NATIONAL ELECTRONICS HOLDINGS LIMITED

ANNUAL REPORT 2013

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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 Limited
Certified Public Accountants

Solicitors

Baker & McKenzie
JSM

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
26 Burnaby Street
Hamilton HM 11
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 2013.

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2013 was HK$296,223,624 (2012: HK$171,306,004). The basic and diluted earnings per share of the Company for the year ended 31 March 2013 were 30.3 HK cents per share and 30.1 HK cents per share respectively (2012: 17.6 HK cents per basic share and 17.6 HK cents per diluted share 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 2013 (2012: Final dividend of 3.5 HK cents per share and a special cash dividend of 2.0 HK cents per share).

BUSINESS REVIEW

WATCHES AND WATCH COMPONENTS

During the period under review, the turnover and profit of the Group's watch manufacturing and watch component trading division decreased slightly due to the continued escalation of manufacturing costs in China coupled with the slow recovery of the European and U.S. economies.

PROPERTY DEVELOPMENT AND INVESTMENT

During the year under review, on 11 June 2012, Century Land Limited, which the Group owns 20% of its issued share capital, completed the transaction with the Agricultural Bank of China on the sale of its Grade A commercial investment property situated at 50 Connaught Road Central for HK$4.88 billion. The result was very satisfactory and the profit contribution of this investment property had been accounted for over the past few years.

In the same month, the Group launched Twenty One Whitfield, its joint venture boutique hotel apartment, with a real estate fund managed by J.P. Morgan Asset Management located at Twenty One Whitfield Road, Hong Kong. It was the Group's first hotel apartment in the Causeway Bay / North Point location and the result has been satisfactory.

On 27 September 2012, the Group completed the purchase of the outstanding 50% shareholding in Tania Investments Holdings Limited, previously a jointly controlled entity with a real estate fund managed by J. P. Morgan Asset Management which indirectly owns the residential property located at 45 Tai Tam Road, Hong Kong.

99 Bonham, designed by the world renowned architect firm Antonio Citterio Patricia Viel and Partners, launched in October 2012 and was the Group's third boutique hotel apartment joint venture with a real estate fund managed by J.P. Morgan Asset Management.

On 14 November 2012, the Group completed its purchase of House No. C36, Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong for long term investment purpose.

PROSPECTS

WATCHES AND WATCH COMPONENTS

The continued weakness and instability of the European Union's financial status, the fragile U.S. economic recovery and the potential slowdown of growth in China will affect consumer demand that may persist this coming year. This will have a negative impact on the Group's watch manufacturing and watch component trading business.

PROPERTY DEVELOPMENT AND INVESTMENT

The superstructure of the Group's wholly owned boutique hotel apartment development at 194 – 196 Queen's Road Central was completed and the project is expected to launch in early 2014.

The site formation work of the Group's wholly owned luxurious residential development project at 45 Tai Tam Road was completed and preparation for the foundation has commenced.

The Optic Pulse watch is a fitness device with the latest in optical technology. It is able to continuously monitor your heart rate without the need for a separate chest strap. Also, with its 3D motion sensor, Optic Pulse can monitor and track your quality of sleep. The Bluetooth Smart connectivity allows for wireless sync and access with various smartphones.

With the introduction of the Special Stamp Duty, the Buyer's Stamp Duty and proposed onerous presale legislations by the Hong Kong Government, the number of transactions in the Hong Kong property market has dropped tremendously and signs of downward price adjustment was shown in the mass market sector. Despite these factors, prices in the luxury sector have remained quite resilient.

The Group remains optimistic about Hong Kong's medium and long term real estate market and will look for attractive acquisition opportunities amidst this uncertain environment.

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, 25 June 2013

The Fitness Band is designed as a lifestyle watch powered by a 3D motion sensor with an OLED display. The application of Metabolic Oxygen Calculation provides accurate daily energy consumption. It continuously tracks your health data such as step, distance, calories burned and sleep quality and lets the user see the progress in achieving their goals. Bluetooth Smart supports synchronizing data with various smartphones.

Time Curve

The Time Curve watch is designed with the latest innovation – curved electronic ink technology with large digits display. Time Curve not only tracks your activities, but it also tracks your quality of sleep through the use of a built-in 3D motion sensor. The curved e-ink allows for a more form-fitting design for the indicator screen as well as a more energy efficient device.

CORPORATE STRATEGY

The Group's long-term objective and strategy is to maximize shareholder value through the stable growth in our core businesses and operations while exploring new opportunities for investment in sustainable long-term growth.

The Group's watch manufacturing and watch component trading division looks to continue building upon its strength and leadership in the high-function watch and watch-related products space while using our expertise in research and development to develop new technologies and applications for future growth.

The Group's Property development and investment divisions remain committed to building the highest quality developments with a focus on design excellence. Through long-term planning and diligent market research, the Group will look at expanding our offering and transferring our expertise into different markets, both in terms of product as well as geography.

BUSINESS REVIEW

WATCHES AND WATCH COMPONENTS

During the year under review, the sales revenue of the Group's watch manufacturing and watch component trading division decreased by 11% to HK$1,148 million while the segment profit decreased by 7% to HK$41 million due to sluggish recovery of world economy.

PROPERTY DEVELOPMENT AND INVESTMENT

During the year, no property for development was sold and the sales revenue of the Group's property investment division represented the rental income generated by the Group's investment properties.

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

HOTEL OPERATION

The sales revenue of the Group's hotel operation division increased to HK$18.7 million as the full year operation income generated by the boutique hotel apartment, The Putman, was recorded in 2013 while only a few months of operation income was recorded in 2012 due to the timing of the acquisition of the hotel apartment.

ASSOCIATES

The Group shared a profit of HK$136 million (2012: HK$103 million) from its associates.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2013, the Group's total borrowings were approximately HK$1,587 million (2012: HK$961 million), representing an increase of approximately HK$626 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK$511 million repayable within one year, approximately HK$799 million within two to five years and HK$277 million beyond five years.

At the year end date, the Group's gearing ratio was 0.68 (2012: 0.27) which is calculated based on the Group's long-term borrowings of approximately HK$1,076 million (2012: HK$378 million) and shareholders' funds of approximately HK$1,592 million (2012: HK$1,389 million).

As at 31 March 2013, the Group's total bank balances and cash was approximately HK$616 million (2012: HK$283 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 2013, 78% of the Group's borrowings was in HK$, 9% in US$, 8% in JPY and 5% in CAD. As at 31 March 2013, 77% of the Group's bank balances and cash was in HK$, 8% in JPY, 8% in CNY, 5% in US$ and 2% in others.

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.

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 2013, certain properties of the Group of approximately HK$2,241 million (2012: HK$1,092 million) were pledged to secure banking facilities for the Group.

EMPLOYEES

As at 31 March 2013, 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$148 million (2012: HK$154 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 66, 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-one years ago and has been responsible for the management of the property division since that time.

Mr. Loewe Lee Bon Chi, aged 33, 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 component trading business 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 59, 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 55, 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 66, 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 watch manufacturing business and other electronic products.

NON-EXECUTIVE DIRECTOR

Ms. Dorathy Lee Yuen Yu, aged 53, 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 Director 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 88, 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 57 years' experience in the manufacturing, marketing and distribution of watches and 29 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 65, is an Independent Non-executive Director of the Company. He is a member of the Canadian Institute of Chartered Accountants and a retired partner of PricewaterhouseCoopers after a career spanning 33 years in Canada, Hong Kong and Mainland China. Mr. Chan is currently 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 Kwok Wai, aged 54, 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 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 of Hong Kong Limited. Mr. Chan was an Independent Non-executive Director of Junefield Department Store Group Limited, company listed on the Main Board of The Stock Exchange of Hong Kong Limited, during the period from 31 December 2002 to 29 May 2013.

SENIOR MANAGEMENT

Mr. Andrew Lo Kwong Yiu, B.Sc. (Econ.), B.Sc. (Building Surveying), ARICS, AHKIS, aged 59, 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 2013.

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 2013 are set out in the consolidated income statement on page 26.

The directors now recommend 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 to the shareholders of the Company whose names appear on the register of members on Tuesday, 27 August 2013, amounting to approximately HK$53,594,000.

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 as at 31 March 2013 are set out on page 121.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's subsidiaries, associates and jointly controlled entities as at 31 March 2013 are set out in notes 46, 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 31 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-law 99 of the Company, Ms. Dorathy Lee Yuen Yu and Mr. William Chan Chak Cheung, shall retire by rotation and, being eligible, offer themselves for re-election.

Each non-executive and independent non-executive director was appointed for a term of period up to his retirement and re-election by rotation under the Bye-law 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’ AND CHIEF EXECUTIVE’S 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 or the chief executive 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

Other than the option holdings disclosed under the heading “Directors’ and chief executive’s interests in shares and share options”, 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' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHARE OPTIONS

At 31 March 2013, the interests of the directors, the chief executive 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 Issuers, 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	26.433%
Mr. Loewe Lee Bon Chi	Managing Director	15,000,000	—	258,137,835 *(note a)*	273,137,835	27.969%
Mr. James Lee Yuen Kui	Managing Director	5,940	—	244,602,979 *(note b)*	244,608,919	25.048%
Mr. Edward Lee Yuen Cheor	Director	—	—	244,602,979 *(note b)*	244,602,979	25.047%
Mr. Ricky Wai Kwong Yuen	Director	—	37,267,767 *(note d)*	—	37,267,767	3.816%
Dr. Samson Sun, M.B.E., J.P.	Director	—	5,288,968 *(note c)*	—	5,288,968	0.542%

(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
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 5,288,968 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 2013, none of the director or the 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 1/4/2012	Granted during the year	Exercised during the year	Forfeited druing the year	Expired during the year	Balance at 31/3/2013
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 weighted average closing price of the Company's shares immediately before the date on which the share options were exercised was HK$0.95.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain directors and the chief executive disclosed under the heading "Directors' and chief executive's 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 2013.

GUARANTEES TO ASSOCIATES

As at 31 March 2013, HK$90,000,000 guarantee 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 2013, the Group's five largest suppliers accounted for approximately 92.62% of the Group's purchases of which 90.38% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 65.64% of the Group's turnover of which 34.61% 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

During the year ended 31 March 2013, the Company has complied with the Corporate Governance Code (effective from April 2012) as set out in Appendix 14 of the Listing Rules, except for the deviations shown under the section "Corporate Governance Report" in this Annual Report.

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.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 43 to the consolidated financial statements.

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 2013.

DONATIONS

During the year, the Group made charitable donations amounting to HK$13,033.

AUDITORS

The consolidated financial statements for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming Annual General Meeting. A resolution for the re-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.

The consolidated financial statements for the years ended 31 March 2011 and 2012 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

On behalf of the Board

LEE YUEN CHING JIMMY
Chairman

Hong Kong, 25 June 2013

The Company is committed to maintaining and upholding high standards of corporate governance. During the year ended 31 March 2013, in the opinion of the Board, the Company has complied with the Corporate Governance Code (effective from April 2012)("CG" Code) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation as expressly set forth under the relevant paragraph in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiries by the Company, it is confirmed that all Directors have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2013.

THE BOARD

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 monitors the activities of the Group. Three Board Committees, Audit Committee, Nomination Committee and Remuneration Committee, with well defined terms of reference have been established to assist the Board in discharging its responsibilities, while the responsibility of the day-to-day operations of the Group is delegated to the management of the Group. Appropriate insurance cover in respect of legal actions arising out of corporate activities against its directors and officers have been arranged.

COMPOSITION OF THE BOARD

The Board consists of 9 Directors including 5 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors (the ''INEDs''). The biographical details of the Directors are shown under the section "Directors and Senior Management" in this Annual Report.

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.

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

BOARD ATTENDANCE

During the year, 4 Board meetings and 1 general meeting were held. Attendance of each director at the Board meetings and the general meeting held in the Year is set out below:

	Board Meetings Attended/Held	General Meeting Attended/Held
Executive Directors:		
Mr. Jimmy Lee Yuen Ching *(Chairman)*	4/4	1/1
Mr. Loewe Lee Bon Chi *(Managing Director)*	4/4	1/1
Mr. James Lee Yuen Kui *(Managing Director)*	4/4	1/1
Mr. Edward Lee Yuen Cheor	4/4	1/1
Mr. Ricky Wai Kwong Yuen	4/4	1/1
Non-executive Director:		
Ms. Dorathy Lee Yuen Yu	4/4	0/1
Independent Non-executive Directors:		
Dr. Samson Sun, M.B.E., J.P.	4/4	1/1
Mr. William Chan Chak Cheung	4/4	1/1
Mr. Chan Kwok Wai	4/4	1/1

Save from the meetings above, the Chairman met the Non-executive Directors on a one-to-one or group basis periodically to understand their concerns, to discuss pertinent issues and to ensure that there is access to adequate and complete information, in lieu of convening a meeting pursuant to Code A.2.7 which stipulates that the Chairman should at least annually hold meetings with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present.

AUDIT COMMITTEE

The principal roles and functions of the Audit Committee (the "AC") are as follows:

(a) 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;

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

(c) 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

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

The AC comprises 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. - *Committee Chairman (Independent)*	4/4
Mr. William Chan Chak Cheung *(Independent)*	4/4
Mr. Chan Kwok Wai *(Independent)*	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 2012;

— Reviewed the interim results of the Group for the six months ended 30 September 2012;

— 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 2012; and

— Evaluated and assessed the effectiveness of the Audit Committee and the adequacy of the Audit Committee Charter and consider any changes are required.

NOMINATION COMMITTEE

The nomination committee (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 existing composition of the Board in terms of skill, knowledge and experience and make recommendation to the Board for approval.

The NC comprises 5 members. Attendance of each member at the NC meetings held in the year is set out below:

Members	**Meetings Attended/Held**
Mr. William Chan Chak Cheung - *Committee Chairman (Independent)*	1/1
Dr. Samson Sun, M.B.E., J.P. *(Independent)*	1/1
Mr. Chan Kwok Wai *(Independent)*	1/1
Mr. Jimmy Lee Yuen Ching	1/1
Mr. James Lee Yuen Kui	1/1

During the year, 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.

REMUNERATION COMMITTEE

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

(a) 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;

(b) to recommend the remuneration packages of the directors and senior management; and

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

The RC comprises 5 members. Attendance of each member at the RC meetings held in the Year is set out below:

Members	**Meetings Attended/Held**
Dr. Samson Sun, M.B.E., J.P. - *Committee Chairman (Independent)*	2/2
Mr. William Chan Chak Cheung *(Independent)*	2/2
Mr. Chan Kwok Wai *(Independent)*	2/2
Mr. Jimmy Lee Yuen Ching	2/2
Mr. James Lee Yuen Kui	2/2

During the year, the RC assessed the performance of executive and reviewed the remuneration policy of the Group and the remuneration packages of the Directors and the senior management.

The RC has adopted the model of making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 99 of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any Director holding office as Chairman or Managing Director, at each Annual General Meeting ("AGM"). The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The Company at any general meeting at which any Directors retire may fill the vacated offices.

The Company used to comply with Code A.4.2 which stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In the opinion of the Board, the Chairman and Managing Director play a pivotal role in charting of corporate strategies and direction of the Group and should not be subject to retirement by rotation in consideration of the stability and continuity development of the Group. As such, the Board believes that exempting Chairman and Managing Director from retiring from office by rotation at AGM in accordance with the Bye-law 99 of the Company is in the best interest of the Group and proposed to comply with Bye-law 99 with effect from the forthcoming AGM.

NON-EXECUTIVE DIRECTORS

Each Non-Executive and Independent Non-Executive Director was appointed for a term of period up to his retirement by rotation and re-election at the AGM of the Company in accordance with the Bye-law 99. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code A.4.1 which stipulates that Non-Executive Directors should be appointed for a specific term, subject to re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year, all Directors are provided with regular updates on the Group's performance as well as changes in the relevant laws and regulations applicable to the Group and the Directors. Trainings have been arranged for all Directors by the Company covering a broad range of topics. All Directors have provided a record of the training they received to the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties of the Company. Terms of Reference of corporate governance functions are stipulated as follows:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the companies policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and directors;

(e) to review the company's compliance with the code and disclosure in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial year which gives a true and fair view of the state of affairs of the Group. The reporting responsibilities of the Company's external auditors are set out in this annual report on page 24.

EXTERNAL AUDITORS

The consolidated financial statements for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming AGM. 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 AGM.

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

Type of services rendered	**Fees payable**
	HK$'000
Audit services	1,338
Non-audit services	420
Total	1,758

The non-audit services are relating to 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 2013 amounted to approximately HK$579,460.

INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the Company's internal control system to ensure that the Company maintains sound and effective controls to safeguard shareholders' investment and the Company's assets. The review covered financial, operational and compliance controls and risk management functions.

The Board also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

In view of the size, nature and complexity of the business of the Group, the Board has appointed external independent professionals to perform internal audit functions. The external independent professionals made assessment on various business and operation risks of the Group which was approved by the Audit Committee. The Audit Committee reviewed the findings from the external independent professionals and discussed the recommended actions needed to be taken to develop and improve the effectiveness of the Group's internal control system annually. The Board will continue to improve the Group's internal control system through periodic reviews and recommendations from the external auditors and external independent professionals during their audit.

COMMUNICATION WITH SHAREHOLDERS

The Board is responsible for maintaining on-going communication with its shareholders that complies fully with the disclosure requirements under the Listing Rules and other applicable laws and regulation. All shareholders should have the equal rights of access to the information of the Company to enable them to make informed decisions.

AGM is an important channel for communicating with the shareholders. Separate resolutions are proposed by the Chairman at the AGM for each substantially separate issue such as the nomination of persons as directors. The Chairman of the Board, as well as the chairmen of the audit, remuneration and nomination committees, have attended the AGM to communicate directly with the shareholders. The external auditor has also attended the AGM to answer relevant enquiries from the shareholders.

All shareholders can access the information of the Company through the Company's website at http://www.irasia.com/listco/hk/national/index.htm. The website provides the updated information of the Group, including annual and interim reports, announcements and circulars. Shareholders are welcome to put to the Board any enquiries by contacting the Company Secretary, contact details of which are published on IR Contact page of the Company's website.

SHAREHOLDERS RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING ("SGM")

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the Company shall have the right to request the Board to convene a SGM of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and addressed to Company Secretary at the Company's Head Office at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

Such requisition will be verified with the Company's Share Registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice to all shareholders.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them may convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. A SGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any SGM to be convened by the Board.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981, the number of shareholders necessary for a requisition for putting forward a proposal at an AGM, or SGM, shall be any number of shareholders representing not less than 5% of the total voting rights at the date of the requisition; or not less than one hundred shareholders.

The requisition duly signed by all the requisitionists with the requisitionists' name and address stated clearly in an eligible manner, shall be deposited at the Company's Head Office at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Such requisition will be verified with the Company's Share Registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

PROCEDURES FOR MAKING ENQUIRY TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the IR contacts of the Company so published on the Company's website. Shareholders may also make enquiries to the Board at the general meetings of the Company. If shareholders have any enquiries about their shareholdings and entitlements to dividend, they should direct their enquiries to Tricor Standard Limited, the Company's Branch Registrar, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Bye-laws during the year ended 31 March 2013.

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

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 26 to 120, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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 2013, 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 Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 25 June 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013 (in HK Dollars)

	Notes	**Year ended 31/03/2013**	Year ended 31/03/2012
			(Restated)
Revenue	7	**1,167,853,958**	1,294,715,363
Cost of sales		**(990,349,105)**	(1,106,093,672)
Gross profit		**177,504,853**	188,621,691
Other income and gains	8	**30,384,242**	57,165,027
Increase in fair value of investment properties	15	**30,841,370**	47,274,221
Gain/(loss) on disposal of subsidiaries		**3,608,177**	(2,608,294)
Loss on disposal of associates		**—**	(3,580,248)
Fair value gain arising from the remeasurement of the previously held interest in a jointly controlled entity		**143,157,821**	—
Distribution costs		**(9,247,112)**	(7,702,311)
Administrative expenses		**(182,459,307)**	(183,898,579)
Finance costs	9	**(24,212,583)**	(20,832,526)
Share of results of associates		**135,810,816**	102,813,255
Profit before taxation	10	**305,388,277**	177,252,236
Income tax expense	12	**(9,164,653)**	(5,946,232)
Profit for the year		**296,223,624**	171,306,004
Earnings per share	14		
Basic		**30.3 HK cents**	17.6 HK cents
Diluted		**30.1 HK cents**	17.6 HK cents

For the year ended 31 March 2013 (in HK Dollars)

	Year ended 31/03/2013	Year ended 31/03/2012
		(Restated)
Profit for the year	**296,223,624**	171,306,004
Other comprehensive expense		
Exchange differences arising on translating foreign operations	**3,912,221**	(2,299,356)
Loss on revaluation of properties	**(47,235,714)**	(35,747,000)
Reversal of deferred taxation arising on revaluation of properties	**7,793,893**	4,544,138
Fair value gain on hedging instruments in cash flow hedges	**2,636,272**	—
Net (loss)/gain on available-for-sale investments	**(560,000)**	4,820,000
Other comprehensive expense for the year	**(33,453,328)**	(28,682,218)
Total comprehensive income for the year	**262,770,296**	142,623,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013 (in HK Dollars)

	Notes	**31/03/2013**	31/03/2012	01/04/2011
			(Restated)	(Restated)
Non-current assets				
Investment properties	15	**645,000,000**	768,596,000	1,201,272,361
Property, plant and equipment	16	**552,048,987**	256,345,880	256,730,518
Prepaid lease payments	17	**14,348,251**	14,543,932	14,459,432
Goodwill	18	**678,126**	678,126	—
Interests in associates	20	**173,095,842**	485,157,907	346,876,492
Interests in jointly controlled entities	21	**—**	—	—
Available-for-sale investments	22	**21,230,000**	20,490,000	15,670,000
Held-to-maturity investments	23	**—**	11,721,920	—
		1,406,401,206	1,557,533,765	1,835,008,803
Current assets				
Inventories	24	**133,429,238**	173,214,874	146,509,132
Prepaid lease payments	17	**325,911**	322,733	328,209
Held-to-maturity investments	23	**11,768,269**	—	—
Investment held for trading	25	**4,058,346**	4,097,534	4,108,333
Inventory of unsold properties		**7,464,423**	127,380,207	195,138,020
Properties under development for sale	26	**1,183,576,472**	78,820,146	—
Bills receivables	28	**1,562,246**	1,721,248	7,778,724
Trade receivables, deposits and prepayments	28	**136,175,573**	174,434,198	88,180,850
Amounts due from associates	20	**71,307,347**	173,904,033	143,489,370
Amounts due from jointly controlled entities	21	**15,999,823**	125,499,603	120,386,628
Tax recoverable		**56,744**	1,495,609	3,764,323
Bank balances and cash	29	**615,705,106**	282,850,250	174,642,837
		2,181,429,498	1,143,740,435	884,326,426
Current liabilities				
Trade payables, customers' deposits and accrued expenses	30	**176,689,402**	176,406,139	140,869,796
Bills payables	30	**88,074,614**	128,448,006	86,656,200
Amount due to an associate	20	**46,815,748**	7,020	7,020
Tax payable		**7,749,596**	4,582,491	1,731,784
Derivative financial instruments	31	**3,058,561**	9,989,693	8,293,491
Obligations under finance leases	32	**3,319,946**	2,002,592	2,932,849
Bank loans	33	**510,786,792**	583,051,022	544,568,485
		836,494,659	904,486,963	785,059,625
Net current assets		**1,344,934,839**	239,253,472	99,266,801
Total assets less current liabilities		**2,751,336,045**	1,796,787,237	1,934,275,604

At 31 March 2013 (in HK Dollars)

	Notes	**31/03/2013**	31/03/2012	01/04/2011
			(Restated)	(Restated)
Capital and reserves				
Share capital	34	**97,656,251**	97,754,251	96,742,993
Reserves		**1,494,581,407**	1,291,464,947	1,185,585,955
Total equity		**1,592,237,658**	1,389,219,198	1,282,328,948
Non-current liabilities				
Provision for long service payments	36	**4,257,203**	4,338,325	4,074,193
Derivative financial instruments	31	**81,333**	657,552	8,178,138
Obligations under finance leases	32	**3,378,010**	2,555,046	2,660,661
Bank loans	33	**1,076,211,080**	378,402,564	606,420,674
Deferred tax liabilities	37	**75,170,761**	21,614,552	30,612,990
		1,159,098,387	407,568,039	651,946,656
		2,751,336,045	1,796,787,237	1,934,275,604

The consolidated financial statements on pages 26 to 120 were approved and authorised for issue by the Board of Directors on 25 June 2013 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

JAMES LEE YUEN KUI
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2013 (in HK Dollars)

	Notes	31/03/2013	31/03/2012
Non-current assets			
Interests in subsidiaries	19	**507,943,193**	406,110,891
Available-for-sale investments	22	**2,000,000**	2,000,000
		509,943,193	408,110,891
Current assets			
Amount due from a subsidiary	27	**914,657**	886,070
Bank balances		**3,876,651**	2,884,154
		4,791,308	3,770,224
Current liabilities			
Accrued expenses		**4,364,783**	4,333,669
Financial guarantee contracts	38	**101,832,302**	5,214,717
Amount due to a subsidiary	27	**146,324,012**	133,972,015
		252,521,097	143,520,401
Net current liabilities		**(247,729,789)**	(139,750,177)
Net assets		**262,213,404**	268,360,714
Capital and reserves			
Share capital	34	**97,656,251**	97,754,251
Reserves	35	**164,557,153**	170,606,463
Total equity		**262,213,404**	268,360,714

The financial statements on pages 26 to 120 were approved and authorised for issue by the Board of Directors on 25 June 2013 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

JAMES LEE YUEN KUI
Director

For the year ended 31 March 2013 (in HK Dollars)

	Share capital	Share premium	Exchange reserve	Hedging reserve	Revaluation reserve	Share options reserve	Contributed surplus	Capital redemption reserve	Retained profits	Total
At 1 April 2011 as originally stated	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
Effect of changes in accounting policies	–	–	–	–	–	–	–	–	58,776,058	58,776,058
At 1 April 2011 as restated	96,742,993	22,785,730	(9,925,301)	–	126,357,689	2,900,000	66,141,751	32,577,840	944,748,246	1,282,328,948
Profit for the year	–	–	–	–	–	–	–	–	171,306,004	171,306,004
Other comprehensive (expense)/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)	–	–	–	184,621,999	142,623,786
Issue of shares as a result of the scrip dividend scheme	1,480,658	10,127,703	–	–	–	–	–	–	–	11,608,361
Dividends 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 as restated	97,754,251	32,913,433	(12,224,657)	–	86,658,832	2,900,000	66,141,751	33,047,240	1,082,028,348	1,389,219,198
Profit for the year	–	–	–	–	–	–	–	–	296,223,624	296,223,624
Other comprehensive income/(expense) for the year	–	–	3,912,221	2,636,272	(40,001,821)	–	–	–	–	(33,453,328)
Total comprehensive income/(expense) for the year	–	–	3,912,221	2,636,272	(40,001,821)	–	–	–	296,223,624	262,770,296
Exercise of share options	30,000	264,740	–	–	–	(66,740)	–	–	–	228,000
Dividends paid	–	–	–	–	–	–	–	–	(58,670,564)	(58,670,564)
Repurchase of own shares	(128,000)	–	–	–	–	–	–	128,000	(1,309,272)	(1,309,272)
At 31 March 2013	**97,656,251**	**33,178,173**	**(8,312,436)**	**2,636,272**	**46,657,011**	**2,833,260**	**66,141,751**	**33,175,240**	**1,318,272,136**	**1,592,237,658**

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 2013 (in HK Dollars)

	Year ended 31/03/2013	Year ended 31/03/2012
		(Restated)
Operating activities		
Profit before taxation	**305,388,277**	177,252,236
Adjustments for:		
Finance costs	**24,212,583**	20,832,526
Share of results of associates	**(135,810,816)**	(102,813,255)
Impairment loss recognised in respect of trade and other receivables	**1,472,000**	226,843
Reversal of write-down of inventories	**(2,682,180)**	(8,980,476)
Recovery of doubtful debts	**(2,098,859)**	(2,936,920)
Provision for long service payments	**269,037**	264,132
Amortisation of prepaid lease payments	**327,245**	322,733
Depreciation of property, plant and equipment	**30,287,737**	26,885,634
Interest income	**(5,533,539)**	(1,656,494)
Bargain purchase gain arising on acquisition of subsidiaries	**(5,657,431)**	—
Fair value gain arising from remeasurement of the previously held interest in a jointly controlled entity	**(143,157,821)**	—
Increase in fair value of investment properties	**(30,841,370)**	(47,274,221)
Loss/(gain) on disposal of property, plant and equipment	**66,337**	(41,944,955)
(Gain)/loss on disposal of subsidiaries	**(3,608,177)**	2,608,294
Loss on disposal of associates	**—**	3,580,248
Gain on fair value changes of investments held for trading	**(203,657)**	(198,657)
Loss on fair value changes of derivative financial instruments	**860,616**	9,459,701
Operating cash flows before movements in working capital	**33,289,982**	35,627,369
Decrease/(increase) in inventories	**42,467,816**	(17,725,266)
Decrease in inventory of unsold properties	**119,915,784**	67,757,813
Increase in properties under development for sale	**(206,766,847)**	(78,820,146)
Decrease in bills receivables	**159,002**	6,057,476
Decrease/(increase) in trade receivables, deposits and prepayments	**38,945,584**	(40,785,398)
Increase in trade payables, customers' deposits and accrued expenses	**967,737**	10,604,584
Decrease in derivative financial instruments	**(9,280,892)**	(9,050,548)
(Decrease)/increase in bills payables	**(40,373,392)**	41,791,806
Utilisation of provision for long service payments	**(350,159)**	—
Cash (used in)/generated from operations	**(21,025,385)**	15,457,690
Hong Kong Profits Tax paid	**(3,501,210)**	(4,126,465)
Overseas income tax paid	**(12,761)**	(175,779)
Hong Kong Profits Tax refunded	**1,839,245**	210,404
Overseas income tax refunded	**855,680**	3,068,300
Net cash (used in)/generated from operating activities	**(21,844,431)**	14,434,150

For the year ended 31 March 2013 (in HK Dollars)

	Year ended 31/03/2013	Year ended 31/03/2012
		(Restated)
Investing activities		
Additions to investment properties	**(163,623,074)**	(13,295,967)
Acquisition of subsidiaries	**(137,441,366)**	(96,008,723)
Purchase of property, plant and equipment	**(47,391,370)**	(31,279,287)
Repayment from associates	**102,596,686**	84,688,436
Dividend received from an associate	**447,872,881**	—
Advance to jointly controlled entities	**(2,999,830)**	(5,112,975)
Purchase of held-to-maturity investments	**—**	(11,635,800)
Purchase of available-for-sale investments	**(1,300,000)**	—
Proceeds from disposal of property, plant and equipment	**—**	125,185,891
Proceeds from disposal of subsidiaries	**4,082,823**	199,921,339
Proceed from disposal of an associate	**—**	36,697,216
Interest received	**5,832,061**	1,581,813
Net cash generated from investing activities	**207,628,811**	290,741,943
Financing activities		
New bank loans raised	**526,796,247**	91,096,138
Advance from an associate	**46,808,728**	—
Interest paid	**(33,456,815)**	(26,707,165)
Dividends paid	**(58,670,564)**	(31,857,870)
Repayment of bank loans	**(216,902,367)**	(189,777,204)
Repayment of obligations under finance leases	**(3,835,605)**	(1,035,872)
Repayment of other loans	**(112,499,610)**	(34,711,897)
Issue of shares	**228,000**	—
Repurchase of own shares	**(1,309,272)**	(3,875,666)
Net cash generated from/(used in) financing activities	**147,158,742**	(196,869,536)
Net increase in cash and cash equivalents	**332,943,122**	108,306,557
Cash and cash equivalents at 1 April	**282,850,250**	174,642,837
Effect of foreign exchange rate changes	**(88,266)**	(99,144)
Cash and cash equivalents at 31 March	**615,705,106**	282,850,250
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**615,705,106**	282,850,250

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 HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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

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

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. 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 entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

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

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* (Cont'd)

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of certain investment properties as the Group is not subject to any income taxes on disposal of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively by restating the balances at 1 April 2011 and 31 March 2012, with consequential adjustments to comparatives for the year ended 31 March 2012.

Summary of the effects of the above change in accounting policy

The effects of change in accounting policy described above on the results for the current and prior years by line items are as follows:

	Year ended 31/03/2013	Year ended 31/03/2012
Decrease in income tax expense	**6,320,527**	6,529,295
Increase in loss on disposal of subsidiaries	**—**	(42,550,215)
Increase in loss on disposal of associates	**—**	(5,367,748)
Increase in share of results of associates	**1,715,411**	2,644,031
Increase/(decrease) in profit for the year	**8,035,938**	(38,744,637)

The effects of the above change in accounting policy on the financial positions of the Group as at 1 April 2011 and 31 March 2012 is as follows:

	As at 01/04/2011 (originally stated)	**Adjustments**	**As at 01/04/2011 (restated)**	**As at 31/03/2012 (originally stated)**	**Adjustments**	**As at 31/03/2012 (restated)**
Goodwill	—	—	—	32,789,966	(32,111,840)	678,126
Interests in associates	340,232,644	6,643,848	346,876,492	481,237,776	3,920,131	485,157,907
Deferred tax liabilities	(82,745,200)	52,132,210	(30,612,990)	(69,837,682)	48,223,130	(21,614,552)
Total effects on net assets	257,487,444	58,776,058	316,263,502	444,190,060	20,031,421	464,221,481
Retained profits	885,972,188	58,776,058	944,748,246	1,061,996,927	20,031,421	1,082,028,348
Total effects on equity	885,972,188	58,776,058	944,748,246	1,061,996,927	20,031,421	1,082,028,348

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

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* (Cont'd)

Summary of the effects of the above change in accounting policy (Cont'd)

The effects of the above change in accounting policy on the financial positions of the Group as at 31 March 2013 is as follows:

	As at 31/03/2013
Decrease in goodwill	**(32,111,840)**
Increase in interests in associates	**5,635,542**
Decrease in deferred tax liabilities	**54,543,657**
Total effects on net assets	**28,067,359**
Increase in retained profits	**28,067,359**
Total effects on equity	**28,067,359**

The effects of the above change in accounting policy on the Group's basic and diluted earnings per share for the current and prior year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	Year ended 31/03/2013 HK cents	Year ended 31/03/2012 HK cents	**Year ended 31/03/2013 HK cents**	Year ended 31/03/2012 HK cents
Figures before adjustments	**29.5**	21.6	**29.3**	21.5
Adjustments arising from change in the Group's accounting policy in relation to: – application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**0.8**	(4.0)	**0.8**	(3.9)
Figures after adjustments	**30.3**	17.6	**30.1**	17.6

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[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that 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 the application of the new standard may affect certain 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 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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)

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 and accelerate the recognition of past service costs. 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. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors anticipate that the application of the amendments to HKAS 19 may have an 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 Hong Kong Financial Reporting Standards 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Income and expenses 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 recognise 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, except that:

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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 Group's 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 its carrying amount, 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 on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost, less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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. 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 exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of 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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates (Cont'd)

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' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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. 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.

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 a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Jointly controlled entities (Cont'd)

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, 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 jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity 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 joint control over that jointly controlled entity.

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.

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 instalments 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (Cont'd)

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.

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 properties 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 property is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) 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 subsequent 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, 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 FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL 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 a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

Financial assets at FVTPL are 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 (including trade receivables, bills receivables, deposits, amounts due from associates, amounts due from jointly controlled entities and bank balances) 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).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates 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 FVTPL, loans and receivables or held-to-maturity investments.

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

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

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 are measured at cost less any identified impairment losses at the end of each 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 FVTPL, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised 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.

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 liabilities classified as at FVTPL, 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 FVTPL when the financial liabilities are either held for trading or it is those designated as at FVTPL 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 term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial 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 FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss included in the line item profit or loss and includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, bills payables, accrued expenses, amount due to an associate, obligations under finance leases and bank loans are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Derivative financial instruments and hedging

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.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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.

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. Costs of inventories are 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 other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

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.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle 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 before tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

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 payment, 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 greater of the present value of the Group's defined benefit obligations and the fair value of plan assets 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Estimated impairment of trade receivables

When 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 2013, the carrying amount of trade receivables is HK$55,106,438 (net of allowance for doubtful debts of HK$6,064,596) (31 March 2012: HK$58,607,049 (net of allowance for doubtful debts of HK$8,163,455).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Estimated allowances for inventories

The Group makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. If conditions which have an impact on the net realisable value of inventories deteriorate/improve; additional allowances/reversal of allowances may be required. The carrying amount of inventories as at 31 March 2013 amounting to HK$133,429,238 (31 March 2012: HK$173,214,874).

Properties under development for sale

An assessment of the net realisable value is made in each reporting period. The Group takes into consideration the current market environment and the estimated market value of leasehold land. Such assessment was made based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making the assessment, the directors have made estimates concerning estimated prices to be generated by the completed properties and made deductions for the estimated development costs and required estimated development profits from the properties. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Impairment is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, a material provision for impairment loss may result. The carrying amount of the properties under development for sale is HK$1,183,576,472 (31 March 2012: HK$78,820,146).

Impairment loss on property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount which is the higher of fair value less costs to sell or value in use. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise.

Income taxes

At 31 March 2013, a deferred tax asset of HK$9,928,749 (31 March 2012: HK$7,885,067) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$389,504,000 (31 March 2012: HK$411,037,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Fair value of investment properties

At the end of the reporting period, the Group's investment properties are stated at fair value of HK$645,000,000 (31 March 2012: HK$768,596,000) based on the valuation performed by independent qualified professional valuers. In determining the fair value, the valuers have applied a market value basis which involves, inter-alia, certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential and re-development potential. In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions.

Fair value of derivative financial instruments

Derivative financial instruments, such as interest rate swaps and foreign currency forward contracts are carried in the consolidated statement of financial position at fair values, as disclosed in note 31. The best evidence of fair value is quoted prices in an active market. Where quoted prices are not available for a particular financial instrument, the Group applied the valuation techniques commonly used by the market practitioners. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

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 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:

	31/03/2013	31/03/2012 (Restated)
Debt (i)	**1,076,211,080**	378,402,564
Equity (ii)	**1,592,237,658**	1,389,219,198
Debt to equity ratio	**68%**	27%

(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

31/03/2013

Financial assets

	Held for trading	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Available-for-sale investments	—	—	—	21,230,000	21,230,000
Held-to-maturity investments	—	11,768,269	—	—	11,768,269
Investment held for trading	4,058,346	—	—	—	4,058,346
Bills receivables	—	—	1,562,246	—	1,562,246
Trade receivables, deposits and other receivables	—	—	106,660,689	—	106,660,689
Amounts due from associates	—	—	71,307,347	—	71,307,347
Amounts due from jointly controlled entities	—	—	15,999,823	—	15,999,823
Bank balances and cash	—	—	615,705,106	—	615,705,106
	4,058,346	11,768,269	811,235,211	21,230,000	848,291,826

Financial liabilities

	Derivative instruments in designated hedge accounting relationships	Held for trading	Financial liabilities at amortised cost	Total
Trade payables and accrued expenses	—	—	151,778,266	151,778,266
Bills payables	—	—	88,074,614	88,074,614
Amount due to an associate	—	—	46,815,748	46,815,748
Derivative financial instruments	912,925	2,226,969	—	3,139,894
Obligations under finance leases	—	—	6,697,956	6,697,956
Bank loans	—	—	1,586,997,872	1,586,997,872
	912,925	2,226,969	1,880,364,456	1,883,504,350

6. FINANCIAL INSTRUMENTS (Cont'd)

a. Categories of financial instruments (Cont'd)

31/03/2012

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, deposits and other receivables	—	—	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)

b. Financial risk management objectives and policies

The Group's 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 foreign 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 17% (31 March 2012: 18%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 5% (31 March 2012: 6%) of costs are denominated in the group entity's respective functional currencies.

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

	Liabilities		**Assets**	
	31/03/2013	31/03/2012	**31/03/2013**	31/03/2012
Canadian Dollar ("CAD")	**104,519,540**	73,944,244	**31,394,285**	12,937,197
Japanese Yen ("JPY")	**137,989,201**	235,401,725	**52,450,456**	24,238,969
United States Dollars ("USD")	**190,980,498**	120,708,298	**90,263,509**	112,204,866
Renminbi ("RMB")	**19,607,435**	27,619,544	**90,010,682**	60,857,608
Others	**1,675,394**	905,352	**7,039,997**	6,975,768

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

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% (31 March 2012: 5%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% (31 March 2012: 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 end of the reporting period for a 5% (31 March 2012: 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% (31 March 2012: 5%) against the relevant currency. For a 5% (31 March 2012: 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)**	
	Year ended 31/03/2013	Year ended 31/03/2012	**Year ended 31/03/2013**	Year ended 31/03/2012
Profit or loss	**6,899,000**	11,770,000	**9,187,000**	6,886,000

(i) This is mainly attributable to the exposure outstanding on bills payables and import loans 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 cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR or LIBOR arising from the Group's bank loans denominated in HKD, USD and JPY.

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 (31 March 2012: 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 (31 March 2012: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2013 would decrease/increase by approximately HK$3,616,000 (31 March 2012: HK$2,904,000).

(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% (31 March 2012: 5%) higher/lower, net profit for the year ended 31 March 2013 would increase/decrease by HK$202,917 (31 March 2012: HK$204,877). This is mainly due to the changes in fair value of investment held for trading.

If prices had been 5% (31 March 2012: 5%) higher/lower, revaluation reserves would increase/decrease by HK$1,061,500 (31 March 2012: HK$1,024,500) as a result of the changes in fair value of available-for-sale investments.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk

As at 31 March 2013, 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.

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

Counterparty	Location	Rating	**Carrying amount at 31/03/2013**	Carrying amount at 31/03/2012
Hang Seng Bank Limited	Hong Kong	Aa2	**287,670,471**	113,873,320
Industrial and Commercial Bank of China (Asia) Limited	Hong Kong	A1	**107,393,581**	47,633,424

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.

As at 31 March 2013, the Group has available unutilised overdrafts and short, medium and long term bank loan facilities of approximately HK$91,540,000 (31 March 2012: HK$60,000,000) and HK$1,381,249,000 (31 March 2012: HK$486,000,000) respectively.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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 tables include 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.

In addition, the following tables detail 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. 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 considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	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 31/03/2013
2013						
Non-derivative financial liabilities						
Trade payables and accrued expenses	151,778,266	–	–	–	151,778,266	151,778,266
Bills payables	88,074,614	–	–	–	88,074,614	88,074,614
Amount due to an associate	46,815,748	–	–	–	46,815,748	46,815,748
Obligations under finance leases	3,503,574	2,437,343	1,035,374	–	6,976,291	6,697,956
Bank loans	539,142,120	45,711,803	794,880,022	385,250,807	1,764,984,752	1,586,997,872
Derivative financial liabilities –net settlement						
Foreign currency forward contracts	–	112,382	–	–	112,382	81,333
Interest rate swaps	3,058,561	–	–	–	3,058,561	3,058,561

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 undiscounted cash flows	Total carrying amount as at 31/03/2012
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 –net settlement						
Foreign currency forward contracts	7,545	—	—	—	7,545	7,545
Interest rate swaps	9,982,148	732,988	—	—	10,715,136	10,639,700

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 on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair values 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, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. 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 market 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).

	31/03/2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets				
Club debentures	**21,230,000**	**—**	**—**	**21,230,000**
Financial assets at fair value through profit or loss				
Listed debt securities	**4,058,346**	**—**	**—**	**4,058,346**
Total	**25,288,346**	**—**	**—**	**25,288,346**
Financial liabilities at fair value through profit or loss				
Foreign currency forward contracts	**—**	**—**	**81,333**	**81,333**
Interest rate swaps	**—**	**—**	**3,058,561**	**3,058,561**
Total	**—**	**—**	**3,139,894**	**3,139,894**

6. FINANCIAL INSTRUMENTS (Cont'd)

c. Fair value (Cont'd)

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

	31/03/2012			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Club debentures	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

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 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
Acquisition of subsidiaries	—	3,549,197	3,549,197
Total gains or losses recognised in			
– profit or loss	73,788	786,828	860,616
– other comprehensive income	—	(2,636,272)	(2,636,272)
Settlements	—	(9,280,892)	(9,280,892)
At 31 March 2013	**81,333**	**3,058,561**	**3,139,894**

Of the total gains or losses for the year included in profit or loss, HK$860,616 (Year ended 31 March 2012: HK$9,459,701) relates to foreign currency forward contracts and interest rate swaps held at the end of the reporting period.

Included in other comprehensive income is an amount of HK$2,636,272 gain relate to interest rate swaps held at the end of the reporting period and is reported as change of 'hedging reserve' (Year ended 31 March 2012: Nil).

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.

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, 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:

For the year ended 31 March 2013

	Manufacture of watches and trading of watch movements	Property development	Property investment	Hotel operation	Consolidated
REVENUE					
External sales	**1,147,902,149**	**53,316**	**1,151,000**	**18,747,493**	**1,167,853,958**
RESULT					
Segment result	**40,827,475**	**(20,661,956)**	**28,427,355**	**13,956,639**	**62,549,513**
Bank interest income					**4,799,453**
Unallocated other income					**6,639,093**
Unallocated other expenses					**(26,964,013)**
Finance costs					**(24,212,583)**
Gain on disposal of subsidiaries					**3,608,177**
Fair value gain arising from the remeasurement of the previously held interest in a jointly controlled entity					**143,157,821**
Share of results of associates					**135,810,816**
Profit before taxation					**305,388,277**
Income tax expense					**(9,164,653)**
Profit for the year					**296,223,624**

7. SEGMENT INFORMATION (Cont'd)

Segment revenues and results (Cont'd)

For the year ended 31 March 2012 (Restated)

	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
Bank interest income					1,488,228
Unallocated other income					43,461,845
Unallocated other expenses					(11,702,002)
Finance costs					(20,832,526)
Loss on disposal of subsidiaries					(2,608,294)
Loss on disposal of associates					(3,580,248)
Share of results of associates					102,813,255
Profit before taxation					177,252,236
Income tax expense					(5,946,232)
Profit for the year					171,306,004

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/loss on disposal of subsidiaries/associates, fair value gain arising from the remeasurement of the previously held interest in a jointly controlled entity, 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

	31/03/2013	31/03/2012 (Restated)
Manufacture of watches and trading of watch movements	**327,024,562**	325,531,501
Property development	**1,178,838,759**	90,874,056
Property investment	**371,159,064**	599,216,082
Hotel operation	**305,876,440**	402,378,144
Total segment assets	**2,182,898,825**	1,417,999,783
Interests in associates	**173,095,842**	485,157,907
Amounts due from associates	**71,307,347**	173,904,033
Amounts due from jointly controlled entities	**15,999,823**	125,499,603
Unallocated	**1,144,528,867**	498,712,874
Consolidated assets	**3,587,830,704**	2,701,274,200

Segment liabilities

	31/03/2013	31/03/2012 (Restated)
Manufacture of watches and trading of watch movements	**181,451,968**	246,236,070
Property development	**30,553,560**	5,656,922
Property investment	**43,577,832**	50,692,476
Hotel operation	**3,895,120**	5,269,812
Total segment liabilities	**259,478,480**	307,855,280
Amount due to an associate	**46,815,748**	7,020
Unallocated	**1,689,298,818**	1,004,192,702
Consolidated liabilities	**1,995,593,046**	1,312,055,002

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

For the year ended 31 March 2013

	Manufacture of watches and trading of watch movements	Property development	Property investment	Hotel operation	Unallocated	Consolidated
Capital additions	53,657,807	179,046	165,360,436	149,012	295,903	219,642,204
Depreciation of property, plant and equipment	(26,182,501)	(835,722)	(2,048,708)	(1,500)	(1,219,306)	(30,287,737)
Amortisation of prepaid lease payments	(327,245)	–	–	–	–	(327,245)
Impairment loss on property, plant and equipment recognised in other comprehensive income	–	–	–	–	(47,235,714)	(47,235,714)
Recovery of doubtful debts	2,098,859	–	–	–	–	2,098,859
Impairment loss recognised in respect of other receivables	(1,472,000)	–	–	–	–	(1,472,000)
Reversal of write-down of inventories	2,682,180	–	–	–	–	2,682,180
Increase/(decrease) in fair value of investment properties	(7,464,855)	–	13,450,601	24,855,624	–	30,841,370
Loss on disposal of property, plant and equipment	(63,089)	–	–	–	(3,248)	(66,337)

7. SEGMENT INFORMATION (Cont'd)

Other segment information (Cont'd)

For the year ended 31 March 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 on property, plant and equipment recognised in other comprehensive income	–	–	–	–	(35,747,000)	(35,747,000)
Recovery of doubtful debts	2,936,920	–	–	–	–	2,936,920
Impairment loss recognised in respect of trade receivables	(13,067)	–	–	(213,776)	–	(226,843)
Reversal 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

Revenue from major products and services

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

	Year ended 31/03/2013	Year ended 31/03/2012
Watches and watch movements	**1,147,902,149**	1,283,524,693
Leasing of properties	**1,204,316**	4,588,410
Hotel operation	**18,747,493**	6,602,260
	1,167,853,958	1,294,715,363

7. SEGMENT INFORMATION (Cont'd)

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	
	Year ended 31/03/2013	Year ended 31/03/2012	**31/03/2013**	31/03/2012 (Restated)
Hong Kong and the PRC	**1,002,143,715**	1,101,393,018	**1,379,547,651**	1,519,622,287
North America	**30,279,529**	43,162,150	**5,623,555**	5,699,558
Europe	**101,817,843**	136,007,666	**—**	—
Others	**33,612,871**	14,152,529	**—**	—
	1,167,853,958	1,294,715,363	**1,385,171,206**	1,525,321,845

Note: Non-current assets excluded financial instruments.

Information about major customers

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

	Year ended 31/03/2013	Year ended 31/03/2012
Customer A	**404,221,952**	360,657,272
Customer B	**176,699,368**	172,822,867

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

8. OTHER INCOME AND GAINS

	Year ended 31/03/2013	Year ended 31/03/2012
Bank interest income	**4,799,453**	1,488,228
Bargain purchase gain arising on acquisition of subsidiaries	**5,657,431**	—
Interest income from held-to-maturity investments	**100,540**	168,266
Gain on fair value changes of investment held for trading	**203,657**	198,657
Gain on disposal of property, plant and equipment	**—**	41,944,955
Management fee income received from associates and jointly controlled entities	**—**	4,909,646
Interest income on amounts due from associates	**633,546**	116,630
Recovery of doubtful debts	**2,098,859**	2,936,920
Net foreign exchange gain	**6,905,513**	—
Customers' deposits forfeited	**2,360,234**	—
Sundry income	**7,625,009**	5,401,725
	30,384,242	57,165,027

9. FINANCE COSTS

	Year ended 31/03/2013	Year ended 31/03/2012
Interest on:		
Bank loans and overdrafts		
– wholly repayable within five years	**22,501,613**	19,424,245
– not wholly repayable within five years	**10,631,228**	6,966,165
Obligations under finance leases	**323,974**	316,755
Total borrowing costs	**33,456,815**	26,707,165
Less: Amounts capitalised to investment properties and properties under development	**(9,244,232)**	(5,874,639)
	24,212,583	20,832,526

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 2.6% (Year ended 31 March 2012: 2.06%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

	Year ended 31/03/2013	Year ended 31/03/2012
Profit before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	**148,344,260**	153,675,689
Depreciation of property, plant and equipment	**30,287,737**	26,885,634
Amortisation of prepaid lease payments	**327,245**	322,733
Auditors' remuneration	**1,917,460**	1,850,828
Cost of inventories recognised as an expense	**844,139,403**	957,349,704
Impairment loss recognised in respect of trade and other receivables (included in administrative expenses on consolidated income statement)	**1,472,000**	226,843
Loss on disposal of property, plant and equipment	**66,337**	—
Loss on fair value changes of derivative financial instruments	**860,616**	9,459,701
Minimum lease payments for operating leases in respect of land and buildings	**8,172,042**	8,013,576
Net foreign exchange loss	**—**	2,827,234
Reversal of write-down of inventories	**(2,682,180)**	(8,980,476)
and after crediting:		
Gross rental income from investment properties	**18,155,080**	11,190,670
Less: Outgoings	**(764,246)**	(685,461)
Net rental income from investment properties	**17,390,834**	10,505,209

Minimum lease payments for operating leases in respect of staff quarters amounting to HK$5,303,841 (Year ended 31 March 2012: HK$5,259,060) are included in staff costs.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

(a) Directors' and Chief Executive's 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
For the year ended 31 March 2013										
Fees	**50,000**	**50,000**	**50,000**	**50,000**	**480,000**	**360,000**	**50,000**	**360,000**	**50,000**	**1,500,000**
Other emoluments										
Salaries and other benefits	**17,943,375**	**13,724,000**	**13,952,000**	**5,212,066**	**–**	**–**	**–**	**–**	**3,121,500**	**53,952,941**
Retirement benefit scheme contributions	**14,500**	**14,500**	**14,500**	**14,500**	**–**	**–**	**–**	**–**	**14,500**	**72,500**
	18,007,875	**13,788,500**	**14,016,500**	**5,276,566**	**480,000**	**360,000**	**50,000**	**360,000**	**3,186,000**	**55,525,441**
For the year ended 31 March 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
	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

Mr. Jimmy Lee Yuen Ching is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Besides above remuneration, four (Year ended 31 March 2012: four) of the Group's properties are provided to the directors as an accommodation. The rateable value of the properties is amounting to HK$3,246,720 (Year ended 31 March 2012: HK$3,168,960).

(b) Employees' emoluments

The five highest paid individuals in the Group in the years ended 31 March 2013 and 2012 were all directors and the chief executive of the Company and details of their emoluments are included in note (a) above.

12. INCOME TAX EXPENSE

	Year ended 31/03/2013	Year ended 31/03/2012 (Restated)
The charge comprises:		
Hong Kong Profits Tax		
Current year	**6,781,787**	4,782,000
(Over)/under provision in prior years	**(1,446,597)**	2,098,283
	5,335,190	6,880,283
Other jurisdictions		
Current year	**331,760**	8,431
Overprovision in prior years	**—**	(865,529)
	5,666,950	6,023,185
Deferred tax (note 37)		
Current year	**3,497,703**	(76,953)
	9,164,653	5,946,232

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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.

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

	Year ended 31/03/2013	Year ended 31/03/2012 (Restated)
Profit before taxation	**305,388,277**	177,252,236
Tax at Hong Kong Profits Tax rate of 16.5%	**50,389,066**	29,246,619
Tax effect of share of results of associates	**(22,408,785)**	(16,964,187)
Tax effect of expenses not deductible for tax purpose	**7,693,731**	8,054,093
Tax effect of income not taxable for tax purpose	**(27,892,648)**	(14,619,088)
Tax effect of deductible temporary differences not recognised	**(172,307)**	(161,053)
Tax effect of tax losses not recognised	**6,082,680**	4,582,053
Tax effect of different tax rates of operations in other jurisdictions	**(785,791)**	654,732
Utilisation of tax losses previously not recognised	**(3,688,424)**	(3,064,213)
(Over)/under provision in prior years	**(1,446,597)**	1,232,754
Tax effect of tax exemption (note)	**(520,860)**	(1,038,225)
Others	**1,914,588**	(1,977,253)
Taxation charge for the year	**9,164,653**	5,946,232

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

13. DIVIDENDS

	Year ended 31/03/2013	Year ended 31/03/2012
Dividends recognised as distribution during the year		
2012 Final – 3.5 HK cents (2011: 4.0 HK cents) per share	**34,224,492**	38,578,422
2012 Special Cash – 2.0 HK cents (2011: Nil) per share	**19,556,853**	—
2013 Interim – 0.5 HK cents (2012: 0.5 HK cents) per share	**4,889,219**	4,887,809
	58,670,564	43,466,231

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 2013 (Year ended 31 March 2012: 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) have been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

During the year ended 31 March 2012, scrip alternatives were offered in respect of the 2011 final dividends. Those scrip alternatives were accepted by the shareholders, as follows:

	Year ended 31/03/2012
Dividends	
Cash	26,970,061
Scrip alternative	11,608,361
	38,578,422

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	**Year ended 31/03/2013**	Year ended 31/03/2012 (Restated)
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**296,223,624**	171,306,004

Number of shares	**Year ended 31/03/2013**	Year ended 31/03/2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	**977,413,634**	972,022,747
Effect of dilutive potential ordinary shares:		
Share options	**5,641,299**	2,827,780
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**983,054,933**	974,850,527

15. INVESTMENT PROPERTIES

The Group

FAIR VALUE	
At 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
Additions	166,274,911
Increase in fair value recognised in profit or loss	30,841,370
Transfer to property, plant and equipment	(320,000,000)
Exchange realignment	(712,281)
At 31 March 2013	**645,000,000**

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 at 31 March 2013 and 2012 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 with carrying amount of HK$617,500,000 (31 March 2012: HK$734,000,000) have been pledged to secure banking facilities granted to the Group.

The carrying amounts of investment properties shown above comprise:

	31/03/2013	31/03/2012
Land in Hong Kong:		
Long-term lease	**491,000,000**	734,000,000
Medium-term lease	**126,500,000**	—
Land outside Hong Kong:		
Medium-term lease	**27,500,000**	34,596,000
	645,000,000	768,596,000

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 and others	Furniture, fixtures and office equipment	Antiques and pictures	Tools and moulds	Total
COST												
At 1 April 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
Exchange realignment	–	–	(1,986)	49,600	14,090	9,578	20,417	10,037	(87,578)	–	–	14,158
Additions	14,300,000	3,037,736	–	4,650,784	–	1,034,046	230,578	16,838,190	2,565,357	1,679,080	9,031,522	53,367,293
Transfer from investment properties	305,000,000	15,000,000	–	–	–	–	–	–	–	–	–	320,000,000
Disposal	–	–	–	–	–	–	(3,735,867)	(382,966)	(68,404)	(92,800)	–	(4,280,037)
At 31 March 2013	**456,575,260**	**40,626,164**	**5,139,607**	**57,651,649**	**1,135,352**	**31,793,723**	**71,643,430**	**49,084,545**	**90,549,468**	**16,644,408**	**101,951,902**	**922,795,508**
DEPRECIATION AND IMPAIRMENT												
At 1 April 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
Exchange realignment	–	–	94,430	5,055	–	9,657	16,500	10,037	(47,123)	–	–	88,556
Provided for the year	5,208,411	662,523	13,241	186,204	–	267,402	2,203,064	4,571,884	5,921,095	1,245,744	10,008,169	30,287,737
Impairment loss recognised in other comprehensive income	45,024,581	2,211,133	–	–	–	–	–	–	–	–	–	47,235,714
Eliminated on disposals	–	–	–	–	–	–	(3,735,867)	(382,966)	(65,156)	(29,711)	–	(4,213,700)
At 31 March 2013	**56,451,779**	**8,209,198**	**2,068,758**	**2,955,982**	**–**	**29,898,536**	**70,431,646**	**29,666,870**	**74,139,926**	**8,146,574**	**88,777,252**	**370,746,521**
CARRYING VALUES												
At 31 March 2013	**400,123,481**	**32,416,966**	**3,070,849**	**54,695,667**	**1,135,352**	**1,895,187**	**1,211,784**	**19,417,675**	**16,409,542**	**8,497,834**	**13,174,650**	**552,048,987**
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

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 and others	25%
Furniture, fixtures and office equipment	$14^{1}/_{3}$% - 25%
Antiques and pictures	10%
Tools and moulds	15% - $33^{1}/_{3}$%

During the year, the directors conducted a review of the Group's leasehold land and buildings in Hong Kong and determined that certain of those assets were impaired, due to property market measures introduced by the Hong Kong Government. Accordingly, impairment losses of HK$45,024,581 and HK$2,211,133 respectively have been recognised in respect of leasehold land and buildings in Hong Kong, which are unallocated corporate assets. The recoverable amounts of the relevant assets have been determined based on fair value less cost to sell on the basis of an arm's length market transaction.

The carrying value of leasehold land comprises:

	31/03/2013	31/03/2012
Leasehold land in Hong Kong:		
Long-term lease	**284,302,015**	12,838,026
Medium-term lease	**115,821,466**	118,218,447
	400,123,481	131,056,473

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

	31/03/2013	31/03/2012
Motor vehicles	**6,782,001**	5,962,052
Furniture, fixtures and office equipment	**848,544**	63,590
	7,630,545	6,025,642

The Group has pledged leasehold land and buildings with a net book value of HK$432,540,447 (31 March 2012: HK$151,489,865) to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	31/03/2013	31/03/2012
Analysed for reporting purposes as:		
Non-current assets	**14,348,251**	14,543,932
Current assets	**325,911**	322,733
	14,674,162	14,866,665

The Group's prepaid lease payments comprise:

	31/03/2013	31/03/2012
Leasehold land in PRC held under:		
Medium-term lease	**14,674,162**	14,866,665

18. GOODWILL

	Year ended 31/03/2013	Year ended 31/03/2012 (Restated)
COST		
At beginning of the year	**678,126**	—
Arising on acquisition of a subsidiary	**—**	678,126
At end of the year	**678,126**	678,126
CARRYING VALUES		
At 31 March 2013		**678,126**
At 31 March 2012		678,126

For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit (CGU) in the hotel operation segment.

During the years ended 31 March 2013 and 2012, management of the Group determines that there are no impairments of its CGU containing goodwill.

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

18. GOODWILL (Cont'd)

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 15.09% (31 March 2012: 11.27%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue, such estimation is based on the CGU'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 carrying amount of the CGU to exceed the recoverable amount of the CGU.

19. INTERESTS IN SUBSIDIARIES

The Company	**31/03/2013**	31/03/2012
Unlisted, at cost	**507,943,193**	406,110,891

Particulars of the Company's principal subsidiaries at 31 March 2013 are shown in note 46.

20. INTERESTS IN ASSOCIATES

The Group	**31/03/2013**	31/03/2012 (Restated)	01/04/2011 (Restated)
Cost of investment in unlisted associates	**143,293,388**	143,293,388	50,413,700
Share of post-acquisition profits and other comprehensive income net of dividends received	**29,802,454**	341,864,519	296,462,792
	173,095,842	485,157,907	346,876,492

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

Particulars of the associates at 31 March 2013 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
Eden Bay Corporation	Incorporated	British Virgin Islands/ Hong Kong	20%	Investment holding
Smart Plus Group Limited	Incorporated	British Virgin Islands/ Hong Kong	27%	Property development and investment
Ally Vantage Limited	Incorporated	British Virgin Islands/ Hong Kong	27%	Property development and investment
Mercato Group Limited	Incorporated	British Virgin Islands/ Hong Kong	39.5%	Property development and investment

20. INTERESTS IN ASSOCIATES (Cont'd)

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

	31/03/2013	31/03/2012 (Restated)
Total assets	**1,740,883,838**	5,367,479,431
Total liabilities	**(1,228,839,562)**	(3,289,066,679)
Net assets	**512,044,276**	2,078,412,752

	Year ended 31/03/2013	Year ended 31/03/2012 (Restated)
Total revenue	**54,084,083**	51,419,804
Total profit for the year	**672,995,930**	447,779,934
Total other comprehensive income	**—**	—

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The Group	31/03/2013	31/03/2012
Cost of unlisted investments in jointly controlled entities	**8**	398
Share of post-acquisition losses and other comprehensive income	**(8)**	(398)
	—	—

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 entity at 31 March 2013 are as follows:

Name of jointly controlled entity	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activity
Harvest Sun Holdings Limited	Incorporated	British Virgin Islands/ Hong Kong	50%	Property investment

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:

	31/03/2013	31/03/2012
Current assets	**1,659,486**	537,303,482
Non-current assets	**46,679,936**	53,256,093
Current liabilities	**31,966,456**	251,821,238
Non-current liabilities	**27,362,880**	346,189,891

	Year ended 31/03/2013	Year ended 31/03/2012
Income recognised in profit or loss	**13**	164,204
Expenses recognised in profit or loss	**7,176,190**	2,112,765
Other comprehensive income	**(480,845)**	(361,651)

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

	Year ended 31/03/2013	Year ended 31/03/2012
Unrecognised share of losses of jointly controlled entities for the year	**3,588,088**	974,281
Accumulated unrecognised share of losses of jointly controlled entities	**5,690,788**	3,972,288

22. AVAILABLE-FOR-SALE INVESTMENTS

The Group	**31/03/2013**	31/03/2012
Club debentures	**21,230,000**	20,490,000
Unlisted equity securities, at cost	**–**	1,000,000
Less: Impairment loss recognised	**–**	(1,000,000)
	–	–
Total	**21,230,000**	20,490,000

The Company	**31/03/2013**	31/03/2012
Club debentures	**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 opinion that their fair values cannot be measured reliably.

23. HELD-TO-MATURITY INVESTMENTS

The Group	**31/03/2013**	31/03/2012
Unlisted debt securities	**11,768,269**	11,721,920
Analysed for reporting purposes as:		
Current assets	**11,768,269**	–
Non-current assets	**–**	11,721,920
	11,768,269	11,721,920

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

24. INVENTORIES

The Group	**31/03/2013**	31/03/2012
Raw materials and consumables	**44,268,511**	40,537,578
Work in progress	**13,352,622**	18,890,574
Finished goods	**75,808,105**	113,786,722
	133,429,238	173,214,874

During the year, there was an increase in the net realisable value of inventories due to change in the market situation. A reversal of write-down of inventories of HK$2,682,180 (Year ended 31 March 2012: HK$8,980,476) has been recognised and included in cost of sales in the current year.

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$1,183,576,472 (31 March 2012: $78,820,146) will be realised after twelve months from the end of the reporting period.

27. AMOUNT DUE FROM/TO A SUBSIDIARY

The amount due from/to a subsidiary 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$1,562,246 (31 March 2012: HK$1,721,248) which are aged within 30 days.

The Group	**31/03/2013**	31/03/2012
Trade receivables	**61,171,034**	66,770,504
Less: allowance for doubtful debts	**(6,064,596)**	(8,163,455)
	55,106,438	58,607,049
Deposits and prepayments	**38,406,299**	11,485,113
Advance payment to suppliers	**11,693,360**	9,214,949
Other receivables	**30,969,476**	95,127,087
Total trade receivables, deposits and prepayments	**136,175,573**	174,434,198

The Group has a policy of allowing an average credit period of 30 – 60 days to its trade customers. The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

The Group	**31/03/2013**	31/03/2012
Within 30 days	**44,660,197**	50,656,666
31 to 90 days	**4,940,440**	5,445,467
91 to 180 days	**4,496,135**	1,440,735
Over 180 days	**1,009,666**	1,064,181
	55,106,438	58,607,049

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. 81% (31 March 2012: 86%) of the trade receivables that are neither past due nor impaired have the best credit quality with reference to respective settlement history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$10,446,241 (31 March 2012: HK$7,950,383) which are past due as at the end of the reporting period 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.

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

Ageing of trade receivables which are past due but not impaired

The Group	**31/03/2013**	31/03/2012
31 to 90 days	**4,940,440**	5,445,467
91 to 180 days	**4,496,135**	1,440,735
Over 180 days	**1,009,666**	1,064,181
	10,446,241	7,950,383

Movement in the allowance for doubtful debts

The Group	**Year ended 31/03/2013**	Year ended 31/03/2012
At beginning of the year	**8,163,455**	11,087,308
Impairment losses recognised on receivables	**—**	226,843
Amounts written off as uncollectible	**—**	(213,776)
Amounts recovered during the year	**(2,098,859)**	(2,936,920)
At end of the year	**6,064,596**	8,163,455

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$6,064,596 (31 March 2012: HK$8,163,455) which were past due and generally not recoverable. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

The Group	**31/03/2013**	31/03/2012
Over 180 days	**6,064,596**	8,163,455

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 3.25% (31 March 2012: 0.001% to 1.8%) per annum.

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

Included in bills payables, trade payables, customers' deposits and accrued expenses are trade and bills payables of HK$121,061,169 (31 March 2012: HK$169,629,879) with an ageing analysis as follows:

The Group	**31/03/2013**	31/03/2012
Within 30 days	**67,927,801**	105,990,587
31 to 90 days	**38,178,838**	50,393,997
91 to 180 days	**5,656,316**	7,054,868
Over 180 days	**9,298,214**	6,190,427
	121,061,169	169,629,879

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**	
	31/03/2013	31/03/2012	**31/03/2013**	31/03/2012
Derivatives under hedge accounting				
Cash flow hedges – interest rate swaps	**912,925**	–	**–**	–
Derivatives not under hedge accounting				
Foreign currency forward contracts	**–**	7,545	**81,333**	–
Interest rate swaps	**2,145,636**	9,982,148	**–**	657,552
	2,145,636	9,989,693	**81,333**	657,552
Total	**3,058,561**	9,989,693	**81,333**	657,552

The fair values of the above derivative financial instruments are calculated using discounted cash flow analysis based on the applicable yield curves of interest rates and foreign exchange rates as determined by the counterparties.

31. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Cash flow hedges:

The Group uses interest rate swap to minimise its exposure to cash flow interest rate risk by swapping a proportion of the variable-rate borrowings from floating rates to fixed rates. The interest rate swap and the corresponding bank loan have the same terms and the directors of the Company consider that the interest rate swap is highly effective hedging instruments. Major terms of the interest rate swap are set out below:

31 March 2013

Notional amount	Maturity	Swap
HK$288,000,000	18 June 2013	From HIBOR to 1.64%

At 31 March 2013, fair value gain of HK$2,636,272 (31 March 2012: Nil) have been recognised in other comprehensive income and accumulated in equity.

Derivatives not under hedge accounting

Major terms of the interest rate swaps are as follows:

31 March 2013 and 2012

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%

31. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Derivatives not under hedge accounting (Cont'd)

Major terms of the foreign currency forward contracts are as follows:

31 March 2013

Notional amount	**Maturity**	**Exchange rate**
Buy USD500,000/USD1,000,000*	**29 October 2014**	**USD 1 = HKD7.73**

* If settlement rate is equal to or higher than the forward rate, buy USD500,000; or
If settlement rate is lower than the forward rate, buy USD1,000,000

31 March 2012

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

32. OBLIGATIONS UNDER FINANCE LEASES

The Group	**31/03/2013**	31/03/2012
Analysed for reporting purposes as:		
Current liabilities	**3,319,946**	2,002,592
Non-current liabilities	**3,378,010**	2,555,046
	6,697,956	4,557,638

It is the Group's policy to lease certain of its plant and machinery, motor vehicles under finance leases. The leases term are for 3 to 5 years (31 March 2012: 4 to 5 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.35% to 4% (31 March 2012: 1.7% to 3.5%) 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.

32. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

	Minimum lease payments		Present value of minimum lease payments	
	31/03/2013	31/03/2012	**31/03/2013**	31/03/2012
Amounts payable under finance leases				
Within one year	**3,503,574**	2,153,232	**3,319,946**	2,002,592
In the second to fifth years inclusive	**3,472,717**	2,635,550	**3,378,010**	2,555,046
	6,976,291	4,788,782	**6,697,956**	4,557,638
Less: Future finance charges	**(278,335)**	(231,144)	**—**	—
Present value of lease obligations	**6,697,956**	4,557,638	**6,697,956**	4,557,638
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,319,946)**	(2,002,592)
Amount due for settlement after 12 months			**3,378,010**	2,555,046

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

33. BANK LOANS

The Group	**31/03/2013**	31/03/2012
Secured bank loans	**1,277,641,702**	573,317,974
Unsecured bank loans	**309,356,170**	388,135,612
	1,586,997,872	961,453,586
Carrying amount repayable:		
On demand or within one year	**510,786,792**	583,051,022
More than one year, but not exceeding two years	**22,733,592**	84,250,928
More than two years, but not exceeding five years	**775,917,980**	50,299,464
More than five years	**277,559,508**	243,852,172
	1,586,997,872	961,453,586
Less: Amounts due within one year shown under current liabilities	**(510,786,792)**	(583,051,022)
Amounts shown under non-current liabilities	**1,076,211,080**	378,402,564

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

	31/03/2013	31/03/2012
USD	**140,789,470**	75,968,509
JPY	**121,273,100**	132,764,693

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 2.08% to 3.43% (31 March 2012: 1.34% to 3.34%) per annum.

34. SHARE CAPITAL

	Number of ordinary shares		Nominal value	
	Year ended 31/03/2013	Year ended 31/03/2012	**Year ended 31/03/2013**	Year ended 31/03/2012
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	**977,542,511**	967,429,928	**97,754,251**	96,742,993
Issued of shares	**300,000**	14,806,583	**30,000**	1,480,658
Cancelled on repurchase of shares	**(1,280,000)**	(4,694,000)	**(128,000)**	(469,400)
At end of the year	**976,562,511**	977,542,511	**97,656,251**	97,754,251

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
December 2012	1,280,000	1.02	1.01	1,304,600

35. RESERVES

The Company

	Share premium	Contributed surplus	Capital redemption reserve	Share option reserve	Retained profits	Total
At 1 April 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 dividend scheme	10,127,703	–	–	–	–	10,127,703
Dividends 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
Profit for the year	–	–	–	–	53,604,526	53,604,526
Exercise of share options	264,740	–	–	(66,740)	–	198,000
Dividends paid	–	–	–	–	(58,670,564)	(58,670,564)
Repurchase of own shares	–	–	128,000	–	(1,309,272)	(1,181,272)
At 31 March 2013	**33,178,173**	**90,854,039**	**33,175,240**	**2,833,260**	**4,516,441**	**164,557,153**

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the 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.

At 31 March 2013, the Company has distributable reserves by considering the aggregate balance of reserve available for distribution of HK$95,370,480 (31 March 2012: HK$101,745,790), including contributed surplus of HK$90,854,039 (31 March 2012: HK$90,854,039) and retained profits of HK$4,516,441 (31 March 2012: 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:

	Year ended 31/03/2013	Year ended 31/03/2012
At beginning of the year	**4,338,325**	4,074,193
Additional provision for the year	**269,037**	264,132
Utilisation of provision	**(350,159)**	—
At end of the year	**4,257,203**	4,338,325

The most recent actuarial valuation of the present value of the obligations under long service payments was carried out at 31 March 2013 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 at the reporting date used are as follows:

	31/03/2013	31/03/2012
Discount rate	**0.4%**	0.4%
Expected rate of salary increase	**3.5%**	3.0%

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

	Year ended 31/03/2013	Year ended 31/03/2012
Current service cost	**787**	9,385
Interest cost	**26,521**	91,328
Net actuarial losses recognised in current year	**241,729**	163,419
Net amount charged to profit or loss as staff costs	**269,037**	264,132

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:

	31/03/2013	31/03/2012
Present value of the obligations under long service payments	**6,731,245**	7,263,353
Unrecognised actuarial losses	**(2,474,042)**	(2,925,028)
Obligations under long service payments included in the consolidated statement of financial position	**4,257,203**	4,338,325

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

	Year ended 31/03/2013	Year ended 31/03/2012
At beginning of the year	**7,263,353**	6,724,820
Current service cost	**787**	9,385
Interest cost	**26,521**	91,328
Actuarial (gains)/losses	**(209,257)**	437,820
Benefits paid	**(350,159)**	—
At end of the year	**6,731,245**	7,263,353

The Group expects to make a contribution of HK$1,127,286 (Year ended 31 March 2012: HK$1,024,814) 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 2011					
as originally stated	3,361,049	23,933,930	57,213,211	(1,762,990)	82,745,200
Effect of changes in accounting policies	–	–	(52,132,210)	–	(52,132,210)
At 1 April 2011 as restated	3,361,049	23,933,930	5,081,001	(1,762,990)	30,612,990
Charge/(credit) to profit or loss for the year	1,145,968	–	1,925,684	(3,148,605)	(76,953)
Credit to other comprehensive income for the year	–	(4,544,138)	–	–	(4,544,138)
Acquisition of subsidiaries	4,499,117	–	–	(3,770,299)	728,818
Reclassification	–	1,650,000	(1,650,000)	–	–
Disposal	–	(5,902,992)	–	–	(5,902,992)
Disposal of subsidiaries	–	–	–	796,827	796,827
At 31 March 2012	9,006,134	15,136,800	5,356,685	(7,885,067)	21,614,552
Charge/(credit) to profit or loss for the year	7,407,599	–	(1,866,214)	(2,043,682)	3,497,703
Credit to other comprehensive income for the year	–	(7,793,893)	–	–	(7,793,893)
Acquisition of subsidiaries	–	57,852,399	–	–	57,852,399
At 31 March 2013	**16,413,733**	**65,195,306**	**3,490,471**	**(9,928,749)**	**75,170,761**

At the end of the reporting period, the Group has unused tax losses of approximately HK$449,057,000 (31 March 2012: HK$458,825,000) available for offset against future profits. A deferred tax asset of approximately HK$9,929,000 (31 March 2012: HK$7,885,000) has been recognised in respect of approximately HK$59,553,000 (31 March 2012: HK$47,788,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining approximately HK$389,504,000 (31 March 2012: HK$411,037,000) 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$2,199,000 (31 March 2012: HK$3,307,000). 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$10,125,000 (31 March 2012: HK$10,174,000). 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. FINANCIAL GUARANTEE CONTRACTS, CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities:

	Group		Company	
	31/03/2013	31/03/2012	**31/03/2013**	31/03/2012
Guarantees given to banks in respect of banking facilities to:				
– subsidiaries (note a)	**—**	—	**2,174,493,263**	1,482,105,250
– associates (note b)	**90,000,000**	90,000,000	**90,000,000**	90,000,000
Other guarantees (note c)	**621,000**	621,000	**—**	—
	90,621,000	90,621,000	**2,264,493,263**	1,572,105,250

Notes:

(a) As at 31 March 2013, the Company issued financial guarantees to banks in respect of banking facilities granted to subsidiaries. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK$2,174,493,263 (31 March 2012: HK$1,482,105,250), of which HK$913,846,027 (31 March 2012: HK$601,957,780) has been utilised by the subsidiaries. As at the end of the reporting period, an amount of HK$101,832,302 (31 March 2012: HK$5,214,717) has been recognised in the statement of financial position as liabilities.

(b) As at 31 March 2013, the Company issued financial guarantees to banks in respect of banking facilities granted to associates. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to HK$90,000,000 (31 March 2012: HK$90,000,000), of which HK$90,000,000 (31 March 2012: HK$90,000,000) has been utilised by the associates. The fair values of the financial guarantees at initial recognition are not significant and therefore the directors are of the opinion that no provision for financial guarantees should be made.

(c) The fair values of the financial guarantees at initial recognition are not significant and therefore the directors are of the opinion that no provision for financial guarantees should be made.

Capital commitments:

The Group	**31/03/2013**	31/03/2012
Contracted for but not provided:		
Construction of properties	**59,393,043**	11,032,916
Acquisition of property, plant and equipment	**38,390,400**	—
	97,783,443	11,032,916

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:

	31/03/2013	31/03/2012
Within one year	**15,073,036**	15,569,631
In the second to fifth year inclusive	**25,590,071**	17,804,201
Over five years	**6,713,050**	19,089,688
	47,376,157	52,463,520

Operating lease payments represent rentals 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:

	31/03/2013	31/03/2012
Within one year	**4,406,442**	4,790,026
In the second to fifth year inclusive	**777,205**	57,710
	5,183,647	4,847,736

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$1,250 per month whichever is the smaller to the scheme. 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.

The total cost charged to income of HK$6,835,101 (Year ended 31 March 2012: HK$4,446,531) represents contributions payable to these schemes by the Group in respect of the current accounting period.

41. PLEDGE OF ASSETS

At 31 March 2013, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure the banking facilities:

	31/03/2013	31/03/2012
Investment properties	**617,500,000**	734,000,000
Buildings in Hong Kong	**32,416,966**	17,252,886
Freehold land and buildings outside Hong Kong	**—**	3,180,506
Inventory of unsold properties	**7,442,549**	127,357,921
Properties under development for sale	**1,183,576,472**	78,820,146
Leasehold land in Hong Kong	**400,123,481**	131,056,473

42. RELATED PARTY TRANSACTIONS

(1) Transactions with associates

Nature of transaction	**Year ended 31/03/2013**	Year ended 31/03/2012
Property management fee received by the Group	**1,743,413**	—
Management fee income received by the Group	**—**	2,636,786
Interest income received by the Group	**633,546**	116,630
Dividend income received by the Group	**447,872,881**	—

(2) Transactions with jointly controlled entities

Nature of transaction	**Year ended 31/03/2013**	Year ended 31/03/2012
Management fee income received by the Group	**—**	2,272,860

(3) The Group's and the Company's balances with related parties are set out in notes 20, 21 and 27.

(4) Financial guarantees given to banks by the Company and the Group in respect of banking facilities to subsidiaries and associates are set out in note 38.

(5) Compensation of key management personnel is disclosed in note 11.

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 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 15,800,000 (31 March 2012: 16,100,000), representing 1.62% (31 March 2012: 1.65%) 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 in accordance with the terms of the Scheme at any time during the period as the Board of Directors may determine in granting the share options, but in any event not exceeding ten years from 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.

Date of grant	Exercise period	Exercise price per share	Outstanding at 01/04/2012	Exercised during the year	Outstanding at 31/03/2013
18 March 2010	18.3.2010 - 17.3.2018	HK$0.542	**9,200,000**	**—**	**9,200,000**
23 March 2011	23.3.2011 - 22.3.2018	HK$0.760	**6,900,000**	**(300,000)**	**6,600,000**
			16,100,000	**(300,000)**	**15,800,000**
Exercisable at the end of the year					**15,800,000**
Weighted average exercise price			**HK$0.635**	**HK$0.760**	**HK$0.633**

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

Date of grant	Exercise period	Exercise price per share	Outstanding at 01/04/2011	Exercised during the year	Outstanding at 31/03/2012
18 March 2010	18.3.2010 - 17.3.2018	HK$0.542	9,200,000	—	9,200,000
23 March 2011	23.3.2011 - 22.3.2018	HK$0.760	6,900,000	—	6,900,000
			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

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$0.95 (Year ended 31 March 2012: Nil).

44. ACQUISITION OF SUBSIDIARIES

(a) On 27 September 2012, the Group purchased 50% of the issued share capital of Tania Investments Holdings Limited and the benefit of the vendor's shareholder loan for consideration of HK$250,000,000. This acquisition has been accounted for using the purchase method. The amount of bargain purchase gain arising as a result of the acquisition was HK$5,657,431. Tania Investments Holdings Limited and its subsidiaries are engaged in property development. Tania Investments Holdings Limited was acquired so as to continue the expansion of the Group's property development business.

Consideration transferred

Cash	**250,000,000**
Less: Assignment of shareholder's loan	**(112,499,610)**
	137,500,390

Acquisition-related costs amounting to HK$527,748 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.

44. ACQUISITION OF SUBSIDIARIES (Cont'd)

(a) (Cont'd)

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

Property under development	**900,000,000**
Deposits	**60,100**
Bank balances	**59,024**
Accruals and interest payables	**(820,907)**
Amounts due to shareholders	**(224,999,220)**
Derivative financial liabilities	**(3,549,197)**
Bank loans	**(326,581,759)**
Deferred tax liabilities	**(57,852,399)**
	286,315,642

Bargain purchase gain arising on acquisition:

Consideration transferred	**137,500,390**
Plus: fair value of previously held interests of 50% in Tania Investments Holdings Limited	**143,157,821**
Less: net assets acquired	**(286,315,642)**
Bargain purchase gain arising on acquisition	**(5,657,431)**

Net cash outflow on acquisition of Tania Investments Holdings Limited:

Cash consideration paid	**250,000,000**
Less: assignment of shareholder's loan	**(112,499,610)**
Less: cash and cash equivalent balances acquired	**(59,024)**
	137,441,366

Included in the profit for the year ended 31 March 2013 was a loss of HK$28,319 attributable to the additional business incurred by Tania Investments Holdings Limited and its subsidiaries. Revenue for the year ended 31 March 2013 included HK$Nil generated from Tania Investments Holdings Limited and its subsidiaries.

Had the acquisition been completed on 1 April 2012, total group revenue for the year ended 31 March 2013 would have been HK$1,168 million, and profit for the year ended 31 March 2013 would have been HK$296 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 2012, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Tania Investments Holdings Limited been acquired at the beginning of the current year, the directors have determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

44. ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) 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$678,126. 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 previous 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:

	(Restated)
Investment property	305,000,000
Property, plant and 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	(728,818)
	153,770,981

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.

Goodwill arising on acquisition:

	(Restated)
Consideration transferred	123,559,286
Plus: fair value of previously held interests of 20% in Roebuck Investments Limited	30,889,821
Less: net assets acquired	(153,770,981)
Goodwill arising on acquisition	678,126

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

44. ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) (Cont'd)

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 ended 31 March 2012 was HK$2,009,978 attributable to the additional business generated by Roebuck Investments Limited and its subsidiaries. Revenue for the year ended 31 March 2012 included 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 ended 31 March 2012 would have been HK$1,363 million, and profit for the year ended 31 March 2012 (restated) would have been HK$233 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 previous 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 5 April 2012, the Group disposed of its 100% equity interest in a subsidiary, Camy S.A. at consideration of HK$4,225,750. The net assets of Camy S.A. at the date of disposal were as follows:

Consideration received:	
Cash received	**4,225,750**
Analysis of assets and liabilities over which control was lost:	
Bank balances and cash	**142,927**
Accrued expenses	**(25,354)**
Net assets disposed of	**117,573**
Gain on disposal of a subsidiary:	
Consideration received	**4,225,750**
Cost of disposal	**(500,000)**
Net assets disposed of	**(117,573)**
Gain on disposal	**3,608,177**
Net cash inflow arising on disposal:	
Cash consideration	**4,225,750**
Less: bank balances disposed of	**(142,927)**
	4,082,823

45. DISPOSAL OF SUBSIDIARIES (Cont'd)

(b) On 7 June 2011, the Group disposed of its subsidiary, Smart Plus Group Limited. The net assets of Smart Plus Group Limited 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)
Net assets disposed of	150,021,813

Loss on disposal of subsidiaries:

Consideration received	110,960,000
Cost of disposal	(14,000,000)
Net assets disposed of	(150,021,813)
Reclassified as interests in associates at fair value	41,040,000
Loss on disposal	(12,021,813)

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)

(c) On 6 June 2011, the Group disposed of its subsidiary, Ally Vantage Limited. The net assets of Ally Vantage Limited 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
Deferred tax assets	796,827
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)
Net assets disposal of	168,586,481

Gain on disposal of subsidiaries:

Consideration received and receivable	140,160,000
Cost of disposal	(14,000,000)
Net assets disposal of	(168,586,481)
Reclassified as interests in associates at fair value	51,840,000
Gain on disposal	9,413,519

Net cash inflow arising on disposal:

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

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries as at 31 March 2013 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
Fatron Electronics Company Limited	Hong Kong	10 ordinary shares of HK$10 each	100%	Manufacture of electronic products
Forthright Investment Limited	Hong Kong	100 ordinary shares of HK$1 each	100%	Property investment

46. 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)				
Joyful Asia Group Limited	British Virgin Islands/ Hong Kong	100 ordinary shares of US$1 each	100%	Property investment and development
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 Ebauch Limited	Hong Kong	100 ordinary shares of HK$10 each and 100,000 non-voting deferred shares of HK$10 each (note)	100%	Trading of electronic products
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

46. 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)				
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
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	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 Incorporated	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 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 Development Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Property investment and development
Tania Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	Investment holding

46. 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)				
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
Unionville Development Limited Partnership	Ontario, Canada	Contributed capital of CAD64,841	100%	Property development
Unionville Development (2010) Limited Partnership	Ontario, Canada	Partners' deficiency of CAD180,455	100%	Property development
Verde Group Limited	British Virgin Islands	1 ordinary share of US$1	100%	Investment holding
1061383 Ontario Limited	Ontario, Canada	100 common shares of CAD1 each	100%	Property holding
中霸鐘錶電子發展(深圳)有限公司*	People's Republic of China	Contributed capital of HK$14,000,000	100%	Manufacture 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%	Manufacture 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$4,450,000	100%	Manufacture of metal and plastic products
威日實業(深圳)有限公司*	People's Republic of China	Contributed capital of HK$5,000,000	100%	Trading of electronic 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 2013 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
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
Flat A2, 24th Floor, Block A and Car Parking Space No. 16 at Car Park Level 1, Nicholson Tower, No. 8 Wong Nai Chung Gap Road, Happy Valley, Hong Kong	Medium term	100%	Residential
House No. C36 (including its 2 Car Parking Spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Stanley, Hong Kong	Medium term	100%	Residential

Results:

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Note)	(Note)
Revenue	**1,167,854**	1,294,715	1,265,369	1,113,704	2,301,704
Cost of sales	**(990,349)**	(1,106,093)	(1,114,202)	(982,173)	(2,040,410)
Gross profit	**177,505**	188,622	151,167	131,531	261,294
Other income and gains	**30,384**	57,165	6,901	50,106	5,649
Increase in fair value of investment properties	**30,841**	47,274	140,104	57,001	62,973
Impairment loss recognised in respect of properties under development for sale	**–**	–	–	–	(46,629)
Distribution costs	**(9,247)**	(7,702)	(8,277)	(7,248)	(7,793)
Administrative expenses	**(182,459)**	(183,899)	(173,308)	(124,781)	(146,101)
Finance costs	**(24,213)**	(20,833)	(20,380)	(15,322)	(27,526)
Gain/(loss) on disposal of subsidiaries	**3,608**	(2,608)	20,747	–	–
Loss on disposal of associates	**–**	(3,580)	–	–	–
Share of results of associates	**135,811**	102,813	198,019	43,184	35,678
Fair value gain arising from the remeasurement of the previously Held interest in a joint controlled entity	**143,158**	–	–	–	–
Share of results of jointly controlled entities	**–**	–	–	(1)	–
Profit before taxation	**305,388**	177,252	314,973	134,470	137,545
Income tax expense	**(9,164)**	(5,946)	(7,328)	(12,754)	(28,714)
Profit for the year	**296,224**	171,306	307,645	121,716	108,831
Earnings per share					
– Basic	**30.3 HK cents**	17.6 HK cents	31.7 HK cents	12.5 HK cents	11.1 HK cents
– diluted	**30.1 HK cents**	17.6 HK cents	31.7 HK cents	12.5 HK cents	11.1 HK cents

Assets and liabilities:

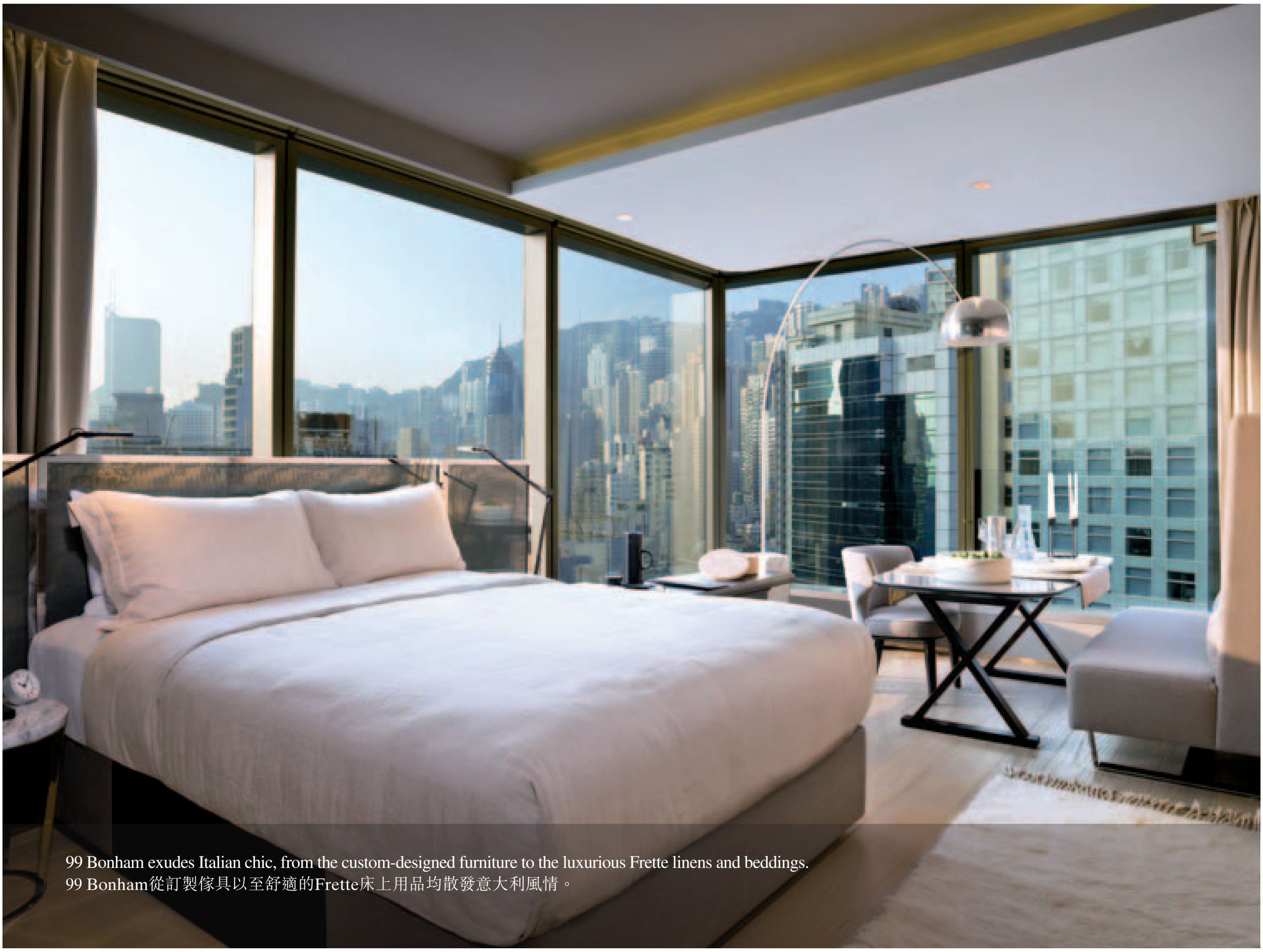
	At 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Note)	(Note)
Total assets	**3,587,831**	2,701,274	2,719,335	2,160,667	2,116,748
Total liabilities	**1,995,593**	1,312,055	1,437,006	1,324,336	1,393,381
Net assets	**1,592,238**	1,389,219	1,282,329	836,331	723,367

Note: Restatement regarding the adoption of amendment to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" has not been performed for the year 2009 and 2010.

The superstructure work for the Group's boutique hotel apartment at 194-196 Queen's Road Central has completed and the project is scheduled to be launched in early 2014.
本集團位於皇后大道中194至196號之精品酒店之上蓋建築工程已經竣工，預期項目將於二零一四年初推出招租。

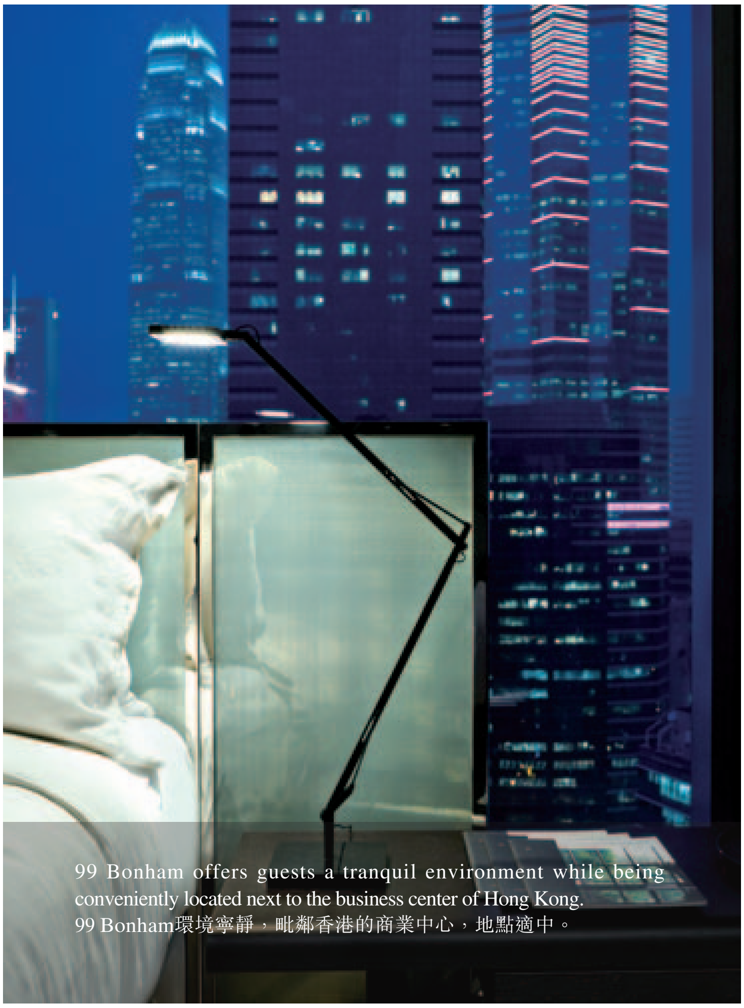
99 Bonham, the Group's third boutique hotel apartment joint venture with a real estate fund managed by J.P.Morgan Asset Management, launched in October 2012. The exterior and interiors were designed by the world-renowned architect firm Antonio Citterio Patricia Viel and Partners.

99 Bonham為本集團與J. P. Morgan Asset Management所管理之房地產基金合營之第三間精品酒店，於二零一二年十月推出招租，室內室外均由舉世知名建築設計公司Antonio Citterio Patricia Viel and Partners設計。



99 Bonham exudes Italian chic, from the custom-designed furniture to the luxurious Frette linens and beddings.
99 Bonham從訂製傢具以至舒適的Frette床上用品均散發意大利風情。

The spacious suite at 99 Bonham offers a magnificent city view in a modern yet cozy setting.
99 Bonham房間寬敞，佈置舒適時尚，可盡覽城市美景。



99 Bonham offers guests a tranquil environment while being conveniently located next to the business center of Hong Kong.
99 Bonham環境寧靜，毗鄰香港的商業中心，地點適中。

The Group's luxurious residential development at 45 Tai Tam Road has completed site formation work and preparation is underway for the foundation works to commence.
本集團位於大潭道45號之豪華住宅發展項目之地盤平整工程已經完成，並已開展地基工程之準備工作。