NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213

ANNUAL REPORT 2017

CONTENTS

	PAGES
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	6
Directors and Senior Management	9
Report of the Directors	11
Environment, Social Responsibilities and Governance Report	17
Corporate Governance Report	18
Independent Auditors' Report	27
Consolidated Statement of Profit or Loss	32
Consolidated Statement of Profit or Loss and Other Comprehensive Income	33
Consolidated Statement of Financial Position	34
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Consolidated Financial Statements	39
Schedule of Major Properties Held by the Group	121
Financial Summary	122

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
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 2017.

RESULTS

The audited consolidated profit attributable to owners of the Group for the year ended 31 March 2017 was HK$145,158,827 (Year ended 31 March 2016: HK$244,730,955). The basic and diluted earnings per share of the Company for the year ended 31 March 2017 were 14.3 HK cents per share and 14.2 HK cents per share respectively (Year ended 31 March 2016: 23.8 HK cents per basic share and 23.7 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 2017 (Year ended 31 March 2016: A final dividend of 3.0 HK cents per share and a special cash dividend of 1.0 HK cent per share).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, worldwide demand for watches in general continued to remain weak, and as a result the sales revenue and profit margin for the Group's watch manufacturing and watch components trading division decreased.

HOTEL OPERATION

Even though the hospitality market faced significant headwinds, the turnover and profit for the Group's hotel operation business remained steady as compared with the same period in the last financial year.

An artist's impression of the lobby of 88 North, the Phase 1 residential tower at 88 Queen, the Group's city-block mixed use development in downtown Toronto, Canada.

PROPERTY DEVELOPMENT AND INVESTMENT

The Group's boutique commercial development 7 St. Thomas Toronto, Canada obtained its occupation permit and final closing is expected on or before 30 September 2017.

During the period under review, the Group also benefited from the strong residential property market in Toronto.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

The downward trend for worldwide demand for watches is expected to continue and the Group is streamlining its manufacturing facilities to further reduce their costs.

HOTEL OPERATION

The Group's hotels have further expanded its operational changes to offer an enhanced level of service and amenities as demand for the Group's hotels remains strong. The Group will focus its efforts on creating a balance between short and long staying guests to maximize occupancy and rates.

View of the infinity pool and Tai Tam Bay from the private terrace of a house at the Group's joint-venture luxury residential development at 45 Tai Tam Road.

PROPERTY DEVELOPMENT AND INVESTMENT

On 23 May 2017, the Group entered into a formal Sale & Purchase agreement with an independent third party to purchase all its shares and sale loan of a company that owns the entire interest of 15/F, One Island South, No. 2 Heung Yip Road, Hong Kong for a consideration of HK$375 million subject to adjustments. One Island South is a grade A office building directly opposite the newly opened Wong Chuk Hang MTR Station. The transaction is expected to be completed on or before 22 September 2017.

The interior decoration of the Group's Joint Venture project with BPE Asia Real Estate Fund L.P. for seven luxurious villas at 45 Tai Tam Road is under way and completion is targeted to be in the fourth quarter of 2017.

Architectural design and site planning for the Group's luxurious residential project at No. 3 South Bay Close is in progress and the application for demolishment of the existing building as well as hoarding have been submitted.

The Group intends to keep the remaining commercial townhouse at its boutique commercial development, 7 St. Thomas Toronto, Canada as its North American headquarters. The rest of the units in the project were already completely sold out.

The excavation work for Phase 1 of the Group's mixed use development at 88 Queen Street East in Toronto has already commenced and the Group has recently submitted rezoning application for slightly higher residential and commercial density for Phase 2 and Phase 3 of this project.

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, 29 June 2017

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

As worldwide demand for multifunction analogue quartz watches and LCD watches was weak during the year under review, the sales revenue and segment profit of the Group's watch manufacturing and watch components trading division decreased.

PROPERTY DEVELOPMENT AND INVESTMENT

The sales revenue of the property development and investment division this year included the rental income generated from investment properties as well as project management fee received while only rental income was received last year. The increase in segment profit of this division for the year under review was mainly due to the increase in fair value gain of the Group's investment properties.

HOTEL OPERATION

The Group's hotel operation division increased its turnover for the year under review due to improved occupancy and rate. The division's net profit is stable as compared with last year.

ActOn-2 Watch

The ActOn-2 Smart GPS Sport Watch features Bluetooth connectivity to smart phones, heart rate monitoring, GPS tracking and positioning, as well as daily activity and sleep tracking. The ActOn-2 also has customizable display formats for data pages and has a data memory bank of up to 100 hours. For battery charging, the ActOn-2 uses the Qi wireless charging interface.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the Group's total borrowings were approximately HK$3,357 million (2016: HK$2,664 million), representing an increase of approximately HK$693 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK$1,051 million repayable within one year, approximately HK$1,996 million within two to five years and HK$310 million beyond five years.

At the year end date, the Group's gearing ratio was 1.13 (2016: 1.04) which is calculated based on the Group's long-term borrowings of approximately HK$2,306 million (2016: HK$2,024 million) and shareholders' funds of approximately HK$2,033 million (2016: HK$1,944 million).

As at 31 March 2017, the Group's total bank balances and cash was approximately HK$401 million (2016: HK$692 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 2017, 80% of the Group's borrowings were in HKD, 14% in CAD, 3% in USD, and 3% in JPY. As at 31 March 2017, 41% of the Group's bank balances and cash was in HKD, 27% in USD, 20% in JPY, 8% 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 2017, certain properties and bank deposits of the Group of approximately HK$4,404 million (2016: HK$3,339 million) were pledged to secure banking facilities for the Group.

EMPLOYEES

As at 31 March 2017, the Group employed approximately 400 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK$114 million (2016: HK$144 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 70, 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-five years ago and has been responsible for the management of the property division since that time.

Mr. Loewe Lee Bon Chi, aged 37, 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, the property development and investment division, as well as the hotel management division. 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 63, 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 59, 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 70, 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 57, 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 92, 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 61 years' experience in the manufacturing, marketing and distribution of watches and 33 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 69, 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 58, 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.

SENIOR MANAGEMENT

Mr. Andrew Lo Kwong Yiu ("Mr. Lo"), B.Sc. (Econ.), B.Sc. (Building Surveying), AHKIS, RPS (BS), aged 63, 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 2017.

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 2017 are set out in the consolidated statement of profit or loss on page 32.

An interim dividend of 0.5 HK cent per share amounting to HK$5,094,590 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, 31 August 2017, amounting to approximately HK$40,688,000 in aggregate.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2017 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 46 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 122 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 33 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 2017, the Company's reserves available for distribution to shareholders were HK$159,515,909 (2016: HK$159,494,617), including the contributed surplus of HK$90,854,039 (2016: HK$90,854,039) and retained profits of HK$68,661,870 (2016: HK$68,640,578).

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 33 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, Mr. Edward Lee Yuen Cheor and Mr. Chan Kwok Wai 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 2017, 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	–	250,813,276(L) *(note f)*	285,701,618 *(note a)*	536,514,894	52.74%
Mr. Loewe Lee Bon Chi	Managing Director	–	–	315,421,618 *(notes a, b)*	315,421,618	31.01%
Mr. James Lee Yuen Kui	Managing Director	6,534	–	250,813,276(L) *(note c)* 250,813,276(S) *(note f)*	250,819,810(L)	24.66%
Mr. Edward Lee Yuen Cheor	Director	–	–	250,813,276(L) *(note c)* 250,813,276(S) *(note f)*	250,813,276	24.66%
Mr. Ricky Wai Kwong Yuen	Director	–	40,994,543 *(note d)*	–	40,994,543	4.03%
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%

(L) denotes the person's: long position

(S) denotes the person's: short position

(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) 265,701,618 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) 250,813,276 shares (the "Discretionary Trust 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..

(f) Pursuant to an option agreement dated 21 April 2017, a call option was granted to a company wholly owned by Mr. Jimmy Lee Yuen Ching to acquire the Discretionary Trust Shares.

Saved as disclosed above, at 31 March 2017, none of the directors or chief executive or any of their associates had any interests, 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 42 to the consolidated financial statements.

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

Name of director	Date of grant	Exercise period	Exercise price per share	Balance at 1.4.2016	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at 31.3.2017
Mr. Loewe Lee Bon Chi	18.3.2010	18.3.2010 – 17.3.2018	HK$0.493	10,120,000	–	–	–	–	10,120,000
	23.3.2011	23.3.2011 – 22.3.2018	HK$0.691	6,600,000	–	–	–	–	6,600,000
Mr. Chan Kwok Wai	23.3.2011	23.3.2011 – 22.3.2018	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 2017.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2017, the Group's five largest suppliers accounted for approximately 98.99% of the Group's purchases of which 98.37% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 62.73% of the Group's turnover of which 28.08% 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 2017, 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 42 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 2017.

DONATIONS

During the year, the Group made charitable donations amounting to HK$2,500.

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, 29 June 2017

ENVIRONMENT, SOCIAL RESPONSIBILITIES AND GOVERNANCE REPORT

Details of the environment, social responsibilities and governance of the Company will be set out in the Environment, Social Responsibilities and Governance Report ("ESG" Report) to be issued separately pursuant to Rule 13.91 and Appendix 27 to the Listing Rules.

The Company is committed to maintaining and upholding high standards of corporate governance. During the year ended 31 March 2017 (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 ended 31 March 2017.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The principal roles and functions of the Audit and Risk Management Committee (the “ARMC”) are as follows:

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

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

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

(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, 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 ended 31 March 2017;

— Reviewed the interim results of the Group for the six months ended 30 September 2016;

— 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 ended 31 March 2017; and

— Evaluated and assessed the effectiveness of the ARMC and the adequacy of the ARMC 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 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 2016.

Pursuant to the Diversity Policy, the Company considers board diversity from a number of aspects, including but 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 pages 30 to 31.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has an overall responsibility for the risk management framework, and for determining the significant risks it is willing to take in achieving the Company's objectives.

The Board, through the Audit and Risk Management Committee, conducted an annual review of the effectiveness of the internal control and risk management systems of the Group, while management is responsible for the design, implementation and monitoring of such systems.

Our approach to manage risks involves identification and assessment of principal risks from the external and internal environments at different organisation levels. The assessment considers the changes in nature and extent of significant risks and the Group's ability to respond to changes in its business and the external environment. Action plans have been developed and risk ownership has been assigned for each key principal risk. The risk owners coordinate the mitigation measures to ensure proper implementation of these action plans. The process is closely monitored by the Audit and Risk Management Committee.

Taken into consideration the principal risks and mitigation actions, the Board believes that the Company has the ability to respond to any such changes in our business and the external environment.

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	1,680
Non-audit services	328
Total	2,008

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 ended 31 March 2017 amounted to approximately HK$932,000.

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 2017.

HLB 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)

Opinion

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 32 to 120, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to note 15 to the consolidated financial statements. The Group's investment properties amounted to HK$3,391,985,288 as at 31 March 2017. Increase in fair value of investment properties of HK$191,236,610 was recognised in the consolidated statement of profit or loss the year then ended. We identified the valuation of investment properties as a key audit matter due to the key source of estimation uncertainty and the significant assumptions and judgements involved in the valuation. The fair value of the Group's investment properties was determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgements. The Group also worked closely with the independent qualified valuers to establish and determine the appropriate valuation techniques.	Our procedures in relation to the valuation of investment properties included: • Reviewing the valuation reports from independent qualified valuers and discussing with the independent qualified valuers to understand the valuation basis, methodology used and underlying assumptions applied. • Evaluating of the competence, capabilities and objectivity of independent qualified valuers. • Checking on a sample basis the accuracy and relevance of the input data used.

Key audit matter	How our audit addressed the key audit matter
Valuation of properties under development for sale	
Refer to note 25 to the consolidated financial statements. The Group's properties under development for sale amounted to HK$603,844,522 as at 31 March 2017. We identified the valuation of properties under development for sale as a key audit matter due to significant management estimations involved in determining the net realisable value on properties under development for sale. These properties under development for sales are stated at the lower of cost and net realisable value on an individual property basis. Net realisable value is estimated at the actual or estimated selling price less estimated costs to complete and the estimated costs necessary to make the sales. If the actual net realisable value on properties under development for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material allowances for impairment losses may result.	Our procedures in relation to the valuation of properties under development for sale included: • Evaluating the appropriateness of the estimated selling price by comparing it with recent sales transactions for similar properties in similar locations. • Challenging the estimation of the total budget cost of the properties under development used by management in estimating the cost to completion of the properties under development by evaluating the effectiveness of management's prior period estimation process.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in the independent auditors' report is Hui Chun Keung, David.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 29 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017 (in HK Dollars)

	Notes	**2017**	2016
Revenue	7	**1,008,976,044**	1,149,450,963
Cost of sales		**(856,895,935)**	(969,484,275)
Gross profit		**152,080,109**	179,966,688
Other income and gains	8	**65,474,246**	318,949,438
Increase in fair value of investment properties	15	**191,236,610**	2,215,065
Distribution costs		**(10,007,956)**	(8,797,676)
Administrative expenses		**(153,506,173)**	(174,129,557)
Finance costs	9	**(75,794,029)**	(67,189,564)
Share of result of an associate		**(160,370)**	(97,022)
Share of results of joint ventures		**(654,156)**	515,911
Profit before taxation	10	**168,668,281**	251,433,283
Income tax expense	12	**(23,509,454)**	(6,702,328)
Profit for the year		**145,158,827**	244,730,955
Earnings per share	14		
Basic		**14.3 HK cents**	23.8 HK cents
Diluted		**14.2 HK cents**	23.7 HK cents

For the year ended 31 March 2017 (in HK Dollars)

	2017	2016
Profit for the year	**145,158,827**	244,730,955
Other comprehensive expense		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	**2,012,156**	(1,072,881)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	**(11,309,355)**	(5,847,582)
Fair value gain on available-for-sale investments	**1,230,000**	4,400,000
	(10,079,355)	(1,447,582)
Other comprehensive expense for the year	**(8,067,199)**	(2,520,463)
Total comprehensive income for the year	**137,091,628**	242,210,492

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017 (in HK Dollars)

	Notes	**2017**	2016
Non-current assets			
Investment properties	15	**3,391,985,288**	2,685,101,069
Property, plant and equipment	16	**421,020,713**	555,747,218
Prepaid lease payments	17	**2,641,284**	2,709,249
Goodwill	18	**1,269,932**	1,269,932
Interest in an associate	19	**7,568,875**	7,729,245
Interests in joint ventures	20	**368,830,039**	369,484,195
Available-for-sale investments	21	**27,430,000**	26,200,000
Held-to-maturity investments	22	**2,995,166**	3,172,084
Deferred tax assets	35	**1,687,965**	2,793,474
		4,225,429,262	3,654,206,466
Current assets			
Inventories	23	**128,626,623**	185,231,808
Prepaid lease payments	17	**67,965**	67,965
Financial assets at fair value through profit or loss	24	**97,969,573**	100,168,054
Inventory of unsold properties		**5,987,722**	6,101,766
Properties under development for sale	25	**603,844,522**	267,095,549
Bills receivables	26	**766,500**	649,331
Trade receivables, deposits and prepayments	27	**475,588,985**	269,770,613
Amount due from a joint venture	20	**40,149,822**	29,649,822
Tax recoverable		**277,653**	3,767,778
Bank balances and cash	28	**401,039,104**	692,018,954
		1,754,318,469	1,554,521,640
Current liabilities			
Trade and bills payables	29	**131,710,835**	161,291,543
Customers' deposits		**286,768,498**	122,875,252
Accrued expenses and other payables		**93,188,501**	139,072,649
Amount due to an associate	19	**4,555,148**	46,815,748
Amount due to a joint venture	20	**—**	73,582,829
Tax payable		**2,346,164**	2,340,956
Derivative financial instruments	30	**913,765**	—
Obligations under finance leases	31	**4,120,363**	3,996,276
Bank loans	32	**1,051,487,376**	639,837,224
		1,575,090,650	1,189,812,477
Net current assets		**179,227,819**	364,709,163
Total assets less current liabilities		**4,404,657,081**	4,018,915,629

At 31 March 2017 (in HK Dollars)

	Notes	**2017**	2016
Capital and reserves			
Share capital	33	**101,720,696**	101,988,896
Reserves		**1,931,431,751**	1,842,444,410
Total equity		**2,033,152,447**	1,944,433,306
Non-current liabilities			
Provision for long service payments	34	**4,740,939**	6,894,396
Obligations under finance leases	31	**20,354,189**	24,474,552
Bank loans	32	**2,305,309,238**	2,023,943,056
Deferred tax liabilities	35	**41,100,268**	19,170,319
		2,371,504,634	2,074,482,323
		4,404,657,081	4,018,915,629

The consolidated financial statements on pages 32 to 120 were approved and authorised for issue by the Board of Directors on 29 June 2017 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

JAMES LEE YUEN KUI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017 (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 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
Profit for the year	–	–	–	–	–	–	–	145,158,827	145,158,827
Other comprehensive income/ (expense) for the year	–	–	(11,309,355)	1,230,000	–	–	–	2,012,156	(8,067,199)
Total comprehensive income/ (expense) for the year	–	–	(11,309,355)	1,230,000	–	–	–	147,170,983	137,091,628
Dividends paid	–	–	–	–	–	–	–	(45,851,829)	(45,851,829)
Repurchase of own shares	(268,200)	–	–	–	–	–	268,200	(2,520,658)	(2,520,658)
At 31 March 2017	**101,720,696**	**24,097,268**	**(88,002,814)**	**52,857,011**	**2,766,520**	**66,141,751**	**38,486,440**	**1,835,085,575**	**2,033,152,447**

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.

For the year ended 31 March 2017 (in HK Dollars)

	2017	2016
Operating activities		
Profit before taxation	**168,668,281**	251,433,283
Adjustments for:		
Finance costs	**75,794,029**	67,189,564
Share of result of an associate	**160,370**	97,022
Share of results of joint ventures	**654,156**	(515,911)
Impairment loss (reversed)/recognised in respect of trade receivables	**(2,486,923)**	8,037,840
Write-down of inventories	**2,224,960**	5,866,664
Provision for long service payments	**74,035**	63,368
Amortisation of prepaid lease payments	**67,965**	67,965
Depreciation of property, plant and equipment	**28,488,491**	35,400,685
Interest income	**(1,794,357)**	(3,851,223)
Bargain purchase gain arising on acquisition of a subsidiary	**(8,721,974)**	—
Increase in fair value of investment properties	**(191,236,610)**	(2,215,065)
Gain on disposal of property, plant and equipment	**(44,318,678)**	(6,302,973)
Gain on disposal of subsidiaries	**—**	(294,870,249)
Gain on fair value changes of financial assets at fair value through profit or loss	**(7,172,460)**	(11,187,854)
Loss on fair value changes of derivative financial instruments	**913,765**	—
Operating cash flows before movements in working capital	**21,315,050**	49,213,116
Decrease/(Increase) in inventories	**54,380,225**	(59,222,523)
Increase in properties under development for sale	**(117,241,933)**	(469,073,577)
Increase in bills receivables	**(117,169)**	(106,535)
Increase in trade receivables, deposits and prepayments	**(34,093,566)**	(36,076,005)
Decrease/(Increase) in financial assets at fair value through profit or loss	**9,370,941**	(80,755,909)
(Decrease)/Increase in trade and bills payables	**(29,580,708)**	62,612,246
Increase in customers' deposits	**163,893,246**	60,454,337
(Decrease)/Increase in accrued expenses and other payables	**(52,468,384)**	15,223,447
Decrease in amount due to an associate	**(42,260,600)**	—
Utilisation of provision for long service payments	**(215,336)**	(313,428)
Cash used in operations	**(27,018,234)**	(458,044,831)
Hong Kong Profits Tax refunded/(paid)	**3,094,796**	(6,991,955)
Overseas income tax paid	**(18,871)**	(29,643)
Net cash used in operating activities	**(23,942,309)**	(465,066,429)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017 (in HK Dollars)

	Notes	2017	2016
Investing activities			
Additions to investment properties		**(62,098,914)**	(28,110,410)
Acquisition of a subsidiary	43	**(480,843,683)**	—
Purchase of property, plant and equipment		**(11,552,210)**	(26,133,429)
Advance to a joint venture		**(84,082,829)**	(8,050,000)
Redemption of held-to-maturity investments		**—**	7,620,000
Proceed from disposal of property, plant and equipment		**—**	10,016,160
Proceed from disposal of available-for-sale investments		**—**	38,782,500
Proceed from disposal of subsidiaries	44	**—**	221,447,565
Interest received		**1,795,839**	3,761,681
Net cash (used in)/generated from investing activities		**(636,781,797)**	219,334,067
Financing activities			
New bank loans raised		**735,053,088**	695,978,861
Interest paid		**(95,070,856)**	(101,139,998)
Dividends paid		**(45,851,829)**	(33,168,996)
Repayment of bank loans		**(217,210,773)**	(50,711,997)
Repayment of obligations under finance leases		**(3,996,276)**	(4,825,193)
Repurchase of own shares		**(2,520,658)**	(8,215,554)
Net cash generated from financing activities		**370,402,696**	497,917,123
Net (decrease)/increase in cash and cash equivalents		**(290,321,410)**	252,184,761
Cash and cash equivalents at 1 April		**692,018,954**	439,995,012
Effect of foreign exchange rate changes		**(658,440)**	(160,819)
Cash and cash equivalents at 31 March		**401,039,104**	692,018,954
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**401,039,104**	692,018,954

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 section 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 AMENDMENTS TO 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 HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 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 the consolidated financial statements.

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

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[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 HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
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 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

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

HKFRS 16 Leases (Cont'd)

At 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$24,815,648 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net 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 acquire (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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) 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 (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). 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 or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. 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.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, 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. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant 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 is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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.

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

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. Other than investment properties measured under fair value model, such costs are 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are 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 arising on the settlement of monetary items, and on retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for 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 disposal or partial disposal of the Group's interests.

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.

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. 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.

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.

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.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, 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 equity instruments expected to 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 taxes 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 (including the relevant prepaid lease payments) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment on tangible assets (Cont'd)

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 held for trading or 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 may be designated as at FVTPL upon initial recognition if:

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

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are 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 line item.

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

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.

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, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

Impairment of financial assets (Cont'd)

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

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.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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

Effective interest method

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

Derivative financial instruments

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

Financial guarantee contracts

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

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 recognise its retained interest in the asset and 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, 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.

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 taxes 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 applicable). Where the future cash flows are less than expected, a material impairment loss may arise. At 31 March 2017, the carrying amount of trade receivables is HK$19,736,241 (2016: HK$33,452,707) (net of allowance for doubtful debts of HK$15,339,720 (2016: HK$17,829,722)).

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 2017 amounting to HK$128,626,623 (2016: HK$185,231,808).

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$603,844,522 (2016: HK$267,095,549).

Income taxes

At 31 March 2017, a deferred tax asset of HK$46,258,959 (2016: HK$32,970,498) 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$677,465,000 (2016: HK$448,328,000) 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 taxable profits generated are less or more than expected or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition 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 directors are 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 directors work 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, 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:

	2017	2016
Debt (i)	**2,305,309,238**	2,023,943,056
Equity (ii)	**2,033,152,447**	1,944,433,306
Gearing ratio	**113%**	104%

(i) Debt is defined as non-current bank loans as detailed in note 32.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017	2016
Financial assets		
Available-for-sale investments	**27,430,000**	26,200,000
Held-to-maturity investments	**2,995,166**	3,172,084
Financial assets at fair value through profit or loss	**97,969,573**	100,168,054
Loans and receivables		
– Bills receivables	**766,500**	649,331
– Trade receivables, deposits and other receivables	**382,537,120**	222,181,660
– Loan to a joint venture	**51,154,294**	51,154,294
– Amount due from a joint venture	**40,149,822**	29,649,822
– Bank balances and cash	**401,039,104**	692,018,954
	875,646,840	995,654,061
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and bills payables	**131,710,835**	161,291,543
– Accrued expenses and other payables	**91,520,573**	104,707,957
– Amount due to an associate	**4,555,148**	46,815,748
– Amount due to a joint venture	**—**	73,582,829
– Obligations under finance leases	**24,474,552**	28,470,828
– Bank loans	**3,356,796,614**	2,663,780,280
	3,609,057,722	3,078,649,185
Derivative financial instruments	**913,765**	—

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.

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 37% (2016: 44%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 1% (2016: 3%) of costs is denominated in the group entity's respective functional currency.

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

	Liabilities		Assets	
	2017	2016	**2017**	2016
Canadian Dollar ("CAD")	**529,440,303**	450,590,287	**144,449,547**	70,027,567
Japanese Yen ("JPY")	**167,045,900**	185,504,126	**97,267,258**	66,722,908
United States Dollars ("USD")	**142,321,216**	167,013,870	**126,710,274**	288,181,889
Renminbi ("RMB")	**12,253,215**	19,326,239	**37,213,545**	49,939,395
Others	**1,204,085**	2,069,126	**712,630**	1,034,218

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% (2016: 5%) increase and decrease in HKD against the relevant foreign currencies. 5% (2016: 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% (2016: 5%) change in foreign currency rates. The sensitivity analysis also includes intercompany balances and loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where HKD strengthen 5% (2016: 5%) against the relevant currencies. For a 5% (2016: 5%) weakening of HKD against the relevant currencies, there would be an equal and opposite impact on the profit and equity and the balances below would be negative.

	Impact of JPY (i)		**Impact of CAD (ii)**	
	2017	2016	**2017**	2016
Profit or loss	**8,343,000**	9,275,000	**650,000**	1,855,000
Equity	**—**	—	**17,943,000**	16,677,000

(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 intercompany balances and 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 bank deposits and obligations under finance leases, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see note 32 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. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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 (2016: 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 (2016: 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$11,832,000 (2016: HK$11,275,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in equity securities. Management monitors the price risk and will take appropriate actions should the need arise.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 5% (2016: 5%) higher/lower, the Group's profit for the year would increase/decrease by approximately HK$4,511,000 (2016: HK$5,008,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk

At 31 March 2017, 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 and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in note 36.

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.

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.

		Rating		Balance	
Counterparty	Location	**2017**	2016	**2017**	2016
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	**A1**	N/A	**185,383,503**	N/A
Hang Seng Bank Limited	Hong Kong	**Aa2**	Aa1	**97,489,192**	151,552,355
Industrial and Commercial Bank of China (Asia) Limited	Hong Kong	**N/A**	A1	**N/A**	254,218,595

6. FINANCIAL INSTRUMENTS (Cont'd)

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

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.

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

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

Liquidity tables

	On demand or less than 1 year	**Over 1 year to 2 years**	**Over 2 years to 5 years**	**Over 5 years**	**Total undiscounted cash flows**	**Carrying amount at 31/03/2017**
Non-derivative financial liabilities						
Trade and bills payables	**131,710,835**	**–**	**–**	**–**	**131,710,835**	**131,710,835**
Accrued expenses and other payables	**91,520,573**	**–**	**–**	**–**	**91,520,573**	**91,520,573**
Amount due to an associate	**4,555,148**	**–**	**–**	**–**	**4,555,148**	**4,555,148**
Obligations under finance leases	**5,074,308**	**4,944,468**	**13,494,881**	**4,186,440**	**27,700,097**	**24,474,552**
Bank loans	**1,135,947,902**	**865,974,814**	**1,302,281,875**	**335,232,837**	**3,639,437,428**	**3,356,796,614**
Derivatives						
Interest rate swaps	**913,765**	**–**	**–**	**–**	**913,765**	**913,765**

	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 and bills payables	161,291,543	–	–	–	161,291,543	161,291,543
Accrued expenses and other payables	104,707,957	–	–	–	104,707,957	104,707,957
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	8,365,848	32,813,796	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

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/ Financial liabilities	Fair value as at 31/03/2017	Fair value as at 31/03/2016	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Listed equity securities classified as financial assets at fair value through profit or loss	**HK$33,986,893**	HK$28,183,577	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity securities classified as financial assets at fair value through profit or loss	**N/A**	HK$15,511,600	Level 3	Recent transaction price	N/A
Unlisted fund investment classified as financial assets at fair value through profit or loss	**HK$56,232,610**	HK$56,472,877	Level 3	Net asset value (note)	N/A

6. FINANCIAL INSTRUMENTS (Cont'd)

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

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

Financial assets/ Financial liabilities	Fair value as at **31/03/2017**	31/03/2016	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Unlisted debt securities classified as financial assets at fair value through profit or loss	**HK$7,750,070**	N/A	Level 2	Quoted price provided by financial institutions	N/A
Interest rate swaps classified as derivative financial instruments	**Liabilities- HK$913,765**	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Club debenture classified as available-for-sale investments	**HK$27,430,000**	HK$26,200,000	Level 2	Market prices in secondary markets	N/A

Note: 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.

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 investment**	**Total**
At 1 April 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
Total loss in profit or loss			
– unrealised	—	(240,267)	(240,267)
Disposal	(15,511,600)	—	(15,511,600)
At 31 March 2017	—	56,232,610	56,232,610

7. REVENUE AND 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 revenue 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 2017

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Consolidated
REVENUE				
External sales	890,625,248	19,307,848	99,042,948	1,008,976,044
RESULT				
Segment result	7,366,850	161,181,244	53,355,541	221,903,635
Bank interest income				1,698,991
Bargain purchase gain arising on acquisition of a subsidiary				8,721,974
Unallocated other income				52,516,538
Unallocated other expenses				(39,564,302)
Finance costs				(75,794,029)
Share of result of an associate				(160,370)
Share of results of joint ventures				(654,156)
Profit before taxation				168,668,281
Income tax expense				(23,509,454)
Profit for the year				145,158,827

7. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

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
Gain on disposal of subsidiaries				294,870,249
Unallocated other income				11,362,568
Unallocated other expenses				(71,479,374)
Finance costs				(67,189,564)
Share of result of an associate				(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

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, bargain purchase gain arising on acquisition of a subsidiary, gain on disposal of subsidiaries, share of results of associate and joint ventures, 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. REVENUE AND 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

	2017	2016
Manufacture of watches and trading of watch movements	**272,415,847**	332,463,914
Property development and investment	**2,187,798,723**	1,113,531,264
Hotel operation	**1,974,949,177**	1,971,757,732
Total segment assets	**4,435,163,747**	3,417,752,910
Interest in an associate	**7,568,875**	7,729,245
Interests in joint ventures	**368,830,039**	369,484,195
Amount due from a joint venture	**40,149,822**	29,649,822
Unallocated	**1,128,035,248**	1,384,111,934
Consolidated assets	**5,979,747,731**	5,208,728,106

Segment liabilities

	2017	2016
Manufacture of watches and trading of watch movements	**155,795,121**	191,402,036
Property development and investment	**332,269,703**	184,710,775
Hotel operation	**14,648,536**	22,750,198
Total segment liabilities	**502,713,360**	398,863,009
Amount due to an associate	**4,555,148**	46,815,748
Amount due to a joint venture	**–**	73,582,829
Unallocated	**3,439,326,776**	2,745,033,214
Consolidated liabilities	**3,946,595,284**	3,264,294,800

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, financial assets at fair value through profit or loss, 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. REVENUE AND SEGMENT INFORMATION (Cont'd)

Other segment information

For the year ended 31 March 2017

	Manufacture of watches and trading of watch movements	**Property development and investment**	**Hotel operation**	**Unallocated**	**Consolidated**
Capital additions	**4,497,005**	**752,150,490**	**5,254,654**	**1,787,439**	**763,689,588**
Depreciation of property, plant and equipment	**9,741,853**	**748,320**	**1,781,421**	**16,216,897**	**28,488,491**
Amortisation of prepaid lease payments	**67,965**	**–**	**–**	**–**	**67,965**
Impairment loss reversed in respect of trade receivables	**2,486,923**	**–**	**–**	**–**	**2,486,923**
Write-down of inventories	**2,224,960**	**–**	**–**	**–**	**2,224,960**
Increase in fair value of investment properties	**–**	**191,236,610**	**–**	**–**	**191,236,610**
Gain/(Loss) on disposal of property, plant and equipment	**(1,560)**	**(531,173)**	**–**	**44,851,411**	**44,318,678**

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

7. REVENUE AND 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:

	2017	2016
Watches and watch movements	**890,625,248**	1,047,311,342
Leasing of properties	**14,057,848**	8,312,724
Property management service	**5,250,000**	—
Hotel operation	**99,042,948**	93,826,897
	1,008,976,044	1,149,450,963

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**	
	2017	2016	**2017**	2016
Hong Kong and the PRC	**949,862,955**	1,049,586,223	**3,653,225,705**	3,007,393,814
North America	**32,266,238**	65,974,156	**540,090,426**	614,647,094
Europe	**16,869,189**	16,848,164	**—**	—
Others	**9,977,662**	17,042,420	**—**	—
	1,008,976,044	1,149,450,963	**4,193,316,131**	3,622,040,908

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

7. REVENUE AND SEGMENT INFORMATION (Cont'd)

Information about major customers

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

	2017	2016
Customer A[1]	**283,366,230**	376,511,678
Customer B[1]	**202,462,764**	204,565,541

1 Revenue from manufacture of watches and trading of watch movements.

8. OTHER INCOME AND GAINS

	2017	2016
Bank interest income	**1,698,991**	3,528,987
Interest income from held-to-maturity investments	**95,366**	322,236
Gain on fair value changes of financial assets at fair value through profit or loss	**7,172,460**	11,187,854
Gain on disposal of property, plant and equipment	**44,318,678**	6,302,973
Gain on disposal of subsidiaries	**—**	294,870,249
Bargain purchase gain arising on acquisition of a subsidiary	**8,721,974**	—
Sundry income	**3,466,777**	2,737,139
	65,474,246	318,949,438

9. FINANCE COSTS

	2017	2016
Interest on:		
Bank loans and overdrafts	**94,303,754**	98,854,755
Obligations under finance leases	**1,117,423**	1,282,851
Total borrowing costs	**95,421,177**	100,137,606
Less: Amounts capitalised to investment properties and properties under development	**(19,627,148)**	(32,948,042)
	75,794,029	67,189,564

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 4.53% (2016: 2.67%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

	2017	2016
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	**113,887,050**	144,161,936
Depreciation of property, plant and equipment	**28,488,491**	35,400,685
Amortisation of prepaid lease payments	**67,965**	67,965
Auditors' remuneration	**2,611,569**	2,728,357
Cost of inventories recognised as an expense	**801,024,838**	888,108,230
Impairment loss (reversed)/recognised in respect of trade receivables (included in administrative expenses on consolidated statement of profit or loss)	**(2,486,923)**	8,037,840
Net foreign exchange loss	**10,479,224**	11,623,457
Loss on fair value changes of derivative financial instruments	**913,765**	—
Minimum lease payments for operating leases in respect of land and buildings	**11,368,631**	6,292,784
Write-down of inventories	**2,224,960**	5,866,664
Gross rental income from investment properties	**(113,100,796)**	(102,139,621)
Less: Outgoings	**16,968,503**	12,138,858
Net rental income from investment properties	**(96,132,293)**	(90,000,763)

Minimum lease payments for operating leases in respect of staff quarters amounting to HK$6,000,000 (2016: HK$4,319,310) are included in staff costs.

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	Executive Director					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 2017										
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	**15,681,400**	**8,362,800**	**8,809,200**	**3,533,600**	**1,872,000**	**–**	**–**	**–**	**–**	**38,259,000**
Retirement benefit scheme contributions	**18,000**	**18,000**	**18,000**	**18,000**	**18,000**	**–**	**–**	**–**	**–**	**90,000**
	15,749,400	**8,430,800**	**8,877,200**	**3,601,600**	**1,940,000**	**50,000**	**528,000**	**396,000**	**396,000**	**39,969,000**
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

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 (2016: four) of the Group's properties are provided to the directors as an accommodation. The rateable value of the properties is amounting to HK$4,825,620 (2016: HK$4,751,940).

(b) Employees' emoluments

The five highest paid individuals in the Group in the years ended 31 March 2017 and 2016 were all directors of the Company and details of their emoluments are included in note (a) above.

12. INCOME TAX EXPENSE

	2017	2016
Hong Kong Profits Tax		
Current year	**500,234**	2,466,781
Overprovision in prior years	**(128,199)**	(1,750,688)
	372,035	716,093
Other jurisdictions		
Current year	**48,633**	29,643
	420,668	745,736
Deferred tax (note 35)		
Current year	**23,088,786**	5,956,592
	23,509,454	6,702,328

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 tax charge for the year can be reconciled to profit before taxation per the consolidated statement of profit or loss as follows:

	2017	2016
Profit before taxation	**168,668,281**	251,433,283
Tax at Hong Kong Profits Tax rate of 16.5%	**27,830,266**	41,486,492
Tax effect of share of result of an associate	**26,461**	16,008
Tax effect of share of results of joint ventures	**107,936**	(85,125)
Tax effect of expenses not deductible for tax purpose	**11,743,092**	9,462,065
Tax effect of income not taxable for tax purpose	**(23,057,449)**	(51,482,954)
Tax effect of tax losses not recognised	**4,069,622**	5,733,844
Tax effect of different tax rates of operations in other jurisdictions	**4,488,230**	(175,993)
Utilisation of tax losses previously not recognised	**(1,481,303)**	(1,059,479)
Overprovision in prior years	**(128,199)**	(1,750,688)
Tax effect of tax exemption (note)	**1,018,742**	2,712,435
Others	**(1,107,944)**	1,845,723
Tax charge for the year	**23,509,454**	6,702,328

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

13. DIVIDENDS

	2017	2016
Dividends recognised as distribution during the year		
2016 Final – 3.0 HK cents (2015: 3.0 HK cents) per share	**30,567,929**	28,036,935
2016 Special Cash – 1.0 HK cent (2015: Nil) per share	**10,189,310**	—
2017 Interim – 0.5 HK cent (2016: 0.5 HK cent) per share	**5,094,590**	5,132,061
	45,851,829	33,168,996

Subsequent to the end of the reporting period, a final dividend of 3.0 HK cents per share (2016: 3.0 HK cents per share) and a special cash dividend of 1.0 HK cent per share (2016: 1.0 HK cent per share) in respect of the year ended 31 March 2017 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:

	2017	2016
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**145,158,827**	244,730,955
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,018,596,332**	1,026,258,988
Effect of dilutive potential ordinary shares:		
Share options	**6,968,270**	7,110,895
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,025,564,602**	1,033,369,883

15. INVESTMENT PROPERTIES

FAIR VALUE	
At 1 April 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
Additions	75,415,404
Acquired on acquisition of a subsidiary	676,000,000
Transfer to properties under development for sale	(219,242,332)
Increase in fair value recognised in profit or loss - unrealised	191,236,610
Exchange realignment	(16,525,463)
At 31 March 2017	**3,391,985,288**

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

The fair value of the Group's investment properties located in Hong Kong at 31 March 2017 have been arrived at on the basis of valuations carried out by DTZ Cushman & Wakefield Limited ("DTZ") and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuers not connected with the Group. The fair value of the Group's investment properties located in Hong Kong at 31 March 2016 have been arrived at on the basis of a valuation carried out by DTZ.

The fair value of the Group's investment property located in Canada at 31 March 2017 and 31 March 2016 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 2017 and 31 March 2016 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 the land located in 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.

The fair value of the investment properties under redevelopment located in Hong Kong was determined by using residual approach with the basis that the investment properties will be developed and completed in accordance with the latest development proposals and taken into account the construction costs that will be expended to complete the development to reflect the quality of the completed development.

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.

15. INVESTMENT PROPERTIES (Cont'd)

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 31/03/2017	Fair value as at 31/03/2016	Fair value hierarchy	Valuation technique	Significant unobservable inputs
Commercial and residential properties located in Hong Kong	**HK$2,063,000,000**	HK$2,049,000,000	Level 3	Market comparison approach	Adjusted average price per square foot, ranging from HK$15,483 to HK$27,686 (2016: HK$15,448 to HK$27,686) (note (i))
Residential properties under redevelopment located in Hong Kong	**HK$780,000,000**	N/A	Level 3	Residual approach	Adjusted average price per square foot of HK$53,763 (2016: Nil) (note (i)) Expected developer's profit margin of 15% (2016: Nil) (note (ii)) Estimated total construction cost to complete amounted to HK$363 million (2016: Nil) (note (iii))
Land in Canada for commercial and residential use	**HK$523,700,168**	HK$609,654,000	Level 3	Market comparison approach	Adjusted average price per square foot of HK$6,905 (2016: HK$5,666) (note (i))
Industrial property under construction located in the PRC	**HK$25,285,120**	HK$26,447,069	Level 3	Depreciated replacement cost approach	Construction cost per square foot of HK$32 (2016: HK$32) (note (iv))

Notes:

(i) A significant increase in the price per square foot would result in a significant increase in fair value, and vice versa.

(ii) A slight increase in the expected profit would result in a significant decrease in fair value, and vice versa.

(iii) A significant increase in the cost would result in a significant decrease in fair value, and vice versa.

(iv) A significant increase in the cost would result in a significant increase in fair value, and vice versa.

The Group's investment properties with an aggregate carrying amount of HK$3,366,700,168 (2016: HK$2,658,654,000) 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 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
Exchange realignment	–	–	10,593	–	–	–	–	–	(78,748)	–	–	(68,155)
Additions	–	–	–	–	1,786,476	1,995,076	15,707	369,800	4,389,307	852,788	2,143,056	11,552,210
Acquired on acquisition of a subsidiary	–	–	–	–	–	–	–	–	721,974	–	–	721,974
Disposals	(119,200,000)	(10,800,000)	–	–	–	(3,732,382)	(1,133,201)	–	(2,774,114)	(760,176)	(101,818,840)	(240,218,713)
At 31 March 2017	**335,211,367**	**28,801,961**	**5,144,903**	**6,367,821**	**65,513,965**	**49,394,012**	**69,271,751**	**94,871,263**	**94,779,489**	**17,662,136**	**27,705,270**	**794,723,938**
DEPRECIATION AND IMPAIRMENT												
At 1 April 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
Exchange realignment	–	–	4,639	–	–	–	–	–	(38,740)	–	–	(34,101)
Provided for the year	6,807,372	719,745	132,393	100,487	–	2,099,651	1,518,893	7,781,039	5,103,835	929,157	3,295,919	28,488,491
Eliminated on disposals	(14,848,086)	(1,378,929)	–	–	–	(684,937)	(1,133,201)	–	(1,838,414)	(38,162)	(101,818,840)	(121,740,569)
At 31 March 2017	**68,382,837**	**9,436,235**	**2,621,874**	**2,913,241**	**25,400,000**	**31,783,840**	**67,701,602**	**60,772,271**	**79,401,618**	**12,681,908**	**12,607,799**	**373,703,225**
CARRYING VALUES												
At 31 March 2017	**266,828,530**	**19,365,726**	**2,523,029**	**3,454,580**	**40,113,965**	**17,610,172**	**1,570,149**	**34,098,992**	**15,377,871**	**4,980,228**	**15,097,471**	**421,020,713**
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

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:

	2017	2016
Motor vehicles and yacht	**29,461,123**	34,509,100
Furniture, fixtures and office equipment	**—**	2,940
	29,461,123	34,512,040

The Group has pledged leasehold land and buildings with a net book value of HK$284,763,970 (2016: HK$407,494,358) to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	2017	2016
Analysed for reporting purposes as:		
– Non-current assets	**2,641,284**	2,709,249
– Current assets	**67,965**	67,965
	2,709,249	2,777,214

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

18. GOODWILL

COST	
At 1 April 2015, 31 March 2016 and 2017	1,269,932
IMPAIRMENT	
At 1 April 2015, 31 March 2016 and 2017	–
CARRYING VALUES	
At 31 March 2017	**1,269,932**
At 31 March 2016	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.

	2017	2016
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 2017 and 2016, management of the Group determines that there are no impairments of any of its CGUs containing goodwill.

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 amounts 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 14.84% (2016: 15.80%). Both sets of cash flows beyond the 5-year period are extrapolated using a steady 3% (2016: 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

	2017	2016
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	**4,555,487**	4,715,857
	7,568,875	7,729,245

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 2017	2016	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	2017	2016
Current assets	**472,352,292**	473,154,035
Non-current assets	**—**	—
Current liabilities	**448,423,344**	448,423,239
Non-current liabilities	**—**	—
Revenue	**—**	—
Loss from continuing operations	**(801,848)**	(485,107)
Post-tax profit/(loss) from discontinued operations	**—**	—
Loss for the year	**(801,848)**	(485,107)
Other comprehensive income for the year	**—**	—
Total comprehensive expense for the year	**(801,848)**	(485,107)
Dividends received from the associate 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:

	2017	2016
Net assets of Eden Bay	**23,928,948**	24,730,796
Proportion of the Group's ownership interest in Eden Bay	**20%**	20%
	4,785,789	4,946,159
Goodwill	**2,783,086**	2,783,086
Carrying amount of the Group's interest in Eden Bay	**7,568,875**	7,729,245

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

	2017	2016
Costs of unlisted investments in joint ventures	**317,813,998**	317,813,998
Share of post-acquisition (losses)/profits and other comprehensive income	**(138,253)**	515,903
	317,675,745	318,329,901
Loan to a joint venture	**51,154,294**	51,154,294
	368,830,039	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 **2017**	2016	Principal activities
Tania Investments Holdings Limited ("Tania")	Incorporated	British Virgin Islands/ Hong Kong	Ordinary	**50%**	50%	Property development and investment
Harvest Sun Holdings Limited ("Harvest Sun")	Incorporated	British Virgin Islands/ Hong Kong	Ordinary	**50%**	50%	Property investment

The loan to a joint venture included in the Group's interests in joint ventures represents a shareholder loan of HK$51,154,294 (2016: HK$51,154,294) 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$40,149,822 (2016: HK$29,649,822) 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 as at 31 March 2016 represents an amount of HK$73,582,829 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	**2017**	2016
Current assets	**2,004,201,379**	1,901,831,260
Non-current assets	**—**	—
Current liabilities	**1,208,688,903**	5,094,748
Non-current liabilities	**160,160,987**	1,261,167,695

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	**61,732,083**	59,896,450
Current financial liabilities (excluding trade and other payables and provisions)	**1,207,749,586**	—
Non-current financial liabilities (excluding trade and other payables and provisions)	**102,308,588**	1,203,315,296

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

Summarised financial information of joint ventures (Cont'd)

Tania	2017	2016
Revenue	–	–
Loss from continuing operations	(217,328)	(59,162)
Post-tax profit/(loss) from discontinued operations	–	–
Loss for the year	(217,328)	(59,162)
Other comprehensive income for the year	–	–
Total comprehensive expense for the year	(217,328)	(59,162)
Dividends received from Tania during the year	–	–
The above loss for the year include the following:		
Depreciation and amortisation	–	–
Interest income	16,422	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:

	2017	2016
Net assets of Tania	635,351,489	635,568,817
Proportion of the Group's ownership interest in Tania	50%	50%
Carrying amount of the Group's interest in Tania	317,675,745	317,784,409

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

Summarised financial information of joint ventures (Cont'd)

Harvest Sun	2017	2016
Current assets	**16,389,556**	6,955,362
Non-current assets	**137,745,762**	133,530,396
Current liabilities	**91,354,524**	79,115,922
Non-current liabilities	**68,435,110**	60,278,851
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**11,876,572**	3,430,382
Current financial liabilities (excluding trade and other payables and provisions)	**80,001,433**	58,957,869
Non-current financial liabilities (excluding trade and other payables and provisions)	**66,445,080**	57,631,320

Harvest Sun	2017	2016
Revenue	**—**	—
(Loss)/Profit from continuing operations	**(8,443,921)**	14,565,436
Post-tax profit/(loss) from discontinued operations	**—**	—
(Loss)/Profit for the year	**(8,443,921)**	14,565,436
Other comprehensive income/(expense) for the year	**1,698,621**	(450,354)
Total comprehensive (expense)/income for the year	**(6,745,300)**	14,115,082
Dividends received from Harvest Sun during the year	**—**	—
The above (loss)/profit for the year include the following:		
Depreciation and amortisation	**—**	—
Interest income	**778**	1,458
Interest expense	**—**	—
Income tax credit/(expense)	**782,171**	(1,251,677)

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:

	2017	2016
Net (liabilities)/assets of Harvest Sun	(5,654,316)	1,090,985
Proportion of the Group's ownership interest in Harvest Sun	50%	50%
	(2,827,158)	545,492
Cumulative unrecognised share of loss	2,827,158	—
Carrying amount of the Group's interest in Harvest Sun	—	545,492

The amounts of unrecognised share of loss of a joint venture, both for the year and cumulatively, are as follows:

	2017	2016
Unrecognised share of loss of a joint venture for the year	2,827,158	—
Cumulative unrecognised share of loss of a joint venture	2,827,158	—

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
Club debentures	27,430,000	26,200,000

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.

22. HELD-TO-MATURITY INVESTMENTS

	2017	2016
Bonds listed in Luxembourg with fixed interest of 2.5% per annum and maturity date on 23 January 2023	**2,995,166**	3,172,084

23. INVENTORIES

	2017	2016
Raw materials and consumables	**17,368,657**	30,155,687
Work in progress	**9,405,487**	11,517,416
Finished goods	**101,852,479**	143,558,705
	128,626,623	185,231,808

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
Listed securities:		
– Equity securities listed in Hong Kong	**20,168,734**	17,740,965
– Equity securities listed in United States of America	**13,818,159**	10,442,612
Unlisted debt securities	**7,750,070**	–
Unlisted equity securities	**–**	15,511,600
Unlisted fund investments	**56,232,610**	56,472,877
	97,969,573	100,168,054

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 unlisted debt securities is determined based on the price quoted by financial institutions.

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$219,242,332 (2016: HK$267,095,549) 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$603,844,522 (2016: HK$267,095,549) have been pledged to secure banking facilities granted to the Group.

26. BILLS RECEIVABLES

Bills receivables of HK$766,500 (2016: HK$649,331) which are aged within 30 days.

27. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
Trade receivables	**35,075,961**	51,282,429
Less: allowance for doubtful debts	**(15,339,720)**	(17,829,722)
	19,736,241	33,452,707
Deposits and prepayments	**252,379,165**	127,555,082
Advance payment to suppliers	**5,268,298**	5,953,782
Consideration receivable	**168,000,000**	72,191,298
Other receivables	**30,205,281**	30,617,744
Total trade receivables, deposits and prepayments	**475,588,985**	269,770,613

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.

	2017	2016
Within 30 days	**15,918,379**	26,684,651
31 to 90 days	**1,014,506**	6,023,159
91 to 180 days	**2,151,317**	95,574
Over 180 days	**652,039**	649,323
	19,736,241	33,452,707

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. 74% (2016: 79%) 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$5,040,082 (2016: HK$7,127,228) 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

	2017	2016
Within 30 days	**1,222,220**	488,522
31 to 90 days	**1,014,506**	5,893,809
91 to 180 days	**2,151,317**	95,574
Over 180 days	**652,039**	649,323
	5,040,082	7,127,228

Movement in the allowance for doubtful debts

	2017	2016
At beginning of year	**17,829,722**	9,794,248
Impairment losses recognised	**–**	8,037,840
Impairment losses reversed	**(2,486,923)**	–
Exchange difference	**(3,079)**	(2,366)
At end of year	**15,339,720**	17,829,722

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$15,339,720 (2016: HK$17,829,722) which were past due and generally not recoverable. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

	2017	2016
Over 180 days	**15,339,720**	17,829,722

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 2.6% (2016: 0.001% to 2%) per annum.

Included in bank balances and cash are bank deposits of HK$142,881,244 (2016: Nil) which are subject to the charges to secure general banking facilities granted to the Group. These bank deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

29. TRADE AND BILLS PAYABLES

The following is an ageing analysis of trade and bills payables presented based on the invoice date:

	2017	2016
Within 30 days	**102,137,055**	128,877,088
31 to 90 days	**22,306,084**	23,409,532
91 to 180 days	**1,755,407**	3,712,930
Over 180 days	**5,512,289**	5,291,993
	131,710,835	161,291,543

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. DERIVATIVE FINANCIAL INSTRUMENTS

	2017	2016
Derivatives not under hedge accounting		
Interest rate swaps	**913,765**	—

The fair value of the above derivative financial instruments is calculated using discounted cash flow analysis based on the applicable yield curves of interest rates as determined by the counterparties.

Major terms of the interest rate swaps are as follows:

Notional amount	**Swaps**
HK$50,000,000	From 2.33% to 1-month HIBOR
HK$50,000,000	From 2.215% to 1-month HIBOR

The above contracts will mature within five years from the end of the reporting period.

31. OBLIGATIONS UNDER FINANCE LEASES

	2017	2016
Analysed for reporting purposes as:		
Current liabilities	**4,120,363**	3,996,276
Non-current liabilities	**20,354,189**	24,474,552
	24,474,552	28,470,828

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 4.5 to 10 years (2016: 3 to 10 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.8% to 4% (2016: 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**	
	2017	2016	**2017**	2016
Amounts payable under finance leases				
Within one year	**5,074,308**	5,113,699	**4,120,363**	3,996,276
In the second to fifth years inclusive	**18,439,349**	19,334,249	**16,295,218**	16,525,200
In more than five years	**4,186,440**	8,365,848	**4,058,971**	7,949,352
	27,700,097	32,813,796	**24,474,552**	28,470,828
Less: Future finance charges	**(3,225,545)**	(4,342,968)	**—**	—
Present value of lease obligations	**24,474,552**	28,470,828	**24,474,552**	28,470,828
Less: Amount due for settlement within one year (shown under current liabilities)			**(4,120,363)**	(3,996,276)
Amount due for settlement after one year			**20,354,189**	24,474,552

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

32. BANK LOANS

	2017	2016
Secured bank loans	**2,942,578,069**	2,126,035,228
Unsecured bank loans	**414,218,545**	537,745,052
	3,356,796,614	2,663,780,280
Carrying amount repayable:		
On demand or within one year	**1,051,487,376**	639,837,224
More than one year, but not exceeding two years	**798,944,668**	725,788,125
More than two years, but not exceeding five years	**1,196,322,584**	646,925,569
More than five years	**310,041,986**	651,229,362
	3,356,796,614	2,663,780,280
Less: Amounts due within one year shown under current liabilities	**(1,051,487,376)**	(639,837,224)
Amounts shown under non-current liabilities	**2,305,309,238**	2,023,943,056

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

	2017	2016
USD	**91,822,110**	110,593,274
JPY	**95,545,800**	96,154,926
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 1.0% to 4.7% (2016: 2.23% to 4.5%) per annum.

33. SHARE CAPITAL

	Number of shares		Amount	
	2017	2016	**2017**	2016
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	**1,019,888,962**	935,566,511	**101,988,896**	93,556,651
Issue of bonus shares	**—**	93,456,451	**—**	9,345,645
Cancelled on repurchase of shares	**(2,682,000)**	(9,134,000)	**(268,200)**	(913,400)
At end of the year	**1,017,206,962**	1,019,888,962	**101,720,696**	101,988,896

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**	**Price per share Lowest**	**Aggregate consideration paid (including expenses)**
May 2016	958,000	0.89	0.88	849,067
October 2016	14,000	0.93	0.93	13,135
December 2016	1,140,000	0.96	0.96	1,098,432
January 2017	570,000	1.00	0.97	560,024
	2,682,000			2,520,658

34. 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 2017 by Ms. Katherine Chu of Willis Towers Watson, 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:

	2017	2016
Discount rate	**1.10%**	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:

	2017	2016
Current service cost	**16,390**	13,824
Interest cost	**57,645**	49,544
Components of defined benefit costs recognised in profit or loss	**74,035**	63,368
Remeasurement on the net defined benefit liability:		
Actuarial (gains)/losses arising from experience adjustments	**(1,998,051)**	1,072,881
Actuarial gains arising from changes in financial assumptions	**(14,012)**	—
Actuarial gains arising from changes in demographic assumptions	**(93)**	—
Components of defined benefit (income)/costs recognised in other comprehensive income	**(2,012,156)**	1,072,881
Total	**(1,938,121)**	1,136,249

34. 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:

	2017	2016
Present value of the obligations under long service payments	**4,740,939**	6,894,396

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

	2017	2016
At beginning of the year	**6,894,396**	6,071,575
Current service cost	**16,390**	13,824
Interest cost	**57,645**	49,544
Remeasurement (gains)/losses:		
– Actuarial (gains)/losses arising from experience adjustments	**(1,998,051)**	1,072,881
– Actuarial gains arising from changes in financial assumptions	**(14,012)**	—
– Actuarial gains arising from changes in demographic assumptions	**(93)**	—
Benefits paid	**(215,336)**	(313,428)
At end of the year	**4,740,939**	6,894,396

34. 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$34,423 (2016: HK$67,163) (increase by HK$35,291 (2016: HK$68,932)).

- If the expected rate of salary increase is 25 basis points higher (lower), the defined benefit obligation would increase by HK$48,978 (2016: HK$56,861) (decrease by HK$60,893 (2016: HK$62,281)).

- If the expected rate of return on MPF balances is 25 basis points higher (lower), the defined benefit obligation would decrease by HK$116,467 (2016: HK$132,873) (increase by HK$130,254 (2016: HK$137,488)).

- 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$103,777 (2016: HK$143,848) (decrease by HK$104,298 (2016: HK$143,705)).

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 2017 is 2.9 years (2016: 4.5 years).

The expected defined benefit costs during the next financial year is HK$59,155 (2016: HK$74,035).

35. 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:

	2017	2016
Deferred tax assets	**1,687,965**	2,793,474
Deferred tax liabilities	**(41,100,268)**	(19,170,319)
	(39,412,303)	(16,376,845)

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 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
Charge/(Credit) to profit or loss for the year	2,061,984	–	22,807,247	(1,780,445)	23,088,786
Acquisition of a subsidiary	11,545,846	–	–	(11,545,846)	–
Exchange differences	–	–	(91,158)	37,830	(53,328)
At 31 March 2017	**48,724,826**	**7,342,907**	**29,603,529**	**(46,258,959)**	**39,412,303**

At the end of the reporting period, the Group has unused tax losses of approximately HK$956,469,000 (2016: HK$647,481,000) available for offset against future profits. A deferred tax asset of HK$46,258,959 (2016: HK$32,970,498) has been recognised in respect of approximately HK$279,004,000 (2016: HK$199,153,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining approximately HK$677,465,000 (2016: HK$448,328,000) 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$4,033,000 (2016: HK$988,000). 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.

36. FINANCIAL GUARANTEE CONTRACTS

	2017	2016
Guarantee given to bank in respect of banking facilities to a joint venture (note (a))	**1,048,000,000**	1,048,000,000
Other guarantees (note (b))	**621,000**	621,000
	1,048,621,000	1,048,621,000

Notes:

(a) At 31 March 2017, 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 (2016: HK$1,048,000,000), of which HK$1,015,504,989 (2016: 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.

37. CAPITAL COMMITMENTS

	2017	2016
Contracted for but not provided:		
Construction and acquisition of properties	**45,910,963**	39,406,377

38. OPERATING LEASE COMMITMENTS

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:

	2017	2016
Within one year	**13,758,245**	18,008,792
In the second to fifth year inclusive	**5,752,743**	15,941,684
Over five years	**5,304,660**	5,825,799
	24,815,648	39,776,275

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 6 years (2016: 8 years) with fixed rentals.

38. OPERATING LEASE COMMITMENTS (Cont'd)

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:

	2017	2016
Within one year	**9,467,112**	9,721,111
In the second to fifth year inclusive	**1,711,118**	73,348
	11,178,230	9,794,459

Leases are negotiated for an average term of 1 year (2016: 1 year).

39. RETIREMENT BENEFIT SCHEMES

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 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$5,236,607 (2016: HK$8,053,233) represents contributions payable to these schemes by the Group in respect of the current accounting period.

40. 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:

	2017	2016
Investment properties	**3,366,700,168**	2,658,654,000
Leasehold land in Hong Kong	**265,398,244**	377,987,816
Buildings in Hong Kong	**19,365,726**	29,506,542
Inventory of unsold properties	**5,971,034**	6,084,649
Properties under development for sale	**603,844,522**	267,095,549
Bank deposits	**142,881,244**	—

41. RELATED PARTY TRANSACTIONS

(a) Transaction with a joint venture

Nature of transaction	2017	2016
Property management fee received by the Group	**5,250,000**	–

(b) Details of outstanding balances with related parties of the Group at the end of the reporting period are set out in notes 19 and 20.

(c) Details of financial guarantee given to a bank by the Group in respect of banking facilities granted to a joint venture is set out in note 36.

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

42. 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 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,050,000 (2016: 17,050,000), representing 1.68% (2016: 1.67%) 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.

42. 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	Outstanding at 01/04/2016	Exercised during the year	Outstanding at 31/03/2017
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	Outstanding at 01/04/2015	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

43. ACQUISITION OF A SUBSIDIARY

On 24 July 2016, the Group acquired the entire issued share capital of Bentley Investments Limited ("BIL") and the benefit of the vendor's shareholder loan for a total consideration of HK$490,912,644. BIL is engaged in property investment and was acquired so as to continue the expansion of the Group's property investment business.

Consideration transferred

Cash	490,912,644

Acquisition-related costs amounting to HK$2,016,702 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss.

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

Investment properties	676,000,000
Plant and equipment	721,974
Deposits, prepayments and other receivables	1,234,804
Bank balances	10,068,961
Other payables and accruals	(656,777)
Tenancy deposits	(1,808,000)
Receipt in advance	(426,344)
Amount due to a shareholder	(297,822,035)
Bank loans	(185,500,000)
	201,812,583

43. ACQUISITION OF A SUBSIDIARY (Cont'd)

Bargain purchase gain arising on acquisition:

Consideration transferred	490,912,644
Less: assignment of shareholder's loan	(297,822,035)
Less: net assets acquired	(201,812,583)
Bargain purchase gain arising on acquisition	(8,721,974)

Net cash outflow on acquisition:

Cash consideration paid	490,912,644
Less: cash and cash equivalent balances acquired	(10,068,961)
	480,843,683

Included in the profit for the year is HK$81,987,891 attributable to the additional business incurred by BIL. Revenue for the year includes HK$5,189,052 generated from BIL.

Had the acquisition been completed on 1 April 2016, total group revenue for the year would have been approximately HK$1,012 million, and profit for the year would have been approximately HK$146 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 2016, nor is it intended to be a projection of future results.

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

44. DISPOSAL OF SUBSIDIARIES

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

45. LITIGATION

At 31 March 2017, there have been three litigation cases which involved 中霸電子科技(南寧)有限公司, a subsidiary of the Company (the "Subject Subsidiary"). These cases relate to disputes on the construction contracts for a parcel of land in Nanning (the "Nanning Land") held by the Subject Subsidiary, which is divided into two areas – Areas A and B (collectively, the "Construction Disputes"). The plaintiff in the Construction Disputes, 廣西建工聯合建設有限公司 (the "Plaintiff"), is a construction contractor engaged by the Subject Subsidiary to construct and develop certain factory buildings on the Nanning Land. In each of the Construction Disputes, the Plaintiff claims, among others, contractual fees allegedly overdue by the Subject Subsidiary under the relevant construction contracts and interests thereof, damages for alleged breach of contract by the Subject Subsidiary and losses arising therefrom. The aggregate amount being claimed by the Plaintiff in the Construction Disputes is approximately RMB 45 million.

As at the date of approval of these consolidated financial statements, the three litigation cases were still ongoing. Taking into account the legal opinion of the Company's legal advisors, the directors are of the view that the claims made by the Plaintiff in the Construction Disputes are without merits, and accordingly no provision has been made in these consolidated financial statements.

46. EVENT AFTER THE REPORTING PERIOD

On 23 May 2017, Perfect Way Limited, a wholly owned subsidiary of the Company, entered into an agreement with third parties (the "Vendors") for the acquisition of the entire issued share capital of Elite Bright Asia Pacific Limited ("Elite") and the shareholders' loan due by Elite to the Vendors (the "Acquisition"). The consideration for the Acquisition is approximately HK$375 million which is subject to adjustments of net current asset value of Elite as at the completion date.

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

47. 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	Paid up issued/ registered capital	Percentage of ownership interests held directly/ indirectly by the Company 2017	2016	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	CAD1,610,964 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
Bentley Investments Limited	Hong Kong	Ordinary	HK$10,000	**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

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

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of ownership interests held directly/ indirectly by the Company 2017	2016	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
National Ebauch Limited	Hong Kong	Ordinary Non-voting deferred (note)	HK$1,000 HK$1,000,000	**100%**	100%	Investment holding and trading of electronic products

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

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of ownership interests held directly/ indirectly by the Company 2017	2016	Principal activities
Indirect subsidiary (Cont'd)						
National Electronics and Watch Company Limited	Hong Kong	Ordinary Non-voting deferred (note)	HK$1,000 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 Non-voting deferred (note)	HK$1,000 HK$2,000,000	**100%**	100%	Provision of inspection service
National Time Limited	Hong Kong	Ordinary Non-voting deferred (note)	HK$1,000 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.	United States of America	Ordinary	US$100,000	**100%**	100%	Provision of liaison services and investment holding
Roebuck Investments Limited	British Virgin Islands	Ordinary	US$100	**100%**	100%	Investment holding

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

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of ownership interests held directly/ indirectly by the Company 2017	2016	Principal activities
Indirect subsidiary (Cont'd)						
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 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	CAD95,578 Partners' capital	**100%**	100%	Property development
Unionville Development (2010) Limited Partnership	Ontario, Canada	N/A	CAD3,560,532 Partners' captial	**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

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

Name of subsidiary	Place/country of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of ownership interests held directly/ indirectly by the Company 2017	2016	Principal activities
Indirect subsidiary (Cont'd)						
中霸電子科技(南寧)有限公司*	PRC	Registered capital	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	Registered capital	HK$5,000,000	**100%**	100%	Manufacture of metal and plastic products
威日實業(深圳)有限公司*	PRC	Registered capital	HK$5,000,000	**100%**	100%	Trading of electronic products

* A wholly foreign owned enterprise

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

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, 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.

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017	2016
Non-current assets		
Interests in subsidiaries	**581,222,400**	572,560,592
Available-for-sale investments	**2,000,000**	2,000,000
	583,222,400	574,560,592
Current assets		
Amount due from a subsidiary	**205,485,459**	154,332,568
Bank balances	**5,388,390**	5,446,580
	210,873,849	159,779,148
Current liabilities		
Accrued expenses	**6,156,023**	6,039,978
Financial guarantee contracts	**71,965,303**	63,439,015
Amounts due to subsidiaries	**343,536,261**	305,126,210
Bank loans	**45,851,829**	33,168,996
	467,509,416	407,774,199
Net current liabilities	**(256,635,567)**	(247,995,051)
Net assets	**326,586,833**	326,565,541
Capital and reserves		
Share capital	**101,720,696**	101,988,896
Reserves	**224,866,137**	224,576,645
Total equity	**326,586,833**	326,565,541

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 29 June 2017 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

JAMES LEE YUEN KUI
Director

48. 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 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
Profit for the year	—	—	—	—	48,393,779	48,393,779
Dividends paid	—	—	—	—	(45,851,829)	(45,851,829)
Repurchase of own shares	—	—	268,200	—	(2,520,658)	(2,252,458)
At 31 March 2017	**24,097,268**	**90,854,039**	**38,486,440**	**2,766,520**	**68,661,870**	**224,866,137**

Details of the major properties held by the Group at 31 March 2017 are as follows:

INVESTMENT PROPERTIES

Location	Lease term	Group's interest	Type
The Putman No. 202 Queen's Road Central, Sheung Wan, Hong Kong	Long term	100%	Commercial
99 Bonham Nos. 99, 101 - 103 Bonham Strand and No.127 Wing Lok Street, Sheung Wan, Hong Kong	Long term	100%	Commercial
One 96 No. 196 Queen's Road Central, Sheung Wan, Hong Kong	Long term	100%	Commercial
The Jervois No. 89 Jervois Street Sheung Wan, Hong Kong	Long term	100%	Commercial
A parcel of land located at Yinkai Industrial Park, Economic and Technological Development Zone, Nanning City, Guangxi Zhuangzu Autonomous Region, the PRC	Medium term	100%	Industrial
House No. C36 (including its 2 Car Parking Spaces) Regalia Bay, No. 88 Wong Ma Kok Road, Stanley, Hong Kong	Medium term	100%	Residential
20 and 30 Mutual Street and 88 Queen Street East, Toronto, Ontario, Canada	Freehold	100%	Commercial and residential
No. 3 South Bay Close Repulse Bay, Hong Kong	Medium term	100%	Residential

Results:

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,008,976**	1,149,451	1,432,142	1,171,314	1,167,854
Cost of sales	**(856,896)**	(969,484)	(1,194,810)	(1,009,384)	(990,349)
Gross profit	**152,080**	179,967	237,332	161,930	177,505
Other income and gains	**65,474**	318,949	58,891	6,271	33,992
Increase in fair value of investment properties	**191,236**	2,215	56,369	194,936	30,841
Distribution costs	**(10,008)**	(8,798)	(10,452)	(10,042)	(9,247)
Administrative expenses	**(153,506)**	(174,129)	(151,395)	(211,687)	(182,217)
Finance costs	**(75,794)**	(67,190)	(59,531)	(29,084)	(24,213)
Share of results of associates	**(160)**	(97)	1,498	111,312	135,811
Share of results of joint ventures	**(654)**	516	—	—	—
Fair value gain arising from the remeasurement of the previously held interest in a joint venture	**—**	—	—	—	143,158
Profit before taxation	**168,668**	251,433	132,712	223,636	305,630
Income tax (expense)/credit	**(23,509)**	(6,702)	362	4,840	(9,165)
Profit for the year	**145,159**	244,731	133,074	228,476	296,465
Earnings per share					
– Basic	**14.3 HK cents**	23.8 HK cents	12.9 HK cents	23.8 HK cents	30.3 HK cents
– Diluted	**14.2 HK cents**	23.7 HK cents	12.8 HK cents	23.6 HK cents	30.1 HK cents

Assets and liabilities:

	At 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**5,979,747**	5,208,728	5,274,372	4,024,457	3,587,831
Total liabilities	**3,946,595**	3,264,295	3,530,765	2,296,013	1,998,067
Net assets	**2,033,152**	1,944,433	1,743,607	1,728,444	1,589,764

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 completion of the Group's joint-venture luxury residential development at 45 Tai Tam Road is expected to be in the fourth quarter of 2017.
本集團位於大潭道45號的合營豪宅發展項目預期將於二零一七年第四季竣工。

The Group's boutique office building 7 St Thomas in Toronto, Canada has completed construction and final closing is expected by the end of the third quarter of 2017. The Group will relocate its North American headquarters here, while the rest of the development was completely sold out.
本集團位於7 St Thomas, Toronto, Canada的精品辦公大樓建築工程已經完成，預計將於二零一七年第三季尾前完成交易。本集團的北美總部將搬遷至該大樓，而發展項目餘下部分已全部售出。

The Group has started the excavation work for Phase 1 of 88 Queen in Toronto, Canada. The planning and rezoning for the remaining phases is ongoing.
本集團已開展88 Queen, Toronto, Canada第一期的挖掘工程。餘下期數的規劃及修改土地用途工作仍在進行中。

Planning and design work for the Group's luxury residential redevelopment at 3 South Bay Close continues and the demolition of the existing building is expected to begin soon.
本集團位於南灣坊3號的豪宅重建項目規劃及設計工程繼續進行，預期將於短期內拆卸現有建築物。