	1,265,369,127
Cost of sales		**(1,106,093,672)**	(1,114,201,591)
Gross profit		**188,621,691**	151,167,536
Other income and gains	8	**57,165,027**	6,901,507
Increase in fair value of investment properties	15	**47,274,221**	140,103,509
Gain on disposal of subsidiaries		**39,941,921**	20,746,914
Gain on disposal of associates		**1,787,500**	—
Distribution costs		**(7,702,311)**	(8,276,849)
Administrative expenses		**(183,898,579)**	(173,307,681)
Finance costs	9	**(20,832,526)**	(20,380,190)
Share of results of associates	20	**100,169,224**	195,919,785
Profit before taxation	10	**222,526,168**	312,874,531
Income tax expense	12	**(12,475,527)**	(28,962,107)
Profit for the year		**210,050,641**	283,912,424
Earnings per share	14		
Basic		**21.6 HK cents**	29.3 HK cents
Diluted		**21.5 HK cents**	29.2 HK cents

For the year ended 31 March 2012 (in HK Dollars)

	2012	2011
Profit for the year	**210,050,641**	283,912,424
Other comprehensive (expense)/income		
Exchange differences arising on translating foreign operations	**(2,299,356)**	2,282,658
(Loss)/gain on revaluation of properties	**(35,747,000)**	145,054,119
Reversal of deferred taxation/(deferred taxation) arising on revaluation of properties	**4,544,138**	(23,933,930)
Net gain on available-for-sale investments	**4,820,000**	620,000
Other comprehensive (expense)/income for the year	**(28,682,218)**	124,022,847
Total comprehensive income for the year	**181,368,423**	407,935,271

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012 (in HK Dollars)

	Notes	2012	2011
Non-current assets			
Investment properties	15	**768,596,000**	1,201,272,361
Property, plant and equipment	16	**256,345,880**	256,730,518
Prepaid lease payments	17	**14,543,932**	14,459,432
Goodwill	18	**32,789,966**	—
Interests in associates	20	**481,237,776**	340,232,644
Interests in jointly controlled entities	21	**—**	—
Available-for-sale investments	22	**20,490,000**	15,670,000
Held-to-maturity investments	23	**11,721,920**	—
		1,585,725,474	1,828,364,955
Current assets			
Inventories	24	**173,214,874**	146,509,132
Prepaid lease payments	17	**322,733**	328,209
Investment held for trading	25	**4,097,534**	4,108,333
Inventory of unsold properties		**127,380,207**	195,138,020
Properties under development for sale	26	**78,820,146**	—
Bills receivables	28	**1,721,248**	7,778,724
Trade receivables, deposits and prepayments	28	**174,434,198**	88,180,850
Amounts due from associates	20	**173,904,033**	143,489,370
Amounts due from jointly controlled entities	21	**125,499,603**	120,386,628
Tax recoverable		**1,495,609**	3,764,323
Bank balances and cash	29	**282,850,250**	174,642,837
		1,143,740,435	884,326,426
Current liabilities			
Trade payables, customers' deposits and accrued expenses	30	**176,406,139**	140,869,796
Bills payables	30	**128,448,006**	86,656,200
Amount due to an associate	20	**7,020**	7,020
Tax payable		**4,582,491**	1,731,784
Derivative financial instruments	31	**9,989,693**	8,293,491
Obligations under finance leases	32	**2,002,592**	2,932,849
Bank loans	33	**583,051,022**	544,568,485
		904,486,963	785,059,625
Net current assets		**239,253,472**	99,266,801
Total assets less current liabilities		**1,824,978,946**	1,927,631,756

At 31 March 2012 (in HK Dollars)

	Notes	2012	2011
Capital and reserves			
Share capital	34	**97,754,251**	96,742,993
Reserves		**1,271,433,526**	1,126,809,897
Total equity		**1,369,187,777**	1,223,552,890
Non-current liabilities			
Provision for long service payments	36	**4,338,325**	4,074,193
Derivative financial instruments	31	**657,552**	8,178,138
Obligations under finance leases	32	**2,555,046**	2,660,661
Bank loans	33	**378,402,564**	606,420,674
Deferred tax liabilities	37	**69,837,682**	82,745,200
		455,791,169	704,078,866
		1,824,978,946	1,927,631,756

The consolidated financial statements on pages 22 to 112 were approved and authorised for issue by the Board of Directors on 27 June 2012 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

JAMES LEE YUEN KUI
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2012 (in HK Dollars)

	Notes	2012	2011
Non-current assets			
Interests in subsidiaries	19	**406,110,891**	400,896,174
Available-for-sale investments	22	**2,000,000**	2,000,000
		408,110,891	402,896,174
Current assets			
Other receivables		**—**	5
Amount due from a subsidiary	27	**886,070**	705,692
Bank balances		**2,884,154**	2,802,596
		3,770,224	3,508,293
Current liabilities			
Accrued expenses		**4,333,669**	3,602,747
Financial guarantee contracts		**5,214,717**	12,940,648
Amount due to a subsidiary	27	**133,972,015**	97,114,404
		143,520,401	113,657,799
Net current liabilities		**(139,750,177)**	(110,149,506)
Net assets		**268,360,714**	292,746,668
Capital and reserves			
Share capital	34	**97,754,251**	96,742,993
Reserves	35	**170,606,463**	196,003,675
Total equity		**268,360,714**	292,746,668

The financial statements on pages 22 to 112 were approved and authorised for issue by the Board of Directors on 27 June 2012 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

JAMES LEE YUEN KUI
Director

For the year ended 31 March 2012 (in HK Dollars)

	Share capital	Share premium	Exchange reserve	Revaluation reserve	Share options reserve	Contributed surplus	Capital redemption reserve	Retained profits	Total
At 1 April 2010	97,212,993	22,785,730	(12,207,959)	4,617,500	1,365,000	66,141,751	32,107,840	624,307,955	836,330,810
Profit for the year	–	–	–	–	–	–	–	283,912,424	283,912,424
Other comprehensive income for the year	–	–	2,282,658	121,740,189	–	–	–	–	124,022,847
Total comprehensive income for the year	–	–	2,282,658	121,740,189	–	–	–	283,912,424	407,935,271
Recognition of equity-settled share-based payments	–	–	–	–	1,535,000	–	–	–	1,535,000
Dividend paid	–	–	–	–	–	–	–	(19,418,814)	(19,418,814)
Repurchase of own shares	(470,000)	–	–	–	–	–	470,000	(2,829,377)	(2,829,377)
At 31 March 2011	96,742,993	22,785,730	(9,925,301)	126,357,689	2,900,000	66,141,751	32,577,840	885,972,188	1,223,552,890
Profit for the year	–	–	–	–	–	–	–	210,050,641	210,050,641
Other comprehensive income for the year	–	–	(2,299,356)	(39,698,857)	–	–	–	13,315,995	(28,682,218)
Total comprehensive (expense)/ income for the year	–	–	(2,299,356)	(39,698,857)	–	–	–	223,366,636	181,368,423
Issue of shares as a result of the scrip dividend scheme	1,480,658	10,127,703	–	–	–	–	–	–	11,608,361
Dividend paid	–	–	–	–	–	–	–	(43,466,231)	(43,466,231)
Repurchase of own shares	(469,400)	–	–	–	–	–	469,400	(3,875,666)	(3,875,666)
At 31 March 2012	**97,754,251**	**32,913,433**	**(12,224,657)**	**86,658,832**	**2,900,000**	**66,141,751**	**33,047,240**	**1,061,996,927**	**1,369,187,777**

The contributed surplus represents the difference between the nominal amount of the shares issued by the Company and the shareholders' funds of the subsidiaries acquired pursuant to the Group reorganisation undertaken prior to the listing of the Company's shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012 (in HK Dollars)

	2012	2011
Operating activities		
Profit before taxation	**222,526,168**	312,874,531
Adjustments for:		
Finance costs	**20,832,526**	20,380,190
Share of results of associates	**(100,169,224)**	(195,919,785)
Impairment loss recognised in respect of trade receivables	**226,843**	7,435,192
Impairment loss recognised in respect of other receivables	**—**	211,004
Reversals of write-down of inventories	**(8,980,476)**	(5,376,558)
Provision for long service payments	**264,132**	356,285
Amortisation of prepaid lease payments	**322,733**	309,717
Depreciation of property, plant and equipment	**26,885,634**	32,866,579
Bank interest income	**(1,488,228)**	(106,681)
Investment income from held-to-maturity investments	**(168,266)**	—
Share option expenses	**—**	1,535,000
Increase in fair value of investment properties	**(47,274,221)**	(140,103,509)
(Gain)/loss on disposal of property, plant and equipment	**(41,944,955)**	239,931
Gain on disposal of subsidiaries	**(39,941,921)**	(20,746,914)
Gain on disposal of associates	**(1,787,500)**	—
Loss on fair value changes of derivative financial instruments	**9,459,701**	8,576,032
Operating cash flows before movements in working capital	**38,762,946**	22,531,014
Increase in inventories	**(17,725,266)**	(27,984,458)
Decrease in inventory of unsold properties	**67,757,813**	34,939,403
Increase in properties under development for sale	**(78,820,146)**	—
Decrease in bills receivables	**6,057,476**	321,276
Increase in trade receivables, deposits and prepayments	**(43,920,975)**	(406,786)
Increase in trade payables, customers' deposits and accrued expenses	**10,604,584**	44,104,404
Decrease in derivative financial instruments	**(9,050,548)**	(9,805,085)
Increase/(decrease) in bills payables	**41,791,806**	(8,852,946)
Increase in amount due to an associate	**—**	7,020
Utilisation of provision for long service payments	**—**	(32,192)
Cash generated from operations	**15,457,690**	54,821,650
Hong Kong Profits Tax paid	**(3,916,061)**	(7,346,024)
Overseas tax refunded/(paid)	**2,892,521**	(4,455,058)
Net cash generated from operating activities	**14,434,150**	43,020,568

For the year ended 31 March 2012 (in HK Dollars)

	Notes	2012	2011
Investing activities			
Additions to investment properties		**(13,295,967)**	(148,046,041)
Acquisition of subsidiaries	44	**(96,008,723)**	—
Purchase of property, plant and equipment		**(31,279,287)**	(40,742,801)
Repayment from associates		**84,688,436**	—
Advance to jointly controlled entities		**(5,112,975)**	(12,887,026)
Purchase of held-to-maturity investments		**(11,635,800)**	—
Proceeds from disposal of property, plant and equipment		**125,185,891**	—
Proceeds from disposal of subsidiaries	45	**199,921,339**	42,903,288
Proceed from disposal of an associate		**36,697,216**	—
Interest received		**1,581,813**	106,681
Net cash generated from/(used in) investing activities		**290,741,943**	(158,665,899)
Financing activities			
New bank loans raised		**91,096,138**	279,910,526
Interest paid		**(26,707,165)**	(24,513,382)
Dividend paid		**(31,857,870)**	(19,418,814)
Repayment of bank loans		**(189,777,204)**	(77,615,793)
Repayment of obligations under finance leases		**(1,035,872)**	(299,732)
Repayment of other loans		**(34,711,897)**	—
Repurchase of own shares		**(3,875,666)**	(2,829,377)
Net cash (used in)/generated from financing activities		**(196,869,536)**	155,233,428
Net increase in cash and cash equivalents		**108,306,557**	39,588,097
Cash and cash equivalents at 1 April		**174,642,837**	134,840,700
Effect of foreign exchange rate changes		**(99,144)**	214,040
Cash and cash equivalents at 31 March		**282,850,250**	174,642,837
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**282,850,250**	174,642,837

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information to the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development, property investment and hotel operation.

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

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC)–Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC)–Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)–Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

Amendments to HKAS 12 *Deferred Tax – Recovery of Underlying Assets*

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale.

HKAS 19 (as revised in 2011) *Employee Benefits*

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them); and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*) or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 *Financial Instruments: Recognition and Measurement*). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 *Financial Instruments: Recognition and Measurement*). Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising from the sale of completed properties is recognised upon the execution of the sale and purchase agreement.

When a development property is sold in advance of completion, revenue is only recognised upon the completion of the sale and purchase agreement. Deposits and installments received from purchasers prior to this stage are included in the consolidated statement of financial position under current liabilities.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating leases are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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

Management fee income is recognised when services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasehold land and building

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

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

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development for sale includes land cost, construction cost, borrowing costs capitalised and other direct development expenditure.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets **(Cont'd)**

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets **(Cont'd)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets **(Cont'd)**

Impairment of financial assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets **(Cont'd)**

Impairment of financial assets (Cont'd)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liability classified as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are either held for trading or it is those designated at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract 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 payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Unsold completed properties are stated at the lower of cost and net realisable value.

Impairment losses on tangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Retirement benefit costs

Payments to retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For provision for long service payments, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses which exceed 10 per cent of the present value of the Group's defined benefit obligations at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management has made the following estimations that have effect on the amounts recognised in the consolidated financial statements.

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2012, the carrying amount of goodwill is HK$32,789,966. Details of the recoverable amount calculation are disclosed in note 18.

Allowance of doubtful debts

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2012, the carrying amount of trade receivables is approximately HK$30,820,714.

Fair value of derivative financial instruments

The Group relies on bank valuations to determine the fair value of derivatives financial instruments which in turn are determined using various valuation techniques, including discounted cash flow models and option pricing models. Judgement is required in the calculation of such valuations. Changes in the underlying assumptions could materially impact profit or loss.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt (which includes bank loans) and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

Debt to equity ratio

The Group's senior management reviews the capital structure on a semi-annual basis. As part of this review, the senior management considers the cost of capital and the risks associated with each class of capital.

The debt to equity ratio at the end of the reporting period was as follows:

	2012	2011
Debt (i)	**378,402,564**	606,420,674
Equity (ii)	**1,369,187,777**	1,223,552,890
Debt to equity ratio	**28%**	50%

(i) Debt is defined as non-current bank loans as detailed in note 33.

(ii) Equity includes all capital and reserves of the Group.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

2012

Financial assets

	Held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	—	20,490,000	20,490,000
Held-to-maturity investments		11,721,920	—	—	11,721,920
Investment held for trading	4,097,534	—	—	—	4,097,534
Bills receivables	—	—	1,721,248	—	1,721,248
Trade receivables and deposits	—	—	88,771,958	—	88,771,958
Amounts due from associates	—	—	173,904,033	—	173,904,033
Amounts due from jointly controlled entities	—	—	125,499,603	—	125,499,603
Bank balances and cash	—	—	282,850,250	—	282,850,250
	4,097,534	11,721,920	672,747,092	20,490,000	709,056,546

Financial liabilities

	Held for trading	Financial liabilities at amortised cost	Total
Trade payables and accrued expenses	—	160,780,844	160,780,844
Bills payables	—	128,448,006	128,448,006
Amount due to an associate	—	7,020	7,020
Derivative financial instruments	10,647,245	—	10,647,245
Obligations under finance leases	—	4,557,638	4,557,638
Bank loans	—	961,453,586	961,453,586
	10,647,245	1,255,247,094	1,265,894,339

6. FINANCIAL INSTRUMENTS (Cont'd)

a. Categories of financial instruments (Cont'd)

2011

Financial assets

	Held for trading	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	15,670,000	15,670,000
Investment held for trading	4,108,333	—	—	4,108,333
Bills receivables	—	7,778,724	—	7,778,724
Trade receivables and deposits	—	80,700,579	—	80,700,579
Amounts due from associates	—	143,489,370	—	143,489,370
Amounts due from jointly controlled entities	—	120,386,628	—	120,386,628
Bank balances and cash	—	174,642,837	—	174,642,837
	4,108,333	526,998,138	15,670,000	546,776,471

Financial liabilities

	Held for trading	Financial liabilities at amortised cost	Total
Trade payables and accrued expenses	—	117,210,758	117,210,758
Bills payables	—	86,656,200	86,656,200
Amount due to an associate	—	7,020	7,020
Derivative financial instruments	16,471,629	—	16,471,629
Obligations under finance leases	—	5,593,510	5,593,510
Bank loans	—	1,150,989,159	1,150,989,159
	16,471,629	1,360,456,647	1,376,928,276

6. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies

The Group's senior management monitors and manages the financial risks relating to the operations of the Group through internal analysis which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors in relation to the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risks, including:

- foreign currency forward contracts to minimise the exchange rate risk in relation to foreign currency transactions; and
- interest rate swaps to mitigate the cash flow interest rate risk.

(i) Foreign currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 18% (2011: 17%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst approximately 6% (2011: 7%) of costs are denominated in the group entity's respective functional currencies.

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

	Liabilities		**Assets**	
	2012	2011	**2012**	2011
CAD	**73,944,000**	74,303,000	**12,937,000**	20,065,000
JPY	**235,402,000**	179,465,000	**24,239,000**	21,254,000
USD	**120,708,000**	160,985,000	**112,205,000**	62,005,000
RMB	**27,620,000**	16,840,000	**60,858,000**	10,800,000

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Sensitivity analysis

As USD is pegged with Hong Kong dollars, the Group's currency risk in relation to the monetary assets and monetary liabilities denominated in USD is expected to be minimal. The Group is mainly exposed to the effects of fluctuation in JPY and CAD.

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts its translation at the period end for a 5% (2011: 5%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the Hong Kong dollars strengthen 5% (2011: 5%) against the relevant currency. For a 5% (2011: 5%) weakening of the Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	Impact of JPY (i)		**Impact of CAD (ii)**	
	2012	2011	**2012**	2011
Profit or loss	**11,770,000**	8,933,000	**6,886,000**	5,574,000

(i) This is as a result of the purchase of inventories denominated in JPY.

(ii) This is mainly attributable to the exposure outstanding on loans to foreign operation within the Group denominated in CAD.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate short term bank deposits and fixed-rate debt securities, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see note 33 for details of these borrowings).

In relation to these variable-rate bank loans, the Group enters into interest rate swaps to minimise against its exposures to changes in interest rate of those bank loans.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR or LIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank loans at the end of the reporting period. For variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points (2011: 50 basis points) increase or decrease in HIBOR or LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2012 would decrease/increase by approximately HK$2,904,000 (2011: HK$4,068,000).

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(iii) Other price risk

The Group is exposed to price risk through its available-for-sale investments and investment held for trading. The management will monitor the price risk and take appropriate actions should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at the reporting date.

If prices had been 5% (2011: 5%) higher/lower, net profit for the year ended 31 March 2012 would increase/decrease by HK$204,877 (2011: HK$205,417). This is mainly due to the changes in fair value of investment held for trading.

If prices had been 5% (2011: 5%) higher/lower, revaluation reserve would increase/decrease by HK$1,024,500 (2011: HK$783,500) as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk (Cont'd)

The table below shows the balance of two major counterparties (including liquid funds) at the end of the reporting period using the Moody's credit rating symbols.

Counterparty	Location	Rating	**2012 Carrying amount**	2011 Carrying amount
Hang Seng Bank Ltd	Hong Kong	Aa2	**113,873,320**	N/A
Industrial and Commercial Bank of China (Asia) Limited	Hong Kong	A1	**47,633,424**	35,014,789
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	Aa2	**N/A**	33,249,081

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At 31 March 2012, the Group has available unutilised overdrafts and short, medium and long term bank loan facilities of approximately HK$60,000,000 (2011: HK$19,000,000) and HK$486,000,000 (2011: HK$340,000,000) respectively.

Liquidity tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	On demand or less than 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount as at 31/3/2012
2012						
Non-derivative financial liabilities						
Trade payables and accrued expenses	160,780,844	—	—	—	160,780,844	160,780,844
Bills payables	128,448,006	—	—	—	128,448,006	128,448,006
Amount due to an associate	7,020	—	—	—	7,020	7,020
Obligations under finance leases	2,153,232	1,789,902	845,648	—	4,788,782	4,557,638
Bank loans	611,590,502	94,078,457	73,524,651	296,927,945	1,076,121,555	961,453,586
Derivative financial liabilities						
Foreign currency forward contracts	7,545	—	—	—	7,545	7,545
Interest rate swaps	9,982,148	732,988	—	—	10,715,136	10,639,700

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

Liquidity tables (Cont'd)

	On demand or less than 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total undis-counted cash flows	Total carrying amount as at 31/3/2011
2011						
Non-derivative financial liabilities						
Trade payables and accrued expenses	117,210,758	—	—	—	117,210,758	117,210,758
Bills payables	86,656,200	—	—	—	86,656,200	86,656,200
Amount due to an associate	7,020	—	—	—	7,020	7,020
Obligations under finance leases	3,197,249	1,526,736	1,260,581	—	5,984,566	5,593,510
Bank loans	554,932,276	291,552,719	85,911,762	312,898,969	1,245,295,726	1,150,989,159
Derivative financial liabilities						
Foreign currency forward contracts	115,354	—	—	—	115,354	115,354
Interest rate swaps	8,178,137	8,412,222	—	—	16,590,359	16,356,275

c. Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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

6. FINANCIAL INSTRUMENTS (Cont'd)

c. Fair value (Cont'd)

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/3/2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Club debentures, unlisted	**20,490,000**	**—**	**—**	**20,490,000**
Financial assets at fair value through profit or loss				
Listed debt securities	**4,097,534**	**—**	**—**	**4,097,534**
Total	**24,587,534**	**—**	**—**	**24,587,534**
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	**—**	**—**	**7,545**	**7,545**
Interest rate swaps	**—**	**—**	**10,639,700**	**10,639,700**
Total	**—**	**—**	**10,647,245**	**10,647,245**

6. FINANCIAL INSTRUMENTS (Cont'd)

c. Fair value (Cont'd)

Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

	31/3/2011			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Club debentures, unlisted	15,670,000	—	—	15,670,000
Financial assets at fair value through profit or loss				
Listed debt securities	4,108,333	—	—	4,108,333
Total	19,778,333	—	—	19,778,333
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	—	—	115,354	115,354
Interest rate swaps	—	—	16,356,275	16,356,275
Total	—	—	16,471,629	16,471,629

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

Reconciliation of Level 3 fair value measurements of financial liabilities

	Foreign currency forward contracts	**Interest rate swaps**	**Total**
At 1 April 2010	260,426	17,440,256	17,700,682
Total gains or losses recognised in profit or loss	(324,472)	8,900,504	8,576,032
Settlements	179,400	(9,984,485)	(9,805,085)
At 31 March 2011	115,354	16,356,275	16,471,629
Total gains or losses recognised in profit or loss	7,545	9,452,156	9,459,701
Settlements	(115,354)	(15,168,731)	(15,284,085)
At 31 March 2012	**7,545**	**10,639,700**	**10,647,245**

Of the total gains or losses for the year included in profit or loss, HK$9,459,701 (2011: HK$8,576,032) relates to foreign currency forward contracts and interest rate swaps held at the end of the reporting period.

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year, the Group is newly engaged in hotel operation and this is a new operating segment in current year. Also, the Group regarded the manufacture of watches and trading of watch movements as one operating segment during the year. The Group is therefore organised into four operating segments for the current year.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Manufacture of watches and trading of watch movements - manufacture, assembly and sale of electronic watches and watch parts and trading of watch movements and watch parts
2. Property development - development and sale of properties
3. Property investment - holding of properties for investment and leasing purposes
4. Hotel operation - management and operation of hotels

Segment revenues and results

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

2012

	Manufacture of watches and trading of watch movements	Property development	Property investment	Hotel operation	Consolidated
REVENUE					
External sales	1,283,524,693	—	4,588,410	6,602,260	1,294,715,363
RESULT					
Segment result	43,759,245	(22,468,302)	42,045,533	4,875,502	68,211,978
Interest income					1,488,228
Unallocated other income					43,461,845
Unallocated other expenses					(11,702,002)
Finance costs					(20,832,526)
Gain on disposal of subsidiaries					39,941,921
Gain on disposal of associates					1,787,500
Share of results of associates					100,169,224
Profit before taxation					222,526,168
Income tax expense					(12,475,527)
Profit for the year					210,050,641

7. SEGMENT INFORMATION (Cont'd)

Segment revenues and results (Cont'd)

2011

	Manufacture of watches and trading of watch movements	Property development	Property investment	Hotel operation	Consolidated
REVENUE					
External sales	1,215,487,288	48,136,421	1,745,418	—	1,265,369,127
RESULT					
Segment result	35,327,581	(28,305,476)	127,656,088	—	134,678,193
Interest income					106,681
Unallocated other income					10,833,517
Unallocated other expenses					(29,030,369)
Finance costs					(20,380,190)
Gain on disposal of subsidiaries					20,746,914
Share of results of associates					195,919,785
Profit before taxation					312,874,531
Income tax expense					(28,962,107)
Profit for the year					283,912,424

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by / loss from each segment without allocation of central administration costs, share of results of associates, gain on disposal of subsidiaries and associates, other income and finance costs. This is the measure reported to the Board of Directors for the purpose of resource allocation and performance assessment.

7. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

Segment assets

	2012	2011
Manufacture of watches and trading of watch movements	**325,531,501**	259,107,682
Property development	**90,874,056**	77,243,175
Property investment	**599,216,082**	1,213,807,212
Hotel operation	**402,378,144**	—
Total segment assets	**1,417,999,783**	1,550,158,069
Interests in associates	**481,237,776**	340,232,644
Amounts due from associates	**173,904,033**	143,489,370
Amounts due from jointly controlled entities	**125,499,603**	120,386,628
Unallocated	**530,824,714**	558,424,670
Consolidated assets	**2,729,465,909**	2,712,691,381

Segment liabilities

	2012	2011
Manufacture of watches and trading of watch movements	**246,236,070**	167,327,791
Property development	**5,656,922**	3,898,998
Property investment	**50,692,476**	41,807,195
Hotel operation	**5,269,812**	—
Total segment liabilities	**307,855,280**	213,033,984
Amount due to an associate	**7,020**	7,020
Unallocated	**1,052,415,832**	1,276,097,487
Consolidated liabilities	**1,360,278,132**	1,489,138,491

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, amounts due from associates and jointly controlled entities, available-for-sale investments, held-to-maturity investments, tax recoverable, bank balances and cash, and other unallocated corporate assets; and

- all liabilities are allocated to operating segments other than bank loans, tax payable, amount due to an associate, deferred tax liabilities and other unallocated corporate liabilities.

7. SEGMENT INFORMATION (Cont'd)

Other segment information

2012

	Manufacture of watches and trading of watch movements	Property development	Property investment	Hotel operation	Unallocated	Consolidated
Capital additions	**34,182,489**	**473,995**	**15,615,361**	**305,004,445**	**174,912**	**355,451,202**
Depreciation of property, plant and equipment	**(19,671,173)**	**(501,401)**	**(5,893,300)**	**—**	**(819,760)**	**(26,885,634)**
Amortisation of prepaid lease payments	**(322,733)**	**—**	**—**	**—**	**—**	**(322,733)**
Impairment loss recognised in respect of trade receivables	**(13,067)**	**—**	**—**	**(213,776)**	**—**	**(226,843)**
Reversals of write-down of inventories	**8,980,476**	**—**	**—**	**—**	**—**	**8,980,476**
Increase/(decrease) in fair value of investment properties	**7,702,737**	**—**	**39,574,620**	**(3,136)**	**—**	**47,274,221**
Gain on disposal of property, plant and equipment	**862,500**	**—**	**—**	**—**	**41,082,455**	**41,944,955**

2011

	Manufacture of watches and trading of watch movements	Property development	Property investment	Hotel operation	Unallocated	Consolidated
Capital additions	37,053,914	12,273	141,511,496	—	14,344,351	192,922,034
Depreciation of property, plant and equipment	(19,539,535)	(506,105)	(4,321,446)	—	(8,499,493)	(32,866,579)
Amortisation of prepaid lease payments	(309,717)	—	—	—	—	(309,717)
Impairment loss recognised in respect of trade receivables	(7,435,192)	—	—	—	—	(7,435,192)
Impairment loss recognised in respect of other receivables	(211,004)	—	—	—	—	(211,004)
Reversals of write-down of inventories	5,376,558	—	—	—	—	5,376,558
Increase in fair value of investment properties	—	—	140,103,509	—	—	140,103,509
Loss on disposal of property, plant and equipment	(239,931)	—	—	—	—	(239,931)

7. SEGMENT INFORMATION (Cont'd)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2012	2011
Trading of watches and watch movements	**1,283,524,693**	1,215,487,288
Sale of properties	**—**	48,136,421
Leasing of properties	**4,588,410**	1,745,418
Operating of hotel	**6,602,260**	—
	1,294,715,363	1,265,369,127

Geographical information

The Group's main operations are located in Hong Kong and other regions in the People's Republic of China (the "PRC"), North America and Europe.

Information about the Group's revenue from external customers is presented based on the geographical location of the customers. Information about the Group's non-current assets is presented based on the geographical location of assets.

	Revenue from external customers		Non-current assets	
	2012	2011	2012	2011
Hong Kong and the PRC	**1,101,393,018**	1,043,337,152	**1,547,813,996**	1,806,684,902
North America	**43,162,150**	82,483,484	**5,699,558**	6,010,053
Europe	**136,007,666**	124,922,057	**—**	—
Others	**14,152,529**	14,626,434	**—**	—
	1,294,715,363	1,265,369,127	**1,553,513,554**	1,812,694,955

Note: Non-current assets excluded financial instruments.

7. SEGMENT INFORMATION (Cont'd)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2012	2011
Customer A	**172,822,867**	323,992,827
Customer B	**360,657,272**	163,589,951

All of the revenue above is generated from trading of watch movements.

8. OTHER INCOME AND GAINS

	2012	2011
Bank interest income	**1,488,228**	106,681
Investment income from held-to-maturity investments	**168,266**	—
Gain on disposal of property, plant and equipment	**41,944,955**	—
Management fee income received from associates and jointly controlled entities	**4,909,646**	4,280,660
Interest income received from an associate	**116,630**	—
Recovery of doubtful debts	**2,936,920**	—
Sundry income	**5,600,382**	2,514,166
	57,165,027	6,901,507

9. FINANCE COSTS

	2012	2011
Interest on:		
Bank loans and overdrafts		
- wholly repayable within five years	**19,424,245**	18,530,001
- not wholly repayable within five years	**6,966,165**	5,567,372
Obligations under finance leases	**316,755**	416,009
Total borrowing costs	**26,707,165**	24,513,382
Less: Amounts capitalised to investment properties	**(5,874,639)**	(4,133,192)
	20,832,526	20,380,190

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 2.06% (2011: 1.54%) per annum to expenditure on investment properties.

10. PROFIT BEFORE TAXATION

	2012	2011
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	**153,675,689**	135,081,005
Less: Amounts capitalised to investment properties	**—**	(17,211,680)
	153,675,689	117,869,325
Depreciation of property, plant and equipment	**26,885,634**	32,866,579
Amortisation of prepaid lease payments	**322,733**	309,717
Auditors' remuneration	**1,850,828**	1,833,202
Cost of inventories recognised as an expense	**957,349,704**	997,122,458
Impairment loss recognised in respect of other receivables (included in administrative expenses on consolidated income statement)	**—**	211,004
Impairment loss recognised in respect of trade receivables (included in administrative expenses on consolidated income statement)	**226,843**	7,435,192
Loss on disposal of property, plant and equipment	**—**	239,931
Loss on fair value changes of derivative financial instruments	**9,459,701**	8,576,032
Minimum lease payments for operating leases in respect of land and buildings	**8,013,576**	7,945,208
Net foreign exchange loss	**2,827,234**	6,267,842
Reversals of write-down of inventories	**(8,980,476)**	(5,376,558)
and after crediting:		
Gross rental income from investment properties	**11,190,670**	1,745,418
Less: Outgoings	**(685,461)**	(595,866)
Net rental income from investment properties	**10,505,209**	1,149,552

Minimum lease payments for operating leases in respect of staff quarters amounting to HK$5,259,060 (2011: HK$5,163,142) are included in staff costs.

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	Mr. Jimmy Lee Yuen Ching	Mr. Loewe Lee Bon Chi	Mr. James Lee Yuen Kui	Mr. Edward Lee Yuen Cheor	Dr. Samson Sun, M.B.E.,J.P.	Mr. William Chan Chak Cheung	Ms. Dorathy Lee Yuen Yu	Mr. Chan Kwok Wai	Mr. Ricky Wai Kwong Yuen	Total
2012										
Fees	**50,000**	**50,000**	**50,000**	**50,000**	**380,000**	**285,000**	**50,000**	**285,000**	**50,000**	**1,250,000**
Other emoluments										
Salaries and other benefits	**17,897,500**	**13,360,000**	**9,016,000**	**5,213,160**	**–**	**–**	**–**	**–**	**3,102,000**	**48,588,660**
Retirement benefit scheme contributions	**12,000**	**12,000**	**12,000**	**12,000**	**–**	**–**	**–**	**–**	**12,000**	**60,000**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	17,959,500	**13,422,000**	**9,078,000**	**5,275,160**	**380,000**	**285,000**	**50,000**	**285,000**	**3,164,000**	**49,898,660**
2011										
Fees	50,000	50,000	50,000	50,000	380,000	285,000	50,000	285,000	50,000	1,250,000
Other emoluments										
Salaries and other benefits	16,328,900	10,880,000	8,654,000	4,822,142	–	–	–	–	3,052,500	43,737,542
Retirement benefit scheme contributions	12,000	12,000	12,000	12,000	–	–	–	–	12,000	60,000
Share-based payments	–	1,334,783	–	–	66,739	66,739	–	66,739	–	1,535,000
	16,390,900	12,276,783	8,716,000	4,884,142	446,739	351,739	50,000	351,739	3,114,500	46,582,542

Included in salaries and other benefits is an amount of HK$5,259,060 (2011: HK$5,163,142) in respect of accommodation provided to the directors of the Company.

Besides above remuneration, four (2011: four) of the Group's properties are provided to the directors as an accommodation. The rateable value of the property is amounting to HK$3,168,960 (2011: HK$2,049,451).

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, all (2011: all) are directors of the Company whose emoluments are included in the disclosures in note (a) above.

12. INCOME TAX EXPENSE

	2012	2011
The charge comprises:		
Hong Kong Profits Tax		
Current year	**4,782,000**	2,567,000
Underprovision in prior years	**2,098,283**	5,937,994
	6,880,283	8,504,994
Other jurisdictions		
Current year	**8,431**	17,404
Overprovision in prior years	**(865,529)**	(2,591,198)
	6,023,185	5,931,200
Deferred tax liabilities (note 37)		
Current year	**6,452,342**	23,030,907
	12,475,527	28,962,107

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. INCOME TAX EXPENSE (Cont'd)

The taxation charge for the year can be reconciled to profit before taxation per the consolidated income statement as follows:

	2012	2011
Profit before taxation	**222,526,168**	312,874,531
Tax at Hong Kong Profits Tax rate of 16.5%	**36,716,818**	51,624,298
Tax effect of share of results of associates	**(16,527,922)**	(32,326,765)
Tax effect of expenses not deductible for tax purpose	**7,032,984**	9,000,697
Tax effect of income not taxable for tax purpose	**(14,975,148)**	(5,055,407)
Utilisation of deductible temporary differences previously not recognised	**(161,053)**	(1,162,886)
Tax effect of tax losses not recognised	**4,582,053**	5,560,894
Tax effect of different tax rates of operations in other jurisdictions	**654,732**	(52,655)
Utilisation of tax losses previously not recognised	**(3,064,213)**	(187,233)
Underprovision in prior years	**1,232,754**	3,346,796
Tax effect of tax exemption (note)	**(1,038,225)**	(988,230)
Others	**(1,977,253)**	(797,402)
Taxation charge for the year	**12,475,527**	28,962,107

Note: The assessable profits of certain subsidiaries are subject to Hong Kong Profits Tax on a 50: 50 apportionment basis.

13. DIVIDENDS

	2012	2011
Dividends recognised as distribution during the year		
2011 Final – 4.0 HK cents (2010 Final: 1.5 HK cents) per share	**38,578,422**	14,581,657
2012 Interim – 0.5HK cents (2011 Interim: 0.5 HK cents) per share	**4,887,809**	4,837,157
	43,466,231	19,418,814

A final dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share in respect of the year ended 31 March 2012 (2011: Final dividend of 4.0 HK cents per share in respect of the year ended 31 March 2011) have been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

During the year, scrip alternatives were offered in respect of the 2011 final dividends. These scrip alternatives were accepted by the shareholders, as follows:

	2012	2011
Dividends		
Cash	**26,970,061**	19,418,814
Scrip alternative	**11,608,361**	—
	38,578,422	19,418,814

14. EARNINGS PER SHARE

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

Earnings	2012	2011
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**210,050,641**	283,912,424

Number of shares	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	**972,022,747**	969,079,079
Effect of dilutive potential ordinary shares:		
Share options	**2,827,780**	1,949,636
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**974,850,527**	971,028,715

15. INVESTMENT PROPERTIES

The Group

FAIR VALUE	
At 1 April 2010	881,108,320
Additions	152,179,233
Increase in fair value recognised in profit or loss	140,103,509
Transfer from property, plant and equipment	240,000,000
Disposal of subsidiaries	(212,975,501)
Exchange realignment	856,800
At 31 March 2011 and 1 April 2011	1,201,272,361
Additions	19,170,606
Increase in fair value recognised in profit or loss	47,274,221
Transfer to property, plant and equipment	(120,000,000)
Acquired on acquisition of subsidiaries	305,000,000
Disposal of subsidiaries	(685,308,828)
Exchange realignment	1,187,640
At 31 March 2012	**768,596,000**

15. INVESTMENT PROPERTIES (Cont'd)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties situated in Hong Kong and the PRC at 31 March 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, Knight Frank Petty Limited and Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited, Knight Frank Petty Limited and Savills Valuation and Professional Services Limited are members of the Hong Kong Institute of Surveyors and they have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions.

The Group's investment properties situated in Hong Kong have been pledged to secure banking facilities granted to the Group.

The carrying amounts of investment properties shown above are situated on:

	2012	2011
Land in Hong Kong:		
Long-term lease	**734,000,000**	1,180,000,000
Land outside Hong Kong:		
Medium-term lease	**34,596,000**	21,272,361
	768,596,000	1,201,272,361

16. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold land in Hong Kong	Buildings in Hong Kong	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Construction in progress	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Antiques and pictures	Tools and moulds	Total
COST												
At 1 April 2010	222,305,260	35,327,344	5,140,534	25,176,411	1,033,907	45,217,560	84,281,049	27,177,562	90,833,782	14,818,560	74,757,856	626,069,825
Exchange realignment	–	–	11,519	163,200	46,359	106,884	65,154	33,022	185,952	–	–	612,090
Additions	–	–	–	11,923,324	–	1,281,021	2,380,102	4,960,054	9,008,387	239,568	10,950,345	40,742,801
Transfer to investment properties	(85,030,000)	(156,404,448)	–	–	–	(15,517,043)	–	–	–	–	–	(256,951,491)
Surplus on revaluation	–	143,665,532	–	–	–	–	–	–	–	–	–	143,665,532
Disposals	–	–	–	–	–	(510,998)	–	–	(2,309,940)	–	–	(2,820,938)
At 31 March 2011	137,275,260	22,588,428	5,152,053	37,262,935	1,080,266	30,577,424	86,726,305	32,170,638	97,718,181	15,058,128	85,708,201	551,317,819
Exchange realignment	–	–	(10,460)	144,320	40,996	42,606	59,408	29,201	(144,041)	–	–	162,030
Additions	–	–	–	15,544,010	–	875,985	499,637	2,986,445	1,981,631	–	9,391,579	31,279,287
Transfer from investment properties	53,740,000	66,260,000	–	–	–	–	–	–	–	–	–	120,000,000
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	96,715	–	–	96,715
Disposal	(53,740,000)	(66,260,000)	–	–	–	(745,916)	(12,157,048)	(2,567,000)	(11,512,393)	–	(2,179,400)	(149,161,757)
At 31 March 2012	**137,275,260**	**22,588,428**	**5,141,593**	**52,951,265**	**1,121,262**	**30,750,099**	**75,128,302**	**32,619,284**	**88,140,093**	**15,058,128**	**92,920,380**	**553,694,094**
DEPRECIATION												
At 1 April 2010	10,113,748	5,608,336	1,697,097	2,377,503	–	34,085,774	80,566,530	17,949,333	62,060,944	4,521,166	63,346,459	282,326,890
Exchange realignment	–	–	3,803	10,600	–	97,159	46,302	33,006	124,047	–	–	314,917
Provided for the year	3,599,750	664,025	132,088	180,409	–	3,367,258	1,632,414	5,111,724	9,101,187	1,204,687	7,873,037	32,866,579
Transfer to investment properties	(9,971,942)	–	–	–	–	(6,979,549)	–	–	–	–	–	(16,951,491)
Eliminated on revaluation	–	(1,388,587)	–	–	–	–	–	–	–	–	–	(1,388,587)
Eliminated on disposals	–	–	–	–	–	(510,998)	–	–	(2,070,009)	–	–	(2,581,007)
At 31 March 2011	3,741,556	4,883,774	1,832,988	2,568,512	–	30,059,644	82,245,246	23,094,063	69,216,169	5,725,853	71,219,496	294,587,301
Exchange realignment	–	–	(3,721)	11,500	–	45,063	43,976	29,201	(75,317)	–	–	50,702
Provided for the year	2,477,231	451,768	131,820	184,711	–	262,686	1,815,775	4,274,151	6,353,817	1,204,688	9,728,987	26,885,634
Impairment loss recognised in other comprehensive income	–	35,747,000	–	–	–	–	–	–	–	–	–	35,747,000
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	95,406	–	–	95,406
Eliminated on disposals	–	(35,747,000)	–	–	–	(745,916)	(12,157,048)	(1,929,500)	(7,258,965)	–	(2,179,400)	(60,017,829)
At 31 March 2012	**6,218,787**	**5,335,542**	**1,961,087**	**2,764,723**	**–**	**29,621,477**	**71,947,949**	**25,467,915**	**68,331,110**	**6,930,541**	**78,769,083**	**297,348,214**
CARRYING VALUES												
At 31 March 2012	**131,056,473**	**17,252,886**	**3,180,506**	**50,186,542**	**1,121,262**	**1,128,622**	**3,180,353**	**7,151,369**	**19,808,983**	**8,127,587**	**14,151,297**	**256,345,880**
At 31 March 2011	133,533,704	17,704,654	3,319,065	34,694,423	1,080,266	517,780	4,481,059	9,076,575	28,502,012	9,332,275	14,488,705	256,730,518

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of their estimated residual values at the following rates per annum:

Category of assets	**Estimated useful lives**
Freehold land	Indefinite
Leasehold land and buildings	Over the shorter of the terms of leases, or 50 years
Leasehold improvements	$14^{1}/_{3}$% - $33^{1}/_{3}$%
Plant and machinery	25%
Motor vehicles	25%
Furniture, fixtures and office equipment	$14^{1}/_{3}$% - 25%
Antiques and pictures	10%
Tools and moulds	15% - $33^{1}/_{3}$%

The carrying value of leasehold land comprises:

	2012	2011
Leasehold land in Hong Kong:		
Long-term lease	**12,838,026**	12,918,276
Medium-term lease	**118,218,447**	120,615,428
	131,056,473	133,533,704

The carrying values of property, plant and equipment held under finance leases are as follows:

	2012	2011
Motor vehicles	**5,962,052**	7,532,284
Furniture, fixtures and office equipment	**63,590**	22,630
	6,025,642	7,554,914

The Group has pledged land and buildings with a net book value of HK$151,489,865 (2011: HK$154,557,423) to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	2012	2011
Analysed for reporting purposes as:		
- Non-current assets	**14,543,932**	14,459,432
- Current assets	**322,733**	328,209
	14,866,665	14,787,641

The Group's prepaid lease payments comprise:

	2012	2011
Leasehold land in PRC held under:		
Medium-term lease	**14,866,665**	14,787,641

18. GOODWILL

	2012	2011
COST		
At beginning of the year	—	—
Arising on acquisition of subsidiaries	**32,789,966**	—
At end of the year	**32,789,966**	—

For the purposes of impairment testing, goodwill with indefinite useful life has been allocated to an individual cash generating unit (CGU), comprising four subsidiaries in the hotel operation segment.

During the year ended 31 March 2012, management of the Group determines that there are no impairments of any of its CGU containing goodwill with indefinite useful lives.

The basis of the recoverable amount of the above CGU and their major underlying assumptions are summarised below:

The recoverable amount of the above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 11.27%. The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross profit, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. INTERESTS IN SUBSIDIARIES

The Company	**2012**	2011
Unlisted, at cost	**406,110,891**	400,896,174

Particulars of the Company's principal subsidiaries at 31 March 2012 are shown in note 47.

20. INTERESTS IN ASSOCIATES

The Group	**2012**	2011
Cost of investment in unlisted associates	**143,293,388**	50,413,700
Share of post-acquisition profits and other comprehensive income	**337,944,388**	289,818,944
	481,237,776	340,232,644
Amounts due from associates	**173,904,033**	143,489,370
Amount due to an associate	**7,020**	7,020

The amounts due from/to associates are unsecured, interest-free and repayable on demand.

Particulars of the associates at 31 March 2012 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activity
Ally Vantage Limited	Incorporated	British Virgin Islands	27%	Investment holding
Eden Bay Corporation	Incorporated	British Virgin Islands	20%	Investment holding
Smart Plus Group Limited	Incorporated	British Virgin Islands	27%	Investment holding
Mercato Group Limited	Incorporated	British Virgin Islands	39.5%	Investment holding

20. INTERESTS IN ASSOCIATES (Cont'd)

The summarised financial information in respect of the Group's associates is set out below:

	2012	2011
Total assets	**5,364,834,230**	4,393,904,435
Total liabilities	**(3,348,033,774)**	(2,912,186,208)
Net assets	**2,016,800,456**	1,481,718,227
Group's share of net assets of associates	**481,237,776**	340,232,644

	2012	2011
Revenue	**51,419,804**	34,299,600
Profit for the year	**438,818,617**	965,828,738
Other comprehensive income	**–**	–
Group's share of results of associates for the year	**100,169,224**	195,919,785

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Group	2012	2011
Cost of unlisted investments in jointly controlled entities	**398**	398
Share of post-acquisition losses and other comprehensive income	**(398)**	(398)
	–	–
Amounts due from jointly controlled entities	**125,499,603**	120,386,628

The amounts due from jointly controlled entities are unsecured, interest-free and repayable on demand.

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Cont'd)

Particulars of the jointly controlled entities at 31 March 2012 are as follows:

Name of entity	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activity
Tania Investments Holdings Limited	Incorporated	British Virgin Islands	50%	Investment holding
Harvest Sun Holdings Limited	Incorporated	British Virgin Islands	50%	Investment holding

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	2012	2011
Current assets	**537,303,482**	511,767,705
Non-current assets	**53,256,093**	51,216,112
Current liabilities	**251,821,238**	240,444,724
Non-current liabilities	**346,189,891**	328,623,390

	2012	2011
Income recognised in profit or loss	**164,204**	729,273
Expenses recognised in profit or loss	**2,112,765**	6,410,796
Other comprehensive income	**(361,651)**	(88,286)

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of those jointly controlled entities, both for the year and cumulatively, are as follows:

	2012	2011
Unrecognised share of losses of jointly controlled entities for the year	**974,281**	2,840,762
Accumulated unrecognised share of losses of jointly controlled entities	**3,972,288**	2,998,007

22. AVAILABLE-FOR-SALE INVESTMENTS

The Group	**2012**	2011
Club debentures, unlisted	**20,490,000**	15,670,000
Unlisted equity securities, at cost	**1,000,000**	1,000,000
Less: impairment loss recognised	**(1,000,000)**	(1,000,000)
	—	—
Total	**20,490,000**	15,670,000
Analysed for reporting purposes as:		
Non-current assets	**20,490,000**	15,670,000

The Company	**2012**	2011
Club debentures, unlisted	**2,000,000**	2,000,000

At the end of the reporting period, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which their fair values cannot be measured reliably. Fair values of those investments have been determined by reference to market prices in secondary markets.

The unlisted equity securities issued by private entities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. HELD-TO-MATURITY INVESTMENTS

	2012	2011
Debt securities, at amortised cost	**11,721,920**	—

The debt securities represent bond denominated in RMB with fixed coupon interests of 1.6% per annum and maturity date on 6 September 2013.

24. INVENTORIES

The Group	**2012**	2011
Raw materials and consumables	**40,537,578**	12,132,260
Work in progress	**18,890,574**	28,134,902
Finished goods	**113,786,722**	106,241,970
	173,214,874	146,509,132

25. INVESTMENT HELD FOR TRADING

The amount represents investment in the debt securities listed in Austria with fixed interest rate of 5% and maturity date on 19 May 2014. The fair value of the held for trading investment is determined based on quoted market bid price available on the relevant stock exchange.

26. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in properties under development for sale an amount of HK$78,820,146 (2011: Nil) will be realised after twelve months from the end of the reporting period.

27. AMOUNT DUE FROM/TO A SUBSIDIARY

The amount due is unsecured, interest-free and has no fixed terms of repayment.

28. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Bills receivables with full recourse of HK$1,721,248 (2011: HK$7,778,724) which are aged within 30 days.

The Group has a policy of allowing an average credit period of 30 – 60 days to its trade customers.

Included in trade receivables, deposits and prepayments are trade receivables net of allowance of doubtful debts of HK$58,607,049 (2011: HK$30,820,714) with an aged analysis as follows:

The Group	**2012**	2011
Within 30 days	**50,656,666**	21,318,112
31 to 90 days	**5,445,467**	2,302,537
91 to 180 days	**1,440,735**	3,197,544
Over 180 days	**1,064,181**	4,002,521
	58,607,049	30,820,714

28. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$7,590,384 (2011: HK$9,502,390) which are past due as at the reporting date for which the Group has not provided for impairment loss as the balances are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 143 days (2011: 193 days).

Ageing of trade receivables which are past due but not impaired

The Group	2012	2011
31 to 90 days	**5,445,679**	2,302,325
91 to 180 days	**1,440,523**	3,197,544
Over 180 days	**1,064,182**	4,002,521
	7,950,384	9,502,390

Movement in the allowance for doubtful debts

The Group	2012	2011
At beginning of the year	**11,087,308**	3,652,116
Impairment losses recognised on receivables	**226,843**	7,435,192
Amounts written off as uncollectible	**(213,776)**	—
Amounts recovered during the year	**(2,936,920)**	—
At end of the year	**8,163,455**	11,087,308

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$8,163,455 (2011: HK$11,087,308) which were past due and generally not recoverable. The impairment recognised represents the carrying amount of these trade receivables. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

The Group	2012	2011
91 to 180 days	**—**	2,933,000
Over 180 days	**8,163,455**	8,154,308
	8,163,455	11,087,308

29. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates ranging from 0.001% to 1.8% (2011: 0.01% to 0.97%).

30. BILLS PAYABLES, TRADE PAYABLES, CUSTOMERS' DEPOSITS AND ACCRUED EXPENSES

Included in bills payables, trade payables, customers' deposits and accrued expenses are trade payables of HK$169,629,879 (2011: HK$116,937,871) with an aged analysis as follows:

The Group	**2012**	2011
Within 30 days	**105,990,587**	66,898,990
31 to 90 days	**50,393,997**	43,637,224
91 to 180 days	**7,054,868**	4,795,941
Over 180 days	**6,190,427**	1,605,716
	169,629,879	116,937,871

The average credit period on purchases is 3 months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	Current		**Non-current**	
	2012	2011	**2012**	2011
Derivative financial liabilities				
Foreign currency forward contracts	**7,545**	115,354	**—**	—
Interest rate swaps	**9,982,148**	8,178,137	**657,552**	8,178,138
	9,989,693	8,293,491	**657,552**	8,178,138

31. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

At 31 March 2012 and 2011, the Group uses interest rate swaps to minimise its exposure to changes of interest rate of its floating rate borrowings by swapping a proportion of the floating rate borrowings from floating rates to fixed rates. The Group does not currently designate any hedging relationship on the interest rate swaps for the purpose of hedge accounting, therefore, the interest rate swaps are deemed as financial liabilities held for trading. Major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK$50,000,000	14 April 2013	From 3 month HIBOR to 3.47%
HK$30,000,000	16 April 2013	From 3 month HIBOR to 3.10%
HK$30,000,000	20 April 2013	From 3 month HIBOR to 3.68%
HK$50,000,000	29 April 2013	From 3 month HIBOR to 3.62%
HK$50,000,000	06 May 2013	From 3 month HIBOR to 3.92%
HK$75,000,000	05 June 2013	From 3 month HIBOR to specific rate of 4.00%*

* If floating rate is less than specific rate, fixed at 2.95%; or
If floating rate is greater than or equal to specific rate, fixed at floating rate – 0.30%

The interest rate swaps are measured at fair value at the end of the reporting period. Its fair values are determined based on market prices quoted by banks at the end of the reporting period.

The Group has entered into a variety of foreign currency forward contracts to manage its exchange rate exposures. The instruments purchased are primarily purchasing Japanese Yen and selling Hong Kong dollar. The Group does not currently designate any hedging relationship on the foreign currency forward contracts for the purpose of hedge accounting, therefore, the foreign currency forward contracts are deemed as financial liabilities held for trading. Major terms of the foreign currency forward contracts are set out below:

2012

Notional amount	Maturity	Exchange rate
Buy JPY50,000,000	**10 April 2012**	**JPY 1 = HKD0.09470**

2011

Notional amount	Maturity	Exchange rate
Buy JPY26,446,830	08 April 2011	JPY 1 = HKD0.09471
Buy JPY60,000,000	08 April 2011	JPY 1 = HKD0.09416
Buy JPY55,000,000	18 April 2011	JPY 1 = HKD0.09570

The foreign currency forward contracts are measured at fair value at the end of the reporting period. Its fair values are determined based on market prices quoted by banks at the end of the reporting period.

32. OBLIGATIONS UNDER FINANCE LEASES

The Group	**2012**	2011
Analysed for reporting purposes as:		
Current liabilities	**2,002,592**	2,932,849
Non-current liabilities	**2,555,046**	2,660,661
	4,557,638	5,593,510

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The leases term are for 4 to 5 years (2011: 3 to 4 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.70% to 3.50% (2011: 1.75% to 3.50%) per annum. All the leases were denominated in Hong Kong dollars. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2012	2011	**2012**	2011
Amounts payable under finance leases				
Within one year	**2,153,232**	3,197,249	**2,002,592**	2,932,849
In the second to fifth years inclusive	**2,635,550**	2,787,317	**2,555,046**	2,660,661
	4,788,782	5,984,566	**4,557,638**	5,593,510
Less: Future finance charges	**(231,144)**	(391,056)	**—**	—
Present value of lease obligations	**4,557,638**	5,593,510	**4,557,638**	5,593,510
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,002,592)**	(2,932,849)
Amount due for settlement after 12 months			**2,555,046**	2,660,661

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

33. BANK LOANS

The Group	2012	2011
Secured bank loans	**573,317,974**	722,230,763
Unsecured bank loans	**388,135,612**	428,758,396
	961,453,586	1,150,989,159

Bank loans denominated in currencies other than the functional currency of the relevant group companies are analysed as:

	2012	2011
United States dollars	**75,968,509**	97,346,246
Japanese Yen	**132,764,693**	131,457,819
Euro	**–**	1,198,802

Carrying amount repayable:

	2012	2011
On demand or within one year	**583,051,022**	544,568,485
More than one year, but not exceeding two years	**84,250,928**	273,679,773
More than two years, but not exceeding five years	**50,299,464**	64,411,135
More than five years	**243,852,172**	268,329,766
	961,453,586	1,150,989,159
Less: Amounts due within one year shown under current liabilities	**(583,051,022)**	(544,568,485)
Amounts shown under non-current liabilities	**378,402,564**	606,420,674

All the Group's borrowings are variable-rate borrowings which carry interest at HIBOR or LIBOR plus certain basis points and subject to cash flow interest rate risk. Interest is repricing every three months and the range of interest rates is at 1.34% to 3.34% (2011: 1.23% to 3.96%) per annum.

34. SHARE CAPITAL

	Number of ordinary shares 2012	Number of ordinary shares 2011	Nominal value 2012	Nominal value 2011
Ordinary shares of HK$0.1 each				
Authorised:				
At beginning of the year and at end of the year	**1,500,000,000**	1,500,000,000	**150,000,000**	150,000,000
Issued and fully paid:				
At beginning of the year	**967,429,928**	972,129,928	**96,742,993**	97,212,993
Issued of shares as a result of the scrip dividend scheme	**14,806,583**	—	**1,480,658**	—
Cancelled on repurchase of shares	**(4,694,000)**	(4,700,000)	**(469,400)**	(470,000)
At end of the year	**977,542,511**	967,429,928	**97,754,251**	96,742,993

On 26 September 2011, the Company issued and allotted a total of 14,806,583 shares of HK$0.1 each in the Company at a price of HK$0.784 per share to the shareholders who elected to receive shares in the Company in lieu of cash for the 2011 final dividends pursuant to the scrip dividend scheme announced by the Company on 27 June 2011. These shares rank pair passu in all respects with other shares in issue.

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited.

These repurchased shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares with a corresponding increase in the capital redemption reserve. The premium paid on repurchase was charged to retained profits.

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid (including expenses)
July 2011	1,098,000	0.90	0.86	971,105
August 2011	3,528,000	0.87	0.75	2,859,391
September 2011	50,000	0.65	0.65	32,636
December 2011	18,000	0.69	0.69	12,534
	4,694,000			3,875,666

35. RESERVES

The Company

	Share premium	Contributed surplus	Capital redemption reserve	Share option reserve	Retained profits	Total
At 1 April 2010	22,785,730	90,854,039	32,107,840	1,365,000	43,502,400	190,615,009
Profit for the year	—	—	—	—	25,631,857	25,631,857
Recognition of equity-settled share-based payments	—	—	—	1,535,000	—	1,535,000
Dividend paid	—	—	—	—	(19,418,814)	(19,418,814)
Repurchase of own shares	—	—	470,000	—	(2,829,377)	(2,359,377)
At 31 March 2011	22,785,730	90,854,039	32,577,840	2,900,000	46,886,066	196,003,675
Profit for the year	—	—	—	—	11,347,582	11,347,582
Issue of shares as a result of the scrip divdend scheme	10,127,703	—	—	—	—	10,127,703
Dividend paid	—	—	—	—	(43,466,231)	(43,466,231)
Repurchase of own shares	—	—	469,400	—	(3,875,666)	(3,406,266)
At 31 March 2012	**32,913,433**	**90,854,039**	**33,047,240**	**2,900,000**	**10,891,751**	**170,606,463**

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

(b) the realisable value of its assets would thereby be less than aggregate of its liabilities and its issued share capital and share premium accounts.

At 31 March 2012, the Company has distributable reserves by considering the aggregate balance of reserve available for distribution of HK$101,745,790, including contributed surplus of HK$90,854,039 and retained profits of HK$10,891,751.

36. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The amount recognised in the consolidated statement of financial position is as follows:

	2012	2011
At beginning of the year	**4,074,193**	3,750,100
Additional provision for the year	**264,132**	356,285
Utilisation of provision	**—**	(32,192)
At end of the year	**4,338,325**	4,074,193

The most recent actuarial valuation of the present value of the obligations under long service payments was carried out at 31 March 2012 by Mr. Joseph Yip of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the obligations under long service payments and the related current service cost were measured using the projected unit credit method.

The principal actuarial assumptions as at the end of the reporting period used are as follows:

	2012	2011
Discount rate	**0.4%**	1.5%
Expected rate of salary increase	**3.0%**	3.0%

Amounts recognised in profit or loss for the year in respect of the obligations under long service payments are as follows:

	2012	2011
Current service cost	**9,385**	11,134
Interest cost	**91,328**	130,654
Net actuarial losses recognised in current year	**163,419**	214,497
Net amount charged to profit or loss as staff costs	**264,132**	356,285

36. PROVISION FOR LONG SERVICE PAYMENTS (Cont'd)

The amounts included in the consolidated statement of financial position arising from the Group's obligations under long service payments are as follows:

	2012	2011
Present value of the obligations under long service payments	**7,263,353**	6,724,820
Unrecognised actuarial losses	**(2,925,028)**	(2,650,627)
Obligations under long service payments included in the consolidated statement of financial position	**4,338,325**	4,074,193

Movements in the present value of the defined benefit obligations in the current year were as follows:

	2012	2011
At beginning of the year	**6,724,820**	7,168,573
Current service cost	**9,385**	11,134
Interest cost	**91,328**	130,654
Actuarial losses/(gains)	**437,820**	(553,349)
Benefits paid	**—**	(32,192)
At end of the year	**7,263,353**	6,724,820

The Group expects to make a contribution of HK$1,024,814 (2011: HK$1,003,506) to the defined benefit plans during the next financial year.

37. DEFERRED TAX LIABILITIES

The Group

	Accelerated tax depreciation	Revaluation of properties	Revaluation of investment properties	Tax losses	Total
At 1 April 2010	3,361,049	–	41,052,444	(2,919,840)	41,493,653
Charge to profit or loss for the year	–	–	23,030,907	–	23,030,907
Charge to other comprehensive income for the year	–	23,933,930	–	–	23,933,930
Disposal of subsidiaries	–	–	(6,870,140)	1,156,850	(5,713,290)
At 31 March 2011	3,361,049	23,933,930	57,213,211	(1,762,990)	82,745,200
Charge/(credit) to profit or loss for the year	1,145,968	–	8,454,979	(3,148,605)	6,452,342
Credit to other comprehensive income for the year	–	(4,544,138)	–	–	(4,544,138)
Acquisition of subsidiaries	4,499,117	–	32,111,840	(3,770,299)	32,840,658
Reclassification	–	1,650,000	(1,650,000)	–	–
Disposal	–	(5,902,992)	–	–	(5,902,992)
Disposal of subsidiaries	–	–	(42,550,215)	796,827	(41,753,388)
At 31 March 2012	**9,006,134**	**15,136,800**	**53,579,815**	**(7,885,067)**	**69,837,682**

At the end of the reporting period, the Group has unused tax losses of approximately HK$458,825,000 (2011: HK$426,945,000) available for offset against future profits. A deferred tax asset of approximately HK$7,885,000 (2011: HK$1,763,000) has been recognised in respect of approximately HK$47,788,000 (2011: HK$10,685,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining approximately HK$411,037,000 (2011: HK$416,260,000) of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$3,307,000 (2011: HK$4,359,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$10,174,000 (2011: HK$6,786,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reserve in the foreseeable future.

38. CONTINGENT LIABILITIES AND COMMITMENTS

The Group	2012	2011
Guarantees given to banks in respect of banking facilities to associates	**90,000,000**	–
Other guarantees	**621,000**	559,000
	90,621,000	559,000

The Company	2012	2011
Guarantees given to banks in respect of banking acilities to associates	**90,000,000**	–

The fair values of the guarantees are not significant and therefore the directors are of the opinion that no provision for financial guarantees should be made.

The Group	2012	2011
Capital commitments:		
Contracted for but not provided:		
Construction of properties	**11,032,916**	93,170,502

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2012	2011
Within one year	**15,569,631**	13,485,218
In the second to fifth years inclusive	**17,804,201**	25,630,125
Over five years	**19,089,688**	19,008,261
	52,463,520	58,123,604

Operating lease payments represent rental payable by the Group for certain of its office premises, staff quarters and factories. Leases for office premises and staff quarters are negotiated for terms of 2 to 6 years with fixed rentals.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2012	2011
Within one year	**4,790,026**	4,328,347
In the second to fifth years inclusive	**57,710**	3,152,964
	4,847,736	7,481,311

Leases are negotiated for terms ranging from 1 to 3 years.

40. RETIREMENT BENEFIT SCHEME

Commencing from 1 December 2000, the Group's employees are required to join the Mandatory Provident Fund ("MPF") Scheme. Under the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK$1,000 per month whichever is the smaller to the scheme. The Group's total contribution to the scheme for the year ended 31 March 2012 is HK$994,965 (2011: HK$974,278). There is no forfeiture of employer's contribution from leaving scheme members under the MPF Scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

41. PLEDGE OF ASSETS

At 31 March 2012, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure the banking facilities:

	2012	2011
Investment properties	**734,000,000**	1,180,000,000
Buildings in Hong Kong	**17,252,886**	17,704,654
Freehold land and buildings outside Hong Kong	**3,180,506**	3,319,065
Inventory of unsold properties	**127,357,921**	195,138,020
Properties under development for sale	**78,820,146**	—
Leasehold land in Hong Kong	**131,056,473**	133,533,704

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group and the Company had entered into the following significant related party transactions:

(1) Transactions with associates

Nature of transaction	**2012**	2011
Management fee income received by the Group	**2,636,786**	1,947,800
Interest income received by the Group	**116,630**	—

(2) Transactions with jointly-controlled entities

Nature of transaction	**2012**	2011
Management fee income received by the Group	**2,272,860**	2,332,860

(3) The Group's balances with related parties are set out in notes 20 and 21.

(4) Key management compensation is disclosed in note 11.

(5) The Company provided corporate guarantees of banking facilities to its subsidiaries to the extent of approximately HK$1,482,000,000 at 31 March 2012 (2011: HK$1,524,000,000).

43. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 20 August 2008 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 19 August 2018. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 March 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 16,100,000 (2011: 16,100,000), representing 1.65% (2011: 1.66%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Consideration at HK$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table discloses movements of the Company's share options held by directors during the year.

	Outstanding at 01/04/2011	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	**Outstanding at 31/03/2012**
Directors of the Company	16,100,000	–	–	–	–	**16,100,000**
Exercisable at the end of the year						**16,100,000**
Weighted average exercise price	HK$0.635	–	–	–	–	**HK$0.635**

43. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

	Outstanding at 01/04/2010	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/03/2011
Director of the Company	9,200,000	6,900,000	—	—	—	16,100,000
Exercisable at the end of the year						16,100,000
Weighted average exercise price	HK$0.542	HK$0.760	—	—	—	HK$0.635

During the year ended 31 March 2012, no options were granted. During the year ended 31 March 2011, options were granted on 23 March 2011. The estimated fair value of the options granted on that date is HK$1,535,000.

These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2011
Share price	HK$0.760
Exercise price	HK$0.760
Expected volatility	35.49%
Expected life	7 years
Risk-free interest rate	2.314%
Expected dividend yield	2.63%

For the year ended 31 March 2011, expected volatility was determined by using the historical volatility of the Company's share price over the previous seven years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$1,535,000 for the year ended 31 March 2011 in relation to share options granted by the Company.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

44. ACQUISITION OF SUBSIDIARIES

On 11 November 2011, the Group acquired 80% of the issued share capital of Roebuck Investments Limited and its subsidiaries for consideration of HK$123,559,286. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$32,789,966. Roebuck Investments Limited and its subsidiaries are engaged in property investment. Roebuck Investments Limited was acquired so as to introduce the Group's hotel operations.

Consideration transferred

Cash	123,559,286

Acquisition-related costs amounting to HK$508,205 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated income statement.

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

Investment property	305,000,000
Property, plant & equipment	1,309
Trade and other receivables	884,630
Amount due from a related company	423,948
Bank balances and cash	27,550,563
Other payables	(7,332,632)
Loan from shareholders	(43,407,907)
Bank loans	(128,620,112)
Deferred tax liabilities	(32,840,658)
	121,659,141

The fair value of trade and other receivables at the date of acquisition amounted to HK$884,630, representing the gross contractual amounts at the date of acquisition, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

44. ACQUISITION OF SUBSIDIARIES (Cont'd)

Goodwill arising on acquisition:

Consideration transferred	123,559,286
Fair value of previously held interests of 20% in Roebuck Investments Limited	30,889,821
Less: net assets acquired	(121,659,141)
Goodwill arising on acquisition	32,789,966

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Roebuck Investments Limited:

Cash consideration paid	123,559,286
Less: cash and cash equivalent balances acquired	(27,550,563)
	96,008,723

Included in the profit for the year is HK$2,009,978 attributable to the additional business generated by Roebuck Investments Limited and its subsidiaries. Revenue for the year includes HK$6,602,261 generated from Roebuck Investments Limited and its subsidiaries.

Had the acquisition been completed on 1 April 2011, total group revenue for the year would have been HK$1,363 million, and profit for the year would have been HK$263 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Roebuck Investments Limited been acquired at the beginning of the current year, the directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

45. DISPOSAL OF SUBSIDIARIES

(a) On 7 June 2011, the Group disposed of its subsidiary, Smart Plus Group Limited. The net assets of Smart Plus Group Limited and its subsidiary at the date of disposal were as follows:

Consideration received:

Cash received	110,960,000

Analysis of assets and liabilities over which control was lost:

Investment property	342,672,750
Deposits	354,734
Bank balances	5,281,512
Amount due to intermediate holding company	(74,396,796)
Accrued expenses	(12,988,691)
Derivative financial instruments	(6,233,537)
Bank loans	(104,668,159)
Deferred tax liabilities	(21,783,540)
Net assets disposed of	128,238,273

Gain on disposal of subsidiaries:

Consideration received	110,960,000
Cost of disposal	(14,000,000)
Net assets disposed of	(128,238,273)
Reclassified as interests in associates at fair value	41,040,000
Gain on disposal	9,761,727

Net cash inflow arising on disposal:

Cash consideration	110,960,000
Less: bank balances disposed of	(5,281,512)
	105,678,488

45. DISPOSAL OF SUBSIDIARIES (Cont'd)

(b) On 6 June 2011, the Group disposed of its subsidiary, Ally Vantage Limited. The net assets of Ally Vantage Limited and its subsidiaries at the date of disposal were as follows:

Consideration received:

Cash received	98,112,000
Deferred cash consideration	42,048,000
Total consideration received	140,160,000

Analysis of assets and liabilities over which control was lost:

Investment property	342,636,078
Deposits	18,680
Bank balances	3,869,149
Amount due to intermediate holding company	(63,543,810)
Accrued expense	(2,493,984)
Bank loans	(112,696,459)
Deferred tax liabilities	(19,969,848)
Net assets disposed of	147,819,806

Gain on disposal of subsidiaries:

Consideration received and receivable	140,160,000
Cost of disposal	(14,000,000)
Net assets disposal of	(147,819,806)
Reclassified as interests in associates at fair value	51,840,000
Gain on disposal	30,180,194

Net cash inflow arising on disposal:

Cash consideration	98,112,000
Less: bank balances disposed of	(3,869,149)
	94,242,851

45. DISPOSAL OF SUBSIDIARIES (Cont'd)

(c) On 30 March 2011, the Group disposed of its subsidiary, Mercato Group Limited. The net assets of Mercato Group Limited and its subsidiary at the date of disposal were as follows:

Consideration received:

Cash received	43,560,000
Deferred cash consideration	29,040,000
Total consideration received	72,600,000

Analysis of assets and liabilities over which control was lost:

Investment property	212,975,501
Deposits	228,000
Bank balances	656,712
Accrued expense	(32,712)
Bank loans	(129,461,125)
Deferred tax liabilities	(5,713,290)
Net assets disposed of	78,653,086

Gain on disposal of subsidiaries:

Consideration received and receivable	72,600,000
Cost of disposal	(20,600,000)
Net assets disposal of	(78,653,086)
Reclassified as interests in associates at fair value	47,400,000
Gain on disposal	20,746,914

Net cash inflow arising on disposal:

Cash consideration	43,560,000
Less: bank balances disposed of	(656,712)
	42,903,288

46. EVENTS AFTER THE REPORTING PERIOD

On 8 May 2012, Century Land Limited ("Century Land"), which the Company owns 20% of its entire issued share capital, entered into a legally binding provisional sale and purchase agreement with an independent party ("Purchaser") for the disposal of an investment property situated on No. 50 Connaught Road Central, Hong Kong ("Property"). The consideration for the disposal of the Property to be received by Century Land is HK$4,880,000,000.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at 31 March 2012 are as follows:

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly /indirectly by the Company	Principal activities
Direct subsidiary				
National Electronics (Consolidated) Limited	Hong Kong	4,000 ordinary shares of HK$0.25 each	100%	Investment holding and trading of electronic products
National Properties Holdings Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Investment holding and property management
Indirect subsidiary				
Baccarat Investments Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US$1	100%	Investment holding
Banyan Villas Holdings Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	100%	Investment holding
Brady Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Property investment
Chirac Limited	Hong Kong	10 ordinary shares of HK$10 each	100%	Investment holding and development
Clare Limited	Hong Kong	1 ordinary share of HK$1	100%	Property investment
Clare Holding Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
Duprey Limited	Hong Kong	10 ordinary shares of HK$10 each	100%	Trading of electronic products
Eastbond (Hong Kong) Limited	Hong Kong	10 ordinary shares of HK$1 each	100%	Manufacture and sale of plastic products
Eastern Mount Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Investment holding and subcontracting of electronic products in the PRC
Forthright Investment Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Property investment
Joyful Asia Group Limited	British Virgin Islands/ Hong Kong	100 ordinary shares of US$1 each	100%	Property investment and development

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly /indirectly by the Company	Principal activities
Indirect subsidiary (Cont'd)				
Majorell Limited	Hong Kong	100 ordinary shares of HK$10 each	100%	Property investment and investment holding
Miyota Trading Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Trading of electronic products
National Commercial Developments Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	Investment holding
National Commercial Developments Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
National Electronics and Watch Company Limited	Hong Kong	100 ordinary shares of HK$10 each and 200,000 non-voting deferred shares of HK$10 each (note)	100%	Manufacture and sale of liquid crystal display and quartz analogue watches
National Hotel Holdings Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Investment holding
National Hotel Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
National Hotel Management Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Property management
National Properties Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100%	Investment holding
National Residential Developments Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	Investment holding
National Residential Developments Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
National Telecommunication System Limited	Hong Kong	100 ordinary shares of HK$10 each and 200,000 non-voting deferred shares of HK$10 each (note)	100%	Provision of inspection service
National Time Limited	Hong Kong	100 ordinary shares of HK$10 each and 55,000 non-voting deferred shares of HK$10 each (note)	100%	Trading of electronic watches

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly /indirectly by the Company	Principal activities
Indirect subsidiary (Cont'd)				
Phoenix Investment S.a.r.l.	Luxembourg	500 ordinary shares of EUR 25 each	100%	Investment holding
Roebuck Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
Seafield Capital Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	Investment holding
Smart Rise Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
Spring Orchard Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	100%	Investment holding
St. Thomas Commercial Developments Limited	Ontario, Canada	100 common shares	100%	Investment holding
St. Thomas Developments Incorporated	Ontario, Canada	10,000 common shares	100%	Property development
Susanne Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
Sun Linkage Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	100%	Investment holding
Sun Shine Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	Investment holding
Tania Limited	Hong Kong	1 ordinary share of HK$1	100%	Property management
Tania Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
Terence Limited	Hong Kong	1 ordinary share of HK$1	100%	Investment holding
Terence Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding
The Putman Management Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Property management

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly /indirectly by the Company	Principal activities
Indirect subsidiary (Cont'd)				
Unionville Development Limited Partnership	Ontario, Canada	Contributed capital of CAD72,480	100%	Property development
Unionville Development (2010) Limited Partnership	Ontario, Canada	Capital deficit of CAD138,044	100%	Property development
1061383 Ontario Limited	Ontario, Canada	100 common shares of CAD1 each	100%	Property holding
中霸鐘表電子(深圳)有限公司*	People's Republic of China	Contributed capital of HK$14,000,000	100%	Manufacturing of electronic products
中霸電子科技(南寧)有限公司*	People's Republic of China	Contributed capital of HK$56,000,000	100%	Manufacturing of electronic products
東富塑膠五金製品(深圳)有限公司*	People's Republic of China	Contributed capital of HK$3,800,000	100%	Manufacturing of metal and plastic products

* A wholly foreign owned enterprise.

Note: The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length. All these subsidiaries are wholly-owned and private limited companies.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

Details of the major properties held by the Group at 31 March 2012 are as follows:

Investment properties

Location	**Lease term**	**Group's interest**	**Type**
Nos. 194-196 Queen's Road Central, Sheung Wan, Hong Kong	Long term	100%	Commercial
House 6 , Double Bay, No. 46 Island Road, Hong Kong	Long term	100%	Residential
The Putman No. 202 Queen's Road Central, Sheung Wan, Hong Kong	Long term	100%	Commercial
A parcel of land located at Yinkai Industrial Park, Economic and Technological Development Zone, Nanning City, Guangxi Zhuangzu Autonomous Region, the PRC	Medium term	100%	Industrial

Results:

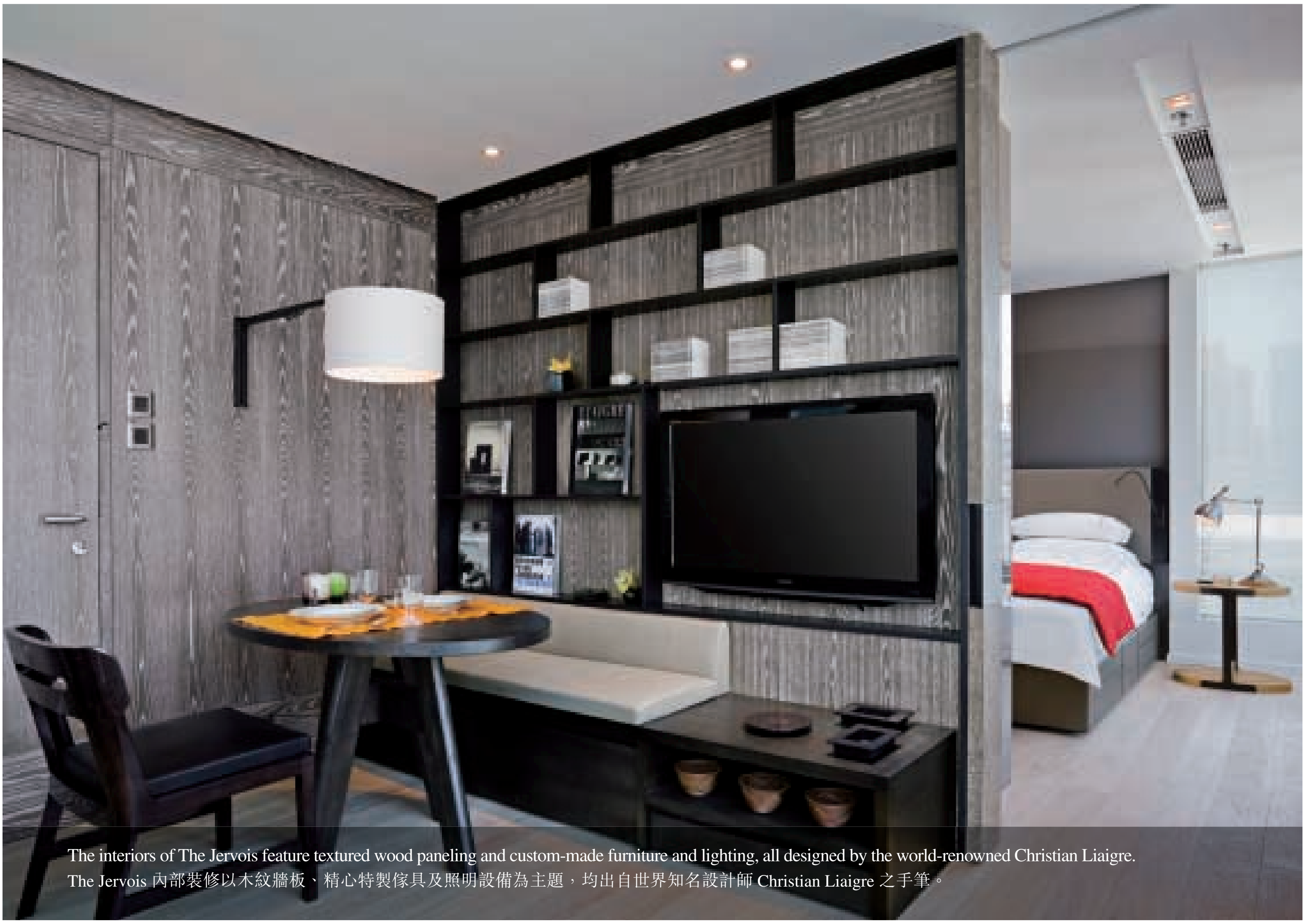
	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,294,715**	1,265,369	1,113,704	2,301,704	1,256,703
Cost of sales	**(1,106,093)**	(1,114,202)	(982,173)	(2,040,410)	(1,062,108)
Gross profit	**188,622**	151,167	131,531	261,294	194,595
Other income and gains	**57,165**	6,901	50,106	5,649	11,329
Increase in fair value of investment properties	**47,274**	140,104	57,001	62,973	111,796
Gain on disposal of investment properties	**–**	–	–	–	55,103
Impairment loss recognised in respect of properties under development for sale	**–**	–	–	(46,629)	–
Distribution costs	**(7,702)**	(8,277)	(7,248)	(7,793)	(7,946)
Administrative expenses	**(183,899)**	(173,308)	(124,781)	(146,101)	(108,113)
Finance costs	**(20,833)**	(20,380)	(15,322)	(27,526)	(31,769)
Gain on disposal of subsidiaries	**39,942**	20,747	–	–	–
Gain on disposal of associates	**1,788**	–	–	–	–
Share of results of associates	**100,169**	195,920	43,184	35,678	1,610
Share of results of jointly controlled entities	**–**	–	(1)	–	–
Profit before taxation	**222,526**	312,874	134,470	137,545	226,605
Income tax expense	**(12,475)**	(28,962)	(12,754)	(28,714)	(14,956)
Profit for the year	**210,051**	283,912	121,716	108,831	211,649
Earnings per share					
– Basic	**21.6 HK cents**	29.3 HK cents	12.5 HK cents	11.1 HK cents	20.9 HK cents
– diluted	**21.5 HK cents**	29.2 HK cents	12.5 HK cents	11.1 HK cents	20.9 HK cents

Assets and liabilities:

	At 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,729,466**	2,712,691	2,160,667	2,116,748	3,117,612
Total liabilities	**1,360,278**	1,489,138	1,324,336	1,393,381	2,449,015
Net assets	**1,369,188**	1,223,553	836,331	723,367	668,597

The Jervois, the Group's boutique hotel apartment joint venture with a real estate fund managed by J.P.Morgan Asset Management at 89 Jervois Street launched in December 2011.
本集團與 J.P.Morgan Asset Management 管理之房地產基金合營之精品酒店 The Jervois，位於蘇杭街 89 號，已於二零一一年十二月推出招租。

The cozy guest bedroom in one of the two-bedroom suites at The Jervois offers a magnificent city view.
The Jervois 設有舒適之兩套房單位，可盡覽城市美景。



The interiors of The Jervois feature textured wood paneling and custom-made furniture and lighting, all designed by the world-renowned Christian Liaigre.
The Jervois 內部裝修以木紋牆板、精心特製傢具及照明設備為主題，均出自世界知名設計師 Christian Liaigre 之手筆。

50 Connaught Road Central, the Group's Grade A office joint venture development with Apollo Global Real Estate Management and designed by Robert A.M. Stern, began its leasing program in June 2011. In June 2012, the building was sold to Agricultural Bank of China for a record setting price of HK$4.88 billion.

本集團與 Apollo Global Real Estate Management 的合營甲級寫字樓發展項目干諾道中 50 號，由 Robert A.M. Stern 設計，於二零一一年六月開始招租。該大廈於二零一二年六月已售予中國農業銀行，價格創新紀錄，達 4,880,000,000 港元。

The Group's boutique hotel apartment joint venture with a real estate fund managed by J.P.Morgan Asset Management at 99 Bonham Strand is expected to launch in the third quarter of 2012.
本集團與 J.P.Morgan Asset Management 管理之房地產基金合營之文咸東街 99 號精品酒店將於二零一二年第三季推出招租。

Twenty One Whitfield, the Group’s boutique hotel apartment joint venture with a real estate fund managed by J.P.Morgan Asset Management at 21 Whitfield Road launched in June 2012.
本集團與 J.P.Morgan Asset Management 管理之房地產基金合營位於威非路道 21 號之精品酒店 Twenty One Whitfield，已於二零一二年六月推出招租。

The higher floors of Twenty One Whitfield enjoy magnificent views of Victoria Harbour, the central skyline and Victoria Park.
Twenty One Whitfield 高層房間飽覽維港、中環及維多利亞公園景致。

Each of the suites feature interiors by renowned designer Joseph Fung in neutral tones with subtle accents.
各間套房內部設計出自著名設計師 Joseph Fung 手筆，色調柔和，手工精細。