# NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213

ANNUAL REPORT 2016

# CONTENTS

# CORPORATE INFORMATION

**Executive Directors**

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

**Non-executive Director**

Dorathy Lee Yuen Yu

**Independent Non-executive Directors**

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

**Auditors**

HLB Hodgson Impey Cheng Limited
*Certified Public Accountants*

**Solicitors**

Baker & McKenzie
Mayer Brown JSM

**Company Secretary**

Andy Wong Kam Kee

**Principal Bankers**

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

**Registered Office**

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

**Principal Office**

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

**Registrar**

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

**Branch Registrar and Transfer Office**

Tricor Standard Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

On behalf of the Board (the "Board") of Directors (the "Directors") of National Electronics Holdings Limited (the "Company"), I am pleased to report the results of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2016.

## RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2016 was HK$244,730,955 (Year ended 2015: HK$133,074,103). The basic and diluted earnings per share of the Company for the year ended 31 March 2016 were 23.8 HK cents per share and 23.7 HK cents per share respectively (Year ended 2015: 12.9 HK cents per basic share and 12.8 HK cents per diluted share respectively).

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of 3.0 HK cents per share and a special cash dividend of 1.0 HK cent per share for the year ended 31 March 2016 (Year ended 31 March 2015: A final dividend of 3.0 HK cents per share).

## BUSINESS REVIEW

### WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, worldwide demand for multifunction analogue quartz watches and LCD watches was weaker than the previous year, and as a result the sales revenue and profit margin for the Group's watch manufacturing and watch components trading division decreased.


The Smart Analog Watch is a combination of a classic multi-gear analog watch with the latest Bluetooth technology to monitor your daily activities. All the information is displayed on the subsidiary dials with the hands pointing to the different functions and measurements. The watch uses built-in motion sensors and Bluetooth Low Energy technology that allow users to work closely with their smart phones, notifying them of incoming calls, messages, appointments, emails, and social media and news updates.

## HOTEL OPERATION

The Group's hotel operating business increased its turnover and profit due to the inclusion of the full year results for One96 which opened in the fourth quarter of 2014. As well, despite a difficult market, our continued focus on shifting our customer mix to shorter staying guests as well as an increased demand for design focused hotels with a more spacious environment have supported occupancy and rates.

## PROPERTY DEVELOPMENT AND INVESTMENT

On December 15, 2015, the Group disposed of 50% of its interest in one of its wholly owned subsidiaries to a property investment fund and consequently entered into a joint venture agreement with them to continue the development of 7 luxurious houses at 45 Tai Tam Road. The transaction was completed at the end of January 2016 and the result was satisfactory.

The uniquely-designed glass façade of the Group's boutique office development at 7 St. Thomas, Toronto, Canada is currently being installed and the completion is expected by the end of 2016.

In January 2016, the Group launched the marketing for the first phase residential tower of its 88 Queen Street East project in Toronto, Canada and the pre-sales activity was quite successful.


The Smart Activities Watch combines all the features that one would need for fitness and outdoor functions including GPS, altimeter, and heart rate monitor. This multisport device has a high sensitivity GPS and an accurate motion sensor that suits any athlete's activity, such as training, running, climbing, hiking, cycling and skiing.

The device uses Bluetooth Low Energy technology which provides a stable and energy efficient connection to your smart phone. Through a dedicated app, the user can receive alerts from phone calls, emails, messages, social media and news updates, as well as details from their workout and daily activities.

## PROSPECTS

### WATCHES MANUFACTURING AND WATCH COMPONENTS

The Group anticipates global demand for traditional multifunction analogue quartz and LCD watches to be weak and competition among Far Eastern smart watch manufacturers significantly increase. The Group is preparing a line of lower cost smart watches and analogue quartz watches to be launched around the end of 2016.

### HOTEL OPERATION

Hong Kong's tourism sector continues to face strong headwinds whereas the business and professional sector has been stable and in some cases has grown. In catering towards the latter sector, the Group's boutique hotels expect to maintain satisfactory occupancy and daily rates.

### PROPERTY DEVELOPMENT AND INVESTMENT

On April 25, 2016, the Group entered into a Sale and Purchase Agreement with a third independent party to acquire 100% of the issued shares of Bentley Investments Limited which holds the property at 3 South Bay Close, Hong Kong for long-term investment purposes. The transaction is expected to be completed on or before July 25, 2016.

The construction work for the Group's luxury residential development at 45 Tai Tam Road, Hong Kong is targeted to be completed by the end of 2016 and will be followed by an extensive luxurious interior fitting out program.

The Group anticipates the construction work of 7 St. Thomas, the Group's boutique commercial office development in Toronto, Canada will be completed by the end of 2016.

For the Group's 88 Queen Street East project, the site plan application to the City of Toronto was submitted for its first phase of the development. The Group has also commenced preliminary planning for the subsequent phases of this multi-use development.

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

**Lee Yuen Ching, Jimmy**
*Chairman*

Hong Kong, 27 June 2016

## CORPORATE STRATEGY

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

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

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

The Group's hotel operation division aims at providing first class hotel management services to our target customers with the highest quality.

## BUSINESS REVIEW

### WATCHES MANUFACTURING AND WATCH COMPONENTS

During the Year under review, due to worldwide demand for multifunction analogue quartz watches and LCD watches was weaker than the previous year, the sales revenue and segment profit of the Group's watch manufacturing and watch components trading division decreased.

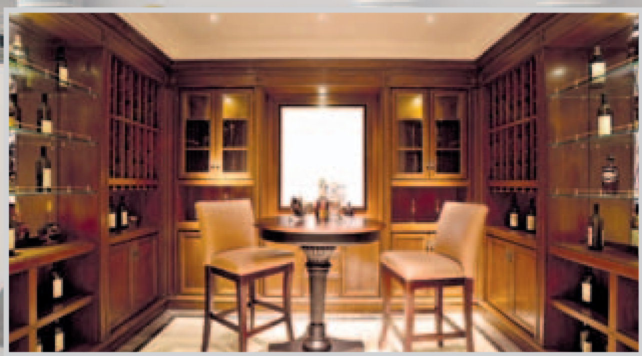
### PROPERTY DEVELOPMENT AND INVESTMENT

During the Year, no property for development was sold as compared with the sales proceeds from the disposal of properties for around HK$186 million in the previous year. The sales revenue of the Property development and investment division this year only included the rental income generated by the Group's investment properties. The decrease in segment profit of the division for the year under review was mainly due to decrease in fair value gain of the Group's investment properties.


## Smart Data Logger

Smart Data Logger provides an easy way to automatically track and monitor temperature and humidity data. This device can provide critical information for various businesses or organizations, such as food industries where food safety compliance is essential. At a preset sampling time, the device automatically stores the temperature and humidity and creates a log in the memory.

The logger is designed with Bluetooth Low Energy technology, allowing the temperature and humidity to be continually logged, and data can be transmitted wirelessly to smart phones and tablets. Through a dedicated app, all the logged data can be displayed in a database as well as a graphical format.



During the Year, the Group disposed of 50% of its interest in one of its wholly owned subsidiaries to a property investment fund and consequently entered into a joint venture agreement with them to continue the development of 7 luxurious houses at 45 Tai Tam Road. The transaction was resulted in a gain of approximately HK$294 million.

### HOTEL OPERATION

The Group's hotel operation division increased its turnover and profit for the year under review mainly due to the inclusion of the full year results for One96 which opened in the fourth quarter of 2014.

## FINANCIAL REVIEW

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group's total borrowings were approximately HK$2,664 million (2015: HK$3,126 million), representing a decrease of approximately HK$462 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK$640 million repayable within one year, approximately HK$1,373 million within two to five years and HK$651 million beyond five years.

At the year end date, the Group's gearing ratio was 1.04 (2015: 1.43) which is calculated based on the Group's long-term borrowings of approximately HK$2,024 million (2015: HK$2,498 million) and shareholders' funds of approximately HK$1,944 million (2015: HK$1,744 million).

As at 31 March 2016, the Group's total bank balances and cash was approximately HK$692 million (2015: HK$440 million).

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

### TREASURY POLICIES

As at 31 March 2016, 77% of the Group's borrowings were in HKD, 15% in CAD, 4% in USD, and 4% in JPY. As at 31 March 2016, 42% of the Group's bank balances and cash was in HKD, 41% in USD, 8% in JPY, 5% in CNY, and 4% in CAD.

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

### FUTURE PLANS FOR MATERIAL INVESTMENTS

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

### CHARGES ON ASSETS

As at 31 March 2016, certain properties of the Group of approximately HK$3,339 million (2015: HK$4,232 million) were pledged to secure banking facilities for the Group.

### EMPLOYEES

As at 31 March 2016, the Group employed approximately 800 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK$144 million (2015: HK$125 million). Remuneration is determined by reference to market terms as well as the qualifications and experiences of the staff concerned. Salaries are reviewed annually and discretionary bonuses may be paid depending on individual performance and the profitability of the Group.

## DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

### EXECUTIVE DIRECTORS

Mr. Jimmy Lee Yuen Ching, aged 69, is the Chairman of the Group. He received his university education in the United States and Canada. His initial experience in the watch industry was gained in his family's watch business and he subsequently became a co-founder of the Group. He was responsible for the founding of the Group's property division twenty-four years ago and has been responsible for the management of the property division since that time.

Mr. Loewe Lee Bon Chi, aged 36, is Managing Director of the Group. He graduated from Harvard University and obtained a bachelor of arts degree with honours in economics. He joined the Group in July 2005 and is responsible for overseeing the overall operations of the watch components trading division as well as the property development and investment divisions. He is also an Honorary Permanent Director of The Federation of Hong Kong Watch Trades & Industries Limited. Prior to joining the Group, he was an investment banker at JP Morgan in New York.

Mr. James Lee Yuen Kui, aged 62, is Managing Director of the Group. He joined the Group in 1976 and is currently responsible for administration, trading of watch components and material procurement from foreign suppliers.

Mr. Edward Lee Yuen Cheor, aged 58, is Executive Director of the Group. He joined the Group in 1981 and is currently responsible for the supervision of the properties development in Hong Kong.

Mr. Ricky Wai Kwong Yuen, M.Sc. ("Mr. Wai"), aged 69, is the President and Executive Director of National Electronics and Watch Company Limited. Mr. Wai joined the Group in 1976 and is responsible for its watch manufacturing business and other electronic products.

### NON-EXECUTIVE DIRECTOR

Ms. Dorathy Lee Yuen Yu ("Ms. Lee"), aged 56, has not previously held any positions with the Company or its subsidiaries before joining the Group in September 2004. Ms. Lee is sister of Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor, who are Managing Director and Executive Director of the Company respectively. She is also cousin of Mr. Jimmy Lee Yuen Ching, the Chairman of the Company and aunt of Mr. Loewe Lee Bon Chi, Managing Director of the Company.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Samson Sun, M.B.E., J.P. ("Dr. Sun"), aged 91, is the Chairman of the Sun International Group of companies. He was the Deputy Chairman of Gilman & Co., Limited and later of Inchape Hong Kong in each case from 1967 to 1985. Dr. Sun is the Honorary Permanent President of The Federation of Hong Kong Watch Trades & Industries Limited. He has over 60 years' experience in the manufacturing, marketing and distribution of watches and 32 years' experience in the marketing and distribution of consumer and electronic products. Dr. Sun has chaired many voluntary community services and charitable organizations and is the former Vice-Chairman of Business and Professionals Federation of Hong Kong (BPF), and a member of Basic Law Consultative Committee in 80's.

Mr. William Chan Chak Cheung ("Mr. William Chan"), aged 68, has been an Independent Non-executive Director of the Company since 2004. He is also the Chairman of the Nomination Committee and a member of the Audit and Risk Management Committee and Remuneration Committee of the Company. Mr. William Chan is a retired partner of PricewaterhouseCoopers with a career spanning 33 years in Canada, Hong Kong and Mainland China. Mr. William Chan is an Independent Non-executive Director of Link Asset Management Limited, Manager of the Link REIT, and was also an Independent Non-executive Director of King Fook Holdings Limited, both of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. William Chan brings senior management skills and experience in solving complex business issues in many different industries including the real estate industry, and also brings experience in matters on corporate governance.

Mr. Chan Kwok Wai ("Mr. Chan"), aged 57, has been an Independent Non-executive Director of the Company since April 2005. Mr. Chan is a member of the Hong Kong Securities Institute and a member of CPA Australia. Mr. Chan is currently a director of High Progress Consultants Limited. He is also an Independent Non-executive Director of China Investments Holdings Limited, Tern Properties Company Limited, Chinese Estates Holdings Limited and Far East Consortium International Limited, the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan was an Independent Non-executive Director of Junefield Department Store Group Limited, company listed on the Main Board of The Stock Exchange of Hong Kong Limited, during the period from 31 December 2002 to 29 May 2013.

## SENIOR MANAGEMENT

Mr. Andrew Lo Kwong Yiu ("Mr. Lo"), B.Sc. (Econ.), B.Sc. (Building Surveying), AHKIS, RPS(BS), aged 62, is an Executive Director of National Properties Holdings Limited. Mr. Lo joined the Group in 1992 and is responsible for property development projects.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2016.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss on page 27.

An interim dividend of 0.5 HK cent per share amounting to HK$5,132,061 in aggregate was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 3.0 HK cents per share and a special cash dividend of 1.0 HK cent per share to the shareholders of the Company whose names appear on the register of members on Thursday, 1 September 2016, amounting to approximately HK$40,757,000 in aggregate.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2016 including a fair review of the business and discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group's business, are set out in the "Chairman's Statement", "Management Discussion and Analysis" and "Five Year Financial Summary" sections of this Annual Report. Details of significant events occurring after the reporting period are set out in note 44 to the consolidated financial statements.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 120 of the annual report.

## SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

## DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2016, the Company's reserves available for distribution to shareholders were HK$159,494,617 (2015: HK$177,713,672), including the contributed surplus of HK$90,854,039 (2015: HK$90,854,039) and retained profits of HK$68,640,578 (2015: HK$86,859,633).

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited, details of which are set out in note 32 to the consolidated financial statements.

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

## DIRECTORS

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

**Executive Directors:**
Mr. Jimmy Lee Yuen Ching
Mr. Loewe Lee Bon Chi
Mr. James Lee Yuen Kui
Mr. Edward Lee Yuen Cheor
Mr. Ricky Wai Kwong Yuen

**Non-executive Director:**
Ms. Dorathy Lee Yuen Yu

**Independent Non-executive Directors:**
Dr. Samson Sun, M.B.E., J.P.
Mr. William Chan Chak Cheung
Mr. Chan Kwok Wai

In accordance with the Bye-law 99 of the Company, Ms. Dorathy Lee Yuen Yu and Mr. William Chan Chak Cheung shall retire by rotation and, being eligible, offer themselves for re-election.

Each director, except the Chairman and Managing Directors, was appointed for a term of period up to his retirement and re-election by rotation under the Bye-law of the Company.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## DIRECTORS' SERVICE CONTRACTS

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

## PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Bye-Laws, every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or damages which he may sustain or incur in or about the execution of the duties of his office, or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed under the heading "Directors' interests in shares and share options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2016, the interests of the Directors and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, were as follows:

**(a) Ordinary shares of HK$0.10 each**

| Name of director | Capacity | Personal interests | Corporate interests | Other interests | Total interests | Percentage of the issued share capital of the Company |
|---|---|---|---|---|---|---|
| Mr. Jimmy Lee Yuen Ching | Chairman | – | – | 275,701,618 *(note a)* | 275,701,618 | 27.03% |
| Mr. Loewe Lee Bon Chi | Managing Director | – | – | 308,701,618 *(note a, b)* | 308,701,618 | 30.27% |
| Mr. James Lee Yuen Kui | Managing Director | 6,534 | – | 260,813,276 *(note c)* | 260,819,810 | 25.57% |
| Mr. Edward Lee Yuen Cheor | Director | – | – | 260,813,276 *(note c)* | 260,813,276 | 25.57% |
| Mr. Ricky Wai Kwong Yuen | Director | – | 40,994,543 *(note d)* | – | 40,994,543 | 4.02% |
| Dr. Samson Sun, M.B.E., J.P. | Director | – | 5,817,864 *(note e)* | – | 5,817,864 | 0.57% |
| Mr. William Chan Chak Cheung | Director | 330,000 | – | – | 330,000 | 0.03% |

**(b) Share options**

| Name of Director | Capacity | Number of options held | Number of underlying shares |
|---|---|---|---|
| Mr. Loewe Lee Bon Chi | Managing Director (Beneficial owner) | 16,720,000 | 16,720,000 |
| Mr. Chan Kwok Wai | Independent Non-executive Director (Beneficial owner) | 330,000 | 330,000 |

Notes:

(a) 275,701,618 shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries.

(b) 33,000,000 shares are held by Mr. Loewe Lee Bon Chi's family member.

(c) 260,813,276 shares are part of the property of a discretionary trust of which each of Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor is named beneficiary.

(d) 40,994,543 shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.

(e) 5,817,864 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P..

Saved as disclosed above, at 31 March 2016, none of the directors nor their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

## SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 41 to the consolidated financial statements.

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

| Name of director | Date of grant | Exercise period | Before the Bonus Issue on 11.9.2015 Exercise price per share | Before the Bonus Issue on 11.9.2015 Balance at 1.4.2015 | After the Bonus Issue on 11.9.2015 Exercise price per share | After the Bonus Issue on 11.9.2015 Balance at 11.9.2015 | Granted during the year | Exercised during the year | Forfeited during the year | Expired during the year | Balance at 31.3.2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr. Loewe Lee Bon Chi | 18.3.2010 | 18.3.2010 – 17.3.2018 | HK$0.542 | 9,200,000 | HK$0.493 | 10,120,000 | – | – | – | – | 10,120,000 |
| | 23.3.2011 | 23.3.2011 – 22.3.2018 | HK$0.760 | 6,000,000 | HK$0.691 | 6,600,000 | – | – | – | – | 6,600,000 |
| Mr. Chan Kwok Wai | 23.3.2011 | 23.3.2011 – 22.3.2018 | HK$0.760 | 300,000 | HK$0.691 | 330,000 | – | – | – | – | 330,000 |

## SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain directors disclosed under the heading "Directors' interests in shares and share options" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interest or short position in the issued share capital of the Company as at 31 March 2016.

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2016, the Group's five largest suppliers accounted for approximately 95.29% of the Group's purchases of which 94.17% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 62.30% of the Group's turnover of which 32.76% was attributable to the largest customer.

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

## CORPORATE GOVERNANCE

During the year ended 31 March 2016, in the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation shown under the section "Corporate Governance Report" in this Annual Report.

## EMOLUMENT POLICY

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

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

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 41 to the consolidated financial statements.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Company, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2016.

## DONATIONS

During the year, the Group made charitable donations amounting to HK$97,000.

## AUDITORS

The consolidated financial statements for the year were audited by HLB Hodgson Impey Cheng Limited who will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**Lee Yuen Ching, Jimmy**
*Chairman*

Hong Kong, 27 June 2016

The Company is committed to maintaining and upholding high standards of corporate governance. During the year ended 31 March 2016 (the "Year"), in the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation as expressly set forth under the relevant paragraph in this report.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). Employees who are likely to possess unpublished inside information of the Company are also subject to compliance with the same terms as the Model Code. Having made specific enquiries by the Company, it is confirmed that all Directors have complied with the required standard as set out in the Model Code throughout the Year.

## THE BOARD

The Board is responsible for leadership and control of the Group. The Board reviews and approves the objectives, strategies, directions and policies of the Group. The Board also reviews the Group's performance and monitors the activities of the Group. Three board committees, Audit and Risk Management Committee, Nomination Committee and Remuneration Committee, with well defined terms of reference have been established to assist the Board in discharging its responsibilities, while the responsibility of the day-to-day operations of the Group is delegated to the management of the Group. Appropriate insurance cover in respect of legal actions arising out of corporate activities against the Company's Directors and officers have been arranged.

## COMPOSITION OF THE BOARD

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

## CHAIRMAN AND MANAGING DIRECTORS

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

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

## BOARD ATTENDANCE

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

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

## AUDIT AND RISK MANAGEMENT COMMITTEE

To reflect the expended scope of oversight of risk management controls, the Audit Committee was renamed as Audit and Risk Management Committee (the "ARMC") with effect from January 2016 to carry out the following functions:

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

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

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

(d) to oversee the Group's financial reporting system, internal control procedures and risk management systems; and

(e) to review the effectiveness of the Group's risk management and internal control systems including financial, operational and compliance controls.

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

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

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

— Reviewed the audited annual results of the Group for the Year;

— Reviewed the interim results of the Group for the six months ended 30 September 2015;

— Reviewed the internal audit reports covering the evaluation of internal controls and risk management systems on financial, operational, compliance and risk management of the Group;

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

— Reviewed the Corporate Governance Report of the Group for the Year; and

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

## NOMINATION COMMITTEE

The nomination committee (the "NC") is responsible for developing criteria to identify, assess the qualifications of and evaluate candidates for the Board. They identify individuals suitably qualified in terms of skill, knowledge and experience to become members of the Board in accordance with the board diversity policy adopted, taking into account of the existing composition of the Board in terms of skill, knowledge and experience and make recommendation to the Board for approval.

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

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

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

— Reviewed the board diversity policy which sets out the principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives;

— Reviewed the policy on nomination and appointment of Directors;

— Reviewed the current structure, size and composition (including skill, knowledge and experience) of the Board; and

— Assessed the independence of the INEDs.

**REMUNERATION COMMITTEE**

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

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

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

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

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

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

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

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

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Despite CG Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, in the opinion of the Board, the Chairman and Managing Director play a pivotal role in charting of corporate strategies and direction of the Group and should not be subject to retirement by rotation in consideration of the stability and continuity development of the Group. As such, the Board has exempted the Chairman and Managing Directors from retiring from office by rotation at the AGM in accordance with the Bye-law 99 of the Company.

## NON-EXECUTIVE DIRECTORS

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

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## CONTINUOUS PROFESSIONAL DEVELOPMENT

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

## CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

## BOARD DIVERSITY POLICY

The Company has recognised the importance of board diversity to corporate governance and the board effectiveness in terms of examination and evaluation of corporate issues from different perspectives. As such, the Company adopted a board diversity policy (the "Diversity Policy") which sets out the objectives and principle regarding board diversity in 2015.

Pursuant to the Diversity Policy, the Company considers board diversity from a number of aspects, including but are not limited to gender, race, language, cultural and educational background, industry and professional experience. The ultimate decision would be based on merit and contribution the selected candidates would bring to the Board as well as the Company's business needs.

Having reviewed the Diversity Policy and the Board's composition, the Nomination Committee considers that the requirements set out in the Diversity Policy had been met.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial year which gives a true and fair view of the state of affairs of the Group. The reporting responsibilities of the Company's external auditors are set out in this annual report on page 25.

## EXTERNAL AUDITORS

The consolidated financial statements for the Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming AGM. The Audit and Risk Management Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming AGM.

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

| **Type of services rendered** | **Fees payable** |
|---|---|
| | HK$'000 |
| Audit services | 1,600 |
| Non-audit services | 300 |
| Total | 1,900 |

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

The remuneration payable to other auditors of the Group in respect of audit services for the Year amounted to approximately HK$1,128,000.

## INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

## COMMUNICATION WITH SHAREHOLDERS

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

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

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

## SHAREHOLDERS RIGHTS

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

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

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

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

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

## PROCEDURES FOR PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING

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

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

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

## PROCEDURES FOR MAKING ENQUIRY TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the IR contacts of the Company so published on the Company's website. Shareholders may also make enquiries to the Board at the general meetings of the Company. If shareholders have any enquiries about their shareholdings and entitlements to dividend, they should direct their enquiries to Tricor Standard Limited, the Company's Branch Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Bye-laws during the year ended 31 March 2016.

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

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

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

We have audited the consolidated financial statements of National Electronics Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 118, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for the Consolidated Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## Opinion

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

**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*

**Hui Chun Keung, David**
Practising Certificate Number: P05447

Hong Kong, 27 June 2016

For the year ended 31 March 2016 (in HK Dollars)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| Revenue | 7 | **1,149,450,963** | 1,432,142,078 |
| Cost of sales | | **(969,484,275)** | (1,194,810,280) |
| Gross profit | | **179,966,688** | 237,331,798 |
| Other income and gains | 8 | **318,949,438** | 58,890,913 |
| Increase in fair value of investment properties | 15 | **2,215,065** | 56,369,049 |
| Distribution costs | | **(8,797,676)** | (10,451,524) |
| Administrative expenses | | **(174,129,557)** | (151,395,027) |
| Finance costs | 9 | **(67,189,564)** | (59,530,679) |
| Share of results of associates | | **(97,022)** | 1,497,554 |
| Share of results of joint ventures | | **515,911** | — |
| Profit before taxation | 10 | **251,433,283** | 132,712,084 |
| Income tax (expense)/credit | 12 | **(6,702,328)** | 362,019 |
| **Profit for the year** | | **244,730,955** | 133,074,103 |
| | | | *(Restated)* |
| **Earnings per share** | 14 | | |
| **Basic** | | **23.8 HK cents** | 12.9 HK cents |
| **Diluted** | | **23.7 HK cents** | 12.8 HK cents |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016 (in HK Dollars)

| | **2016** | 2015 |
|---|---|---|
| **Profit for the year** | **244,730,955** | 133,074,103 |
| **Other comprehensive expense** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Remeasurement of defined benefit obligation | **(1,072,881)** | (249,169) |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translating foreign operations | **(5,847,582)** | (62,264,913) |
| Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations | **–** | (3,637,308) |
| Fair value gain/(loss) on available-for-sale investments | **4,400,000** | (450,000) |
| | **(1,447,582)** | (66,352,221) |
| Other comprehensive expense for the year | **(2,520,463)** | (66,601,390) |
| **Total comprehensive income for the year** | **242,210,492** | 66,472,713 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016 (in HK Dollars)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 15 | **2,685,101,069** | 2,657,047,825 |
| Property, plant and equipment | 16 | **555,747,218** | 568,770,561 |
| Prepaid lease payments | 17 | **2,709,249** | 2,777,215 |
| Goodwill | 18 | **1,269,932** | 1,269,932 |
| Interest in an associate | 19 | **7,729,245** | 7,826,267 |
| Interests in joint ventures | 20 | **369,484,195** | — |
| Available-for-sale investments | 21 | **26,200,000** | 60,582,500 |
| Held-to-maturity investments | 22 | **3,172,084** | 3,032,820 |
| Deferred tax assets | 34 | **2,793,474** | 7,737,829 |
| | | **3,654,206,466** | 3,309,044,949 |
| **Current assets** | | | |
| Inventories | 23 | **185,231,808** | 131,875,949 |
| Prepaid lease payments | 17 | **67,965** | 67,964 |
| Held-to-maturity investments | 22 | **—** | 7,528,919 |
| Investments held for trading | 24 | **100,168,054** | 8,224,291 |
| Inventory of unsold properties | | **6,101,766** | 6,215,477 |
| Properties under development for sale | 25 | **267,095,549** | 1,179,531,543 |
| Bills receivables | 26 | **649,331** | 542,796 |
| Trade receivables, deposits and prepayments | 27 | **269,770,613** | 169,632,944 |
| Amount due from a joint venture | 20 | **29,649,822** | 21,599,822 |
| Tax recoverable | | **3,767,778** | 112,295 |
| Bank balances and cash | 28 | **692,018,954** | 439,995,012 |
| | | **1,554,521,640** | 1,965,327,012 |
| **Current liabilities** | | | |
| Trade payables, customers' deposits and accrued expenses | 29 | **280,663,250** | 156,005,372 |
| Bills payables | 29 | **142,576,194** | 81,779,980 |
| Amount due to an associate | 19 | **46,815,748** | 46,815,748 |
| Amount due to a joint venture | 20 | **73,582,829** | — |
| Tax payable | | **2,340,956** | 4,960,294 |
| Obligations under finance leases | 30 | **3,996,276** | 4,825,192 |
| Bank loans | 31 | **639,837,224** | 627,949,257 |
| | | **1,189,812,477** | 922,335,843 |
| **Net current assets** | | **364,709,163** | 1,042,991,169 |
| **Total assets less current liabilities** | | **4,018,915,629** | 4,352,036,118 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016 (in HK Dollars)

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 32 | **101,988,896** | 93,556,651 |
| Reserves | | **1,842,444,410** | 1,650,050,713 |
| Total equity | | **1,944,433,306** | 1,743,607,364 |
| **Non-current liabilities** | | | |
| Provision for long service payments | 33 | **6,894,396** | 6,071,575 |
| Obligations under finance leases | 30 | **24,474,552** | 28,470,829 |
| Bank loans | 31 | **2,023,943,056** | 2,497,813,108 |
| Deferred tax liabilities | 34 | **19,170,319** | 76,073,242 |
| | | **2,074,482,323** | 2,608,428,754 |
| | | **4,018,915,629** | 4,352,036,118 |

The consolidated financial statements on pages 27 to 118 were approved and authorised for issue by the Board of Directors on 27 June 2016 and are signed on its behalf by:

**JIMMY LEE YUEN CHING**
Director

**JAMES LEE YUEN KUI**
Director

For the year ended 31 March 2016 (in HK Dollars)

| | Share capital | Share premium | Exchange reserve | Revaluation reserve | Share options reserve | Contributed surplus | Capital redemption reserve | Retained profits | Total |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2014 | 94,040,651 | 33,178,173 | (4,943,656) | 47,677,011 | 2,833,260 | 66,141,751 | 36,790,840 | 1,452,726,297 | 1,728,444,327 |
| Profit for the year | – | – | – | – | – | – | – | 133,074,103 | 133,074,103 |
| Other comprehensive expense for the year | – | – | (65,902,221) | (450,000) | – | – | – | (249,169) | (66,601,390) |
| Total comprehensive income/ (expense) for the year | – | – | (65,902,221) | (450,000) | – | – | – | 132,824,934 | 66,472,713 |
| Dividends paid | – | – | – | – | – | – | – | (46,857,929) | (46,857,929) |
| Issue of shares upon exercise of share options | 30,000 | 264,740 | – | – | (66,740) | – | – | – | 228,000 |
| Repurchase of own shares | (514,000) | – | – | – | – | – | 514,000 | (4,679,747) | (4,679,747) |
| At 31 March 2015 | 93,556,651 | 33,442,913 | (70,845,877) | 47,227,011 | 2,766,520 | 66,141,751 | 37,304,840 | 1,534,013,555 | 1,743,607,364 |
| Profit for the year | – | – | – | – | – | – | – | 244,730,955 | 244,730,955 |
| Other comprehensive income/(expense) for the year | – | – | (5,847,582) | 4,400,000 | – | – | – | (1,072,881) | (2,520,463) |
| Total comprehensive income/ (expense) for the year | – | – | (5,847,582) | 4,400,000 | – | – | – | 243,658,074 | 242,210,492 |
| Dividends paid | – | – | – | – | – | – | – | (33,168,996) | (33,168,996) |
| Issue of bonus shares | 9,345,645 | (9,345,645) | – | – | – | – | – | – | – |
| Repurchase of own shares | (913,400) | – | – | – | – | – | 913,400 | (8,215,554) | (8,215,554) |
| **At 31 March 2016** | **101,988,896** | **24,097,268** | **(76,693,459)** | **51,627,011** | **2,766,520** | **66,141,751** | **38,218,240** | **1,736,287,079** | **1,944,433,306** |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016 (in HK Dollars)

| | 2016 | 2015 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | **251,433,283** | 132,712,084 |
| Adjustments for: | | |
| Finance costs | **67,189,564** | 59,530,679 |
| Share of results of associates | **97,022** | (1,497,554) |
| Share of results of joint ventures | **(515,911)** | — |
| Impairment loss recognised in respect of trade receivables | **8,037,840** | 3,729,351 |
| Write-down of inventories | **5,866,664** | 4,485,647 |
| Provision for long service payments | **63,368** | 73,365 |
| Amortisation of prepaid lease payments | **67,965** | 222,249 |
| Depreciation of property, plant and equipment | **35,400,685** | 34,128,743 |
| Interest income | **(3,851,223)** | (4,238,113) |
| Bargain purchase gain arising on acquisition of subsidiaries | **—** | (4,713,023) |
| Fair value loss arising from remeasurement of the previously held interests in associates | **—** | 8,276,493 |
| Increase in fair value of investment properties | **(2,215,065)** | (56,369,049) |
| (Gain)/Loss on disposal of property, plant and equipment | **(6,302,973)** | 723,196 |
| Gain on disposal of an investment property | **—** | (6,357,664) |
| Gain on disposal of an associate | **—** | (990,705) |
| Gain on disposal of subsidiaries | **(294,870,249)** | (20,012,396) |
| Gain on fair value changes of investments held for trading | **(11,187,854)** | (614,253) |
| Gain on fair value changes of derivative financial instruments | **—** | (964,572) |
| **Operating cash flows before movements in working capital** | **49,213,116** | 148,124,478 |
| Increase in inventories | **(59,222,523)** | (6,946,104) |
| (Increase)/Decrease in properties under development for sale | **(469,073,577)** | 48,386,171 |
| (Increase)/Decrease in bills receivables | **(106,535)** | 746,166 |
| Increase in trade receivables, deposits and prepayments | **(36,076,005)** | (16,341,659) |
| Increase in trade payables, customers' deposits and accrued expenses | **77,493,816** | 3,400,548 |
| Increase in held for trading investments | **(80,755,909)** | (3,636,666) |
| Decrease in derivative financial instruments | **—** | (214,722) |
| Increase/(Decrease) in bills payables | **60,796,214** | (13,245,240) |
| Utilisation of provision for long service payments | **(313,428)** | (120,596) |
| Cash (used in)/generated from operations | **(458,044,831)** | 160,152,376 |
| Hong Kong Profits Tax (paid)/refunded | **(6,991,955)** | 916,302 |
| Overseas income tax paid | **(29,643)** | (23,048) |
| **Net cash (used in)/generated from operating activities** | **(465,066,429)** | 161,045,630 |

For the year ended 31 March 2016 (in HK Dollars)

| | Note | 2016 | 2015 |
|---|---|---|---|
| **Investing activities** | | | |
| Additions to investment properties | | **(28,110,410)** | (672,621,614) |
| Acquisition of subsidiaries | | **—** | (435,659,629) |
| Purchase of property, plant and equipment | | **(26,133,429)** | (39,606,286) |
| Repayment from associates | | **—** | 14,061,412 |
| Proceed from disposal of an associate | | **—** | 85,723,460 |
| Advance to a joint venture | | **(8,050,000)** | (249,999) |
| Redemption of held-to-maturity investments | | **7,620,000** | — |
| Purchase of held-to-maturity investments | | **—** | (10,419,816) |
| Purchase of available-for-sale investments | | **—** | (38,782,500) |
| Proceed from disposal of property, plant and equipment | | **10,016,160** | 340,000 |
| Proceed from disposal of available-for-sale investments | | **38,782,500** | — |
| Proceed from disposal of an investment property | | **—** | 46,457,664 |
| Proceed from disposal of subsidiaries | 43 | **221,447,565** | 36,930,549 |
| Interest received | | **3,761,681** | 4,096,190 |
| **Net cash generated from/(used in) investing activities** | | **219,334,067** | (1,009,730,569) |
| **Financing activities** | | | |
| New bank loans raised | | **695,978,861** | 1,262,249,885 |
| Interest paid | | **(101,139,998)** | (88,086,311) |
| Dividends paid | | **(33,168,996)** | (46,857,929) |
| Repayment of bank loans | | **(50,711,997)** | (473,643,655) |
| Repayment of obligations under finance leases | | **(4,825,193)** | (6,041,458) |
| Issue of shares | | **—** | 228,000 |
| Repurchase of own shares | | **(8,215,554)** | (4,679,747) |
| **Net cash generated from financing activities** | | **497,917,123** | 643,168,785 |
| **Net increase/(decrease) in cash and cash equivalents** | | **252,184,761** | (205,516,154) |
| **Cash and cash equivalents at 1 April** | | **439,995,012** | 646,093,742 |
| **Effect of foreign exchange rate changes** | | **(160,819)** | (582,576) |
| **Cash and cash equivalents at 31 March** | | **692,018,954** | 439,995,012 |
| **Analysis of the balances of cash and cash equivalents:** | | | |
| Bank balances and cash | | **692,018,954** | 439,995,012 |

## 1. GENERAL

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

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

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

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

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

| | |
|---|---|
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010-2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011-2013 Cycle |

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

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

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 14 | Regulatory Deferral Accounts[5] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[4] |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations[1] |
| Amendments to HKAS 1 | Disclosure Initiative[1] |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants[1] |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle[1] |

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

### HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company are assessing the impact of the application of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Basis of consolidation

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

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

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

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

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

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

*Changes in the Group's ownership interests in existing subsidiaries*

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

### Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Investments in associates and joint ventures (Cont'd)

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Revenue recognition

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

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

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

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

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

Service income is recognised when services are provided.

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

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Leasing

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

*The Group as lessor*

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

*The Group as lessee*

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Leasing (Cont'd)

*Leasehold land and building*

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

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

### Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Foreign currencies (Cont'd)

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### Borrowing costs

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Share-based payment arrangements

*Equity-settled share-based payment transactions*

*Share options granted to employees*

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

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

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

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

### Taxation

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Taxation (Cont'd)

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

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

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

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

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

### Property, plant and equipment

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Property, plant and equipment (Cont'd)

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

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

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

### Investment properties

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Impairment on tangible assets

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

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

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

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

### Properties under development for sale

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

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

### Inventories

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Provisions

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

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

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

### Financial instruments

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

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

#### *Financial assets*

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

*Effective interest method*

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

***Financial assets*** **(Cont'd)**

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other gains and losses.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

***Financial assets* (Cont'd)**

*Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment losses on financial assets below).

*AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

***Financial assets*** **(Cont'd)**

*Loans and receivables*

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

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

*Impairment of financial assets*

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

***Financial assets*** **(Cont'd)**

*Impairment of financial assets (Cont'd)*

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

***Financial liabilities and equity instruments***

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

*Equity instruments*

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

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

*Other financial liabilities*

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

*Effective interest method*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

***Derecognition***

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

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

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

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgement in applying accounting policies

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

***Deferred taxation on investment properties***

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

### Key sources of estimation uncertainty

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

***Estimated impairment of trade receivables***

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 March 2016, the carrying amount of trade receivables is HK$33,452,707 (2015: HK$38,616,135) (net of allowance for doubtful debts of HK$17,829,722 (2015: HK$9,794,248)).

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

### Key sources of estimation uncertainty (Cont'd)

***Estimated allowances for inventories***

The Group makes allowances for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. If conditions which have an impact on the net realisable value of inventories deteriorate/improve; additional allowances/reversal of allowances may be required. The carrying amount of inventories as at 31 March 2016 amounting to HK$185,231,808 (2015: HK$131,875,949).

***Properties under development for sale***

An assessment of the net realisable value is made in each reporting period. The Group takes into consideration the current market environment and the estimated market value of leasehold land. Such assessment was made based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making the assessment, the directors have made estimates concerning estimated prices to be generated by the completed properties and made deductions for the estimated development costs and required estimated development profits from the properties. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Impairment is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/ or significant variation in the budgeted development cost, a material provision for impairment loss may result. The carrying amount of the properties under development for sale is HK$267,770,613 (2015: HK$1,179,531,543).

***Income taxes***

At 31 March 2016, a deferred tax asset of HK$32,970,498 (2015: HK$34,373,969) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$448,328,000 (2015: HK$376,613,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

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

**Key sources of estimation uncertainty (Cont'd)**

***Fair value measurements and valuation processes***

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Board of Directors is responsible for the determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Board of Directors works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments and the investment properties. Notes 6(c) and 15 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

## 5. CAPITAL RISK MANAGEMENT

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

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

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

The gearing ratio at the end of the reporting period was as follows:

| | **2016** | 2015 |
|---|---|---|
| Debt (i) | **2,023,943,056** | 2,497,813,108 |
| Equity (ii) | **1,944,433,306** | 1,743,607,364 |
| Gearing ratio | **104%** | 143% |

(i) Debt is defined as non-current bank loans as detailed in note 31.

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

## 6. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

| | 2016 | 2015 |
|---|---|---|
| *Financial assets* | | |
| Available-for-sale financial assets | **26,200,000** | 60,582,500 |
| Held-to-maturity investments | **3,172,084** | 10,561,739 |
| Financial assets at fair value through profit or loss | | |
| – Investments held for trading | **100,168,054** | 8,224,291 |
| Loans and receivables | | |
| – Bills receivables | **649,331** | 542,796 |
| – Trade receivables, deposits and other receivables | **222,181,660** | 130,352,508 |
| – Loan to a joint venture | **51,154,294** | — |
| – Amount due from a joint venture | **29,649,822** | 21,599,822 |
| – Bank balances and cash | **692,018,954** | 439,995,012 |
| | **995,654,061** | 592,490,138 |
| *Financial liabilities* | | |
| Financial liabilities at amortised cost | | |
| – Trade payables and accrued expenses | **123,423,306** | 99,150,582 |
| – Bills payables | **142,576,194** | 81,779,980 |
| – Amount due to an associate | **46,815,748** | 46,815,748 |
| – Amount due to a joint venture | **73,582,829** | — |
| – Obligations under finance leases | **28,470,828** | 33,296,021 |
| – Bank loans | **2,663,780,280** | 3,125,762,365 |
| | **3,078,649,185** | 3,386,804,696 |

## 6. FINANCIAL INSTRUMENTS (Cont'd)

### b. Financial risk management objectives and policies

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

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

**Market risk**

(i) Foreign currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 44% (2015: 32%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 3% (2015: 3%) of costs are denominated in the group entity's respective functional currencies.

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

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Canadian Dollar ("CAD") | **450,590,287** | 408,670,808 | **70,027,567** | 61,530,660 |
| Japanese Yen ("JPY") | **185,504,126** | 103,198,662 | **66,722,908** | 41,485,776 |
| United States Dollars ("USD") | **167,013,870** | 174,308,921 | **288,181,889** | 116,548,027 |
| Renminbi ("RMB") | **19,326,239** | 14,138,254 | **49,939,395** | 82,923,040 |
| Others | **2,069,126** | 640,559 | **1,034,218** | 1,646,284 |

## 6. FINANCIAL INSTRUMENTS (Cont'd)

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

**Market risk (Cont'd)**

(i) Foreign currency risk (Cont'd)

*Sensitivity analysis*

The Group is mainly exposed to the effects of fluctuation in JPY and CAD.

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in HKD against the relevant foreign currencies. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts its translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where HKD strengthen 5% (2015: 5%) against the relevant currencies. For a 5% (2015: 5%) weakening of HKD against the relevant currencies, there would be an equal and opposite impact on the profit and the balances below would be negative.

| | **Impact of JPY (i)** | | **Impact of CAD (ii)** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Profit or loss | **9,275,000** | 5,159,000 | **1,855,000** | 2,681,000 |

(i) This is mainly attributable to the exposure outstanding on bills payables and import loans denominated in JPY.

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

## 6. FINANCIAL INSTRUMENTS (Cont'd)

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

**Market risk (Cont'd)**

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate short term bank deposits and obligations under finance leases, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see note 31 for details of these borrowings).

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR or prime rate arising from the Group's bank loans denominated in HKD, USD, JPY and CAD.

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank loans at the end of the reporting period. For variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points (2015: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$11,275,000 (2015: HK$10,829,000).

(iii) Other price risk

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

*Sensitivity analysis*

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

If prices had been 5% (2015: 5%) higher/lower, the Group's profit for the year would increase/decrease by approximately HK$5,008,000 (2015: HK$411,000). This is mainly due to the changes in fair value of investments held for trading.

If prices had been 5% (2015: 5%) higher/lower, revaluation reserves would increase/decrease by approximately HK$1,310,000 (2015: HK$3,029,000) as a result of the changes in fair value of available-for-sale investments.

## 6. FINANCIAL INSTRUMENTS (Cont'd)

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

**Credit risk**

At 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

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

| Counterparty | Location | Rating | **Carrying amount at 31/03/2016** | Carrying amount at 31/03/2015 |
|---|---|---|---|---|
| Industrial and Commercial Bank of China (Asia) Limited | Hong Kong | A1 | **254,218,595** | N/A |
| Hang Seng Bank Limited | Hong Kong | Aa1 | **151,552,355** | 72,832,752 |
| Chiyu Banking Corporation Limited | Hong Kong | Aa3 | **N/A** | 110,094,662 |

**Liquidity risk**

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

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

## 6. FINANCIAL INSTRUMENTS (Cont'd)

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

**Liquidity risk (Cont'd)**

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

Liquidity tables

| | **On demand or less than 1 year** | **Over 1 year to 2 years** | **Over 2 years to 5 years** | **Over 5 years** | **Total undiscounted cash flows** | **Carrying amount at 31/03/2016** |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables and accrued expenses | **123,423,306** | **–** | **–** | **–** | **123,423,306** | **123,423,306** |
| Bills payables | **142,576,194** | **–** | **–** | **–** | **142,576,194** | **142,576,194** |
| Amount due to an associate | **46,815,748** | **–** | **–** | **–** | **46,815,748** | **46,815,748** |
| Amount due to a joint venture | **73,582,829** | **–** | **–** | **–** | **73,582,829** | **73,582,829** |
| Obligations under finance leases | **5,113,699** | **5,074,308** | **14,259,941** | **8,365,849** | **32,813,797** | **28,470,828** |
| Bank loans | **720,722,163** | **778,225,871** | **734,570,686** | **685,152,647** | **2,918,671,367** | **2,663,780,280** |

| | On demand or less than 1 year | Over 1 year to 2 years | Over 2 years to 5 years | Over 5 years | Total undiscounted cash flows | Carrying amount at 31/03/2015 |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Trade payables and accrued expenses | 99,150,582 | – | – | – | 99,150,582 | 99,150,582 |
| Bills payables | 81,779,980 | – | – | – | 81,779,980 | 81,779,980 |
| Amount due to an associate | 46,815,748 | – | – | – | 46,815,748 | 46,815,748 |
| Obligations under finance leases | 6,110,531 | 5,113,699 | 14,963,244 | 12,736,854 | 38,924,328 | 33,296,021 |
| Bank loans | 726,080,539 | 1,088,660,520 | 928,552,105 | 702,488,001 | 3,445,781,165 | 3,125,762,365 |

## 6. FINANCIAL INSTRUMENTS (Cont'd)

### c. Fair value measurements of financial instruments

*(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets | Fair value as at 31/03/2016 | Fair value as at 31/03/2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) |
|---|---|---|---|---|---|
| Listed equity securities classified as investment held for trading | **HK$28,183,577** | HK$8,224,291 | Level 1 | Quoted bid prices in an active market | N/A |
| Unlisted equity securities classified as investment held for trading | **HK$15,511,600** | N/A | Level 3 | Recent transaction price | N/A |
| Unlisted fund investments classified as investment held for trading | **HK$56,472,877** | N/A | Level 3 | Net asset value (note (i)) | N/A |
| Club debenture classified as available-for-sale investment | **HK$26,200,000** | HK$21,800,000 | Level 2 | Market prices in secondary markets | N/A |
| Unlisted fund investment classified as available-for-sale investment | **N/A** | HK$38,782,500 | Level 2 | Net asset value (note (ii)) | N/A |

Notes:

(i) The net asset value is mainly attributable from an underlying unlisted investment with its fair value is determined with reference to the recent transaction price of the investment.

(ii) The net asset value is determined with reference to observable (quoted) price of underlying investment portfolio.

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

## 6. FINANCIAL INSTRUMENTS (Cont'd)

### c. Fair value measurements of financial instruments (Cont'd)

*(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The directors estimate the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flow analysis.

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

*(iii) Reconciliation of Level 3 fair value measurements*

| | Unlisted equity securities | Unlisted fund investments | Total |
|---|---|---|---|
| At 1 April 2014 and 31 March 2015 | — | — | — |
| Purchase | 15,511,600 | 39,657,996 | 55,169,596 |
| Total gain in profit or loss - unrealised | — | 16,814,881 | 16,814,881 |
| At 31 March 2016 | 15,511,600 | 56,472,877 | 71,984,477 |

## 7. SEGMENT INFORMATION

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

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

1. Manufacture of watches and trading of watch movements - manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts

2. Property development and investment - development and sale of properties and holding of properties for investment and leasing purposes

3. Hotel operation - management and operation of hotels

**Segment revenues and results**

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

**For the year ended 31 March 2016**

| | Manufacture of watches and trading of watch movements | Property development and investment | Hotel operation | Consolidated |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | 1,047,311,342 | 8,312,724 | 93,826,897 | 1,149,450,963 |
| **RESULT** | | | | |
| Segment result | 10,146,735 | 10,407,003 | 59,367,790 | 79,921,528 |
| Bank interest income | | | | 3,528,987 |
| Unallocated other income | | | | 11,362,568 |
| Unallocated other expenses | | | | (71,479,374) |
| Finance costs | | | | (67,189,564) |
| Gain on disposal of subsidiaries | | | | 294,870,249 |
| Share of results of associates | | | | (97,022) |
| Share of results of joint ventures | | | | 515,911 |
| Profit before taxation | | | | 251,433,283 |
| Income tax expense | | | | (6,702,328) |
| Profit for the year | | | | 244,730,955 |

## 7. SEGMENT INFORMATION (Cont'd)

### Segment revenues and results (Cont'd)

For the year ended 31 March 2015

| | Manufacture of watches and trading of watch movements | Property development and investment | Hotel operation | Consolidated |
|---|---|---|---|---|
| REVENUE | | | | |
| External sales | 1,173,721,457 | 194,551,187 | 63,869,434 | 1,432,142,078 |
| RESULT | | | | |
| Segment result | 31,585,969 | 90,344,082 | 38,601,824 | 160,531,875 |
| Bank interest income | | | | 3,887,713 |
| Unallocated other income | | | | 9,923,100 |
| Unallocated other expenses | | | | (9,313,603) |
| Finance costs | | | | (59,530,679) |
| Bargain purchase gain arising on acquisition of subsidiaries | | | | 4,713,023 |
| Gain on disposal of a subsidiary | | | | 20,012,396 |
| Gain on disposal of an associate | | | | 990,705 |
| Share of results of associates | | | | 1,497,554 |
| Profit before taxation | | | | 132,712,084 |
| Income tax credit | | | | 362,019 |
| Profit for the year | | | | 133,074,103 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of central administration costs, share of results of associates and joint ventures, gain on disposal of subsidiaries, gain on disposal of an associate, bargain purchase gain arising on acquisition of subsidiaries, other income and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

## 7. SEGMENT INFORMATION (Cont'd)

### Segment assets and liabilities

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

**Segment assets**

| | 2016 | 2015 |
|---|---|---|
| Manufacture of watches and trading of watch movements | **332,463,914** | 289,013,952 |
| Property development and investment | **1,113,531,264** | 1,917,114,283 |
| Hotel operation | **1,971,757,732** | 1,970,723,123 |
| Total segment assets | **3,417,752,910** | 4,176,851,358 |
| Interest in an associate | **7,729,245** | 7,826,267 |
| Interests in joint ventures | **369,484,195** | — |
| Amount due from a joint venture | **29,649,822** | 21,599,822 |
| Unallocated | **1,384,111,934** | 1,068,094,514 |
| Consolidated assets | **5,208,728,106** | 5,274,371,961 |

**Segment liabilities**

| | 2016 | 2015 |
|---|---|---|
| Manufacture of watches and trading of watch movements | **191,402,036** | 134,467,883 |
| Property development and investment | **184,710,775** | 78,017,036 |
| Hotel operation | **22,750,198** | 13,488,792 |
| Total segment liabilities | **398,863,009** | 225,973,711 |
| Amount due to an associate | **46,815,748** | 46,815,748 |
| Amount due to a joint venture | **73,582,829** | — |
| Unallocated | **2,745,033,214** | 3,257,975,138 |
| Consolidated liabilities | **3,264,294,800** | 3,530,764,597 |

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

- all assets are allocated to operating segments other than interest in an associate, interests in joint ventures, amount due from a joint venture, available-for-sale investments, held-to-maturity investments, deferred tax assets, investments held for trading, tax recoverable, bank balances and cash, and other unallocated corporate assets; and

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

## 7. SEGMENT INFORMATION (Cont'd)

### Other segment information

**For the year ended 31 March 2016**

| | Manufacture of watches and trading of watch movements | Property development and investment | Hotel operation | Unallocated | Consolidated |
|---|---|---|---|---|---|
| Capital additions | **19,265,409** | **40,528,775** | **928,698** | **5,240,423** | **65,963,305** |
| Depreciation of property, plant and equipment | **(16,237,860)** | **(621,032)** | **(524,980)** | **(18,016,813)** | **(35,400,685)** |
| Amortisation of prepaid lease payments | **(67,965)** | **–** | **–** | **–** | **(67,965)** |
| Impairment loss recognised in respect of trade receivables | **(8,037,840)** | **–** | **–** | **–** | **(8,037,840)** |
| Write-down of inventories | **(5,866,664)** | **–** | **–** | **–** | **(5,866,664)** |
| Increase in fair value of investment properties | **–** | **2,215,065** | **–** | **–** | **2,215,065** |
| Gain/(Loss) on disposal of property, plant and equipment | **253,925** | **6,073,905** | **–** | **(24,857)** | **6,302,973** |

For the year ended 31 March 2015

| | Manufacture of watches and trading of watch movements | Property development and investment | Hotel operation | Unallocated | Consolidated |
|---|---|---|---|---|---|
| Capital additions | 15,602,564 | 651,630,578 | 1,181,442,313 | 22,783,381 | 1,871,458,836 |
| Depreciation of property, plant and equipment | (17,343,104) | (646,781) | (286,021) | (15,852,837) | (34,128,743) |
| Amortisation of prepaid lease payments | (222,249) | – | – | – | (222,249) |
| Impairment loss recognised in respect of trade receivables | (3,729,351) | – | – | – | (3,729,351) |
| Write-down of inventories | (4,485,647) | – | – | – | (4,485,647) |
| Increase in fair value of investment properties | – | 56,369,049 | – | – | 56,369,049 |
| Loss on disposal of property, plant and equipment | (605,197) | (116,293) | – | (1,706) | (723,196) |

## 7. SEGMENT INFORMATION (Cont'd)

### Revenue from major products and services

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

| | 2016 | 2015 |
|---|---|---|
| Watches and watch movements | **1,047,311,342** | 1,173,721,457 |
| Sale of properties | **—** | 186,739,372 |
| Leasing of properties | **8,312,724** | 7,811,815 |
| Hotel operation | **93,826,897** | 63,869,434 |
| | **1,149,450,963** | 1,432,142,078 |

### Geographical information

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

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

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Hong Kong and the PRC | **1,049,586,223** | 1,085,471,301 | **3,007,393,814** | 2,641,246,440 |
| North America | **65,974,156** | 271,908,416 | **614,647,094** | 596,445,360 |
| Europe | **16,848,164** | 44,905,020 | **—** | — |
| Others | **17,042,420** | 29,857,341 | **—** | — |
| | **1,149,450,963** | 1,432,142,078 | **3,622,040,908** | 3,237,691,800 |

Note: Non-current assets excluded financial instruments and deferred tax assets.

## 7. SEGMENT INFORMATION (Cont'd)

### Information about major customers

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

| | 2016 | 2015 |
|---|---|---|
| Customer A[1] | **376,511,678** | 411,438,166 |
| Customer B[1] | **204,565,541** | 212,627,772 |
| Customer C[2] | **N/A[3]** | 186,739,372 |

1 Revenue from manufacture of watches and trading of watch movements.
2 Revenue from property development and investment.
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 8. OTHER INCOME AND GAINS

| | 2016 | 2015 |
|---|---|---|
| Bank interest income | **3,528,987** | 3,887,713 |
| Interest income from held-to-maturity investments | **322,236** | 350,400 |
| Gain on fair value changes of derivative financial instruments | **—** | 964,572 |
| Gain on fair value changes of investments held for trading | **11,187,854** | 614,253 |
| Gain on disposal of property, plant and equipment | **6,302,973** | — |
| Gain on disposal of an investment property | **—** | 6,357,664 |
| Gain on disposal of subsidiaries | **294,870,249** | 20,012,396 |
| Gain on disposal of an associate | **—** | 990,705 |
| Bargain purchase gain arising on acquisition of subsidiaries | **—** | 4,713,023 |
| Sale of exclusive right | **—** | 12,617,500 |
| Agency fee income | **—** | 6,308,750 |
| Sundry income | **2,737,139** | 2,073,937 |
| | **318,949,438** | 58,890,913 |

## 9. FINANCE COSTS

| | 2016 | 2015 |
|---|---|---|
| Interest on: | | |
| Bank loans and overdrafts | **98,854,755** | 89,232,161 |
| Obligations under finance leases | **1,282,851** | 1,491,237 |
| Total borrowing costs | **100,137,606** | 90,723,398 |
| Less: Amounts capitalised to investment properties and properties under development | **(32,948,042)** | (31,192,719) |
| | **67,189,564** | 59,530,679 |

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 2.67% (2015: 3.49%) per annum to expenditure on qualifying assets.

## 10. PROFIT BEFORE TAXATION

| | 2016 | 2015 |
|---|---|---|
| Profit before taxation has been arrived at after charging/(crediting): | | |
| Staff costs including directors' emoluments | **144,161,936** | 124,987,139 |
| Depreciation of property, plant and equipment | **35,400,685** | 34,128,743 |
| Amortisation of prepaid lease payments | **67,965** | 222,249 |
| Auditors' remuneration | **2,728,357** | 2,395,793 |
| Cost of inventories recognised as an expense | **888,108,230** | 1,112,361,302 |
| Impairment loss recognised in respect of trade receivables (included in administrative expenses on consolidated statement of profit or loss) | **8,037,840** | 3,729,351 |
| Loss on disposal of property, plant and equipment | **—** | 723,196 |
| Fair value loss arising from the remeasurement of the previously held interests in associates | **—** | 8,276,493 |
| Net foreign exchange loss | **11,623,457** | 1,177,169 |
| Minimum lease payments for operating leases in respect of land and buildings | **6,292,784** | 8,869,498 |
| Write-down of inventories | **5,866,664** | 4,485,647 |
| Gross rental income from investment properties | **(102,139,621)** | (69,730,156) |
| Less: Outgoings | **12,138,858** | 16,219,622 |
| Net rental income from investment properties | **(90,000,763)** | (53,510,534) |

Minimum lease payments for operating leases in respect of staff quarters amounting to HK$4,319,310 (2015: HK$4,601,417) are included in staff costs.

## 11. DIRECTORS' AND EMPLOYEES' REMUNERATION

### (a) Directors' remuneration

| | Executive Directors | | | | | Non-executive Director | Independent Non-executive Directors | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Mr. Jimmy Lee Yuen Ching | Mr. Loewe Lee Bon Chi | Mr. James Lee Yuen Kui | Mr. Edward Lee Yuen Cheor | Mr. Ricky Wai Kwong Yuen | Ms. Dorathy Lee Yuen Yu | Dr. Samson Sun, M.B.E.,J.P. | Mr. William Chan Chak Cheung | Mr. Chan Kwok Wai | Total |
| **For the year ended 31 March 2016** | | | | | | | | | | |
| Fees | **50,000** | **50,000** | **50,000** | **50,000** | **50,000** | **50,000** | **528,000** | **396,000** | **396,000** | **1,620,000** |
| Other emoluments | | | | | | | | | | |
| Salaries and other benefits | **14,290,400** | **7,373,800** | **7,006,400** | **3,515,400** | **2,872,000** | **–** | **–** | **–** | **–** | **35,058,000** |
| Retirement benefit scheme contributions | **18,000** | **18,000** | **18,000** | **18,000** | **18,000** | **–** | **–** | **–** | **–** | **90,000** |
| | **14,358,400** | **7,441,800** | **7,074,400** | **3,583,400** | **2,940,000** | **50,000** | **528,000** | **396,000** | **396,000** | **36,768,000** |
| For the year ended 31 March 2015 | | | | | | | | | | |
| Fees | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 528,000 | 396,000 | 396,000 | 1,620,000 |
| Other emoluments | | | | | | | | | | |
| Salaries and other benefits | 14,537,400 | 7,573,300 | 7,203,800 | 3,573,500 | 4,372,000 | – | – | – | – | 37,260,000 |
| Retirement benefit scheme contributions | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | – | – | – | – | 87,500 |
| | 14,604,900 | 7,640,800 | 7,271,300 | 3,641,000 | 4,439,500 | 50,000 | 528,000 | 396,000 | 396,000 | 38,967,500 |

The executive directors' remuneration shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's remuneration shown above were mainly for her services as director of the Company.

The independent non-executive directors' remuneration shown above were mainly for their services as directors of the Company.

Besides above remuneration, four (2015: four) of the Group's properties are provided to the directors as an accommodation. The rateable value of the properties is amounting to HK$4,751,940 (2015: HK$3,617,820).

### (b) Employees' emoluments

The five highest paid individuals in the Group in the years ended 31 March 2016 and 2015 were all directors of the Company and details of their emoluments are included in note (a) above.

## 12. INCOME TAX EXPENSE/(CREDIT)

| | 2016 | 2015 |
|---|---|---|
| Hong Kong Profits Tax | | |
| Current year | **2,466,781** | 4,041,408 |
| Overprovision in prior years | **(1,750,688)** | (3,882,151) |
| | **716,093** | 159,257 |
| Other jurisdictions | | |
| Current year | **29,643** | 54,850 |
| | **745,736** | 214,107 |
| Deferred tax (note 34) | | |
| Current year | **5,956,592** | (576,126) |
| | **6,702,328** | (362,019) |

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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

The taxation charge/(credit) for the year can be reconciled to profit before taxation per the consolidated statement profit or loss as follows:

| | 2016 | 2015 |
|---|---|---|
| Profit before taxation | **251,433,283** | 132,712,084 |
| Tax at Hong Kong Profits Tax rate of 16.5% | **41,486,492** | 21,897,494 |
| Tax effect of share of results of associates | **16,008** | (247,097) |
| Tax effect of share of results of joint ventures | **(85,125)** | — |
| Tax effect of expenses not deductible for tax purpose | **9,462,065** | 7,868,835 |
| Tax effect of income not taxable for tax purpose | **(51,482,954)** | (21,120,667) |
| Tax effect of tax losses not recognised | **5,733,844** | 3,089,102 |
| Tax effect of different tax rates of operations in other jurisdictions | **(175,993)** | (569,418) |
| Utilisation of tax losses previously not recognised | **(1,059,479)** | (3,573,565) |
| Overprovision in prior years | **(1,750,688)** | (3,882,151) |
| Tax effect of tax exemption (note) | **2,712,435** | (1,954,654) |
| Others | **1,845,723** | (1,869,898) |
| Taxation charge/(credit) for the year | **6,702,328** | (362,019) |

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

## 13. DIVIDENDS

| | **2016** | 2015 |
|---|---|---|
| Dividends recognised as distribution during the year | | |
| 2015 Final – 3.0 HK cents (2014: 3.5 HK cents) per share | **28,036,935** | 32,802,793 |
| 2014 Special Cash – 1.0 HK cent per share | **—** | 9,372,227 |
| 2016 Interim – 0.5 HK cent (2015: 0.5 HK cent) per share | **5,132,061** | 4,682,909 |
| | **33,168,996** | 46,857,929 |

Subsequent to the end of the reporting period, a final dividend of 3.0 HK cents per share and a special cash dividend of 1.0 HK cent per share in respect of the year ended 31 March 2016 (2015: A final dividend of 3.0 HK cents per share) have been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 14. EARNINGS PER SHARE

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

| | **2016** | 2015 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company) | **244,730,955** | 133,074,103 |
| **Number of shares** | | *(Restated)* |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,026,258,988** | 1,030,788,387 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **7,110,895** | 6,189,174 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,033,369,883** | 1,036,977,561 |

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue on 11 September 2015 (the “Bonus Issue”).

## 15. INVESTMENT PROPERTIES

| | |
|---|---|
| **FAIR VALUE** | |
| At 1 April 2014 | 887,577,000 |
| Additions | 685,983,956 |
| Acquisition of subsidiaries | 1,145,000,000 |
| Increase in fair value recognised in profit or loss - unrealised | 56,369,049 |
| Disposals | (40,100,000) |
| Exchange realignment | (77,782,180) |
| At 31 March 2015 | 2,657,047,825 |
| Additions | 39,829,876 |
| Increase in fair value recognised in profit or loss - unrealised | 2,215,065 |
| Exchange realignment | (13,991,697) |
| **At 31 March 2016** | **2,685,101,069** |

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

The fair values of the Group's investment properties located in Hong Kong at 31 March 2016 and 31 March 2015 have been arrived at on the basis of a valuation carried out by DTZ Cushman & Wakefield Limited and DTZ Debenham Tie Leung Limited respectively, independent qualified professional valuers not connected with the Group.

The fair value of the Group's investment property located in Canada at 31 March 2016 and 31 March 2015 has been arrived at on the basis of a valuation carried out by CBRE Limited, independent qualified professional valuers not connected with the Group.

The fair value of the Group's investment property located in the PRC at 31 March 2016 and 31 March 2015 has been arrived at on the basis of a valuation carried out by Knight Frank Petty Limited, independent qualified professional valuers not connected with the Group.

The fair values of the completed investment properties located in Hong Kong and Canada were determined based on market comparison approach, where the values are assessed by reference to the comparable properties in close proximity and adjusted for differences in key attributes such as property size and location.

## 15. INVESTMENT PROPERTIES (Cont'd)

The fair value of the investment property under construction located in the PRC was determined by using depreciated replacement cost approach, which is based on an estimate of the market value for the existing use of the land plus the current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy at the end of the reporting period are as follows:

| Investment properties | Fair value as at 31/03/2016 | Fair value as at 31/03/2015 | Fair value hierarchy | Valuation technique | Significant unobservable inputs |
|---|---|---|---|---|---|
| Commercial and residential properties located in Hong Kong | **HK$2,049,000,000** | HK$2,048,000,000 | Level 3 | Market comparison approach | Adjusted average price per square foot, ranging from HK$15,448 to HK$27,686 (2015: HK$15,448 to HK$27,357) (note (i)) |
| Land in Canada for commercial and residential use | **HK$609,654,000** | HK$581,821,800 | Level 3 | Market comparison approach | Adjusted average price per square foot of HK$5,666 (2015: HK$5,408) (note (i)) |
| Industrial property under construction located in the PRC | **HK$26,447,069** | HK$27,226,025 | Level 3 | Depreciated replacement cost approach | Estimated construction cost per square foot of HK$32 (2015: HK$33) (note (ii)) |

Notes:

(i) The higher the adjusted average price per square foot is, the higher the fair value will be.

(ii) The higher the estimated construction cost is, the higher the fair value will be.

There were no transfers into or out of Level 3 during the year.

The Group's investment properties with an aggregate carrying amount of HK$2,658,654,000 (2015: HK$2,629,821,800) have been pledged to secure banking facilities granted to the Group.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land in Hong Kong | Buildings in Hong Kong | Freehold land and buildings outside Hong Kong | Buildings outside Hong Kong | Construction in progress | Leasehold improvements | Plant and machinery | Motor vehicles and yacht | Furniture, fixtures and office equipment | Antiques and pictures | Tools and moulds | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | | | | | |
| At 1 April 2014 | 456,575,260 | 40,626,164 | 5,135,635 | 9,312,883 | 57,536,124 | 33,154,488 | 69,555,351 | 95,430,797 | 89,268,580 | 16,902,024 | 112,074,038 | 985,571,344 |
| Exchange realignment | – | – | (1,835) | – | – | (81,841) | – | – | (613,789) | – | – | (697,465) |
| Additions | – | – | – | – | 4,243,318 | 18,100,861 | 2,320,213 | 1,496,679 | 7,541,115 | 676,450 | 5,227,650 | 39,606,286 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | 276,788 | – | – | 276,788 |
| Disposal of a subsidiary | – | – | – | (2,945,062) | (1,136,533) | (1,651,364) | (1,646,962) | (610,325) | (92,009) | – | – | (8,082,255) |
| Disposals | – | – | – | – | – | (1,217,433) | (17,900) | (2,286,617) | (2,045,491) | (8,950) | – | (5,576,391) |
| At 31 March 2015 | 456,575,260 | 40,626,164 | 5,133,800 | 6,367,821 | 60,642,909 | 48,304,711 | 70,210,702 | 94,030,534 | 94,335,194 | 17,569,524 | 117,301,688 | 1,011,098,307 |
| Exchange realignment | – | – | 510 | – | – | (12,836) | – | – | (96,172) | – | – | (108,498) |
| Additions | 1,481,367 | – | – | – | 3,084,580 | 3,766,961 | 4,201,543 | 1,359,904 | 2,159,708 | – | 10,079,366 | 26,133,429 |
| Disposals | (3,645,260) | (1,024,203) | – | – | – | (927,518) | (4,023,000) | (888,975) | (3,877,660) | – | – | (14,386,616) |
| **At 31 March 2016** | **454,411,367** | **39,601,961** | **5,134,310** | **6,367,821** | **63,727,489** | **51,131,318** | **70,389,245** | **94,501,463** | **92,521,070** | **17,569,524** | **127,381,054** | **1,022,736,622** |
| **DEPRECIATION AND IMPAIRMENT** | | | | | | | | | | | | |
| At 1 April 2014 | 63,574,702 | 8,974,498 | 2,239,781 | 3,143,014 | 25,400,000 | 30,186,141 | 69,499,533 | 36,811,668 | 69,666,222 | 9,496,599 | 98,583,440 | 417,575,598 |
| Exchange realignment | – | – | (18,418) | – | – | (81,841) | – | – | (323,695) | – | – | (423,954) |
| Provided for the year | 7,122,924 | 765,301 | 131,613 | 151,492 | – | 692,084 | 2,046,211 | 10,125,012 | 5,916,758 | 1,383,426 | 5,793,922 | 34,128,743 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | 78,766 | – | – | 78,766 |
| Disposal of a subsidiary | – | – | – | (582,237) | – | (1,651,364) | (1,582,277) | (610,325) | (92,009) | – | – | (4,518,212) |
| Eliminated on disposals | – | – | – | – | – | (1,217,433) | (17,900) | (2,286,617) | (991,127) | (118) | – | (4,513,195) |
| At 31 March 2015 | 70,697,626 | 9,739,799 | 2,352,976 | 2,712,269 | 25,400,000 | 27,927,587 | 69,945,567 | 44,039,738 | 74,254,915 | 10,879,907 | 104,377,362 | 442,327,746 |
| Exchange realignment | – | – | 204 | – | – | (12,836) | – | – | (52,966) | – | – | (65,598) |
| Provided for the year | 7,095,120 | 749,938 | 131,662 | 100,485 | – | 2,686,255 | 1,393,343 | 9,840,094 | 5,739,424 | 911,006 | 6,753,358 | 35,400,685 |
| Eliminated on disposals | (1,369,195) | (394,318) | – | – | – | (231,880) | (4,023,000) | (888,600) | (3,766,436) | – | – | (10,673,429) |
| **At 31 March 2016** | **76,423,551** | **10,095,419** | **2,484,842** | **2,812,754** | **25,400,000** | **30,369,126** | **67,315,910** | **52,991,232** | **76,174,937** | **11,790,913** | **111,130,720** | **466,989,404** |
| **CARRYING VALUES** | | | | | | | | | | | | |
| **At 31 March 2016** | **377,987,816** | **29,506,542** | **2,649,468** | **3,555,067** | **38,327,489** | **20,762,192** | **3,073,335** | **41,510,231** | **16,346,133** | **5,778,611** | **16,250,334** | **555,747,218** |
| At 31 March 2015 | 385,877,634 | 30,886,365 | 2,780,824 | 3,655,552 | 35,242,909 | 20,377,124 | 265,135 | 49,990,796 | 20,080,279 | 6,689,617 | 12,924,326 | 568,770,561 |

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

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

| **Category of assets** | **Estimated useful lives** |
|---|---|
| Freehold land | Indefinite |
| Leasehold land and buildings | Over the shorter of the terms of leases, or 50 years |
| Leasehold improvements | $14^1/_3$% - $33^1/_3$% |
| Plant and machinery | 25% |
| Motor vehicles and yacht | 10% - 25% |
| Furniture, fixtures and office equipment | $14^1/_3$% - 25% |
| Antiques and pictures | 10% |
| Tools and moulds | 15% - $33^1/_3$% |

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

| | **2016** | 2015 |
|---|---|---|
| Motor vehicles and yacht | **34,509,100** | 41,074,502 |
| Furniture, fixtures and office equipment | **2,940** | 19,924 |
| | **34,512,040** | 41,094,426 |

The Group has pledged leasehold land and buildings with a net book value of HK$407,494,358 (2015: HK$416,763,999) to secure general banking facilities granted to the Group.

## 17. PREPAID LEASE PAYMENTS

| | 2016 | 2015 |
|---|---|---|
| Analysed for reporting purposes as: | | |
| – Non-current assets | **2,709,249** | 2,777,215 |
| – Current assets | **67,965** | 67,964 |
| | **2,777,214** | 2,845,179 |

The Group's prepaid lease payments comprise leasehold land in PRC.

## 18. GOODWILL

| | |
|---|---|
| **COST** | |
| At 1 April 2014 | 678,126 |
| Arising on acquisition of subsidiaries | 591,806 |
| At 31 March 2015 and 2016 | 1,269,932 |
| **IMPAIRMENT** | |
| At 1 April 2014, 31 March 2015 and 2016 | – |
| **CARRYING VALUES** | |
| At 31 March 2016 | **1,269,932** |
| At 31 March 2015 | 1,269,932 |

For the purposes of impairment testing, goodwill has been allocated to two individual cash generating units (CGUs) in the hotel operation segment.

| | 2016 | 2015 |
|---|---|---|
| Hotel – Roebuck Investments Limited (Unit A) | **678,126** | 678,126 |
| Hotel – Ally Vantage Limited (Unit B) | **591,806** | 591,806 |
| | **1,269,932** | 1,269,932 |

During the years ended 31 March 2016 and 2015, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

## 18. GOODWILL (Cont'd)

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

### Unit A and Unit B

The recoverable amount of Units A and B have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. Both value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15.80% (2015: 15.53%). Both sets of cash flows beyond the 5-year period are extrapolated using a steady 3% (2015: 3%) growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and direct costs, such estimation is based on the CGUs' past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A and Unit B to exceed the aggregate recoverable amount of Unit A and Unit B.

## 19. INTEREST IN/AMOUNT DUE TO AN ASSOCIATE

| | **2016** | 2015 |
|---|---|---|
| Cost of unlisted investment in associate | **3,013,388** | 3,013,388 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **4,715,857** | 4,812,879 |
| | **7,729,245** | 7,826,267 |

Particulars of the Group's associate at the end of the reporting period are as follows:

| **Name of associate** | **Form of entity** | **Place of incorporation/ operation** | **Class of shares held** | **Percentage of ownership interests held by the Group 2016** | **Percentage of ownership interests held by the Group** 2015 | **Principal activities** |
|---|---|---|---|---|---|---|
| Eden Bay Corporation ("Eden Bay") | Incorporated | British Virgin Islands/ Hong Kong | Ordinary | **20%** | 20% | Investment holding |

The amount due to an associate is unsecured, interest-free and repayable on demand.

## 19. INTEREST IN/AMOUNT DUE TO AN ASSOCIATE (Cont'd)

**Summarised financial information of associate**

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

| Eden Bay | 2016 | 2015 |
|---|---|---|
| Current assets | **473,154,035** | 473,612,616 |
| Non-current assets | **—** | — |
| Current liabilities | **448,423,239** | 448,396,713 |
| Non-current liabilities | **—** | — |
| Revenue | **—** | — |
| (Loss)/Profit from continuing operations | **(485,107)** | 1,278,444 |
| Post-tax profit from discontinued operations | **—** | — |
| (Loss)/Profit for the year | **(485,107)** | 1,278,444 |
| Other comprehensive income for the year | **—** | — |
| Total comprehensive (expense)/income for the year | **(485,107)** | 1,278,444 |
| Dividends received from Eden Bay during the year | **—** | — |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Eden Bay recognised in the consolidated financial statements:

| | 2016 | 2015 |
|---|---|---|
| Net assets of Eden Bay | **24,730,796** | 25,215,903 |
| Proportion of the Group's ownership interest in Eden Bay | **20%** | 20% |
| | **4,946,159** | 5,043,181 |
| Goodwill | **2,783,086** | 2,783,086 |
| Carrying amount of the Group's interest in Eden Bay | **7,729,245** | 7,826,267 |

## 20. INTERESTS IN/AMOUNT DUE FROM/(TO) JOINT VENTURES

| | 2016 | 2015 |
|---|---|---|
| Costs of unlisted investments in joint ventures | **317,813,998** | 8 |
| Share of post-acquisition profits/(losses) and other comprehensive income | **515,903** | (8) |
| | **318,329,901** | — |
| Loan to a joint venture | **51,154,294** | — |
| | **369,484,195** | — |

Particulars of the Group's joint ventures at the end of the reporting period are as follows:

| Name of joint venture | Form of entity | Place of incorporation/ operation | Class of shares held | Percentage of ownership interests held by the Group 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|
| Tania Investments Holdings Limited ("Tania") | Incorporated | British Virgin Islands/ Hong Kong | Ordinary | **50%** | N/A[1] | Property development and investment |
| Harvest Sun Holdings Limited ("Harvest Sun") | Incorporated | British Virgin Islands/ Hong Kong | Ordinary | **50%** | 50% | Property investment |

[1] At 31 March 2015, Tania was a wholly-owned subsidiary of the Company.

The loan to a joint venture included in the Group's interests in joint ventures represents a shareholder loan of HK$51,154,294 (2015: Nil) due by Tania to the Group, which is unsecured, interest-free and has no fixed terms of repayment.

The amount due from a joint venture included in the Group's current assets represents an amount of HK$29,649,822 (2015: HK$21,599,822) due by Harvest Sun to the Group, which is unsecured, interest-free and repayable on demand.

The amount due to a joint venture included in the Group's current liabilities represents an amount of HK$73,582,829 (2015: Nil) due by the Group to Tania, which is unsecured, interest-free and repayable on demand.

## 20. INTERESTS IN/AMOUNT DUE FROM/(TO) JOINT VENTURES (Cont'd)

**Summarised financial information of joint ventures**

Summarised financial information in respect of each of the Group's joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

All of these joint ventures are accounted for using the equity method in these consolidated financial statements.

| **Tania** | **2016** | 2015 |
|---|---|---|
| Current assets | **1,901,831,260** | – |
| Non-current assets | **–** | – |
| Current liabilities | **5,094,748** | – |
| Non-current liabilities | **1,261,167,695** | – |

The above amounts of assets and liabilities include the following:

| | | |
|---|---|---|
| Cash and cash equivalents | **59,896,450** | – |
| Current financial liabilities (excluding trade and other payables and provisions) | **–** | – |
| Non-current financial liabilities (excluding trade and other payables and provisions) | **1,203,315,296** | – |

## 20. INTERESTS IN/AMOUNT DUE FROM/(TO) JOINT VENTURES (Cont'd)

**Summarised financial information of joint ventures (Cont'd)**

| **Tania** | **2016** | 2015 |
|---|---|---|
| Revenue | **–** | – |
| Loss from continuing operations | **(59,162)** | – |
| Post-tax profit from discontinued operations | **–** | – |
| Loss for the year | **(59,162)** | – |
| Other comprehensive income | **–** | – |
| Total comprehensive expense for the year | **(59,162)** | – |
| Dividends received from Tania during the year | **–** | – |
| The above loss for the year include the following: | | |
| Depreciation and amortisation | **–** | – |
| Interest income | **4,804** | – |
| Interest expense | **–** | – |
| Income tax expense | **–** | – |

Reconciliation of the above summarised financial information to the carrying amount of the interest in Tania recognised in the consolidated financial statements:

| | **2016** | 2015 |
|---|---|---|
| Net asset of Tania | **635,568,817** | – |
| Proportion of the Group's ownership interest in Tania | **50%** | – |
| Carrying amount of the Group's interest in Tania | **317,784,409** | – |

## 20. INTERESTS IN/AMOUNT DUE FROM/(TO) JOINT VENTURES (Cont'd)

### Summarised financial information of joint ventures (Cont'd)

| Harvest Sun | 2016 | 2015 |
|---|---|---|
| Current assets | **6,955,362** | 4,689,469 |
| Non-current assets | **133,530,396** | 70,845,031 |
| Current liabilities | **79,115,922** | 43,105,241 |
| Non-current liabilities | **60,278,851** | 45,453,356 |
| The above amounts of assets and liabilities include the following: | | |
| Cash and cash equivalents | **3,430,382** | 2,294,469 |
| Current financial liabilities (excluding trade and other payables and provisions) | **58,957,869** | 43,105,241 |
| Non-current financial liabilities (excluding trade and other payables and provisions) | **57,631,320** | 45,453,356 |

| Harvest Sun | 2016 | 2015 |
|---|---|---|
| Revenue | **—** | — |
| Profit/(Loss) from continuing operations | **14,565,436** | (1,352,735) |
| Post-tax profit from discontinued operations | **—** | — |
| Profit/(Loss) for the year | **14,565,436** | (1,352,735) |
| Other comprehensive expense | **(450,354)** | (142,993) |
| Total comprehensive income/(expense) for the year | **14,115,082** | (1,495,728) |
| Dividends received from Harvest Sun during the year | **—** | — |
| The above profit/(loss) for the year include the following: | | |
| Depreciation and amortisation | **—** | — |
| Interest income | **1,458** | 4,906 |
| Interest expense | **—** | — |
| Income tax expense | **—** | — |

## 20. INTERESTS IN/AMOUNT DUE FROM/(TO) JOINT VENTURES (Cont'd)

### Summarised financial information of joint ventures (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Harvest Sun recognised in the consolidated financial statements:

| | 2016 | 2015 |
|---|---|---|
| Net asset/(liabilities) of Harvest Sun | **1,090,985** | (13,024,097) |
| Proportion of the Group's ownership interest in Harvest Sun | **50%** | 50% |
| | **545,492** | (6,512,049) |
| Cumulative unrecognised share of loss and other comprehensive expense | **—** | 6,512,049 |
| Carrying amount of the Group's interest in Harvest Sun | **545,492** | — |

The amounts of unrecognised share of loss of Harvest Sun, both for the year and cumulatively, are as follows:

| | 2016 | 2015 |
|---|---|---|
| Unrecognised share of loss of a joint venture for the year | **—** | 676,368 |
| Cumulative unrecognised share of loss of a joint venture | **—** | 12,194,385 |

## 21. AVAILABLE-FOR-SALE INVESTMENTS

| | 2016 | 2015 |
|---|---|---|
| Club debentures | **26,200,000** | 21,800,000 |
| Unlisted fund investment | **—** | 38,782,500 |
| | **26,200,000** | 60,582,500 |

At the end of the reporting period, all available-for-sale investments are stated at fair value.

The fair values of the club debentures have been determined by reference to market prices in secondary markets.

The fair value of the unlisted fund investment is determined based on the net asset value of the fund.

## 22. HELD-TO-MATURITY INVESTMENTS

| | 2016 | 2015 |
|---|---|---|
| Bonds listed in Singapore with fixed interest of 9.15% per annum and maturity date on 26 July 2015 | – | 7,528,919 |
| Bonds listed in Luxembourg with fixed interest of 2.5% per annum and maturity date on 23 January 2023 | **3,172,084** | 3,032,820 |
| | **3,172,084** | 10,561,739 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **3,172,084** | 3,032,820 |
| Current assets | – | 7,528,919 |
| | **3,172,084** | 10,561,739 |

## 23. INVENTORIES

| | 2016 | 2015 |
|---|---|---|
| Raw materials and consumables | **30,155,687** | 37,990,590 |
| Work in progress | **11,517,416** | 15,765,200 |
| Finished goods | **143,558,705** | 78,120,159 |
| | **185,231,808** | 131,875,949 |

## 24. INVESTMENTS HELD FOR TRADING

| | 2016 | 2015 |
|---|---|---|
| Listed securities: | | |
| – Equity securities listed in Hong Kong | **17,740,965** | 5,363,161 |
| – Equity securities listed in United States of America | **10,442,612** | 2,861,130 |
| Unlisted equity securities | **15,511,600** | – |
| Unlisted fund investments | **56,472,877** | – |
| | **100,168,054** | 8,224,291 |

The fair value of the listed securities is determined based on quoted market bid price available on the relevant stock exchange.

The fair value of the unlisted equity securities is determined with reference to the recent transaction price of the securities.

The fair value of the unlisted fund investments is determined based on the reported net asset value of the fund.

## 25. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in properties under development for sale are properties with an aggregate amount of HK$267,095,549 (2015: HK$1,179,531,543) which are expected to be completed after more than twelve months from the end of the reporting period.

The Group's properties under development for sale with an aggregate carrying amount of HK$267,095,549 (2015: HK$1,179,531,543) have been pledged to secure banking facilities granted to the Group.

## 26. BILLS RECEIVABLES

Bills receivables of HK$649,331 (2015: HK$542,796) which are aged within 30 days.

## 27. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2016 | 2015 |
|---|---|---|
| Trade receivables | **51,282,429** | 48,410,383 |
| Less: allowance for doubtful debts | **(17,829,722)** | (9,794,248) |
| | **33,452,707** | 38,616,135 |
| Deposits and prepayments | **127,555,082** | 88,025,845 |
| Advance payment to suppliers | **5,953,782** | 7,592,862 |
| Consideration receivable (note 43(a)) | **72,191,298** | — |
| Other receivables | **30,617,744** | 35,398,102 |
| Total trade receivable, deposits and prepayments | **269,770,613** | 169,632,944 |

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

| | 2016 | 2015 |
|---|---|---|
| Within 30 days | **26,684,651** | 30,519,381 |
| 31 to 90 days | **6,023,159** | 2,844,801 |
| 91 to 180 days | **95,574** | 1,176,068 |
| Over 180 days | **649,323** | 4,075,885 |
| | **33,452,707** | 38,616,135 |

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. 79% (2015: 78%) of the trade receivables that are neither past due nor impaired have the best credit quality with reference to respective settlement history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$7,127,228 (2015: HK$8,564,206) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as the balances are still considered recoverable. The Group does not hold any collateral over these balances.

## 27. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

**Ageing of trade receivables which are past due but not impaired**

| | 2016 | 2015 |
|---|---|---|
| Within 30 days | **488,522** | 467,452 |
| 31 to 90 days | **5,893,809** | 2,847,260 |
| 91 to 180 days | **95,574** | 1,174,711 |
| Over 180 days | **649,323** | 4,074,783 |
| | **7,127,228** | 8,564,206 |

**Movement in the allowance for doubtful debts**

| | 2016 | 2015 |
|---|---|---|
| At beginning of year | **9,794,248** | 6,065,530 |
| Impairment losses recognised on receivables | **8,037,840** | 3,729,351 |
| Exchange difference | **(2,366)** | (633) |
| At end of year | **17,829,722** | 9,794,248 |

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$17,829,722 (2015: HK$9,794,248) which were past due and generally not recoverable. The Group does not hold any collateral over these balances.

**Ageing of impaired trade receivables**

| | 2016 | 2015 |
|---|---|---|
| Over 180 days | **17,829,722** | 9,794,248 |

## 28. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates ranging from 0.001% to 2% (2015: 0.001% to 4.44%) per annum.

## 29. BILLS PAYABLES, TRADE PAYABLES, CUSTOMERS' DEPOSITS AND ACCRUED EXPENSES

Included in bills payables, trade payables, customers' deposits and accrued expenses are trade and bills payables of HK$161,291,543 (2015: HK$98,679,297) with an ageing analysis as follows:

| | **2016** | 2015 |
|---|---|---|
| Within 30 days | **128,877,088** | 71,903,830 |
| 31 to 90 days | **23,409,532** | 22,031,262 |
| 91 to 180 days | **3,712,930** | 3,042,678 |
| Over 180 days | **5,291,993** | 1,701,527 |
| | **161,291,543** | 98,679,297 |

The average credit period on purchases is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 30. OBLIGATIONS UNDER FINANCE LEASES

| | **2016** | 2015 |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Current liabilities | **3,996,276** | 4,825,192 |
| Non-current liabilities | **24,474,552** | 28,470,829 |
| | **28,470,828** | 33,296,021 |

## 30. OBLIGATIONS UNDER FINANCE LEASES (Cont'd)

It is the Group's policy to lease certain of its office equipment, motor vehicles and yacht under finance leases. The leases term are for 3 to 10 years (2015: 3 to 10 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.35% to 4% (2015: 1.35% to 4%) per annum. All the leases were denominated in HKD. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Amounts payable under finance leases: | | | | |
| Within one year | **5,113,699** | 6,110,531 | **3,996,276** | 4,825,192 |
| In the second to fifth years inclusive | **19,334,249** | 20,076,943 | **16,525,200** | 16,594,673 |
| In more than five years | **8,365,848** | 12,736,854 | **7,949,352** | 11,876,156 |
| | **32,813,796** | 38,924,328 | **28,470,828** | 33,296,021 |
| Less: Future finance charges | **(4,342,968)** | (5,628,307) | **—** | — |
| Present value of lease obligations | **28,470,828** | 33,296,021 | **28,470,828** | 33,296,021 |
| Less: Amount due for settlement within one year (shown under current liabilities) | | | **(3,996,276)** | (4,825,192) |
| Amount due for settlement after one year | | | **24,474,552** | 28,470,829 |

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

## 31. BANK LOANS

| | **2016** | 2015 |
|---|---|---|
| Secured bank loans | **2,126,035,228** | 2,612,073,780 |
| Unsecured bank loans | **537,745,052** | 513,688,585 |
| | **2,663,780,280** | 3,125,762,365 |
| Carrying amount repayable: | | |
| On demand or within one year | **639,837,224** | 627,949,257 |
| More than one year, but not exceeding two years | **725,788,125** | 1,027,696,040 |
| More than two years, but not exceeding five years | **646,925,569** | 805,232,113 |
| More than five years | **651,229,362** | 664,884,955 |
| | **2,663,780,280** | 3,125,762,365 |
| Less: Amounts due within one year shown under current liabilities | **(639,837,224)** | (627,949,257) |
| Amounts shown under non-current liabilities | **2,023,943,056** | 2,497,813,108 |

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

| | **2016** | 2015 |
|---|---|---|
| USD | **110,593,274** | 123,682,490 |
| JPY | **96,154,926** | 48,693,136 |
| CHF | **721,423** | — |

All the Group's borrowings are variable-rate borrowings which carry interest at HIBOR, LIBOR or prime rate plus certain basis points and subject to cash flow interest rate risk. Interest is repricing every month and the range of interest rates is at 2.23% to 4.5% (2015: 2.11% to 4.5%) per annum.

## 32. SHARE CAPITAL

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Ordinary shares of HK$0.1 each | | | | |
| Authorised: | | | | |
| At beginning of the year and at end of the year | **1,500,000,000** | 1,500,000,000 | **150,000,000** | 150,000,000 |
| Issued and fully paid: | | | | |
| At beginning of the year | **935,566,511** | 940,406,511 | **93,556,651** | 94,040,651 |
| Issue of bonus shares | **93,456,451** | — | **9,345,645** | — |
| Issue of shares upon exercise of share options | **—** | 300,000 | **—** | 30,000 |
| Cancelled on repurchase of shares | **(9,134,000)** | (5,140,000) | **(913,400)** | (514,000) |
| At end of the year | **1,019,888,962** | 935,566,511 | **101,988,896** | 93,556,651 |

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

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

| Month of repurchase | Number of shares | Price per share Highest | Lowest | Aggregate consideration paid (including expenses) |
|---|---|---|---|---|
| July 2015 | 1,002,000 | 1.00 | 0.94 | 983,245 |
| September 2015 | 1,464,000 | 0.90 | 0.88 | 1,296,348 |
| October 2015 | 146,000 | 0.91 | 0.90 | 133,375 |
| December 2015 | 6,000 | 0.92 | 0.92 | 5,626 |
| January 2016 | 6,396,000 | 0.90 | 0.86 | 5,694,595 |
| February 2016 | 120,000 | 0.85 | 0.85 | 102,365 |
| | 9,134,000 | | | 8,215,554 |

## 33. PROVISION FOR LONG SERVICE PAYMENTS

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

The most recent actuarial valuation of the present value of the obligations under long service payments was carried out at 31 March 2016 by Mr. Joseph Yip of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the obligations under long service payments and the related current service cost were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | **2016** | 2015 |
|---|---|---|
| Discount rate | **1.00%** | 1.00% |
| Expected rate of salary increase | **4.00%** | 4.00% |
| Expected rate of return on MPF balances | **4.75%** | 4.75% |
| Expected rate of increases to long service payment maximum amount and maximum MPF relevant income | **3.00%** | 3.00% |

Amounts recognised in comprehensive income in respect of the obligations under long service payments are as follows:

| | **2016** | 2015 |
|---|---|---|
| Current service cost | **13,824** | 5,203 |
| Interest cost | **49,544** | 68,162 |
| Components of defined benefit costs recognised in profit or loss | **63,368** | 73,365 |
| Remeasurement on the net defined benefit liability: | | |
| Actuarial losses/(gains) arising from experience adjustments | **1,072,881** | (68,414) |
| Actuarial losses arising from changes in financial assumptions | **—** | 522,934 |
| Actuarial gains arising from changes in demographic assumptions | **—** | (205,351) |
| Components of defined benefit costs recognised in other comprehensive income | **1,072,881** | 249,169 |
| Total | **1,136,249** | 322,534 |

## 33. PROVISION FOR LONG SERVICE PAYMENTS (Cont'd)

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

| | 2016 | 2015 |
|---|---|---|
| Present value of the obligations under long service payments | **6,894,396** | 6,071,575 |

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

| | 2016 | 2015 |
|---|---|---|
| At beginning of the year | **6,071,575** | 5,869,637 |
| Current service cost | **13,824** | 5,203 |
| Interest cost | **49,544** | 68,162 |
| Remeasurement (gains)/losses: | | |
| – Actuarial losses/(gains) arising from experience adjustments | **1,072,881** | (68,414) |
| – Actuarial losses arising from changes in financial assumptions | **—** | 522,934 |
| – Actuarial gains arising from changes in demographic assumptions | **—** | (205,351) |
| Benefits paid | **(313,428)** | (120,596) |
| At end of the year | **6,894,396** | 6,071,575 |

## 33. PROVISION FOR LONG SERVICE PAYMENTS (Cont'd)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected rate of salary increase, expected return on MPF balances and expected rate of increases to long service payment maximum amount and maximum MPF relevant income. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 25 basis points higher (lower), the defined benefit obligation would decrease by HK$67,163 (2015: HK$59,666) (increase by HK$68,932 (2015: HK$61,135)).

- If the expected rate of salary increase is 25 basis points higher (lower), the defined benefit obligation would increase by HK$56,861 (2015: HK$61,260) (decrease by HK$62,281 (2015: HK$60,258)).

- If the expected rate of return on MPF balances is 25 basis points higher (lower), the defined benefit obligation would decrease by HK$132,873 (2015: HK$129,605) (increase by HK$137,488 (2015: HK$134,148)).

- If the expected rate of increases to long service payment maximum amount and maximum MPF relevant income is 25 basis points higher (lower), the defined benefit obligation would increase by HK$143,848 (2015: HK$131,538) (decrease by HK$143,705 (2015: HK$131,115)).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior year.

The weighted average duration of the defined benefit obligation as at 31 March 2016 is 4.5 years (2015: 4 years).

The expected defined benefit costs during the next financial year is HK$74,035 (2015: HK$63,368).

## 34. DEFERRED TAXATION

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

| | 2016 | 2015 |
|---|---|---|
| Deferred tax assets | **2,793,474** | 7,737,829 |
| Deferred tax liabilities | **(19,170,319)** | (76,073,242) |
| | **(16,376,845)** | (68,335,413) |

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

| | Accelerated tax depreciation | Revaluation of properties | Revaluation of investment properties | Tax losses | Total |
|---|---|---|---|---|---|
| At 1 April 2014 | 19,254,623 | 65,195,306 | 3,265,928 | (18,227,553) | 69,488,304 |
| Charge/(credit) to profit or loss for the year | 1,259,146 | – | 155,467 | (1,990,739) | (576,126) |
| Acquisition of subsidiaries | 13,578,912 | – | – | (15,067,263) | (1,488,351) |
| Exchange differences | – | – | – | 911,586 | 911,586 |
| At 31 March 2015 | 34,092,681 | 65,195,306 | 3,421,395 | (34,373,969) | 68,335,413 |
| Charge to profit or loss for the year | 1,024,315 | – | 3,671,780 | 1,260,497 | 5,956,592 |
| Disposal of subsidiaries | – | (57,852,399) | – | – | (57,852,399) |
| Exchange differences | – | – | (205,735) | 142,974 | (62,761) |
| **At 31 March 2016** | **35,116,996** | **7,342,907** | **6,887,440** | **(32,970,498)** | **16,376,845** |

At the end of the reporting period, the Group has unused tax losses of approximately HK$647,481,000 (2015: HK$574,066,000) available for offset against future profits. A deferred tax asset of HK$32,970,498 (2015: HK$34,373,969) has been recognised in respect of approximately HK$199,153,000 (2015: HK$197,453,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining approximately HK$448,328,000 (2015: HK$376,613,000) of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$988,000 (2015: HK$973,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 March 2015, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$4,721,000. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reserve in the foreseeable future.

## 35. FINANCIAL GUARANTEE CONTRACTS

| | **2016** | 2015 |
|---|---|---|
| Guarantee given to bank in respect of banking facilities to a joint venture (note (a)) | **1,048,000,000** | — |
| Other guarantees (note (b)) | **621,000** | 621,000 |
| | **1,048,621,000** | 621,000 |

Notes:

(a) At 31 March 2016, the Company issued financial guarantee to a bank in respect of banking facilities granted to a joint venture. The amount that could be required to be paid if the guarantee was called upon in entirety amounted to HK$1,048,000,000, of which HK$927,687,500 has been utilised by the joint venture. The fair value of the financial guarantee at initial recognition are not significant and therefore the directors are of the opinion that no provision for financial guarantee should be made.

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

## 36. CAPITAL COMMITMENTS

| | **2016** | 2015 |
|---|---|---|
| Contracted for but not provided: | | |
| Construction and acquisition of properties | **39,406,377** | 58,625,752 |

## 37. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

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

| | 2016 | 2015 |
|---|---|---|
| Within one year | **18,008,792** | 17,543,958 |
| In the second to fifth year inclusive | **15,941,684** | 32,307,849 |
| Over five years | **5,825,799** | 6,290,784 |
| | **39,776,275** | 56,142,591 |

Operating lease payments represent rentals payable by the Group for certain of its office premises, staff quarters and factories. Leases for office premises, staff quarters and factories are negotiated for an average term of 8 years (2015: 8 years) with fixed rentals.

### The Group as lessor

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

| | 2016 | 2015 |
|---|---|---|
| Within one year | **9,721,111** | 9,495,964 |
| In the second to fifth year inclusive | **73,348** | 400,000 |
| | **9,794,459** | 9,895,964 |

Leases are negotiated for an average term of 1 year (2015: 1 year).

## 38. RETIREMENT BENEFIT SCHEME

Commencing from 1 December 2000, the Group's employees are required to join the Mandatory Provident Fund ("MPF") Scheme. Under the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK$1,500 per month (with effect from 1 June 2014) whichever is the smaller to the scheme. There is no forfeiture of employer's contribution from leaving scheme members under the MPF Scheme.

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

The total cost charged to profit or loss of HK$8,053,233 (2015: HK$7,427,601) represents contributions payable to these schemes by the Group in respect of the current accounting period.

## 39. PLEDGE OF ASSETS

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

| | **2016** | 2015 |
|---|---|---|
| Investment properties | **2,658,654,000** | 2,629,821,800 |
| Buildings in Hong Kong | **29,506,542** | 30,886,365 |
| Inventory of unsold properties | **6,084,649** | 6,197,954 |
| Properties under development for sale | **267,095,549** | 1,179,531,543 |
| Leasehold land in Hong Kong | **377,987,816** | 385,877,634 |

## 40. RELATED PARTY TRANSACTIONS

(a) Transactions with associates

| **Nature of transaction** | **2016** | 2015 |
|---|---|---|
| Property management fee received by the Group | **–** | 1,951,093 |

(b) The Group's balances with related parties are set out in notes 19 and 20.

(c) Financial guarantee given to a bank by the Group in respect of banking facilities to a joint venture is set out in note 35.

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

## 41. SHARE-BASED PAYMENT TRANSACTIONS

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

At 31 March 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,050,000 (2015: 17,050,000 (adjusted for the effect of the Bonus Issue)), representing 1.67% (2015: 1.66%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Consideration at HK$1 is payable on the grant of an option. Options may be exercised in accordance with the terms of the Scheme at any time during the period as the Board of Directors may determine in granting the share options, but in any event not exceeding ten years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

## 41. SHARE-BASED PAYMENT TRANSACTIONS (Cont'd)

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

| Date of grant | Exercise period | Exercise price per share (note) | Outstanding at 01.04.2015 (note) | Exercised during the year | Outstanding at 31.03.2016 |
|---|---|---|---|---|---|
| 18 March 2010 | 18.3.2010 - 17.3.2018 | HK$0.493 | **10,120,000** | **—** | **10,120,000** |
| 23 March 2011 | 23.3.2011 - 22.3.2018 | HK$0.691 | **6,930,000** | **—** | **6,930,000** |
| | | | **17,050,000** | **—** | **17,050,000** |
| Exercisable at the end of the year | | | | | **17,050,000** |
| Weighted average exercise price | | | **HK$0.573** | **—** | **HK$0.573** |

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

| Date of grant | Exercise period | Exercise price per share (note) | Outstanding at 01.04.2014 (note) | Exercised during the year (note) | Outstanding at 31.03.2015 (note) |
|---|---|---|---|---|---|
| 18 March 2010 | 18.3.2010 - 17.3.2018 | HK$0.493 | 10,120,000 | — | 10,120,000 |
| 23 March 2011 | 23.3.2011 - 22.3.2018 | HK$0.691 | 7,260,000 | (330,000) | 6,930,000 |
| | | | 17,380,000 | (330,000) | 17,050,000 |
| Exercisable at the end of the year | | | | | 17,050,000 |
| Weighted average exercise price | | | HK$0.576 | HK$0.691 | HK$0.573 |

Note: The exercise price and number of the share options has been adjusted to reflect the effect of the Bonus Issue.

In respect of the share options exercised during the year ended 31 March 2015, the weighted average share price at the dates of exercise is HK$0.918 (adjusted for the effect of the Bonus Issue).

## 42. ACQUISITION OF SUBSIDIARIES

### (a) Ally Vantage Limited ("Ally Vantage")

On 28 April 2014, the Group purchased 73% of the entire issued share capital of Ally Vantage for the consideration of HK$258,647,172. Ally Vantage and its subsidiaries are engaged in property development and investment. Ally Vantage was acquired so as to continue the expansion of the Group's hotel operation business.

**Consideration transferred**

| | |
|---|---|
| Cash | 258,647,172 |

Acquisition-related costs amounting to HK$552,000 have been excluded from the consideration transferred and have been recognised as an expense in the prior year, within the "administrative expenses" line item in the consolidated statement of profit or loss.

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

| | |
|---|---|
| Investment properties | 635,000,000 |
| Plant and equipment | 169,620 |
| Deferred tax assets | 796,827 |
| Accounts receivable | 194,414 |
| Deposits and prepayments | 808,404 |
| Bank balances | 18,240,564 |
| Receipt in advance | (941,517) |
| Tenancy deposits | (1,244,500) |
| Accruals | (10,398,446) |
| Amount due to a related company | (500,038) |
| Bank loans | (288,405,939) |
| | 353,719,389 |

The accounts receivable acquired with a fair value of HK$194,414 at the date of the acquisition had gross contractual amounts of HK$194,414, representing the best estimate at acquisition date of the contractual cash flows expected to be collected.

## 42. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (a) Ally Vantage Limited ("Ally Vantage") (Cont'd)

**Goodwill arising on acquisition:**

| | |
|---|---|
| Consideration transferred | 258,647,172 |
| Plus: fair value of previously held interests of 27% in Ally Vantage | 95,664,023 |
| Less: net assets acquired | (353,719,389) |
| Goodwill arising on acquisition | 591,806 |

**Net cash outflow on acquisition of Ally Vantage:**

| | |
|---|---|
| Cash consideration paid | 258,647,172 |
| Less: cash and cash equivalent balances acquired | (18,240,564) |
| | 240,406,608 |

Included in the profit for the year ended 31 March 2015 is HK$35,483,277 attributable to the additional business incurred by Ally Vantage and its subsidiaries. Revenue for the year ended 31 March 2015 includes HK$30,380,012 generated from Ally Vantage and its subsidiaries.

Had the acquisition been completed on 1 April 2014, total group revenue for the year ended 31 March 2015 would have been HK$1,440 million, and profit for the year ended 31 March 2015 would have been HK$136 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor is it intended to be a projection of future results.

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

## 42. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (b) Smart Plus Group Limited ("Smart Plus")

On 28 April 2014, the Group purchased 73% of the entire issued share capital of Smart Plus and the benefit of the vendor's shareholder loan for a total consideration of HK$219,347,587. Smart Plus and its subsidiaries are engaged in property development and investment. Smart Plus was acquired so as to continue the expansion of the Group's hotel operation business.

**Consideration transferred**

| | |
|---|---|
| Cash | 219,347,587 |

Acquisition-related costs amounting to HK$798,000 have been excluded from the consideration transferred and have been recognised as an expense in the prior year, within the "administrative expenses" line item in the consolidated statement of profit or loss.

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

| | |
|---|---|
| Investment properties | 510,000,000 |
| Plant and equipment | 28,402 |
| Deferred tax assets | 691,524 |
| Accounts receivable | 177,187 |
| Deposits and prepayments | 691,577 |
| Bank balances | 24,094,566 |
| Receipt in advance | (811,230) |
| Tenancy deposits | (2,545,800) |
| Accruals | (1,198,556) |
| Amount due to a shareholder | (9,699,430) |
| Amount due to a related company | (3,587,461) |
| Bank loans | (225,938,500) |
| | 291,902,279 |

The accounts receivable acquired with a fair value of HK$177,187 at the date of the acquisition had gross contractual amounts of HK$177,187, representing the best estimate at acquisition date of the contractual cash flows expected to be collected.

## 42. ACQUISITION OF SUBSIDIARIES (Cont'd)

### (b) Smart Plus Group Limited ("Smart Plus") (Cont'd)

**Bargain purchase gain arising on acquisition:**

| | |
|---|---:|
| Consideration transferred | 219,347,587 |
| Plus: fair value of previously held interests of 27% in Smart Plus | 77,541,099 |
| Less: net assets acquired | (291,902,279) |
| Less: shareholder's loan assigned to the Group | (9,699,430) |
| Bargain purchase gain arising on acquisition | (4,713,023) |

**Net cash outflow on acquisition of Smart Plus:**

| | |
|---|---:|
| Cash consideration paid | 219,347,587 |
| Less: cash and cash equivalent balances acquired | (24,094,566) |
| | 195,253,021 |

Included in the profit for the year ended 31 March 2015 is HK$14,759,229 attributable to the additional business incurred by Smart Plus and its subsidiaries. Revenue for the year ended 31 March 2015 includes HK$12,142,920 generated from Smart Plus and its subsidiaries.

Had the acquisition been completed on 1 April 2014, total group revenue for the year ended 31 March 2015 would have been HK$1,446 million, and profit for the year ended 31 March 2015 would have been HK$132 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2014, nor is it intended to be a projection of future results.

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

## 43. DISPOSAL OF SUBSIDIARIES

### (a) Tania

On 15 December 2015, Tania Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Malibu Development Holdings Limited ("Malibu") to dispose of its 50% equity interest in Tania and assign 50% of its interest in the shareholder's loan to Malibu at an aggregate consideration of HK$368,968,284. The net assets of Tania at the date of disposal were as follows:

**Consideration received and receivable:**

| | |
|---|---|
| Cash received | 296,776,986 |
| Deferred cash consideration | 72,191,298 |
| | 368,968,284 |
| Less: Assignment of shareholder's loan | (51,154,294) |
| | 317,813,990 |

**Analysis of assets and liabilities over which control was lost:**

| | |
|---|---|
| Property under development | 1,451,113,305 |
| Deposits and prepayments | 94,160 |
| Amount due from immediate holding company | 73,582,829 |
| Bank balances | 75,329,421 |
| Accrued expenses | (914,164) |
| Loans from shareholder | (102,308,588) |
| Bank loans | (1,098,286,833) |
| Deferred tax liabilities | (57,852,399) |
| Net assets disposed of | 340,757,731 |

**Gain on disposal of subsidiaries:**

| | |
|---|---|
| Consideration received and receivable | 317,813,990 |
| Fair value of interest retained | 317,813,990 |
| Net assets disposed of | (340,757,731) |
| Gain on disposal | 294,870,249 |

**Net cash inflow arising on disposal:**

| | |
|---|---|
| Cash consideration received | 296,776,986 |
| Less: bank balances disposed of | (75,329,421) |
| | 221,447,565 |

## 43. DISPOSAL OF SUBSIDIARIES (Cont'd)

### (b) 中霸鐘錶電子發展(深圳)有限公司

On 15 October 2014, the Group disposed of its 100% equity interest in a subsidiary, 中霸鐘錶電子發展(深圳)有限公司 at a consideration of HK$37,928,537. The net assets of 中霸鐘錶電子發展(深圳)有限公司 at the date of disposal were as follows:

**Consideration received:**

| | |
|---|---|
| Cash received | 37,928,537 |

**Analysis of assets and liabilities over which control was lost:**

| | |
|---|---|
| Property, plant and equipment | 3,564,043 |
| Prepaid lease payments | 11,290,555 |
| Amount due from a fellow subsidiary | 6,042,963 |
| Bank balances and cash | 580,967 |
| Accrued expenses | (342,100) |
| Net assets disposed of | 21,136,428 |

**Gain on disposal of a subsidiary:**

| | |
|---|---|
| Consideration received | 37,928,537 |
| Cost of disposal | (417,021) |
| Net assets disposed of | (21,136,428) |
| Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary | 3,637,308 |
| Gain on disposal | 20,012,396 |

**Net cash inflow arising on disposal:**

| | |
|---|---|
| Cash consideration received | 37,928,537 |
| Less: cost of disposal paid | (417,021) |
| Less: bank balances and cash disposed of | (580,967) |
| | 36,930,549 |

## 44. EVENT AFTER THE REPORTING PERIOD

On 25 April 2016, Baldric Investments Limited, a wholly owned subsidiary of the Company, entered into an agreement with Cornes Properties Limited (the "Seller") for the acquisition of the entire issued share capital of Bentley Investments Limited ("BIL") and the shareholder's loan due by BIL to the Seller (the "Acquisition"). The consideration for the Acquisition is HK$672,016,114.52 which is subject to adjustments.

The Acquisition has not been completed up to the date of approval of these consolidated financial statements.

## 45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Place/country of incorporation/ operation | Class of shares held | Issued share capital | Percentage of ownership interests held directly/ indirectly by the Company 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|
| *Direct subsidiary* | | | | | | |
| National Electronics (Consolidated) Limited | Hong Kong | Ordinary | HK$1,000 | **100%** | 100% | Investment holding and trading of electronic products |
| National Properties Holdings Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Investment holding and property management |
| *Indirect subsidiary* | | | | | | |
| 88 Queen Partnership | Ontario, Canada | N/A | CAD100 Partners' capital | **100%** | 100% | Property development |
| 88 North Tower Developments Limited Partnership | Ontario, Canada | N/A | CAD1,093,768 Partners' deficiency | **100%** | 100% | Property development |
| 99 Bonham Management Limited | Hong Kong | Ordinary | HK$1 | **100%** | 100% | Property management |
| Ally Vantage Limited | British Virgin Islands | Ordinary | US$1,000 | **100%** | 100% | Investment holding |
| Asiatic Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Property development and investment |
| Baccarat Investments Limited | British Virgin Islands/Hong Kong | Ordinary | US$1 | **100%** | 100% | Investment holding |
| Banyan Villas Holdings Limited | British Virgin Islands/Hong Kong | Ordinary | US$2 | **100%** | 100% | Investment holding |
| Batilone Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Property development and investment |
| Brady Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Property investment |
| Chirac Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Investment holding |
| Clare Limited | Hong Kong | Ordinary | HK$1 | **100%** | 100% | Property investment |
| Clare Holding Limited | British Virgin Islands | Ordinary | US$100 | **100%** | 100% | Investment holding |

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

| Name of subsidiary | Place/country of incorporation/ operation | Class of shares held | Issued share capital | Percentage of ownership interests held directly/ indirectly by the Company 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|
| *Indirect subsidiary* (Cont'd) | | | | | | |
| Duprey Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Trading of electronic products |
| Eastbond (Hong Kong) Limited | Hong Kong | Ordinary | HK$10 | **100%** | 100% | Manufacture and sale of plastic products |
| Eastern Mount Limited | Hong Kong | Ordinary | HK$2 | **100%** | 100% | Investment holding and subcontracting of electronic products in the PRC |
| Fatron Electronics Company Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Manufacturing of electronic products |
| Forthright Investment Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Property investment |
| Harbour Horizon Holdings Limited | British Virgin Islands | Ordinary | US$1 | **100%** | 100% | Property holding |
| Jervois Management Limited | Hong Kong | Ordinary | HK$1 | **100%** | 100% | Property management |
| Joyful Asia Group Limited | British Virgin Islands/Hong Kong | Ordinary | US$100 | **100%** | 100% | Property development and investment |
| Lens Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Property development and investment |
| Majorell Limited | Hong Kong | Ordinary | HK$1,000 | **100%** | 100% | Property investment and investment holding |
| Miyota Trading Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Trading of electronic products |
| National Commercial Developments Limited | Hong Kong | Ordinary | HK$10,000 | **100%** | 100% | Investment holding |
| National Commercial Developments Limited | British Virgin Islands | Ordinary | US$100 | **100%** | 100% | Investment holding |

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

| Name of subsidiary | Place/country of incorporation/ operation | Class of shares held | Issued share capital | Percentage of ownership interests held directly/ indirectly by the Company 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|
| *Indirect subsidiary* (Cont'd) | | | | | | |
| National Ebauch Limited | Hong Kong | Ordinary<br>Non-voting deferred (note (a)) | HK$1,000<br>HK$1,000,000 | **100%** | 100% | Investment holding and trading of electronic products |
| National Electronics and Watch Company Limited | Hong Kong | Ordinary<br>Non-voting deferred (note (a)) | HK$1,000<br>HK$2,000,000 | **100%** | 100% | Manufacture and sale of liquid crystal display and quartz analogue watches |
| National Hotel Holdings Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Investment holding |
| National Hotel Holdings Limited | British Virgin Islands | Ordinary | US$100 | **100%** | 100% | Investment holding |
| National Hotel Management Limited | Hong Kong | Ordinary | HK$2 | **100%** | 100% | Property management |
| National Properties Holdings Limited | British Virgin Islands | Ordinary | US$1 | **100%** | 100% | Investment holding |
| National Telecommunication System Limited | Hong Kong | Ordinary<br>Non-voting deferred (note (a)) | HK$1,000<br>HK$2,000,000 | **100%** | 100% | Provision of inspection service |
| National Time Limited | Hong Kong | Ordinary<br>Non-voting deferred (note (a)) | HK$1,000<br>HK$550,000 | **100%** | 100% | Trading of electronic watches |
| One96 Management Limited | Hong Kong | Ordinary | HK$1 | **100%** | 100% | Property management |
| Phoenix Investment S.a.r.l. | Luxembourg | Ordinary | EUR12,500 | **100%** | 100% | Investment holding |
| RNG Studios Inc. (Formerly known as National Hong Kong Electronics & Watch Corp.) | United States of America | Ordinary | US$100,000 | **100%** | 100% | Provision of liaison services and investment holding |

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

| Name of subsidiary | Place/country of incorporation/ operation | Class of shares held | Issued share capital | Percentage of ownership interests held directly/ indirectly by the Company 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|
| *Indirect subsidiary* (Cont'd) | | | | | | |
| Roebuck Investments Limited | British Virgin Islands | Ordinary | US$100 | **100%** | 100% | Investment holding |
| Seafield Capital Limited | British Virgin Islands | Ordinary | US$1 | **100%** | 100% | Investment holding |
| Smart Plus Group Limited | British Virgin Islands | Ordinary | US$1,000 | **100%** | 100% | Investment holding |
| Spring Orchard Limited | British Virgin Islands | Ordinary | US$1,000 | **100%** | 100% | Investment holding |
| St. Thomas Commercial Developments Incorporated | Ontario, Canada | Common | CAD6,664,426 | **100%** | 100% | Investment holding |
| St. Thomas Developments Incorporated | Ontario, Canada | Common | CAD2,100 | **100%** | 100% | Property development |
| Susanne Limited | British Virgin Islands | Ordinary | US$100 | **100%** | 100% | Investment holding |
| Sun Shine Limited | Hong Kong | Ordinary | HK$2 | **100%** | 100% | Investment holding |
| Tania Development Limited | British Virgin Islands/Hong Kong | Ordinary | US$100 | **N/A (note (b))** | 100% | Property development and investment |
| Tania Investments Limited | British Virgin Islands | Ordinary | US$100 | **100%** | 100% | Investment holding |
| Terence Limited | Hong Kong | Ordinary | HK$1 | **100%** | 100% | Investment holding |
| Terence Limited | British Virgin Islands | Ordinary | US$100 | **100%** | 100% | Investment holding |
| The Putman Management Limited | Hong Kong | Ordinary | HK$100 | **100%** | 100% | Property management |
| Twenty-one Whitfield Management Limited | Hong Kong | Ordinary | HK$1 | **100%** | 100% | Property management |
| Unionville Development Limited Partnership | Ontario, Canada | N/A | CAD110,464 Partners' capital | **100%** | 100% | Property development |

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

| Name of subsidiary | Place/country of incorporation/ operation | Class of shares held | Issued share capital | Percentage of ownership interests held directly/ indirectly by the Company 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|
| *Indirect subsidiary* (Cont'd) | | | | | | |
| Unionville Development (2010) Limited Partnership | Ontario, Canada | N/A | CAD3,514,946 Partners' capital | **100%** | 100% | Property development |
| Verde Group Limited | British Virgin Islands | Ordinary | US$1 | **100%** | 100% | Investment holding |
| 1061383 Ontario Limited | Ontario, Canada | Common | CAD100 | **100%** | 100% | Property holding |
| 中霸電子科技(南寧)有限公司* | PRC | N/A | HK$56,000,000 | **100%** | 100% | Manufacture of electronic products |
| 東富塑膠五金製品(深圳)有限公司* | PRC | N/A | HK$5,000,000 | **100%** | 100% | Manufacture of metal and plastic products |
| 威日實業(深圳)有限公司* | PRC | N/A | HK$5,000,000 | **100%** | 100% | Trading of electronic products |

* A wholly foreign owned enterprise

Notes:

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

(b) At 31 March 2016, the Group holds 50% of the issued share capital of Tania and classifies Tania as a joint venture of the Group.

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

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

## 46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

| | 2016 | 2015 |
|---|---|---|
| **Non-current assets** | | |
| Interests in subsidiaries | **572,560,592** | 544,105,899 |
| Available-for-sale investments | **2,000,000** | 2,000,000 |
| | **574,560,592** | 546,105,899 |
| **Current assets** | | |
| Amount due from a subsidiary | **154,332,568** | 153,114,275 |
| Bank balances | **5,446,580** | 4,897,697 |
| | **159,779,148** | 158,011,972 |
| **Current liabilities** | | |
| Accrued expenses | **6,039,978** | 5,542,211 |
| Financial guarantee contracts | **63,439,015** | 59,324,184 |
| Amounts due to subsidiaries | **305,126,210** | 294,466,880 |
| Bank loans | **33,168,996** | — |
| | **407,774,199** | 359,333,275 |
| **Net current liabilities** | **(247,995,051)** | (201,321,303) |
| **Net assets** | **326,565,541** | 344,784,596 |
| **Capital and reserves** | | |
| Share capital | **101,988,896** | 93,556,651 |
| Reserves | **224,576,645** | 251,227,945 |
| **Total equity** | **326,565,541** | 344,784,596 |

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 June 2016 and are signed on its behalf by:

**JIMMY LEE YUEN CHING**
*Director*

**JAMES LEE YUEN KUI**
*Director*

## 46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Cont'd)

### Movement in the Company's reserves

| | Share premium | Contributed surplus | Capital redemption reserve | Share option reserve | Retained profits | Total |
|---|---|---|---|---|---|---|
| At 1 April 2014 | 33,178,173 | 90,854,039 | 36,790,840 | 2,833,260 | 86,433,450 | 250,089,762 |
| Profit for the year | — | — | — | — | 51,963,859 | 51,963,859 |
| Dividends paid | — | — | — | — | (46,857,929) | (46,857,929) |
| Issue of shares upon exercise of share options | 264,740 | — | — | (66,740) | — | 198,000 |
| Repurchase of own shares | — | — | 514,000 | — | (4,679,747) | (4,165,747) |
| At 31 March 2015 | 33,442,913 | 90,854,039 | 37,304,840 | 2,766,520 | 86,859,633 | 251,227,945 |
| Profit for the year | — | — | — | — | 23,165,495 | 23,165,495 |
| Dividends paid | — | — | — | — | (33,168,996) | (33,168,996) |
| Issue of bonus shares | (9,345,645) | — | — | — | — | (9,345,645) |
| Repurchase of own shares | — | — | 913,400 | — | (8,215,554) | (7,302,154) |
| **At 31 March 2016** | **24,097,268** | **90,854,039** | **38,218,240** | **2,766,520** | **68,640,578** | **224,576,645** |

Details of the major properties held by the Group at 31 March 2016 are as follows:

**INVESTMENT PROPERTIES**

| Location | Lease term | Group's interest | Type |
|---|---|---|---|
| The Putman<br>No. 202 Queen's Road Central,<br>Sheung Wan, Hong Kong | Long term | 100% | Commercial |
| 99 Bonham<br>Nos. 99, 101 - 103 Bonham Strand<br>and No.127 Wing Lok Street,<br>Sheung Wan, Hong Kong | Long term | 100% | Commercial |
| One96<br>No. 196 Queen's Road Central,<br>Sheung Wan, Hong Kong | Long term | 100% | Commercial |
| The Jervois<br>No. 89 Jervois Street<br>Sheung Wan, Hong Kong | Long term | 100% | Commercial |
| A parcel of land located at Yinkai Industrial Park,<br>Economic and Technological Development Zone,<br>Nanning City, Guangxi Zhuangzu Autonomous<br>Region, the PRC | Medium term | 100% | Industrial |
| House No.C36 (including its 2 Car Parking Spaces)<br>Regalia Bay, No.88 Wong Ma Kok Road, Stanley,<br>Hong Kong | Medium term | 100% | Residential |
| 20 and 30 Mutual Street and<br>88 Queen Street East, Toronto,<br>Ontario, Canada | Freehold | 100% | Commercial and residential |

Results:

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **1,149,451** | 1,432,142 | 1,171,314 | 1,167,854 | 1,294,715 |
| Cost of sales | **(969,484)** | (1,194,810) | (1,009,384) | (990,349) | (1,106,093) |
| Gross profit | **179,967** | 237,332 | 161,930 | 177,505 | 188,622 |
| Other income and gains | **318,949** | 58,891 | 6,271 | 33,992 | 57,165 |
| Increase in fair value of investment properties | **2,215** | 56,369 | 194,936 | 30,841 | 47,274 |
| Distribution costs | **(8,798)** | (10,452) | (10,042) | (9,247) | (7,702) |
| Administrative expenses | **(174,129)** | (151,395) | (211,687) | (182,217) | (190,087) |
| Finance costs | **(67,190)** | (59,531) | (29,084) | (24,213) | (20,833) |
| Share of results of associates | **(97)** | 1,498 | 111,312 | 135,811 | 102,813 |
| Share of results of joint ventures | **516** | — | — | — | — |
| Fair value gain arising from the remeasurement of the previously held interest in a joint venture | **—** | — | — | 143,158 | — |
| Profit before taxation | **251,433** | 132,712 | 223,636 | 305,630 | 177,252 |
| Income tax (expense)/credit | **(6,702)** | 362 | 4,840 | (9,165) | (5,946) |
| Profit for the year | **244,731** | 133,074 | 228,476 | 296,465 | 171,306 |
| | | *(Restated)* | | | |
| Earnings per share | | | | | |
| – Basic | **23.8 HK cents** | 12.9 HK cents | 23.8 HK cents | 30.3 HK cents | 17.6 HK cents |
| – diluted | **23.7 HK cents** | 12.8 HK cents | 23.6 HK cents | 30.1 HK cents | 17.6 HK cents |

Assets and liabilities:

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Total assets | **5,208,728** | 5,274,372 | 4,024,457 | 3,587,831 | 2,701,274 |
| Total liabilities | **3,264,295** | 3,530,765 | 2,296,013 | 1,998,067 | 1,312,055 |
| Net assets | **1,944,433** | 1,743,607 | 1,728,444 | 1,589,764 | 1,389,219 |

Note: The earnings per share for the year ended 31 March 2015 were calculated based on number of shares as adjusted for the effect of the bonus issue on 11 September 2015 under HKAS 33 "Earnings per share".

The development at the Group's joint-venture project at 45 Tai Tam Road is progressing well and the Group anticipates the construction work will be completed by the end of 2016.
本集團位於大潭道45號的合營項目發展進度良好，本集團預期建築工程將於二零一六年年底竣工。


The glass façade installation has begun at 7 St Thomas, the Group's boutique office building in Toronto, Canada. The project is expected to be completed by the end of 2016.
本集團位於7 St Thomas, Toronto, Canada的精品辦公大樓已開始安裝玻璃幕牆，預期項目將於二零一六年年底竣工。

The presale for the first phase of the Group's mixed use development at 88 Queen Street East in Toronto, Canada began in the first quarter of 2016 and sales have been satisfactory. Planning and design for the remaining phases of the project are underway.
本集團位於88 Queen Street East, Toronto, Canada的第一期多用途發展項目已於二零一六年第一季進行預售，銷售成績理想。項目餘下各期的規劃及設計現正進行中。

On 25 April 2016, the Group entered into an agreement with an independent third party for the acquisition of the entire issued share capital of Bentley Investments Limited which owns the property at No. 3 South Bay Close, Hong Kong. The acquisition is expected to be completed on 25 July 2016.
於二零一六年四月二十五日，本集團與一名獨立第三方訂立協議，收購Bentley Investments Limited全部已發行股本，Bentley Investments Limited持有位於香港南灣坊3號的物業。預期收購將於二零一六年七月二十五日完成。