



華 廈 置 業 有 限 公 司

WAH HA REALTY COMPANY LIMITED

(Stock Code: 278)

**2013 ANNUAL REPORT**

# Contents

	Page
CORPORATE INFORMATION	2
GROUP STRUCTURE	6
CHAIRMAN'S STATEMENT	7
REPORT OF THE DIRECTORS	11
CORPORATE GOVERNANCE REPORT	19
INDEPENDENT AUDITOR'S REPORT	35
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	37
CONSOLIDATED BALANCE SHEET	38
BALANCE SHEET	40
CONSOLIDATED CASH FLOW STATEMENT	42
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	43
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	44
FIVE YEAR FINANCIAL SUMMARY	89
FINANCIAL SUMMARY OF ASSOCIATED COMPANIES	90
PRINCIPAL PROPERTIES	91

# Corporate Information

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Cheung Kee Wee**, *BBA, Chairman*

Aged 61. Joined the Group and appointed a director in 1976. Elected Chairman in 2000. Elected as Chairman of the Nomination Committee in 2012. A director in each of the subsidiaries. Has over 35 years' experience in the property and building construction industry in Hong Kong. Mainly responsible for the management and supervision of the Group's property portfolio. Brother of Messrs Cheung Lin Wee and Cheung Ying Wai, Eric.

**Mr. Cheung Lin Wee**, *BFin*

Aged 55. Joined the Group and appointed a director in 1985. Appointed a member of the Nomination Committee in 2012. A director in each of the subsidiaries. Has over 25 years' experience in property management. Mainly responsible for the property management activities of the Group. Brother of Messrs Cheung Kee Wee and Cheung Ying Wai, Eric.

**Mr. Cheung Ying Wai, Eric**, *BSc*

Aged 51. Joined the Group and appointed a director in 1999. A director in each of the subsidiaries. Mainly responsible for the general management of the Group. Brother of Messrs Cheung Kee Wee and Cheung Lin Wee.

### Non-executive Directors

**Mr. John Ho**, *LLB*

Aged 67. Appointed an independent non-executive director in 1994 and re-designated as a non-executive director in 2004. Also appointed a member of the Audit Committee and the Remuneration Committee in 1998 and 2005 respectively. A practising solicitor in Hong Kong. Qualified as a solicitor and joined a major firm of solicitors in 1972. A partner of Messrs John Ho & Tsui. An independent non-executive director of Wong's Kong King International (Holdings) Limited.

**Mr. Ng Kwok Tung**, *LIA (Dip), Chinese Law (Dip), BCom, CPA (Practising), CA, FCPA, ATiHK, MSCA*

Aged 62. Appointed an independent non-executive director in 2001 and re-designated as a non-executive director in 2004. Also appointed a member of the Audit Committee and the Remuneration Committee in 2001 and 2005 respectively. A practising accountant in Hong Kong. A partner of Messrs Tony Kwok Tung Ng & Co.. An independent non-executive director of Fountain Set (Holdings) Limited and Universe International Holdings Limited.

## Independent Non-executive Directors

### **Mr. Lam Hon Keung, Keith, O.B.E., J.P.**

Aged 73. Appointed a director in 1993. Also elected as Chairman of the Audit Committee in 1998 and appointed a member of the Remuneration Committee and the Nomination Committee in 2005 and 2012 respectively. A Committee Member of Far East Exchange Limited (1975-86) and a Council Member of the Stock Exchange of Hong Kong Limited (1987-94). An ex-President of Rotary Club of Hong Kong South (1976-77), an appointed unofficial member of the Legislative Councillor in 1984 and a member of the Social Welfare Advisory Committee (2000-06). Active in community and social involvements – Chairman of the Hospital Governing Committee of the Hong Kong Buddhist Hospital, Vice Chairman of the Hong Kong Buddhist Association, etc.. A Fellow of the Hong Kong Institute of Directors and a Fellow of Chartered Management Institute. Also an independent non-executive director of KFM Kingdom Holdings Limited.

### **Mr. Chan Woon Kong**

Aged 79. Appointed a director in 2004. Also appointed a member of the Audit Committee, the Remuneration Committee and the Nomination Committee in 2004, 2005 and 2012 respectively. Has over 45 years' extensive experience in the banking industry in Hong Kong. Before his retirement in late 2012, he served in senior management of various banks including Far East Bank Limited, First Pacific Bank Limited, The Bank of East Asia, Limited, United Commercial Bank and East West Bank in Hong Kong.

### **Mr. Soo Hung Leung, Lincoln, BScChE, MBA, J.P.**

Aged 68. Appointed a director in 2004. Also appointed a member of the Audit Committee and the Nomination Committee in 2004 and 2012 respectively and elected as Chairman of the Remuneration Committee in 2005. A stock broker and Chairman of Soo Pei Shao & Co. Ltd., also an independent non-executive director of Wing Lung Bank Limited. A Committee member of the Spastics Association and the Chairman of the English Advisory Committee of Hong Kong Baptist University.

## Corporate Information *(CONTINUED)*

### **AUDIT COMMITTEE**

Mr. Lam Hon Keung, Keith *(Chairman)*  
Mr. John Ho  
Mr. Ng Kwok Tung  
Mr. Chan Woon Kong  
Mr. Soo Hung Leung, Lincoln

### **REMUNERATION COMMITTEE**

Mr. Soo Hung Leung, Lincoln *(Chairman)*  
Mr. Lam Hon Keung, Keith  
Mr. John Ho  
Mr. Ng Kwok Tung  
Mr. Chan Woon Kong

### **NOMINATION COMMITTEE**

Mr. Cheung Kee Wee *(Chairman)*  
Mr. Cheung Lin Wee  
Mr. Lam Hon Keung, Keith  
Mr. Chan Woon Kong  
Mr. Soo Hung Leung, Lincoln

### **COMPANY SECRETARY**

Mr. Chu Wing Man, Raymond

### **AUTHORISED REPRESENTATIVES**

Mr. Cheung Kee Wee  
Mr. Chu Wing Man, Raymond

### **BANKER**

The Bank of East Asia, Limited

### **AUDITOR**

PricewaterhouseCoopers

## **SHARE REGISTRARS**

Hongkong Managers and Secretaries Limited  
Unit 3401-2, 34th Floor, AIA Tower  
183 Electric Road  
North Point  
Hong Kong  
Telephone: (852) 3528 0290  
Fax: (852) 2887 2054

## **REGISTERED OFFICE**

Room 2500, Dominion Centre  
43-59 Queen's Road East  
Wanchai  
Hong Kong  
Telephone: (852) 2527 1821  
Fax: (852) 2861 3771

## **STOCK CODES**

The Stock Exchange of Hong Kong Limited  
278  
Reuters  
0278.HK

## **WEBSITE**

<http://www.wahha.com>

# Group Structure

As at 31st March 2013

	Effective percentage of equity held by the Group	Principal activities
<b>Holding Company</b>		
Wah Ha Realty Company Limited	–	Investment holding
<b>Subsidiaries</b>		
Festigood Company Limited	100	Property development
Galy Property Management Limited	100	Property management
Khanman Property Limited	100	Dormant
Tai Kong Shan Realty Limited	100	Property investment
Tinpoly Realty Limited	100	Property investment
Wah Ha Construction Company Limited	100	Building contractor
Wah Ha Real Estate Agency Limited	100	Property agency
WH Properties Limited	100	Dormant
<b>Associated Companies</b>		
Daily Eagle Development Limited	25	Property development
Eastern Tailor Enterprises Limited	25	Property investment
Fu Kung San Realty Limited	50	Investment holding
Fullion Realty Limited *	50	Dormant
Fupoly Properties Limited	25	Property investment
Hinquand Enterprise Limited	50	Property investment
Keneva Company Limited	25	Property development
Kin Yuen Hing Investment Company Limited	50	Property development
Mass Collection Company Limited	50	Property development
Remadour Estate Limited	25	Property investment
Sing Mei Properties Limited	25	Property investment
Star Fortune Investments Limited	50	Property development
Sun Prince Godown Limited	50	Property investment
Sun Tai Tsuen Godown Company Limited	50	Property investment
Wah Ha Property Development Limited	50	Property investment

\* By a resolution dated 25th February 2013, Fullion Realty Limited commenced deregistration under Section 291AA of the Hong Kong Companies Ordinance.

All companies are incorporated in Hong Kong.

# Chairman's Statement

## RESULTS

The profit attributable to equity holders of Wah Ha Realty Company Limited (the "Company") for the year ended 31st March 2013 amounted to HK\$113,221,908 (2012 restated: HK\$138,683,034). Earnings per share for the year was HK\$0.94 (2012 restated: HK\$1.15).

## DIVIDENDS

The board of directors of the Company (the "Directors") (the "Board") has resolved to recommend a final dividend of HK11 cents (2012: HK10 cents) per share and a special dividend of HK13 cents (2012: HK15 cents) per share for the year ended 31st March 2013 to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Friday, 13th September 2013. Together with the interim dividend of HK11 cents (2012: HK10 cents) per share, total dividends for the year amount to HK35 cents (2012: HK35 cents) per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Group's revenues for the year ended 31st March 2013 amounted to HK\$12.9 million, an increase of about 26.7% from the previous year. The major reasons for this moderate increase were the inclusion of sales of properties held for sale for HK\$1.4 million (2012: nil) coupled with the increases of rental income and interest income for HK\$0.5 million and HK\$0.6 million respectively.

For the year under review, the Group's profit attributable to equity holders was HK\$113.2 million, representing a decrease of about 18.4% from 2012. Amongst these, HK\$104.0 million (2012: HK\$131.6 million) were ascribed to the Group's share of the results of its associated companies. Earnings per share was HK\$0.94 as compared with HK\$1.15 last year. Excluding the fair value gains arising from revaluations of the Group's and the share of the associated companies' investment properties, the after-tax profit improved by HK\$13.0 million. The major components were the improvement in profit on disposals of the Group's and its associated companies' properties for HK\$12.6 million and better performance of the rental business for HK\$1.7 million. On the other hand, since the exchange rate of RMB/HK\$ had stood at a high level already, the great exchange gains derived from our RMB deposit in previous years could not be achieved and a reduction of HK\$1.5 million was reported for the year under review.



# Chairman's Statement *(CONTINUED)*

## **BUSINESS REVIEW**

### **Property Development, Investment and Management**

During the year under review, the Rental Business of the Group and its associated companies performed well. As reported earlier in the Interim Report, a previously vacant investment property of the Group was rented out at a satisfactory rate, the annual rental revenue improved by HK\$0.5 million. As for the Rental Business of the associated companies, improvements were seen in the rental rates for new or renewed tenancies. The aggregate contributions of the Rental Business of the Group and its associated companies to the after-tax profit were HK\$1.7 million higher than that of last year.

During the year under review, there were several disposals of the Group's and its associated companies' properties. First, the Group had disposed of its interest in two car parking spaces in Kwun Tong and the share of after-tax profit was HK\$1.1 million. Second, an associated company had disposed of a shop in Wanchai and the Group's share of the after-tax profit was HK\$7.7 million. Third, another associated company had disposed of a unit in Fanling and the Group's share of the after-tax profit was HK\$1.0 million. The corresponding loss reported last year was HK\$2.7 million.

Subsequent to the year end and up to the date of this report, the Group had disposed of its interest in four units in Tuen Mun and the share of the estimated after-tax profit was HK\$2.7 million. Further, the Group had entered into an agreement to dispose of a unit in Fanling for an estimated after-tax profit of HK\$2.9 million. Moreover, an associated company had disposed of three units in Fanling and the Group's share of the estimated after-tax profit was HK\$3.1 million.

Apart from the aforesaid, the Group did not acquire or dispose of any property during the year under review and up to the date of this report.

For the year under review, although the operating environment of the Group's Property Management Business was tough, the profitability of this business was comparable to that of last year. Recently, the level of minimum wage was increased and greater pressure in operation is foreseen.

### **Investments**

During the year under review, the Group did not acquire or dispose of any listed investment. The Group recorded a fair value gain of HK\$0.4 million from its investment portfolio, probably due to the improving sentiment.

The bank deposit rates were stabilized after a short period of going up last year. For the year under review, the increase in interest income was HK\$0.6 million whereas last year's corresponding increase was HK\$2.8 million.

## PROSPECTS

In the United States, not long after the implementation of the third round of quantitative easing measures, there were noises that the Federal Reserve should consider to trim down the scale of the measures. Some even opined that withdrawal of the quantitative easing measures were essential in order to contain the recovered economy in a controllable scope. The Federal Reserve had indeed decided to discuss the issue in the next few meetings. The investment market interpreted it as having a time table for modification of the expansionary monetary policy. The result of this speculation was the worry of reduction of liquidity. The world securities markets reacted negatively to this probable outcome. In the Eurozone, the sovereignty debt crisis seemed to have been eased with the pledge of European Central Bank for an unlimited purchase of bonds. China had undoubtedly faced a slower pace in economic development. The Central Government tackled it positively by stimulating the domestic market and pursuing urbanization.

For the year under review, the local economy was still stable. The year-on-year GDP growth, after a short period of rapid growth of 7.3% in the 4th Quarter 2012, slowed down to 4.1% in the 1st Quarter 2013. A similar trend was observed in the total exports. The year-on-year increase in total exports for March 2013 was 11.2% which may be the result of low figure base for the Lunar New Year being in February. However, in April 2013, the increase dropped to 9.3%. Nonetheless, the Consumer Price Index was relatively stable and a year-on-year growth of 4.0% was reported for April 2013. The seasonally adjusted unemployment rate was 3.5% in the latest quarter, indicating an almost full employment position. All these together with the financially healthy Government illustrate that we are in a much better position than other counterparts in the world. But still, the Hong Kong Government was wary of the buoyant property market, especially the residential property market. Different administrative measures have been introduced to manage the housing demand of the general public. Following the implementation of the Special Stamp Duty in 2011, enhancement of the Special Stamp Duty and introduction of Buyer's Stamp Duty and Double Stamp Duty were effected in six months time and cast uncertainties on the property market. Immediate observation was the significant reduction in transaction volume with little price adjustment.

To cope with the ever changing uncertainties no matter imposed by the global economy or local elements, we should act prudently and maintain adequate resources to tackle any unforeseeable circumstances. We shall leverage on our virtually debt-free position so as to deliver stable returns to our shareholders.

## Chairman's Statement *(CONTINUED)*

### **EMPLOYMENT AND REMUNERATION POLICIES**

As at 31st March 2013, the Group had less than twenty employees and their remuneration are maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$5.7 million (2012: HK\$4.6 million). Remuneration policies are reviewed regularly by the Board and by the Remuneration Committee regarding Directors and senior management. Employees' salaries are determined on performance basis with reference to the market trend. In addition, discretionary bonuses are granted to eligible employees with reference to the Group's results and individual performance. Other benefits include education subsidies, medical and retirement benefits.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's cash and cash equivalents amounted to HK\$357.1 million at 31st March 2013. The Board believes that the Group has sufficient financial resources for its operations. The Group has no material exposure to foreign exchange rate fluctuation and material contingent liabilities.

### **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the Shareholders for their continued support and our staff for their hard work and dedication. I would also like to express my gratitude to my fellow Directors for their guidance and invaluable contribution.

**Cheung Kee Wee**

*Chairman*

Hong Kong, 28th June 2013

# Report of the Directors

The Board has pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31st March 2013.

## PRINCIPAL ACTIVITIES

The principal activities of the Group are investment holding and property development, investment and management in Hong Kong.

## SEGMENT INFORMATION

An analysis of the Group’s turnover and results by principal activities for the year is shown in Note 28 to the consolidated financial statements.

## RESULTS

Results of the Group for the year ended 31st March 2013 are shown on page 37.

## DIVIDEND

The Board has resolved to recommend at the forthcoming annual general meeting (“AGM”) to be held on Tuesday, 3rd September 2013 a final dividend of HK11 cents (2012: HK10 cents) per share and a special dividend of HK13 cents (2012: HK15 cents) per share for the year ended 31st March 2013 to be paid on Thursday, 19th September 2013 to the Shareholders whose names appear on the Register of Members of the Company on Friday, 13th September 2013.

Together with the interim dividend of HK11 cents (2012: HK10 cents) per share paid on Wednesday, 9th January 2013, total dividends for the year will amount to HK35 cents (2012: HK35 cents) per share.

## PARTICULARS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of subsidiaries and associated companies of the Company are shown in Notes 15 and 16 to the consolidated financial statements respectively.

# Report of the Directors *(CONTINUED)*

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of the Group's results and of its assets and liabilities for the past five financial years is shown on page 89.

## **RESERVES**

Details of the movements in reserves of the Company and of the Group during the year are shown in Note 23 to the consolidated financial statements.

## **DISTRIBUTABLE RESERVES**

The Company considers the cumulative gains on revaluation of investment properties of HK\$63,511,095 (2012 restated: HK\$60,911,095) included in retained profits are non-distributable as they do not constitute realised profits. As at 31 March 2013, the Company's reserves available for distribution to Shareholders as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance amounted to HK\$300,568,019 (2012: HK\$308,147,047).

## **PROPERTIES**

Details of the movements in investment properties are shown in Note 14 to the consolidated financial statements. Details of the principal properties held by the Group for investment, sale and development purposes are shown on pages 91 to 94.

## **SHARE CAPITAL**

Details of the share capital of the Company are set out in Note 22 to the consolidated financial statements.

## **DIRECTORS**

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

### **Executive Directors**

Mr. Cheung Kee Wee (*Chairman*)

Mr. Cheung Lin Wee

Mr. Cheung Ying Wai, Eric

### **Non-executive Directors**

Mr. John Ho

Mr. Ng Kwok Tung

### **Independent Non-executive Directors**

Mr. Lam Hon Keung, Keith

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

In accordance with Article 103(A) of the Company's Articles of Association (the "Company's Articles"), Messrs Cheung Kee Wee, John Ho and Lam Hon Keung, Keith will retire from office by rotation at the forthcoming AGM and they, being eligible, offer themselves for re-election.

## **DIRECTORS' SERVICE CONTRACTS**

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

The term of office of each Director is the period up to his retirement by rotation in accordance with the Company's Articles.

## **LOANS TO OFFICERS**

No loans to the Company's officers (within the meaning of the Hong Kong Companies Ordinance) were made and outstanding at any time during the year or at the end of the year.

# Report of the Directors *(CONTINUED)*

## **BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT**

Brief biographical details of Directors and senior management are set out on pages 2 and 3.

## **REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS**

Details of the Directors' remuneration and of the five highest paid individuals in the Group are shown in Note 9 to the consolidated financial statements. No contribution to pension scheme for Directors and past Directors was paid for the year.

There was no compensation paid during the year or receivable by the Directors for the loss of office as a Director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save for those "Significant Related Party Transactions" described in Note 27 to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2013, the interests or short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

### Long Positions in Ordinary Shares of the Company

Name of Director	Personal interests	Corporate interests	Family interests	Total	% of issued share capital
Cheung Kee Wee	–	15,150,160 <i>(Note 1)</i>	–	15,150,160	12.52
Cheung Lin Wee	14,180,800	–	238,000 <i>(Note 2)</i>	14,418,800	11.92
Cheung Ying Wai, Eric	14,090,800	–	–	14,090,800	11.65

#### Notes:

- (1) These shares were held by Biochoice Limited ("Biochoice") (in which Mr. Cheung Kee Wee ("CKW") and his spouse in aggregate owned 50% interest) through its wholly owned subsidiary, Humphrey Group Limited ("Humphrey"). Therefore, CKW was deemed to be interested in these shares under the SFO.
- (2) The 238,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, the spouse of Mr. Cheung Lin Wee ("CLW").

Save as disclosed above, as at 31st March 2013, none of the Directors or Chief Executives of the Company or any of their associates had or were deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



## Report of the Directors (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as is known to the Directors or Chief Executives of the Company, as at 31st March 2013, the following Shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company were as follows:

#### Long Positions in Ordinary Shares of the Company

	Number of shares	% of issued share capital
Substantial Shareholders:		
Chin Lan Hong	32,162,800 (Note 1)	26.59
Kung So Ha, Anne	15,150,160 (Note 2)	12.52
Biochoice Limited	15,150,160 (Note 3)	12.52
Humphrey Group Limited	15,150,160 (Note 3)	12.52
Wu Suet Yi, Rita	14,418,800 (Note 4)	11.92
Hoh Kwok Hing, Corinne	14,090,800 (Note 5)	11.65
Persons other than Substantial Shareholders:		
Megabest Securities Limited	11,295,600 (Note 6)	9.34
Profit-taking Company Inc.	11,295,600 (Note 6)	9.34
Pullfield Company Limited	11,295,600 (Note 6)	9.34

#### Notes:

- (1) Out of the 32,162,800 shares, 11,295,600 shares were held by Megabest Securities Limited ("Megabest") of which Madam Chin Lan Hong ("CLH") was interested in the entire issued share capital, through the chain of ownership being described in Note (6) below; and 20,867,200 shares were held under her personal interests.
- (2) Ms. Kung So Ha, Anne is the wife of CKW and was taken to be interested in these shares in which her spouse was interested under the SFO. These 15,150,160 shares related to the same block of shares as described in Note (3) below.

- (3) These 15,150,160 shares held by Biochoice and Humphrey respectively related to the same block of shares as described in "Corporate Interests" of CKW under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures". These shares were held by Biochoice (in which CKW and his spouse in aggregate owned 50% interest) through its wholly owned subsidiary, Humphrey, the registered owner of the said 15,150,160 shares.
- (4) Out of the 14,418,800 shares, 238,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, and Ms. Wu was taken to be interested in the remaining 14,180,800 shares in which her spouse CLW was interested under the SFO.
- (5) Ms. Hoh Kwok Hing, Corinne is the wife of Mr. Cheung Ying Wai, Eric and was taken to be interested in these shares in which her spouse was interested under the SFO.
- (6) These 11,295,600 shares held by Megabest, Profit-taking Company Inc. ("Profit-taking") and Pullfield Company Limited ("Pullfield") respectively related to the same block of shares as described in Note (1) above. These shares were held by Megabest through its wholly owned subsidiary, Profit-taking, which in turn held the entire issued share capital of Pullfield, the registered owner of the said 11,295,600 shares of the Company.

Save as disclosed above, as at 31st March 2013, the Company has not been notified by any person (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's issued shares during the year.

## **MANAGEMENT CONTRACTS**

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

## Report of the Directors *(CONTINUED)*

### **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate amount of revenues during the year attributable to the Group's five largest customers was 33.29% of the Group's total revenues, of which 12.07% was made to the largest customer.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total revenue purchases.

None of the Directors, their associates or any Shareholder who to the knowledge of the Directors owns more than 5% of the Company's issued share capital has an interest in the major customers or suppliers disclosed above.

### **CORPORATE GOVERNANCE**

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 19 to 34.

### **PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31st March 2013 and up to the date of this report pursuant to the Listing Rules.

### **AUDITOR**

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

On behalf of the Board

**Cheung Kee Wee**

*Chairman*

Hong Kong, 28th June 2013

# Corporate Governance Report

## **CORPORATE GOVERNANCE PRACTICES**

The Board and the management believe that good and high standard of corporate governance practices are very important for maintaining and promoting investor confidence and for the continued growth of the Group. The Company has made continued efforts to maintain and improve the quality of corporate governance so as to ensure an effective board, sound internal control, and transparency and accountability to its Shareholders.

Throughout the financial year ended 31st March 2013, the Company has applied and complied with the code provisions contained in the Corporate Governance Code and Corporate Governance Report (the "New CG Code") set out in Appendix 14 to the Listing Rules, except for certain deviations of the code provisions in respect of the roles of the Chairman and Chief Executive Officer ("CEO") of the Company (i.e. A.2.1); and service term of its Non-executive Directors ("NEDs") (i.e. A.4.1). The considered reasons for the aforesaid deviations will be discussed in the later part of this report.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions in the Company. All Directors of the company have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31st March 2013.

# Corporate Governance Report *(CONTINUED)*

## THE BOARD

### Board Composition

The Board currently comprises the following eight members:

#### *Executive Directors*

Mr. Cheung Kee Wee (*Chairman*)  
Mr. Cheung Lin Wee  
Mr. Cheung Ying Wai, Eric

#### *Non-executive Directors*

Mr. John Ho  
Mr. Ng Kwok Tung

#### *Independent Non-executive Directors*

Mr. Lam Hon Keung, Keith  
Mr. Chan Woon Kong  
Mr. Soo Hung Leung, Lincoln

The Board, led by the Chairman, is responsible for leadership and control of the Company and is collectively responsible for establishing the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of the senior management, assuming responsibility for corporate governance and achieving agreed corporate goals of the Company by scrutinizing the Company's performance and monitoring performance reporting.

The Chairman of the Board ensures that the Board works effectively and discharges its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. He takes responsibility for ensuring that good corporate governance practices and procedures are established and encourages all Directors to make a full and active contribution to the Board's affairs. Directors with different views are encouraged to voice their concerns. They are allowed sufficient time for discussion of issues so as to ensure that Board decisions fairly reflect Board consensus. A culture of openness is promoted to facilitate the effective contribution of NEDs and ensure constructive relations between Executive Directors ("EDs") and NEDs.

EDs and the Board committees of the Company are delegated with the authority to manage the business of the Group in all aspects effectively. With the assistance of the Company Secretary, the Chairman approves Board meeting agendas and takes into account, where appropriate, any matters proposed by the other Directors for inclusion in the agendas. Also, with the support of the EDs and the Company Secretary, the Chairman ensures that all Directors are properly briefed and timely receive adequate, clear, complete and reliable information on all Board matters.

EDs are responsible for different business and functional divisions of the Group in accordance with their respective areas of expertise. Daily operations and administration are delegated to the management under supervision which is given clear directions as to their powers in particular with respect to the circumstances under which they should report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board reviews the existing arrangements periodically to ensure that they remain appropriate to the Company's needs.

The NEDs, including Independent Non-executive Directors ("INEDs"), participate in Board meetings to bring expertise and independent views on important issues relating to the Company's strategy, policy, performance, accountability, resources, key appointments, standards of conduct, and take the lead on matters where potential conflicts of interests arise. They also serve on Board committees of the Company, including the Audit Committee, the Remuneration Committee and the Nomination Committee. The NEDs and INEDs give the Board and Board committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They also attend AGMs of the Company to understand the view of the Shareholders. They make a positive contribution to the development of the Company's strategy and policy through independent, constructive and informed comments.

The Board has more than one third of the Directors as INEDs, each of them comes from different business and professional background and at least one of them has accounting or related financial management expertise. The Board has received from each INED an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that each INED meets the requirements of independence as set out in Rule 3.13 of the Listing Rules and continues to consider each of them to be independent up to the date of the Company's 2013 annual report (the "AR").

The Board includes a balanced composition of EDs, NEDs and INEDs so that there is a strong independent element on the Board to exercise independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointment and standards of conduct.

The composition of the Board, by category and position of Directors including the names of the Chairman, the EDs, the NEDs and INEDs, is disclosed in all corporate communications. An updated list of Directors identifying their role and function and whether they are INEDs is available on the respective websites of the Company and the Stock Exchange. The names of the Directors, their role and function and the relationship among them are set out on pages 2 and 3 of the AR.

# Corporate Governance Report *(CONTINUED)*

## THE BOARD *(Continued)*

### Directors' Training

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are kept informed of the updated legal and other regulatory requirements and the business and governance policies of the Company to ensure that their contribution to the Board remains informed and relevant. The Company Secretary provides written training materials to the Directors for reference, and arranges seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities, if any. During the year, the Company arranged an in-house seminar conducted by qualified professionals on topics relating to the New CG Code.

The Directors have provided the Company with their records of continuous professional development during the financial year 2012/2013. Records of the Directors' training during the year are as follows:

<b>Directors</b>	<b>Attending Seminar(s) on regulatory development and/or directors' duties</b>	<b>Reading regulatory updates or information relevant to the Company or its business</b>
<i>Executive Directors</i>		
Mr. Cheung Kee Wee ( <i>Chairman</i> )	✓	✓
Mr. Cheung Lin Wee	✓	✓
Mr. Cheung Ying Wai, Eric	✓	✓
<i>Non-executive Directors</i>		
Mr. John Ho	✓	✓
Mr. Ng Kwok Tung	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Lam Hon Keung, Keith	✓	✓
Mr. Chan Woon Kong	✓	✓
Mr. Soo Hung Leung, Lincoln	✓	✓

## Meetings

The Board meets regularly and holds at least four regular meetings at approximately quarterly intervals in a year and additional meetings are held as and when significant events or important issues are required to be discussed and resolved. For the financial year 2012/2013, four physical meetings were respectively held in June, September and November of 2012 and March 2013. Details of individual attendance of each Director at the meetings are as follows:

<b>Directors</b>	<b>Meetings Attended/Held</b>
<i>Executive Directors</i>	
Mr. Cheung Kee Wee ( <i>Chairman</i> )	3/4
Mr. Cheung Lin Wee	4/4
Mr. Cheung Ying Wai, Eric	3/4
<i>Non-executive Directors</i>	
Mr. John Ho	4/4
Mr. Ng Kwok Tung	4/4
<i>Independent Non-executive Directors</i>	
Mr. Lam Hon Keung, Keith	2/4
Mr. Chan Woon Kong	4/4
Mr. Soo Hung Leung, Lincoln	3/4

During the year ended 31st March 2013, the Chairman held a meeting with the NEDs (including INEDs) without the presence of the EDs.

In order to give all Directors adequate time to plan their schedules to attend the meeting, at least fourteen days' formal notice of all regular meetings is given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. To enable Directors to make informed decisions on matters to be considered at the Board and Board Committee meetings, agenda accompanied with board papers and related materials are given to the Directors not less than three days before the intended date of a Board or Board Committee meeting.

Directors need to declare their interests in the matters to be passed in the resolution, if applicable. If a substantial shareholder or a Director has a material conflict of interests in a matter to be considered by the Board, the matter will be dealt with pursuant to applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

In addition to the Board meetings, certain issues are dealt with by way of circular written resolutions, so that all Directors can note and comment thereon before the Board's approval on the matters.



# Corporate Governance Report *(CONTINUED)*

## **THE BOARD** *(Continued)*

### **Meetings** *(Continued)*

Directors are kept informed in a timely manner of any major changes that may affect the Group's business as well as changes in relevant rules and regulations. Queries raised by Directors receive a prompt and full response, if possible. All Directors have full access to the Company Secretary and key officers of the Company Secretarial Department for relevant information in respect of the Group. They are also able to obtain independent professional advice by written procedure adopted by the Company at the expense of the Company in appropriate circumstances.

### **Directors' and Officers' Liabilities**

The Company has arranged appropriate Directors and Officers liability insurance coverage for its Directors and officers since 2004.

## **CHAIRMAN AND CEO**

Under the code provision A.2.1 of the New CG Code, the roles of the Chairman and CEO should be separate and should not be performed by the same individual. Mr. Cheung Kee Wee is the Chairman of the Board and there is not a post of CEO in the Company. The roles of the CEO are performed by all the EDs with clear division of responsibilities under the leadership of the Chairman. The Board considers that this arrangement allows contributions from all EDs with different expertise and can ensure the balance of power and authority between the Board and the management of the Group. The Board therefore believes that this structure can enable the Group to make and implement decisions promptly and efficiently and is beneficial to the business prospect of the Group.

## **APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS**

The selection process of Directors is performed by the Board in accordance with the Company's Articles, the recommendations on nominations of Directors made by the Nomination Committee as well as the written procedures for Shareholders to propose a person for election as a Director of the Company. The said procedures are posted on the Company's website.

When considering a potential Director who is recommended by the EDs, the Nomination Committee, or the Shareholder(s), the Board will take into consideration certain criteria such as the candidate's professional knowledge and experience, integrity and personal skills, possible conflicts of interests and time commitment to the Company. If the potential Director cannot give sufficient time and attention to the Company's affairs, he/she will be advised not to accept the appointment.

A newly appointed Director will receive reference material of the Company such as interim and annual reports and circulars with a view to familiarizing him/her with the business operation of the Company and the corporate structure of the Group. Updates are provided to Directors to ensure that Directors are aware of the latest changes in the commercial and regulatory environment in which the Group conducts its business. A Guide on Directors' Duties issued by the Companies Registry, Guidelines for Directors and Guide for Independent Non-Executive Directors both issued by The Hong Kong Institute of Directors have been given to each Director for information and easy reference.

Each Director disclosed to the Company at the time of his appointment and in a timely manner for any change, the number and nature of offices held in public companies or organizations.

Under the code provision D.1.4 of the New CG Code, the Company should have formal letters of appointments for Directors setting out the key terms and conditions of their appointment. All Directors have been issued with the said formal letters of appointment from the Company.

Under the code provision A.4.1 of the New CG Code, NEDs should be appointed for a specific term and subject to re-election. All the five NEDs of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the AGM in accordance with the Company's Articles.

In accordance with Article 94 of the Company's Articles, a newly appointed Director is subject to re-election by the Shareholders at the next following AGM of the Company after his/her appointment, but shall not be taken into account in determining the Directors who are to retire by rotation and re-election at the AGM in accordance with Article 103(A) of the Company's Articles.

There are eight Directors including five NEDs of the Company for the time being. As one-third of the eight Directors shall retire from office by rotation at each AGM, each of them shall retire at least once every three years. The Board is of the view that the current practice of appointing Directors which includes NEDs without specific terms but otherwise subject to retirement by rotation and re-election by the Shareholders at the AGM is reasonable and appropriate to the needs of the Company.

The Company may by an ordinary resolution remove a Director before the expiration of his/her period of office notwithstanding anything in the Company's Articles or in any agreement between the Company and such Director. Special notice is required of a resolution to remove a Director or to appoint somebody in place of a Director so removed at the general meeting at which he/she is removed in accordance with the Hong Kong Companies Ordinance.

# Corporate Governance Report *(CONTINUED)*

## **APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS** *(Continued)*

Each Director (including INED) who was subject to retirement by rotation was appointed by a separate resolution in the AGM. In respect of an INED who has served more than nine years, the Company has expressed its view in the Company's circular dated 17th July 2013 (the "Circular") that each INED who is eligible for re-election has met the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent. In accordance with the New CG Code, the relevant credentials of the INEDs to be re-elected have been included in the Circular accompanying the notice of 2013 AGM for the Shareholders' information.

During the year ended 31st March 2013, there was no change in the Board composition. The names and details of the retiring Directors who will offer themselves for re-election at the forthcoming AGM are set out in Appendix I to the Circular.

## **BOARD COMMITTEES**

The Company has three Board committees, namely the Nomination Committee, the Remuneration Committee and the Audit Committee. All committees have specific terms of reference clearly defining their authorities and responsibilities. The terms of reference of the Board committees require them to report back to the Board on their decisions or recommendations. The terms of reference are reviewed and updated regularly to ensure that they remain appropriate and reflect change in good practice and governance. The determination of the policy for the corporate governance of the Company and the corporate governance duties as set out in the code provision D.3.1 of the New CG Code are performed by the Board.

### **Nomination Committee**

The Nomination Committee of the Company was established in 2012, a majority of which is INEDs. The Committee is chaired by the chairman of the Board, Mr. Cheung Kee Wee and comprises an ED, Mr. Cheung Lin Wee, and three INEDs, namely Messrs Lam Hon Keung, Keith, Chan Woon Kong and Soo Hung Leung, Lincoln. The Company Secretary of the Company is the secretary of the Committee.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board regularly and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties include making recommendation to the Board on the selection of individuals nominated for directorships and the appointment or re-appointment of Directors and succession planning for Directors. The Committee is also responsible for assessing the independence of INEDs. The adopted terms of reference of the Nomination Committee dated 5th March 2012 which set out clearly the Committee's role, authority and duties made pursuant to the New CG Code are posted on the respective websites of the Stock Exchange and the Company.

The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense, if necessary.

During the year under review, no meeting was held by the Nomination Committee.

## Remuneration Committee

Remuneration Committee of the Company was established in 2005. The Committee consists of three INEDs, namely Messrs Soo Hung Leung, Lincoln (Chairman), Lam Hon Keung, Keith and Chan Woon Kong, and two NEDs, namely Messrs John Ho and Ng Kwok Tung. The Company Secretary of the Company is the secretary of the Committee.

The principal responsibilities of the Remuneration Committee, under its terms of reference which were prepared on terms no less exacting than those set out in the New CG Code and revised and adopted in March 2012, include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy as well as making recommendations to the Board on the remuneration packages of all EDs and senior management with reference to the Board's corporate goals and objectives. The terms of reference of the Committee are posted on the respective websites of the Stock Exchange and the Company.

The Remuneration Committee shall consult the Chairman of the Company about their remuneration proposals for EDs, if necessary. The Committee is provided with sufficient resources to discharge duties.

The Remuneration Committee met once during the financial year ended 31st March 2013. Details of individual attendance of each of the members of the Committee at the meeting are as follows:

<b>Committee Members</b>	<b>Meetings Attended/Held</b>
<i>Independent Non-executive Directors</i>	
Mr. Soo Hung Leung, Lincoln ( <i>Chairman</i> )	1/1
Mr. Lam Hon Keung, Keith	1/1
Mr. Chan Woon Kong	1/1
<i>Non-executive Directors</i>	
Mr. John Ho	1/1
Mr. Ng Kwok Tung	1/1

# Corporate Governance Report *(CONTINUED)*

## **BOARD COMMITTEES** *(Continued)*

### **Remuneration Committee** *(Continued)*

During such meeting, the remuneration package of the EDs was reviewed with reference to the Group's performance and profitability as well as the remuneration level of directors in certain listed corporations in the industry. No Director was involved in deciding his own remuneration. Details of the remuneration of Directors and senior management by band for the year ended 31st March 2013 are set out in Note 9 to the financial statements on pages 67 to 69 of the AR.

### **Audit Committee**

The Audit Committee of the Company was established in 1998 and currently consists of three INEDs, namely Messrs Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Soo Hung Leung, Lincoln and two NEDs, namely Messrs John Ho and Ng Kwok Tung. No member of the Committee is a former partner of the existing auditing firm of the Company during a period of one year from the date of his ceasing to be a partner of the audit firm. The Committee members possess sufficient financial and accounting experience and expertise to discharge their duties. The Company Secretary of the Company acts as the secretary of the Committee.

The Audit Committee is provided with sufficient resources to perform its duties. The operation of the Audit Committee is guided by its terms of reference which were prepared on terms no less exacting than those set out in the New CG Code. The terms of reference, which were further revised and adopted in March 2012, are posted on the respective websites of the Stock Exchange and the Company.

The major duties of the Audit Committee set out in its terms of reference include:–

1. recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and approval of their terms of engagement;
2. reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standard;
3. monitoring the integrity of the Company's financial statements and AR and accounts, interim report and quarterly report (if applicable), and reviewing significant financial reporting judgements contained in them;
4. oversight of the Company's financial controls, internal control and risk management systems;
5. reviewing the financial information of the Company;
6. reviewing arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in the financial reporting, internal controls or other matters; and
7. overseeing the Company's relations with the external auditor.

During the financial year ended 31st March 2013, two meetings of the Audit Committee were held in June and November of 2012 respectively with the external auditor of the Company for discussion and review of the reporting of financial and other information to the Shareholders (including the 2011/2012 final results and 2012/2013 interim results of the Company before they were submitted to the Board for approval), the accounting principles and practices adopted by the Group and the issue on internal control of the Company. The Committee also keeps under review the independence of the external auditor of the Company. Details of individual attendance of each of the members of the Committee at the meetings are as follows:

<b>Committee Members</b>	<b>Meetings Attended/Held</b>
<i>Independent Non-executive Directors</i>	
Mr. Lam Hon Keung, Keith ( <i>Chairman</i> )	2/2
Mr. Chan Woon Kong	2/2
Mr. Soo Hung Leung, Lincoln	2/2
<i>Non-executive Directors</i>	
Mr. John Ho	2/2
Mr. Ng Kwok Tung	2/2

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The financial statements of the Company for the year ended 31st March 2013 were reviewed and discussed by the Audit Committee together with the external auditor of the Company at a meeting held in late June 2013.

## **AUDITOR'S REMUNERATION**

For the year ended 31st March 2013, the remuneration paid and payable to PricewaterhouseCoopers, the Company's external auditor, for audit services to the Group amounted to HK\$465,300 and for non-audit services mainly consists of review, consultancy and taxation services amounted to HK\$158,900.

# Corporate Governance Report *(CONTINUED)*

## **THE COMPANY SECRETARY**

The appointment and dismissal of the Company Secretary is subject to the Board approval in accordance with the Company's Articles. Mr. Raymond W. M. Chu was the Company Secretary of the Company.

The Company Secretary is responsible to the Board for ensuring that the procedures and all applicable rules and regulations are strictly and fully complied with and that activities of the Board are running efficiently and effectively by assisting the Chairman of the Board and the respective Chairmen of the Board committees to prepare agendas for meetings and by preparing and disseminating Board papers and relevant material to the Directors and Board Committee members in a timely and comprehensive manner.

The Company Secretary reports to the Board Chairman, attends all Board meetings and advises on corporate governance and statutory compliance, if appropriate. Draft and final versions of minutes of meetings of the Board and the Board committees are circulated to all Directors concerned for comments and records respectively, within a reasonable time after the meeting is held. All the minutes record in sufficient detail the matters considered and decisions reached by the Board and the Board committees of the Company, including any concerns raised by Directors or dissenting views expressed, are kept by the Company Secretary, which are open for inspection at any reasonable time on reasonable notice by any Director.

The Company Secretary also advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the Report of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable rules and regulations, are followed.

During the year under review, the Company Secretary undertook over 15 hours of professional training to update his skill and knowledge.

## ACCOUNTABILITY AND AUDIT

The Board was provided with sufficient explanation and information by the management of the Company, so that Directors have an informed assessment of financial and other information of the Company put before the Board for approval.

Monthly management updates have also been provided by the Management to all Directors since April 2012 for the purpose of providing a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

All the Directors have acknowledged their responsibilities for preparing and reviewing the Company's financial statements and ensure that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2013 and of the profit and cash flows of the Group for the year then ended. In preparing the Company's financial statements for the year ended 31st March 2013, with the assistance of the Company's Accounts department, the Board has selected suitable accounting policies and principles generally accepted in Hong Kong and applied them consistently, has made prudent and reasonable judgements and estimates, and has prepared the financial statements on a going concern basis. Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern as referred to in the code provision C.1.3 of the New CG Code.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Company and the Group is set out in the "Independent Auditor's Report" on pages 35 and 36 of the AR.

The Board has included in the separate statement containing a discussion and analysis of the Group's performance in the Management Discussion and Analysis of the AR.

The Board's endeavors to ensure a balanced, clear and understandable assessment of the Group's position and prospects extend to annual and interim reports, price-sensitive announcements and other financial disclosures of the Company required under the Listing Rules and other applicable rules, and to report to regulators as well as to information required to be disclosed pursuant to statutory requirements. Accordingly, due authorization will be made on the publication of relevant announcements and reports as and when the occasion arises.



# Corporate Governance Report *(CONTINUED)*

## **INTERNAL CONTROL**

The Board acknowledges its responsibility in maintaining effective and sound internal control system for the Group to safeguard the Group's assets and protect the interest of the Shareholders. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

The Board has conducted an annual review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board considers that the Company has adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Based on the results of the review, the Board has concluded that the Group's overall system of internal control has been effectively exercised during the year. The Group will continue to improve its system of internal control.

## **COMMUNICATION WITH THE SHAREHOLDERS**

The Company's AGM is one of the principal communication channels between the Company and the Shareholders as it provides a forum for the Shareholders to raise questions and comments and exchange views with the Board.

At the 2012 AGM of the Company, respective Chairmen of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee as well as the external auditor of the Company were present and available to answer questions raised by the Shareholders at the meeting. A separate resolution was proposed at the AGM on each substantially separate issue, such as the re-election of individual Directors.

Details of individual attendance of each Director at the 2012 AGM are as follows:

<b>Directors</b>	<b>Meeting Attended/Held</b>
<i>Executive Directors</i>	
Mr. Cheung Kee Wee ( <i>Chairman</i> )	1/1
Mr. Cheung Lin Wee	1/1
Mr. Cheung Ying Wai, Eric	1/1
<i>Non-executive Directors</i>	
Mr. John Ho	0/1
Mr. Ng Kwok Tung	0/1
<i>Independent Non-executive Directors</i>	
Mr. Lam Hon Keung, Keith	1/1
Mr. Chan Woon Kong	1/1
Mr. Soo Hung Leung, Lincoln	1/1

The Company has other means of communication with the Shareholders, including the publication of annual and interim reports, circulars, announcements and availability of updated and key information about the Group on the Company's website. The Shareholders or any interested parties can also contact the Company by sending e-mail to enquiry@wahha.com.

The Company arranges for the notice to the Shareholders to be sent out in the case of AGMs at least 20 clear business days before the meeting and to be sent out at least 10 clear business days in the case of all other general meetings. It is proposed that the 2013 AGM of the Company will be held on Tuesday, 3rd September 2013 at 11:30 a.m.. Notice of the AGM will be published and dispatched to the Shareholders in late July 2013.

The Board has formulated a shareholders' communication policy and will review it on a regular basis to ensure its effectiveness.

## **VOTING BY POLL**

The Company regularly informs the Shareholders of the procedures for voting by poll and ensures that it complies with the requirements about voting by poll as contained in the Listing Rules and the Company's Articles.

Since 2005, the Shareholders were given an explanation of the rights and procedures for demanding and conducting a poll in accordance with Article 74 of the Company's Articles at the commencement of each AGM of the Company.

# Corporate Governance Report *(CONTINUED)*

## **VOTING BY POLL** *(Continued)*

Pursuant to the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. The Chairman of the 2013 AGM will therefore put each of the resolutions to be proposed at the meeting to be voted by way of a poll pursuant to the Listing Rules and Article 74 of the Company's Articles.

## **SHAREHOLDERS' RIGHT**

Shareholder(s) holding not less than one-twentieth of the paid up capital of the Company can make a requisition to convene an extraordinary general meeting pursuant to Section 113 of the Hong Kong Companies Ordinance. The requisition must state the objects of the meeting and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company.

Moreover, Section 115A of the Hong Kong Companies Ordinance provides that (i) Shareholder(s) representing not less than one-fortieth of the total voting rights of all Shareholders of the Company or (ii) not less than 50 Shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK\$2,000 per Shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant Shareholder(s) at the registered office of the Company.

The Shareholders can make enquiries or proposals to the Company through the following means:

Telephone: (852) 2527 1821  
Fax: (852) 2861 3771  
Post: Room 2500, Dominion Centre  
43-59 Queen's Road East  
Wanchai, Hong Kong  
Email: enquiry@wahha.com

## **INVESTOR RELATIONS**

During the year ended 31st March 2013, there were no significant changes in the memorandum and articles of association of the Company which is posted on the respective websites of the Stock Exchange and the Company.

Save as disclosed above, the Company has complied with all the code provisions as set out in the New CG Code throughout the financial year ended 31st March 2013.

# Independent Auditor's Report



羅兵咸永道

## TO THE SHAREHOLDERS OF WAH HA REALTY COMPANY LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Wah Ha Realty Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 88, which comprise the consolidated and company balance sheets as at 31st March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the 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.

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*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)

## Independent Auditor's Report *(CONTINUED)*

### Auditor's responsibility (Continued)

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

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

### 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 31st 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 Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28th June 2013

# Consolidated Statement of Comprehensive Income

For the year ended 31st March 2013

	<i>Note</i>	<b>2013 HK\$</b>	2012 HK\$ (Restated)
Revenues	5	<b>12,920,295</b>	10,200,484
Changes in fair value of investment properties	14	<b>2,600,000</b>	600,000
Net fair value gains/(losses) on financial assets at fair value through profit or loss		<b>386,694</b>	(3,464)
Other gains, net	6	<b>869,819</b>	2,344,426
Direct outgoings in relation to properties that generate income	7	<b>(463,964)</b>	(373,979)
Cost of sales of completed properties	7	<b>(47,181)</b>	–
Staff costs	7	<b>(5,727,728)</b>	(4,598,075)
Other operating expenses	7	<b>(1,283,733)</b>	(1,253,380)
Operating profit		<b>9,254,202</b>	6,916,012
Share of profits less losses of associated companies	8	<b>103,965,956</b>	131,642,750
Profit before income tax		<b>113,220,158</b>	138,558,762
Income tax credit	11	<b>1,750</b>	124,272
Profit and total comprehensive income attributable to equity holders of the Company		<b>113,221,908</b>	138,683,034
Dividends	12	<b>42,336,000</b>	42,336,000
Earnings per share (Basic and diluted)	13	<b>0.94</b>	1.15

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

As at 31st March 2013

	Note	31st March 2013 HK\$	31st March 2012 HK\$ (Restated)	1st April 2011 HK\$ (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	14	68,000,000	65,400,000	64,800,000
Investments in associated companies	16	678,561,246	605,182,465	474,744,347
Amounts due from associated companies	16	9,636,681	14,563,681	41,968,200
Available-for-sale financial assets	17	250,448	250,448	250,448
Deferred income tax assets	24	317,546	133,328	800
		<b>756,765,921</b>	685,529,922	581,763,795
<b>Current assets</b>				
Completed properties held for sale	18	6,497,015	6,524,147	6,524,147
Amounts due from associated companies	16	43,660,016	48,411,741	40,071,682
Trade and other receivables	19	1,250,398	1,644,161	1,415,056
Tax recoverable		1,598,374	1,593,930	2,832,215
Financial assets at fair value through profit or loss	20	2,938,493	2,551,799	2,555,263
Cash and bank balances	21	357,110,402	361,040,631	375,584,483
		<b>413,054,698</b>	421,766,409	428,982,846
<b>Total assets</b>		<b>1,169,820,619</b>	1,107,296,331	1,010,746,641
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	22	78,624,000	78,624,000	78,624,000
Retained profits	23			
– Proposed dividends		29,030,400	30,240,000	36,288,000
– Others		1,045,897,879	975,011,971	878,664,937
		<b>1,074,928,279</b>	1,005,251,971	914,952,937
<b>Total equity</b>		<b>1,153,552,279</b>	1,083,875,971	993,576,937

	<i>Note</i>	<b>31st March 2013 HK\$</b>	31st March 2012 HK\$ (Restated)	1st April 2011 HK\$ (Restated)
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred income tax liabilities	24	–	–	141,219
<b>Current liabilities</b>				
Amounts due to associated companies	16	<b>13,011,614</b>	20,376,052	14,187,367
Trade and other payables	25	<b>3,218,595</b>	3,021,251	2,682,020
Tax payable		<b>38,131</b>	23,057	159,098
		<b>16,268,340</b>	23,420,360	17,028,485
<b>Total liabilities</b>		<b>16,268,340</b>	23,420,360	17,169,704
<b>Total equity and liabilities</b>		<b>1,169,820,619</b>	1,107,296,331	1,010,746,641
<b>Net current assets</b>		<b>396,786,358</b>	398,346,049	411,954,361
<b>Total assets less current liabilities</b>		<b>1,153,552,279</b>	1,083,875,971	993,718,156

**Cheung Kee Wee**  
*Director*

**Cheung Lin Wee**  
*Director*

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.



# Balance Sheet

As at 31st March 2013

	<i>Note</i>	<b>31st March 2013 HK\$</b>	31st March 2012 HK\$ (Restated)	1st April 2011 HK\$ (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	14	<b>68,000,000</b>	65,400,000	64,800,000
Investments in subsidiaries	15	<b>110,344</b>	110,344	110,344
Investments in associated companies	16	<b>1,090,617</b>	1,090,618	1,140,618
Amounts due from associated companies	16	<b>9,636,681</b>	14,563,681	41,968,200
Available-for-sale financial assets	17	<b>250,448</b>	250,448	250,448
Deferred income tax assets	24	<b>316,864</b>	132,589	–
		<b>79,404,954</b>	81,547,680	108,269,610
<b>Current assets</b>				
Completed properties held for sale	18	<b>663,276</b>	690,408	690,408
Amounts due from subsidiaries	15	<b>291,643</b>	349,986	290,585
Amounts due from associated companies	16	<b>43,660,016</b>	48,411,741	40,071,682
Trade and other receivables	19	<b>877,002</b>	1,375,942	1,206,209
Tax recoverable		<b>1,577,039</b>	1,577,039	2,820,607
Financial assets at fair value through profit or loss	20	<b>2,938,493</b>	2,551,799	2,555,263
Cash and bank balances	21	<b>350,236,021</b>	354,306,411	369,069,833
		<b>400,243,490</b>	409,263,326	416,704,587
<b>Total assets</b>		<b>479,648,444</b>	490,811,006	524,974,197
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	22	<b>78,624,000</b>	78,624,000	78,624,000
Retained profits	23			
– Proposed dividends		<b>29,030,400</b>	30,240,000	36,288,000
– Others		<b>335,048,714</b>	338,818,142	374,104,433
		<b>364,079,114</b>	369,058,142	410,392,433
<b>Total equity</b>		<b>442,703,114</b>	447,682,142	489,016,433

	<i>Note</i>	<b>31st March 2013 HK\$</b>	31st March 2012 HK\$ (Restated)	1st April 2011 HK\$ (Restated)
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred income tax liabilities	24	–	–	141,219
<b>Current liabilities</b>				
Amounts due to subsidiaries	15	<b>21,629,063</b>	20,310,722	19,455,279
Amounts due to associated companies	16	<b>13,011,614</b>	20,376,052	14,187,367
Trade and other payables	25	<b>2,304,653</b>	2,442,090	2,173,899
		<b>36,945,330</b>	43,128,864	35,816,545
<b>Total liabilities</b>		<b>36,945,330</b>	43,128,864	35,957,764
<b>Total equity and liabilities</b>		<b>479,648,444</b>	490,811,006	524,974,197
<b>Net current assets</b>		<b>363,298,160</b>	366,134,462	380,888,042
<b>Total assets less current liabilities</b>		<b>442,703,114</b>	447,682,142	489,157,652

**Cheung Kee Wee**  
*Director*

**Cheung Lin Wee**  
*Director*

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

For the year ended 31st March 2013

	<i>Note</i>	<b>2013 HK\$</b>	2012 HK\$ (Restated)
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>113,220,158</b>	138,558,762
Changes in fair value of investment properties		<b>(2,600,000)</b>	(600,000)
Share of profits less losses of associated companies		<b>(103,965,956)</b>	(131,642,750)
<b>Operating profit before working capital changes</b>			
Decrease in completed properties held for sale		<b>27,132</b>	–
Decrease/(increase) in trade and other receivables		<b>393,763</b>	(229,105)
(Increase)/decrease in financial assets at fair value through profit or loss		<b>(386,694)</b>	3,464
Increase in trade and other payables		<b>197,344</b>	339,231
<b>Net cash generated from operations</b>			
Hong Kong profits tax (paid)/refunded		<b>(171,838)</b>	952,769
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Decrease/(increase) in bank deposits with maturity over three months		<b>278,153,282</b>	(201,159,519)
Dividends received from associated companies		<b>30,587,175</b>	3,783,477
Advances to associated companies		<b>(30,760,413)</b>	(18,384,028)
Repayment of advances to associated companies		<b>33,074,700</b>	41,058,328
<b>Net cash generated from/(used in) investing activities</b>			
<b>Cash flows from financing activity</b>			
Dividends paid to the Company's equity holders		<b>(43,545,600)</b>	(48,384,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
<b>Cash and cash equivalents at beginning of the year</b>		<b>82,887,349</b>	298,590,720
<b>Cash and cash equivalents at end of the year</b>	<i>21</i>	<b>357,110,402</b>	82,887,349

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31st March 2013

	<i>Note</i>	<b>2013 HK\$</b>	2012 HK\$ (Restated)
<b>Total equity at beginning of the year</b>			
As previously reported		<b>1,003,904,596</b>	932,374,312
Effect on adoption of HKAS 12 (Amendment)		<b>79,971,375</b>	61,202,625
As restated		<b>1,083,875,971</b>	993,576,937
Profit and total comprehensive income for the year	23	<b>113,221,908</b>	138,683,034
Dividends	23	<b>(43,545,600)</b>	(48,384,000)
<b>Total equity at end of the year</b>		<b>1,153,552,279</b>	1,083,875,971

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Room 2500, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong.

The principal activities of the Company are investment holding and property investment. The activities of the subsidiaries and associated companies are shown in Notes 15 and 16 to the consolidated financial statements respectively.

These consolidated financial statements are presented in Hong Kong dollar (HK\$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28th June 2013.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties which are carried at fair value.

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

### *The adoption of amendments to existing standards*

The Group adopted the amendments to existing standards below, which are relevant to its operations.

HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

The Group has assessed the impact of the adoption of these amendments and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements except for the amendment of HKAS 12.

This amendment to HKAS 12 provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when an investment property is measured at fair value. The amendment introduces a presumption that an investment property measured at fair value will be recovered entirely through sale rather than over time through operations. The implication is that deferred tax liabilities are not provided as capital gains upon sale are not taxed in Hong Kong. This represents a change in the accounting policy which is applied retrospectively.

The consolidated balance sheet at 1st April 2011, 31st March 2012 and the consolidated statements of comprehensive income for the year ended 31st March 2012 have been restated to reflect the effect of adoption of this amendment to HKAS 12 which is presented as follows:

# Notes to the Consolidated Financial Statements (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

*The adoption of amendments to existing standards (Continued)*

#### Group

	<b>31st March 2013 HK\$</b>	31st March 2012 HK\$	1st April 2011 HK\$
<b>Consolidated balance sheet</b>			
<b>Assets</b>			
Increase in investments in associated companies	<b>81,916,544</b>	69,921,044	51,251,294
Increase in deferred income tax assets	<b>316,864</b>	132,589	–
<b>Liabilities</b>			
Decrease in deferred income tax liabilities	<b>10,162,467</b>	9,917,742	9,951,331
	<b>92,395,875</b>	79,971,375	61,202,625
<b>Equity</b>			
Increase in retained profits	<b>92,395,875</b>	79,971,375	61,202,625

	<b>Year ended 31st March 2013 HK\$</b>	Year ended 31st March 2012 HK\$
<b>Consolidated statement of comprehensive income</b>		
Increase in share of profits less losses of associated companies	<b>11,995,500</b>	18,669,750
Decrease in income tax expense	<b>429,000</b>	99,000
Increase in profit for the year	<b>12,424,500</b>	18,768,750
Increase in basic and diluted earnings per share	<b>0.10</b>	0.16

## Company

	<b>31st March 2013 HK\$</b>	31st March 2012 HK\$	1st April 2011 HK\$
<b>Balance sheet</b>			
<b>Assets</b>			
Increase in deferred income tax assets	<b>316,864</b>	132,589	–
<b>Liabilities</b>			
Decrease in deferred income tax liabilities	<b>10,162,467</b>	9,917,742	9,951,331
	<b>10,479,331</b>	10,050,331	9,951,331
<b>Equity</b>			
Increase in retained profits	<b>10,479,331</b>	10,050,331	9,951,331

(b) Standards and amendments to existing standards that are relevant but not yet effective

<b>New or revised standards</b>	<b>Effective for accounting periods beginning on or after</b>
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Income 1 July 2012
HKAS 19 (2011)	Employee benefits 1 January 2013
HKAS 27 (2011)	Separate Financial Statements 1 January 2013
HKAS 28 (2011)	Investments in Associates, and Joint Ventures 1 January 2013
HKFRS 7 Amendment	Disclosures – Offsetting financial assets and financial liabilities 1 January 2013
HKFRS 10	Consolidated Financial Statements 1 January 2013
HKFRS 11	Joint Arrangements 1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities 1 January 2013
HKFRS 13	Fair Value Measurement 1 January 2013
Fourth annual improvement project (2011)	Improvements for HKFRS published in June 2012 1 January 2013
HKAS 32 Amendment	Presentation – Offsetting financial assets and financial liabilities 1 January 2014
HKFRS 9	Financial instruments 1 January 2015
HKFRS 7 and 9 Amendments	Mandatory effective date and transition of disclosures 1 January 2015



# Notes to the Consolidated Financial Statements *(CONTINUED)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Standards and amendments to existing standards that are relevant but not yet effective *(Continued)*

The Group has not early adopted the above new or revised standards and amendments. The Group is in the process of making an assessment of the impact of these new or revised standards and amendments upon initial application and is not yet in a position to state whether these new or revised standards and amendments have any significant impact on the Group's result of operations and financial position.

### (c) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st March.

#### (i) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of comprehensive income.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) *Associated companies*

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The carrying amount of the investment is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company.

# Notes to the Consolidated Financial Statements *(CONTINUED)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Consolidation *(Continued)*

#### *(ii) Associated companies (Continued)*

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

### (d) Foreign currency translation

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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and the Group's presentation currency. The functional currency of all subsidiaries and associated companies of the Group is Hong Kong dollar.

#### *(ii) Transactions and balances*

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities, and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in the statement of comprehensive income, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the investment revaluation reserve in equity.

**(e) Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under finance leases and buildings held under finance leases.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value and is not depreciated. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. These valuations are performed at least annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflow that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is accounted for as part of the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Changes in fair values are recognised in the statement of comprehensive income.

# Notes to the Consolidated Financial Statements *(CONTINUED)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Impairment of investments in subsidiaries, associated companies and non-financial assets

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

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

### (g) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

#### (i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables of the Group include trade and other receivables in the balance sheet.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than those that meet the definition of loans and receivables and those the Group designates as available-for-sale or at fair value through profit or loss.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories including financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. They are included in non-current assets unless matures or management intends to dispose of the investment within twelve months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. All other financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the statement of comprehensive income.

# Notes to the Consolidated Financial Statements *(CONTINUED)*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Financial assets *(Continued)*

Changes in the fair value of monetary securities denominated in a foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences resulting from changes in the amortised cost are recognised in the statement of comprehensive income, and other changes in carrying amount are recognised in equity. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as “gains and losses from available-for-sale financial assets”.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of receivables is described in Note 2(h).

**(h) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

**(i) Completed properties held for sale**

Completed properties held for sale is classified under current assets and carried at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

**(j) Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with financial institutions with original maturities of three months or less.

**(k) Current and deferred income tax**

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

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



# Notes to the Consolidated Financial Statements *(CONTINUED)*

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### **(k) Current and deferred income tax** *(Continued)*

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

### **(l) Employee benefits**

The Group participates in two defined contribution retirement benefits schemes. The Group's contributions under the schemes are charged to the statement of comprehensive income as incurred. The amount of the Group's contributions is based on specified percentages of the salaries of employees.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### **(m) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### **(n) Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to operating leases net of any incentives received from the lessors are charged to the statement of comprehensive income on a straight-line basis over the periods of the respective leases.

### **(o) Revenue recognition**

Rental income is recognised over the periods of the respective leases on a straight-line basis.

Sales of completed properties are recognised upon completion of the sales agreements.

Management fee income is recognised when services are rendered.

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

Dividend income is recognised when the right to receive payment is certain.

Construction supervision fee income is recognised when services are rendered to customers.

# Notes to the Consolidated Financial Statements *(CONTINUED)*

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### (p) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

### (q) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's Directors/equity holders.

## **3 FINANCIAL RISK MANAGEMENT**

### (a) Financial risk factors

The Group's activities expose it to various types of financial risks which include market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

#### *(i) Market risk – foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the functional currencies of the entities of the Group.

The majority of the Group's monetary assets and monetary liabilities and the rental income are denominated in Hong Kong dollar, except for certain financial assets at fair value through profit or loss and bank deposits which are denominated in the United States dollar and Renminbi ("RMB") respectively.

The Group's exposure to foreign exchange risk arising from financial assets denominated in United States dollar is insignificant as Hong Kong dollar is pegged to the United States dollar.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 31st March 2013, if Hong Kong dollar had weakened or strengthened by 1% (2012: 1%) against RMB, with all other variables held constant, profit before income tax for the year would have been higher or lower by approximately HK\$651,000 (2012: HK\$625,000) as a result of foreign exchange gains/losses arising from deposits.

(ii) *Market risk – price risk*

*Financial assets at fair value through profit or loss*

The Group is exposed to price risk arising from investments classified as financial assets at fair value through profit or loss. The Group's price risk is mainly concentrated on listed securities. To manage its price risk arising from financial assets at fair value through profit or loss, the Group diversifies its portfolio.

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

If market prices of investments had been 10% higher/lower, the Group's post-tax profit for the year ended 31st March 2013 would increase/decrease by approximately HK\$294,000 (2012: HK\$255,000).

## Notes to the Consolidated Financial Statements *(CONTINUED)*

### **3 FINANCIAL RISK MANAGEMENT** *(Continued)*

#### (a) Financial risk factors *(Continued)*

##### *(iii) Market risk – Interest rate risk*

The Group is exposed to changes in market interest rates through bank deposits.

The following analyses the impact on the Group's post-tax profit assuming a reasonable possible change in interest rates for bank deposits, with all other variables held constant.

As at 31st March 2013, if market interest rates had been 50 basis points higher/lower, the Group's post-tax profit would increase/decrease by approximately HK\$1,772,000 (2012: HK\$1,799,000).

The Group has no interest bearing liabilities.

##### *(iv) Credit risk*

The carrying amounts of bank deposits, financial assets at fair value through profit or loss, trade and other receivables and amounts due from associated companies represent the Group's maximum exposure to credit risk in relation to financial assets.

Bank deposits and financial assets at fair value through profit or loss were placed with banks and a financial institution with sound credit ratings to mitigate the risk.

The Group has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases and sale proceeds are received before the assignments of properties are executed. Amounts due from associated companies are generally supported by the underlying assets and the Group monitors the credibility of associated companies continuously. At each balance sheet date, the Group reviews the recoverable amount of each debtor to ensure that adequate provision is made for irrecoverable amounts.

(v) *Liquidity risk*

To achieve the prudent liquidity risk management the Group holds sufficient cash for operation.

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities and derivative financial instruments that will be settled on a gross basis into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 year HK\$</b>	<b>Between 1 and 2 years HK\$</b>	<b>Between 2 and 5 years HK\$</b>	<b>Total HK\$</b>
<b>Group</b>				
<b>At 31st March 2013</b>				
Amounts due to associated companies	<b>13,011,614</b>	–	–	<b>13,011,614</b>
Trade and other payables	<b>2,823,323</b>	<b>106,032</b>	–	<b>2,929,355</b>
At 31st March 2012				
Amounts due to associated companies	20,376,052	–	–	20,376,052
Trade and other payables	2,376,212	645,039	–	3,021,251
<b>Company</b>				
<b>At 31st March 2013</b>				
Amounts due to subsidiaries	<b>21,629,063</b>	–	–	<b>21,629,063</b>
Amounts due to associated companies	<b>13,011,614</b>	–	–	<b>13,011,614</b>
Trade and other payables	<b>2,304,653</b>	–	–	<b>2,304,653</b>
At 31st March 2012				
Amounts due to subsidiaries	20,310,722	–	–	20,310,722
Amounts due to associated companies	20,376,052	–	–	20,376,052
Trade and other payables	1,857,543	584,547	–	2,442,090

# Notes to the Consolidated Financial Statements *(CONTINUED)*

## **3 FINANCIAL RISK MANAGEMENT** *(Continued)*

### **(b) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to support future development of the business. The Group's strategy remains unchanged from the year ended 31st March 2012 and is to maintain net cash position.

The Group considers the total equity of the Group as its capital.

The Group reviews the capital structure periodically and manages its overall capital structure through payment of dividends.

### **(c) Fair value estimation**

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined on the basis set out in Note 2(g).

The carrying amounts of trade and other receivables, cash and bank deposits and trade and other payables approximate their fair values. The fair value of other financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group's financial instruments are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed equity securities classified as financial assets at fair value through profit or loss.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Fair value of investment properties

The fair values of investment properties are determined by an independent valuer on an open market for existing use basis with reference to comparable market transactions. In making the judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.



## Notes to the Consolidated Financial Statements *(CONTINUED)*

### **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS** *(Continued)*

#### **(a) Fair value of investment properties** *(Continued)*

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals, expected future market rentals, maintenance requirements and appropriate discount rates. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market. The valuations are reviewed annually by an external valuer.

#### **(b) Income taxes**

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

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

## 5 REVENUES

	2013 HK\$	2012 HK\$
Rental income		
Investment properties	1,009,871	629,333
Other properties	3,466,058	3,306,405
Sales of completed properties held for sale	1,350,000	–
Management fee income	1,342,650	1,266,432
Bank interest income	5,116,509	4,511,453
Dividend income – Listed investments	64,007	57,061
Construction supervision fee income	571,200	429,800
	<b>12,920,295</b>	10,200,484

## 6 OTHER GAINS, NET

	2013 HK\$	2012 HK\$
Net exchange gains	843,797	2,318,074
Loss on disposal of an associated company	–	(3)
Sundries	26,022	26,355
	<b>869,819</b>	2,344,426

## Notes to the Consolidated Financial Statements (CONTINUED)

### 7 EXPENSES BY NATURE

	2013 HK\$	2012 HK\$
Direct outgoings in relation to properties that generate income		
Investment properties	250,345	170,635
Other properties	213,619	203,344
	<b>463,964</b>	373,979
Cost of sales of completed properties	<b>47,181</b>	–
Staff costs (including Directors' remuneration)		
Salaries and other emoluments	5,449,687	4,349,336
Contributions to retirement schemes (Note 10)	278,041	248,739
	<b>5,727,728</b>	4,598,075
Other operating expenses		
Auditor's remuneration		
Audit fees	465,300	423,880
Non-audit fees	158,900	158,900
Others	659,533	670,600
	<b>1,283,733</b>	1,253,380

### 8 SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES

The Group's share of results of associated companies included the Group's share of fair value gains on investment properties held by associated companies amounting to HK\$72,700,000 (2012 restated: HK\$113,150,000).

## 9 REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of each of the Directors of the Company is set out below:

### Year ended 31st March 2013

	Fees HK\$	Salaries HK\$	Total HK\$
<b>Executive Directors</b>			
Mr. Cheung Kee Wee ( <i>Chairman</i> )	80,000	300,000	380,000
Mr. Cheung Lin Wee	80,000	300,000	380,000
Mr. Cheung Ying Wai, Eric	80,000	300,000	380,000
<b>Non-executive Directors</b>			
Mr. John Ho	80,000	–	80,000
Mr. Ng Kwok Tung	80,000	–	80,000
<b>Independent Non-executive Directors</b>			
Mr. Lam Hon Keung, Keith	80,000	–	80,000
Mr. Chan Woon Kong	80,000	–	80,000
Mr. Soo Hung Leung, Lincoln	80,000	–	80,000
	640,000	900,000	1,540,000

## Notes to the Consolidated Financial Statements (CONTINUED)

### 9 REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

(Continued)

Year ended 31st March 2012

	Fees HK\$	Salaries HK\$	Total HK\$
<b>Executive Directors</b>			
Mr. Cheung Kee Wee ( <i>Chairman</i> )	80,000	–	80,000
Mr. Cheung Lin Wee	80,000	–	80,000
Mr. Cheung Ying Wai, Eric	80,000	–	80,000
<b>Non-executive Directors</b>			
Mr. John Ho	80,000	–	80,000
Mr. Ng Kwok Tung	80,000	–	80,000
<b>Independent Non-executive Directors</b>			
Mr. Lam Hon Keung, Keith	80,000	–	80,000
Mr. Chan Woon Kong	80,000	–	80,000
Mr. Soo Hung Leung, Lincoln	80,000	–	80,000
	640,000	–	640,000

No other emoluments were paid and none of the Directors has waived the right to receive their emoluments for the years ended 31st March 2013 and 2012.

Details of the emoluments paid to the five individuals, with two (2012: none) of whom are Directors, whose emoluments were the highest in the Group are:

	2013 HK\$	2012 HK\$
Salaries and other emoluments	2,405,211	1,996,461
Contributions to retirement schemes	68,618	108,247
	<b>2,473,829</b>	2,104,708

The emoluments of each of the five highest paid individuals are below HK\$1,000,000 for the years ended 31st March 2013 and 2012.

## 10 RETIREMENT SCHEMES

The Group operates two defined contribution retirement schemes in Hong Kong which comply with the respective requirements of the Occupational Retirement Schemes Ordinance ("ORSO") and Mandatory Provident Fund ("MPF") Schemes Ordinance. The schemes cover all the employees of the Group. All the assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Schemes Ordinance while contributions to the ORSO Scheme are based on a percentage of employee salary depending upon the length of employment.

## 11 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year.

	2013 HK\$	2012 HK\$ (Restated)
Hong Kong profits tax		
Provision for the year	(183,233)	(149,477)
Over-provision in prior years	765	2
Deferred income tax ( <i>Note 24</i> )	184,218	273,747
	<b>1,750</b>	124,272

## Notes to the Consolidated Financial Statements (CONTINUED)

### 11 INCOME TAX CREDIT (Continued)

The income tax expense on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong, the country in which the Group operates, as follows:

	2013 HK\$	2012 HK\$ (Restated)
Profit before income tax	113,220,158	138,558,762
Share of profits less losses of associated companies	(103,965,956)	(131,642,750)
	9,254,202	6,916,012
-----		
Calculated at a tax rate of 16.5% (2012: 16.5%)	(1,526,943)	(1,141,142)
Over-provision in prior years	765	2
Income not subject to tax	1,491,052	1,239,636
Expenses not deductible for tax purposes	(182)	(1,413)
Tax losses not recognised	(10,321)	(26,323)
Statutory tax reduction	47,374	53,510
Others	5	2
Income tax credit	1,750	124,272

### 12 DIVIDENDS

	2013 HK\$	2012 HK\$
Interim dividend paid of HK11 cents (2012: HK10 cents) per share	13,305,600	12,096,000
Proposed final dividend of HK11 cents (2012: HK10 cents) per share	13,305,600	12,096,000
Proposed special dividend of HK13 cents (2012: HK15 cents) per share	15,724,800	18,144,000
	42,336,000	42,336,000

At the Board meeting held on Friday, 28th June 2013, the Board of Directors proposed a final dividend of HK11 cents per share and a special dividend of HK13 cents per share. These proposed dividends will be accounted for as an appropriation of retained profits for the year ending 31st March 2014.

### 13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
		(Restated)
Profit attributable to equity holders of the Company	<b>113,221,908</b>	138,683,034
Weighted average number of ordinary shares in issue	<b>120,960,000</b>	120,960,000
Earnings per share (Basic and diluted)	<b>0.94</b>	1.15

The Company has no dilutive potential ordinary shares.

### 14 INVESTMENT PROPERTIES

	<b>Group and Company</b>	
	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
At valuation		
At beginning of the year	<b>65,400,000</b>	64,800,000
Fair value gains	<b>2,600,000</b>	600,000
At end of the year	<b>68,000,000</b>	65,400,000

The investment properties are held on finance leases of over 50 years in Hong Kong. As at 31st March 2013 and 2012, the investment properties were revalued on an open market value basis by C S Surveyors Limited, an independent qualified professional valuer.

The Group leases out its investment properties under operating leases. Leases typically run for an initial period of one to two years, with some having the option to renew, at which time all terms are renegotiated.



## Notes to the Consolidated Financial Statements (CONTINUED)

### 15 SUBSIDIARIES

	Company	
	2013 HK\$	2012 HK\$
Unlisted shares, at cost less provision	110,344	110,344

Particulars of the subsidiaries, all of which are wholly-owned by the Company, are as follows:

Name	Principal activities	Particulars of issued share capital
Festigood Company Limited	Property development	2 ordinary shares of HK\$1 each
Galy Property Management Limited	Property management	2 ordinary shares of HK\$1 each
Khanman Property Limited	Dormant	2 ordinary shares of HK\$100 each
Tai Kong Shan Realty Limited	Property investment	100,000 ordinary shares of HK\$1 each
Tinpoly Realty Limited	Property investment	4 ordinary shares of HK\$10 each
Wah Ha Construction Company Limited	Building contractor	2 ordinary shares of HK\$1 each
Wah Ha Real Estate Agency Limited	Property agency	1,000 ordinary shares of HK\$10 each
WH Properties Limited	Dormant	100 ordinary shares of HK\$1 each

All subsidiaries are incorporated and operate in Hong Kong and are held directly by the Company.

Amounts due from subsidiaries are unsecured, interest-free and have no specific repayment terms.

	Company	
	2013 HK\$	2012 HK\$
Amounts due from subsidiaries	1,902,641	1,898,984
Less: provision for impairment	(1,610,998)	(1,548,998)
	<b>291,643</b>	349,986

Movements in the provision for impairment of amounts due from subsidiaries are as follows:

	Company	
	2013 HK\$	2012 HK\$
At beginning of the year	1,548,998	1,388,998
Charged to the statement of comprehensive income	62,000	160,000
At end of the year	<b>1,610,998</b>	1,548,998

Amounts due to subsidiaries are unsecured, interest-free and have no specific repayment terms.

	Company	
	2013 HK\$	2012 HK\$
Amounts due to subsidiaries	<b>21,629,063</b>	20,310,722

## Notes to the Consolidated Financial Statements (CONTINUED)

### 16 ASSOCIATED COMPANIES

	2013 HK\$	2012 HK\$ (Restated)
Group – share of net assets	678,561,246	605,182,465
Company – unlisted shares, at cost less provision	1,090,617	1,090,618

	Group and Company	
	2013 HK\$	2012 HK\$
Amounts due from associated companies		
– Non-current portion (Note a)	9,636,681	14,563,681
– Current portion (Note b)	43,660,016	48,411,741
Amounts due to associated companies (Note b)	53,296,697 (13,011,614)	62,975,422 (20,376,052)
	40,285,083	42,599,370

Notes:

- (a) The Company confirmed that these balances are unsecured, interest free and have no specific repayment terms but are not expected to be repaid within one year.
- (b) Amounts due from/to associated companies are unsecured, interest free and have no specific repayment terms.
- (c) Movements in the provision for impairment of amounts due from associates are as follows:

	Group and Company	
	2013 HK\$	2012 HK\$
At beginning of the year	–	17,010,000
Charged to the statement of comprehensive income	–	2,811,667
Written off during the year	–	(19,821,667)
At end of the year	–	–

The Group has not provided any guarantees in respect of any borrowings or facilities of the associated companies and has not entered into any agreements to make further advances to the associated companies.

The Group's share of results, assets and liabilities of the associated companies is summarised as follows:

(a) Results

	<b>2013</b> <b>HK\$</b>	2012 HK\$ (Restated)
Revenues	<b>43,913,212</b>	31,158,953
Profit for the year	<b>103,965,956</b>	131,642,750

(b) Net assets

	<b>2013</b> <b>HK\$</b>	2012 HK\$ (Restated)
Assets	<b>753,460,917</b>	695,290,717
Liabilities	<b>(74,899,671)</b>	(90,108,252)
Net assets	<b>678,561,246</b>	605,182,465

## Notes to the Consolidated Financial Statements (CONTINUED)

### 16 ASSOCIATED COMPANIES (Continued)

Particulars of the associated companies are as follows:

<b>Name</b>	<b>Principal activities</b>	<b>Particulars of issued share capital</b>	<b>Effective percentage of equity held by the Group</b>
Daily Eagle Development Limited	Property development	4 ordinary shares of HK\$1 each	25
Eastern Tailor Enterprises Limited	Property investment	10,000 ordinary shares of HK\$1 each	25
Fu Kung San Realty Limited	Investment holding	100 ordinary shares of HK\$10 each	50
Fullion Realty Limited*	Dormant	4 ordinary shares of HK\$10 each	50
Fupoly Properties Limited	Property investment	10,000 ordinary shares of HK\$10 each	25
Hinquand Enterprise Limited	Property investment	1,000 ordinary shares of HK\$10 each	50
Keneva Company Limited	Property development	20 ordinary shares of HK\$10 each	25
Kin Yuen Hing Investment Company Limited	Property development	200,000 ordinary shares of HK\$1 each	50
Mass Collection Company Limited	Property development	2 ordinary shares of HK\$1 each	50
Remadour Estate Limited	Property investment	10,000 ordinary shares of HK\$1 each	25
Sing Mei Properties Limited	Property investment	69,513 ordinary shares of HK\$100 each	25

<b>Name</b>	<b>Principal activities</b>	<b>Particulars of issued share capital</b>	<b>Effective percentage of equity held by the Group</b>
Star Fortune Investments Limited	Property development	2 ordinary shares of HK\$1 each	50
Sun Prince Godown Limited	Property investment	100,000 ordinary shares of HK\$10 each	50
Sun Tai Tsuen Godown Company Limited	Property investment	100,000 ordinary shares of HK\$10 each	50
Wah Ha Property Development Limited	Property investment	10 ordinary shares of HK\$10 each	50

\* *By a resolution dated 25th February 2013, Fullion Realty Limited commenced deregistration under Section 291AA of the Hong Kong Companies Ordinance.*

All associated companies are incorporated and operate in Hong Kong and are held directly by the Company except for Sing Mei Properties Limited which is 50% owned by a 50% owned associated company, Fu Kung San Realty Limited.

During the year ended 31st March 2013, Chase Good Development Limited, in which the Company formerly held 25% equity interest, was deregistered in November 2012.

## Notes to the Consolidated Financial Statements (CONTINUED)

### 17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2013 HK\$	2012 HK\$
Unlisted shares, at cost	<b>250,448</b>	250,448

The Directors are of the opinion that the fair value of the available-for-sale financial assets cannot be reliably measured since there are no recent market transactions between knowledgeable, willing parties on an arm's length basis and future cash flows available from the available-for-sale financial assets cannot be determined reliably. Accordingly, the available-for-sale financial assets are stated at cost.

### 18 COMPLETED PROPERTIES HELD FOR SALE

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Completed properties held for sale in Hong Kong				
At beginning of the year	<b>6,524,147</b>	6,524,147	<b>690,408</b>	690,408
Disposals	<b>(27,132)</b>	–	<b>(27,132)</b>	–
At end of the year	<b>6,497,015</b>	6,524,147	<b>663,276</b>	690,408

The completed properties held for sale in Hong Kong are held on finance leases of between 10 to 50 years.

## 19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Trade receivables				
Within 3 months	555,220	587,211	220,000	359,000
Other receivables	488,110	864,905	480,864	853,329
Prepayments and utility deposits	207,068	192,045	176,138	163,613
	<b>1,250,398</b>	1,644,161	<b>877,002</b>	1,375,942

Notes:

- (a) Trade receivables represent rental and management fee receivables. Rental receivable is normally due for payment upon presentation of debit note at the beginning of each rental period (normally on a monthly basis). The trade receivables are generally fully covered by the rental deposits from corresponding tenants. Management fee receivable is normally due for payment upon presentation of debit note at the end of each month. The above ageing analysis is based on the debit note date.

Receivables are denominated in Hong Kong dollar and the Directors consider that the fair value of these receivables at the balance sheet date was approximately their carrying amounts.

- (b) As at 31st March 2013, trade receivables of HK\$335,220 (2012: HK\$237,211) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.
- (c) At 31st March 2013, there are no trade receivables of the Group and the Company individually determined to be impaired (2012: nil).

## 20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2013 HK\$	2012 HK\$
Listed shares – Overseas	2,938,493	2,551,799

Financial assets at fair value through profit or loss are denominated in United States dollar.



## Notes to the Consolidated Financial Statements (CONTINUED)

### 21 CASH AND BANK BALANCES

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Bank deposits with original maturity over three months	–	278,153,282	–	274,033,256
Cash and cash equivalents				
Cash in hand	40,000	12,000	–	–
Bank balances	2,601,673	1,236,292	1,554,923	231,523
Bank deposits with original maturity less than three months	354,468,729	81,639,057	348,681,098	80,041,632
	<b>357,110,402</b>	<b>82,887,349</b>	<b>350,236,021</b>	<b>80,273,155</b>
Total	<b>357,110,402</b>	<b>361,040,631</b>	<b>350,236,021</b>	<b>354,306,411</b>

Bank deposits and bank balances are placed with the following banks in Hong Kong:

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
The Bank of East Asia, Limited	357,000,106	360,951,957	350,165,725	354,229,737
Others	70,296	76,674	70,296	76,674
	<b>357,070,402</b>	<b>361,028,631</b>	<b>350,236,021</b>	<b>354,306,411</b>

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

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Hong Kong dollar	290,550,454	297,104,931	283,676,073	290,370,711
United States dollar	1,488,442	1,407,588	1,488,442	1,407,588
Renminbi	65,071,506	62,528,112	65,071,506	62,528,112
	<b>357,110,402</b>	<b>361,040,631</b>	<b>350,236,021</b>	<b>354,306,411</b>

## 22 SHARE CAPITAL

	2013 HK\$	2012 HK\$
<i>Authorised:</i>		
150,000,000 ordinary shares of HK\$0.65 each	<b>97,500,000</b>	97,500,000
<i>Issued and fully paid:</i>		
120,960,000 ordinary shares of HK\$0.65 each	<b>78,624,000</b>	78,624,000

## 23 RETAINED PROFITS

	Group HK\$ (Restated)	Company HK\$ (Restated)
At 31st March 2011, as previously reported	853,750,312	400,441,102
Effect on adoption of HKAS 12 (Amendment)	61,202,625	9,951,331
At 31st March 2011, as restated	914,952,937	410,392,433
Profit for the year, as restated	138,683,034	7,049,709
2011 final dividend	(9,676,800)	(9,676,800)
2011 special dividend	(26,611,200)	(26,611,200)
2012 interim dividend	(12,096,000)	(12,096,000)
At 31st March 2012, as restated	1,005,251,971	369,058,142
At 31st March 2012, as previously reported	925,280,596	359,007,811
Effect on adoption of HKAS 12 (Amendment)	79,971,375	10,050,331
At 31st March 2012, as restated	1,005,251,971	369,058,142
Profit for the year	113,221,908	38,566,572
2012 final dividend	(12,096,000)	(12,096,000)
2012 special dividend	(18,144,000)	(18,144,000)
2013 interim dividend	(13,305,600)	(13,305,600)
<b>At 31st March 2013</b>	<b>1,074,928,279</b>	<b>364,079,114</b>

## Notes to the Consolidated Financial Statements *(CONTINUED)*

### 24 DEFERRED INCOME TAX

Deferred income tax is calculated on temporary differences under the liability method using a tax rate of 16.5% (2012: 16.5%).

	<b>2013</b> <b>HK\$</b>	2012 HK\$ (Restated)
<b>Group</b>		
Deferred income tax assets	<b>317,546</b>	133,328
<b>Company</b>		
Deferred income tax assets	<b>316,864</b>	132,589

A substantial portion of deferred income tax assets will be recovered after twelve months from the balance sheet date.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>Assets/(liabilities)</b>			<b>Total</b> HK\$ (Restated)
	<b>Tax losses</b> HK\$	<b>Accelerated depreciation allowances</b> HK\$	<b>Fair value gains on investment properties</b> HK\$ (Restated)	
<b>Group</b>				
At 31st March 2011, as previously reported	–	(140,419)	(9,951,331)	(10,091,750)
Effect on adoption of HKAS 12 Amendment	–	–	9,951,331	9,951,331
At 31st March 2011, as restated	–	(140,419)	–	(140,419)
Credited/(charged) to consolidated statement of comprehensive income, as restated ( <i>Note 11</i> )	281,654	(7,907)	–	273,747
At 31st March 2012	281,654	(148,326)	–	133,328
At 31st March 2012, as previously reported	281,654	(148,326)	(10,050,331)	(9,917,003)
Effect on adoption of HKAS 12 Amendment	–	–	10,050,331	10,050,331
At 31st March 2012, as restated	281,654	(148,326)	–	133,328
Credited/(charged) to consolidated statement of comprehensive income ( <i>Note 11</i> )	192,117	(7,899)	–	184,218
<b>At 31st March 2013</b>	<b>473,771</b>	<b>(156,225)</b>	<b>–</b>	<b>317,546</b>

## Notes to the Consolidated Financial Statements (CONTINUED)

### 24 DEFERRED INCOME TAX (Continued)

	Assets/(liabilities)			
	Tax losses HK\$	Accelerated depreciation allowances HK\$	Fair value gains on investment properties HK\$ (Restated)	Total HK\$ (Restated)
<b>Company</b>				
At 31st March 2011, as previously reported	–	(141,219)	(9,951,331)	(10,092,550)
Effect on adoption of HKAS 12 Amendment	–	–	9,951,331	9,951,331
At 31st March 2011, as restated	–	(141,219)	–	(141,219)
Credited/(charged) to statement of comprehensive income, as restated (Note 11)	281,654	(7,846)	–	273,808
At 31st March 2012	281,654	(149,065)	–	132,589
At 31st March 2012, as previously reported	281,654	(149,065)	(10,050,331)	(9,917,742)
Effect on adoption of HKAS 12 Amendment	–	–	10,050,331	10,050,331
At 31st March 2012, as restated	281,654	(149,065)	–	132,589
Credited/(charged) to statement of comprehensive income (Note 11)	192,117	(7,842)	–	184,275
<b>At 31st March 2013</b>	<b>473,771</b>	<b>(156,907)</b>	<b>–</b>	<b>316,864</b>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. Deferred tax assets of HK\$352,000 (2012: HK\$341,000) arising from unused tax losses of HK\$2,134,000 (2012: HK\$2,071,000) have not been recognised in the financial statements. These tax losses have no expiry date.

## 25 TRADE AND OTHER PAYABLES

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
Trade payables				
Within 3 months	111	37,631	–	36,089
Other payables	1,296,067	1,234,485	1,285,858	1,226,437
Rental and utility deposits received	950,654	919,293	601,547	615,147
Accrued expenses	682,523	829,842	417,248	564,417
Deposit received	289,240	–	–	–
	<b>3,218,595</b>	3,021,251	<b>2,304,653</b>	2,442,090

## 26 OPERATING LEASE RENTAL RECEIVABLE

The future aggregate minimum lease rental income under non-cancellable operating leases in respect of land and buildings is receivable in the following years:

	Group		Company	
	2013 HK\$	2012 HK\$	2013 HK\$	2012 HK\$
First year	3,370,211	3,349,407	1,963,700	2,490,100
Second to fifth years inclusive	292,520	2,260,300	–	2,091,600
	<b>3,662,731</b>	5,609,707	<b>1,963,700</b>	4,581,700

## Notes to the Consolidated Financial Statements (CONTINUED)

### 27 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions carried out in the normal course of the Group's business during the year, other than those disclosed elsewhere in the financial statements.

	2013 HK\$	2012 HK\$
Related company		
Estate agency fee income	150,000	150,000

The Group provided estate agency services to a related company at a fixed annual fee.

The Group is provided with office space and office furniture and fixtures by a related company.

The key management of the Company refer to the Directors and their remuneration are set out in Note 9.

### 28 SEGMENT INFORMATION

The principal activities of the Group include those relating to investment holding, property development, investment and management in Hong Kong. There is no other significant identifiable separate business. In accordance with the Group's internal financial reporting provided to the chief operating decision-maker for the purpose of allocating resources, assessing performance of the operating segments and making strategic decision, the reportable operating segments are property development, investment and management and investments.

Segment assets consist of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, receivables and completed properties held for sale and exclude items such as cash and bank balances, tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and deferred income tax liabilities.

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
<b>Year ended 31st March 2013</b>			
Revenues	7,739,779	5,180,516	12,920,295
Segment results	8,077,516	6,411,007	14,488,523
Unallocated costs			(5,234,321)
Operating profit			9,254,202
Share of profits less losses of associated companies	103,965,956	–	103,965,956
Profit before income tax			113,220,158
Income tax credit			1,750
Profit attributable to equity holders of the Company			113,221,908
Segment assets	128,813,694	3,419,357	132,233,051
Associated companies	678,561,246	–	678,561,246
Unallocated assets			359,026,322
Total assets			1,169,820,619
Segment liabilities	15,604,351	–	15,604,351
Unallocated liabilities			663,989
Total liabilities			16,268,340
Changes in fair value of investment properties	2,600,000	–	2,600,000



## Notes to the Consolidated Financial Statements (CONTINUED)

### 28 SEGMENT INFORMATION (Continued)

	Property development, investment and management HK\$ (Restated)	Investments HK\$	Total HK\$ (Restated)
Year ended 31st March 2012			
Revenues	5,631,970	4,568,514	10,200,484
Segment results	4,209,789	6,883,121	11,092,910
Unallocated costs			(4,176,898)
Operating profit			6,916,012
Share of profits less losses of associated companies	131,642,750	–	131,642,750
Profit before income tax			138,558,762
Income tax credit			124,272
Profit attributable to equity holders of the Company			138,683,034
Segment assets	135,944,458	3,401,519	139,345,977
Associated companies	605,182,465	–	605,182,465
Unallocated assets			362,767,889
Total assets			1,107,296,331
Segment liabilities	22,945,653	–	22,945,653
Unallocated liabilities			474,707
Total liabilities			23,420,360
Changes in fair value of investment properties	600,000	–	600,000

Revenues of approximately HK\$1,560,000 (2012: HK\$1,560,000) are derived from a single external customer. These revenues are attributable to the property development, investment and management segment.

# Five Year Financial Summary

	2013 HK\$'000	2012 HK\$'000 (Restated)	2011 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)
<b>Results</b>					
<b>Year ended 31st March</b>					
Revenues/turnover	12,920	10,200	10,678	8,175	10,061
Profit before income tax	113,220	138,559	171,924	151,359	7,103
Profit attributable to equity holders of the Company	113,222	138,683	170,029	146,081	11,962
Dividends	42,336	42,336	42,336	12,096	7,258
<b>Assets and liabilities</b>					
<b>As at 31st March</b>					
Investment properties	68,000	65,400	64,800	64,700	50,550
Investments in associated companies	678,561	605,182	474,745	387,445	292,118
Amounts due from associated companies	9,637	14,564	41,968	53,891	55,624
Available-for-sale financial assets	250	250	250	250	250
Deferred income tax assets	318	133	1	1,187	6,619
Current assets	413,055	421,767	428,983	359,902	315,871
<b>Total assets</b>	<b>1,169,821</b>	<b>1,107,296</b>	<b>1,010,747</b>	<b>867,375</b>	<b>721,032</b>
Share capital	78,624	78,624	78,624	78,624	78,624
Retained profits	1,074,928	1,005,252	914,953	759,439	621,825
<b>Total equity</b>	<b>1,153,552</b>	<b>1,083,876</b>	<b>993,577</b>	<b>838,063</b>	<b>700,449</b>
Deferred income tax liabilities	–	–	141	–	–
Current liabilities	16,269	23,420	17,029	29,312	20,583
<b>Total liabilities</b>	<b>16,269</b>	<b>23,420</b>	<b>17,170</b>	<b>29,312</b>	<b>20,583</b>
<b>Total equity and liabilities</b>	<b>1,169,821</b>	<b>1,107,296</b>	<b>1,010,747</b>	<b>867,375</b>	<b>721,032</b>

*Note:* The figures for 2009-2012 are restated for the change in accounting policy – adoption of HKAS 12 (Amendment) – Deferred Tax: Recovery of Underlying Assets.

# Financial Summary of Associated Companies

A significant portion of the Group's property development and investment activities is undertaken by associated companies. However, none of the individual associated company is significant in relation to the results and net assets of the Group. To provide equity holders with information on the financial performance and position of the associated companies, the following is a summary of the aggregated results and net assets of the Group's associated companies for the year ended 31st March 2013:

	<b>2013</b>	2012
	<b>HK\$</b>	HK\$
		(Restated)
<b>Results</b>		
Revenues	<b>153,181,934</b>	106,669,790
Operating profit	<b>149,724,564</b>	79,535,041
Changes in fair value of investment properties	<b>260,400,000</b>	346,300,000
Profit before income tax	<b>410,124,564</b>	425,835,041
Income tax expense	<b>(21,461,228)</b>	(4,491,485)
Profit for the year	<b>388,663,336</b>	421,343,556
Group's share of profits less losses after income tax	<b>103,965,956</b>	131,642,750
<b>Net assets</b>		
Non-current assets	<b>2,224,870,275</b>	1,964,157,953
Current assets	<b>285,442,125</b>	284,497,763
Net amounts due to equity holders	<b>(111,853,171)</b>	(93,393,892)
Non-current liabilities	<b>(13,308,417)</b>	(12,474,440)
Current liabilities	<b>(45,516,849)</b>	(53,768,054)
Net assets	<b>2,339,633,963</b>	2,089,019,330
Group's share of net assets	<b>678,561,246</b>	605,182,465

# Principal Properties

As at 31st March 2013

## (A) FOR INVESTMENT

Description	Lot No.	Type	Lease Term	Owner
<b>GROUP</b>				
<b>Hong Kong</b>				
Flats B and C on 2/F, Hin Wah Building at Nos. 446-450 Hennessy Road, Causeway Bay	The Remaining Portion ("RP") of Sub-Section ("Subsec.") 1 of Section ("Sec.") A of Marine Lot No. 269; RP of Sec. A of Marine Lot No. 269; and RP of Sec. E of Marine Lot No. 201	Commercial	Long Lease	Wah Ha Realty Company Limited
Apartment B on 1/F and 2/F and 2 carparks, Repulse Bay Towers at No. 119A Repulse Bay Road, Repulse Bay	Sec. B of Rural Building Lot No. 168; RP of Sec. A of Rural Building Lot No. 168; and Sec. B of Subsec. 3 of Sec. A of Rural Building Lot No. 168	Residential	Long Lease	Wah Ha Realty Company Limited
<b>ASSOCIATED COMPANIES</b>				
<b>Hong Kong</b>				
Flat 11 on G/F of Montane Mansion at King's Road, Quarry Bay	Sec. C of Inland Lot No. 8104	Commercial	Long Lease	Wah Ha Property Development Limited
G/F and 2/F, Midland Centre (82 shops) at No. 328 Queen's Road Central	Inland Lot No. 8426	Commercial	Long Lease	Hinquand Enterprise Limited
Flat 2 on G/F and Basement and 2 carparks on Basement, Stewart Terrace at Nos. 81-95 Peak Road	Rural Building Lot Nos. 299-306	Residential	Medium Lease	Wah Ha Property Development Limited

## Principal Properties *(CONTINUED)*

As at 31st March 2013

### (A) FOR INVESTMENT *(Continued)*

Description	Lot No.	Type	Lease Term	Owner
<b>ASSOCIATED COMPANIES</b> <i>(Continued)</i>				
<b>Hong Kong</b> <i>(Continued)</i>				
Flat A on 6/F and 1 carpark, Mountain Lodge at No. 44 Mount Kellett Road	Rural Building Lot No. 199	Residential	Long Lease	Wah Ha Property Development Limited
Belvedere (5 townhouses and 12 carparks) at No. 41 Chung Hom Kok Road, Chung Hom Kok	Rural Building Lot No. 968	Residential	Long Lease	Remadour Estate Limited
Vista Stanley (8 duplex units, 4 flats and 23 carparks) at No. 20 Stanley Village Road, Stanley	RP of Rural Building Lot No. 239	Residential	Long Lease	Eastern Tailor Enterprises Limited
Horizon Plaza at No. 2 Lee Wing Street, Ap Lei Chau West, Aberdeen	Ap Lei Chau Inland Lot No. 122	Commercial	Medium Lease	Daily Eagle Development Limited and Double Joy Investment Company Limited

**(B) FOR SALE**

Description	Lot No.	Type	Approximate Gross Floor Area (sq. ft.)	Owner	Group's Effective Interest (%)
<b>Hong Kong</b>					
Eight Commercial Tower (186 office/industrial units, 69 shops on G/F and 1/F and 162 carparks) at junction of Sun Yip Street and On Yip Street, Chai Wan	Chai Wan Inland Lot No. 144	Office/Industrial Commercial (G/F and 1/F)	238,590 36,853	Keneva Company Limited	25
<b>Kowloon</b>					
Flat A on G/F, May Wah Court at Nos. 111 – 113 Chatham Road, Tsimshatsui	RP of Kowloon Inland Lot No. 9935 and RP of Kowloon Inland Lot No. 9936	Commercial	2,860	Wah Ha Realty Company Limited	100
<b>New Territories</b>					
Festigood Centre (4 units) at No. 8 Lok Yip Road, On Lok Tsuen, Fanling	Fanling Sheung Shui Town Lot No. 98	Industrial/ Godown	6,784	Festigood Company Limited	100
Delya Industrial Centre (25 units and 18 carparks) at Shek Pai Tau Road, Tuen Mun	Tuen Mun Town Lot No. 164	Industrial/ Godown	25,406	Tinpoly Realty Limited and Delya Realty Limited	50
Texaco Road Industrial Centre (27 units and 7 carparks) at Nos. 256-264 Texaco Road, Tsuen Wan	Tsuen Wan Town Lots Nos. 242 and 243	Industrial/ Godown	74,794	Sun Prince Godown Limited and Sun Tai Tsuen Godown Company Limited	50
Wing Kin Industrial Building (workshop on G/F and 6 carparks) at Nos. 4-6 Wing Kin Road, Kwai Chung	Kwai Chung Town Lot No. 273	Industrial	13,456	Tai Kong Shan Realty Limited and Good Fully Realty Limited	50

## Principal Properties (CONTINUED)

As at 31st March 2013

### (B) FOR SALE (Continued)

Description	Lot No.	Type	Approximate Gross Floor Area (sq. ft.)	Owner	Group's Effective Interest (%)
<b>New Territories (Continued)</b>					
Good Harvest Centre (16 units and 1 carpark) at No. 33 On Chuen Street, On Lok Tsuen, Fanling	Fanling Sheung Shui Town Lot No. 100	Industrial/ Godown	24,441	Mass Collection Company Limited	50
Tsing Yi Industrial Centre at Nos. 1-33 Cheung Tat Road, Tsing Yi (Phase I: 11 units and 8 carparks) (Phase II: 6 units and 14 carparks)	Tsing Yi Town Lot No. 65	Industrial/ Godown	103,100 (Phase I: 91,644) (Phase II: 11,456)	Sing Mei Properties Limited	25
World Trade Square (159 units and 11 carparks) at No. 21 On Lok Mun Road, On Lok Tsuen, Fanling	Fanling Sheung Shui Town Lot No. 12	Industrial/ Godown	168,556	Kin Yuen Hing Investment Limited and Kin Ngai Enterprises Limited	25

### (C) FOR DEVELOPMENT

Description	Lot No.	Type	Approximate Site Area (sq. ft.)	Approximate Gross Floor Area (sq. ft.)	Owner	Group's Effective Interest (%)
<b>Kowloon</b>						
Nos. 16, 16A, 18, 20, 22 and 22A Tak Cheong Lane (17 units) at Yau Ma Tei	RP of Sec. C of Kowloon Inland Lot No. 7305	Residential	3,689	6,054	Star Fortune Investments Limited	50