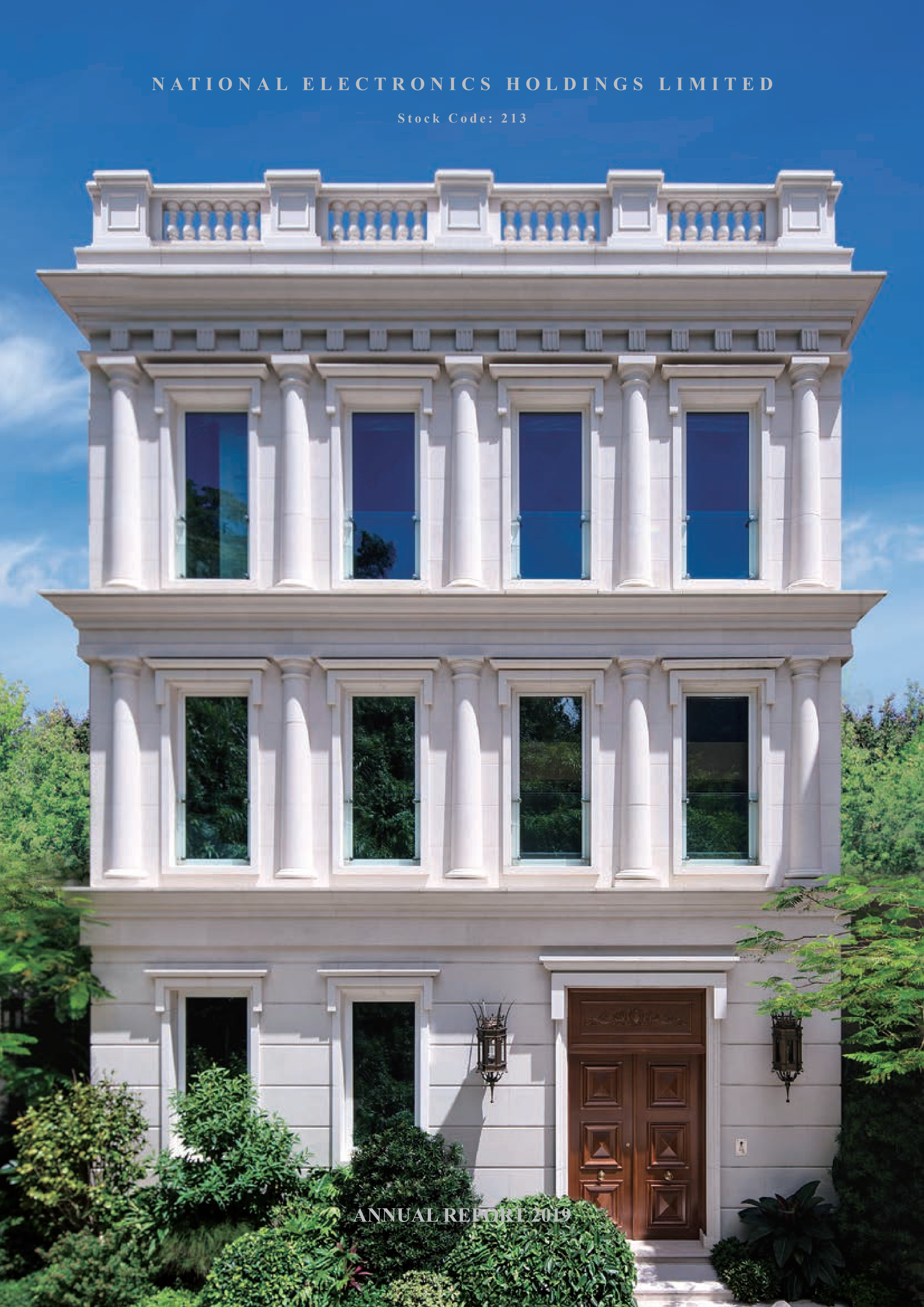
NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213



ANNUAL REPORT 2019

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CORPORATE INFORMATION

Executive Directors

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

Non-executive Director

Dorathy Lee Yuen Yu

Independent Non-executive Directors

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

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Solicitors

Baker & McKenzie
Mayer Brown

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
Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited

Registered Office

Estera Services (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

Principal Office

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

Registrar

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Branch Registrar and Transfer Office

Tricor Standard Limited
Level 54 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 2019.

RESULTS

The audited consolidated profit attributable to owners of the Group for the year ended 31 March 2019 was HK$221,825,779 (Year ended 31 March 2018: HK$218,708,930). The basic and diluted earnings per share of the Company for the year ended 31 March 2019 were 21.7 HK cents per share and 21.7 HK cents per share respectively (Year ended 31 March 2018: 21.5 HK cents per basic share and 21.3 HK cents per diluted share respectively).

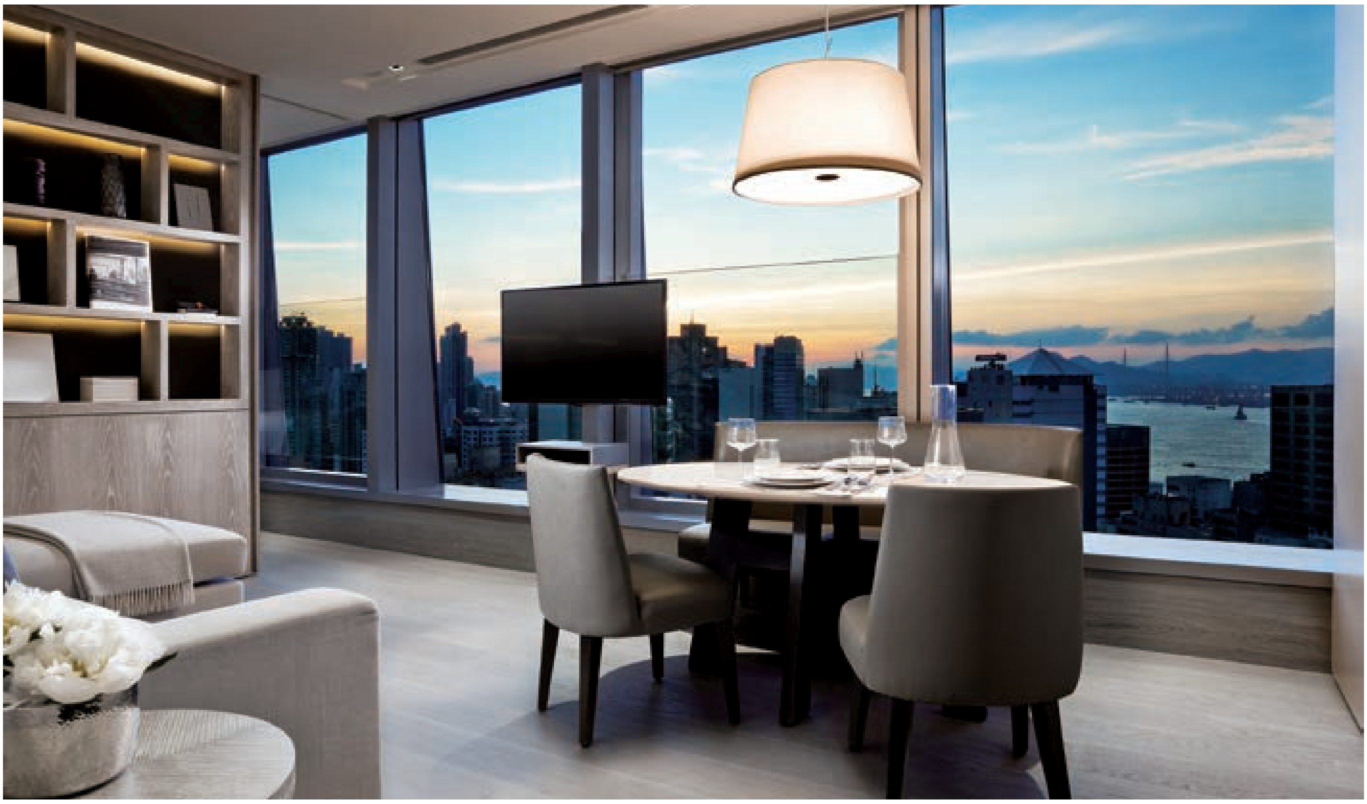
FINAL DIVIDEND

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 2019 (Year ended 31 March 2018: 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, the Group's watch manufacturing and trading division was adversely affected by the Trade War between the United States of America and China and recorded decreases in turnover and profit.



A full floor suite at One96, one of the Group's luxurious boutique hotels.

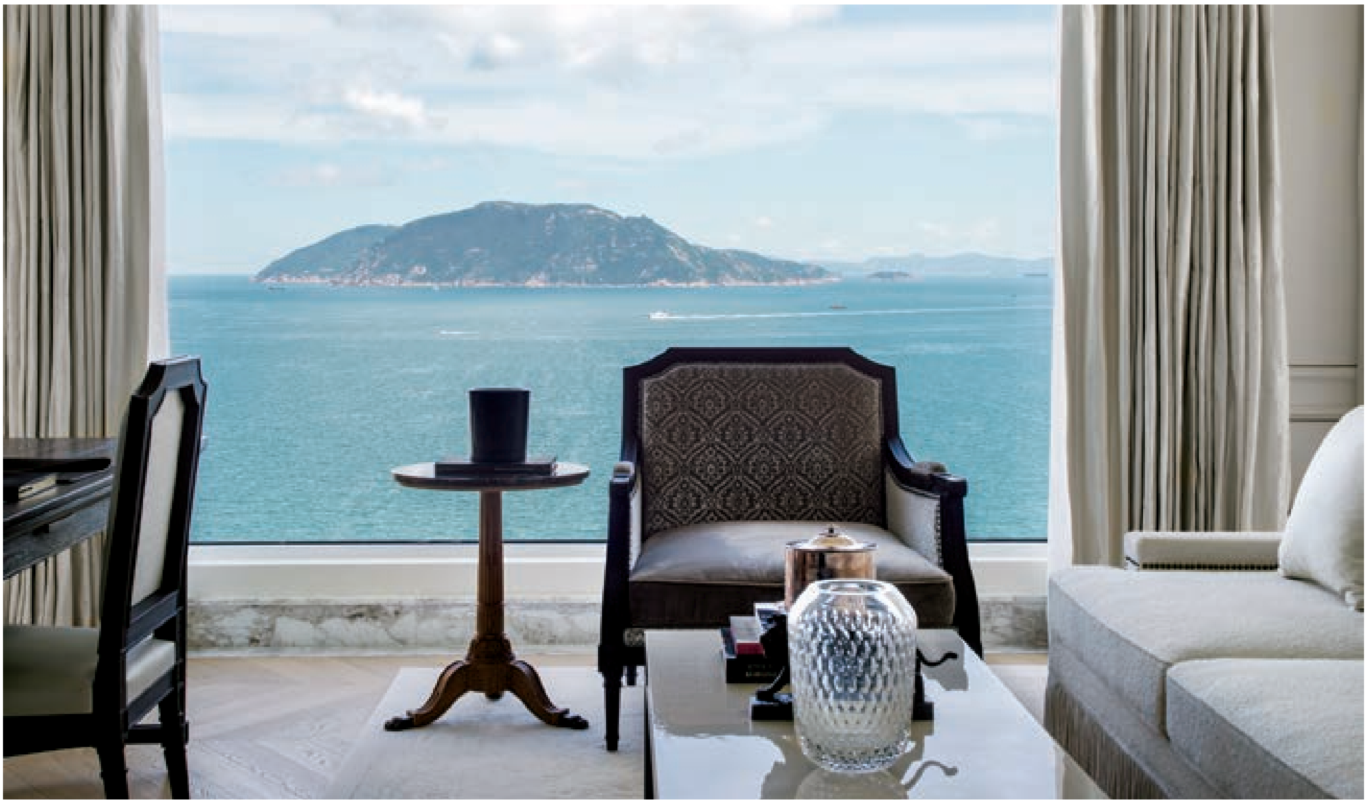
HOTEL OPERATION

The Group's hotel business continued to grow through increased brand awareness and both revenue and profit recorded better performance than the previous year.

PROPERTY DEVELOPMENT AND INVESTMENT

As per our 6 March 2019 announcement to shareholders, the Group, on the same day, entered into a sale and purchase agreement with two independent third parties to dispose of its Phase II Land (Building B & C Land) of the Group's multi-phased mixed-use development at 88 Queen Street East, Toronto, Canada. Completion of the sale is targeted within the fourth quarter of this year. The result was satisfactory.

The construction for Phase I of the above-mentioned multi-phased development is proceeding according to schedule and interim occupancy is targeted in the first quarter of 2020.



The elegant interiors of a house at 45 Tai Tam Road, the Group's joint-venture development.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

The demand for the Group's analogue quartz watches and watch components will continue to be weak. The Group expects that the protracted Trade War will create another challenging year ahead for its watch manufacturing and watch component trading business.

HOTEL OPERATION

The Group's hotel business will aim to cope with the ongoing Trade War and current political issues in Hong Kong by looking to capture different segments of the market and creating unique offerings for guests.

PROPERTY DEVELOPMENT AND INVESTMENT

Due to the same reason mentioned earlier, the Group is carefully monitoring the market for the best timing to start its full campaign for sales of its luxurious residential development at 45 Tai Tam Road, Hong Kong, a joint venture project with BPE Asia Real Estate Fund L.P.

The demolition work of the Group's luxurious residential project at 3 South Bay Close, Repulse Bay will be completed shortly and the Group is in the process of application for the foundation work permit.

Regarding the Group's multi-phased mixed-use development at 88 Queen Street East, Toronto, Canada, the Group is currently formulating its marketing strategy for the remaining Phase III Land.

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.

Jimmy Lee Yuen Ching
Chairman

Hong Kong, 24 June 2019

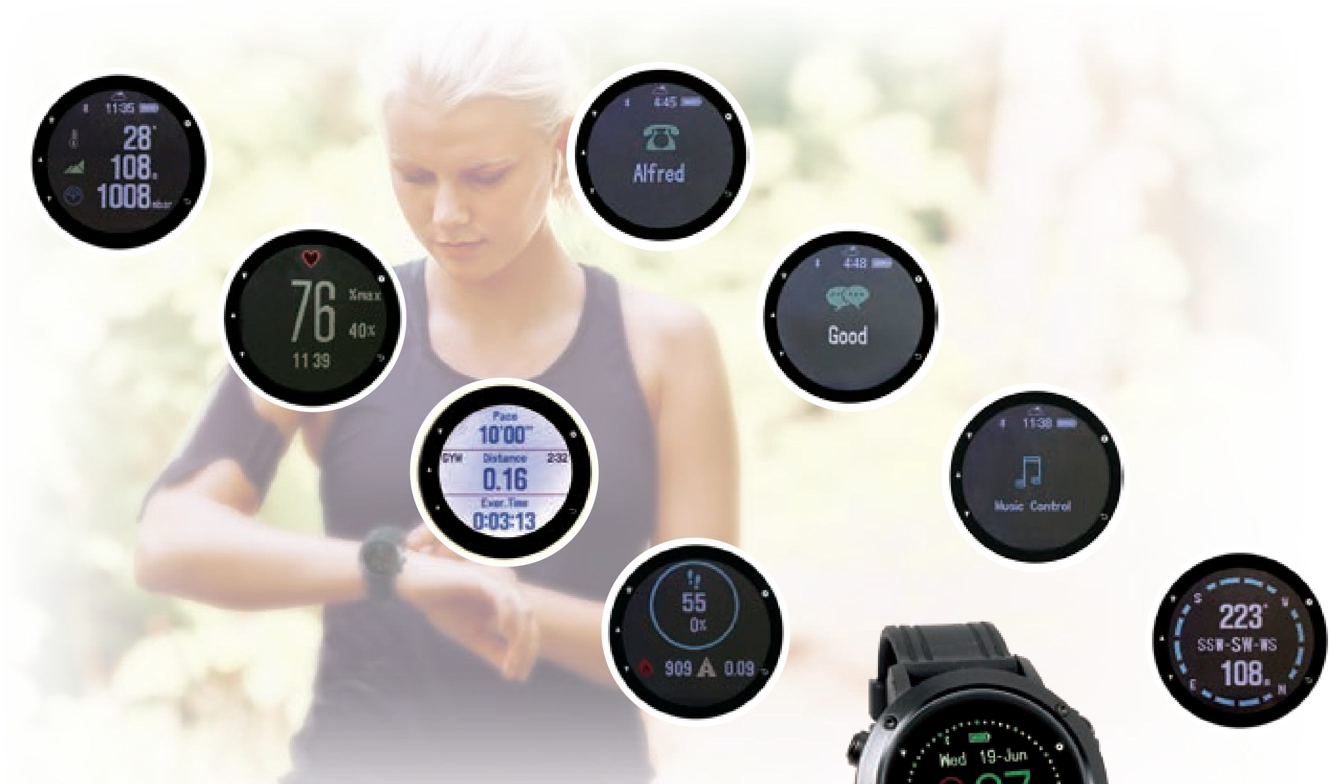
CORPORATE STRATEGY

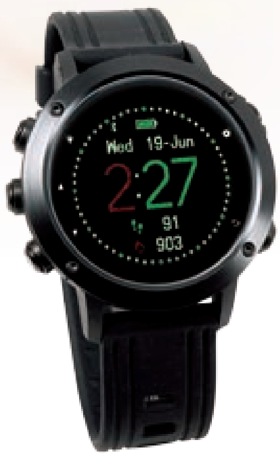
The Group's long-term objective and strategy is to maximize value to shareholders through the stable growth in our core businesses and operations while exploring new opportunities for investment to generate sustainable long-term growth.

The Group's watch manufacturing and watch component trading division faces challenges in the changing worldwide trading environment and weak demand for watch products. As such, the Group continues to look at different strategies to adapt to these changes including diversifying into the development of other electronic products.

The Group's property development and investment division remains committed to building the highest quality developments with a focus on design excellence. After long-term planning and extensive market research, the Group will look into expanding our sales and 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.





Multi-sport Watch

This Bluetooth Connected GPS multi-sport watch has
a color display and stays connected to smart phones with call and text alerts
as well as email and app notifications.

With built-in GPS and various sensors, it can track location,
heart rate, steps, distance, and calories for use in indoor and outdoor sports.
The watch also provides useful information such as sleep quality, direction,
altitude, temperature and air pressure.

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, the Group's watch manufacturing and trading division recorded decreases in turnover and profit due to the continued US-China trade war which have exacerbated weak market conditions.

PROPERTY DEVELOPMENT AND INVESTMENT

On 6 March 2019, the Group entered into a sale and purchase agreement to dispose a portion of lands and premises located at 88 Queen Street East, Toronto, Canada (the "Property") to two independent purchasers at a consideration of CAD107,000,000. The net book value of the Property as at 28 February 2019 amounted to approximately CAD56,700,000.

During the period under review, the Group's investment properties and hotel properties benefited from the favorable property markets in Hong Kong and Toronto.

The above factors contributed to better performance for the Group's increases in fair values of investment properties, and the property development and investment's segment result over the previous financial year.

For the financial year ended 31 March 2018, the Group's turnover recorded the sale proceed of disposal of commercial properties at 7 St. Thomas Street, Toronto, Canada for approximately HK$440 million. No sale of properties were recorded in the current financial year.

HOTEL OPERATION

The Group continued to improve its hotel operation to achieve higher room rates and occupancy rates. The hotel business achieved satisfactory increase in turnover and profit.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group's total borrowings were approximately HK$3,876 million (2018: HK$3,453 million), representing an increase of approximately HK$423 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK$674 million repayable within one year, approximately HK$2,583 million within two to five years and HK$619 million beyond five years.

At the year end date, the Group's gearing ratio was 1.35 (2018: 1.20) which is calculated based on the Group's long-term borrowings of approximately HK$3,202 million (2018: HK$2,680 million) and shareholders' funds of approximately HK$2,374 million (2018: HK$2,233 million).

As at 31 March 2019, the Group's total bank balances and cash was approximately HK$812 million (2018: HK$865 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 2019, 84% of the Group's borrowings were in HKD, 11% in CAD, 3% in JPY, 1% in USD and 1% in GBP. As at 31 March 2019, 58% of the Group's bank balances and cash was in HKD, 14% in USD, 12% in JPY, 9% in CAD, 4% in RMB and 3% in others.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

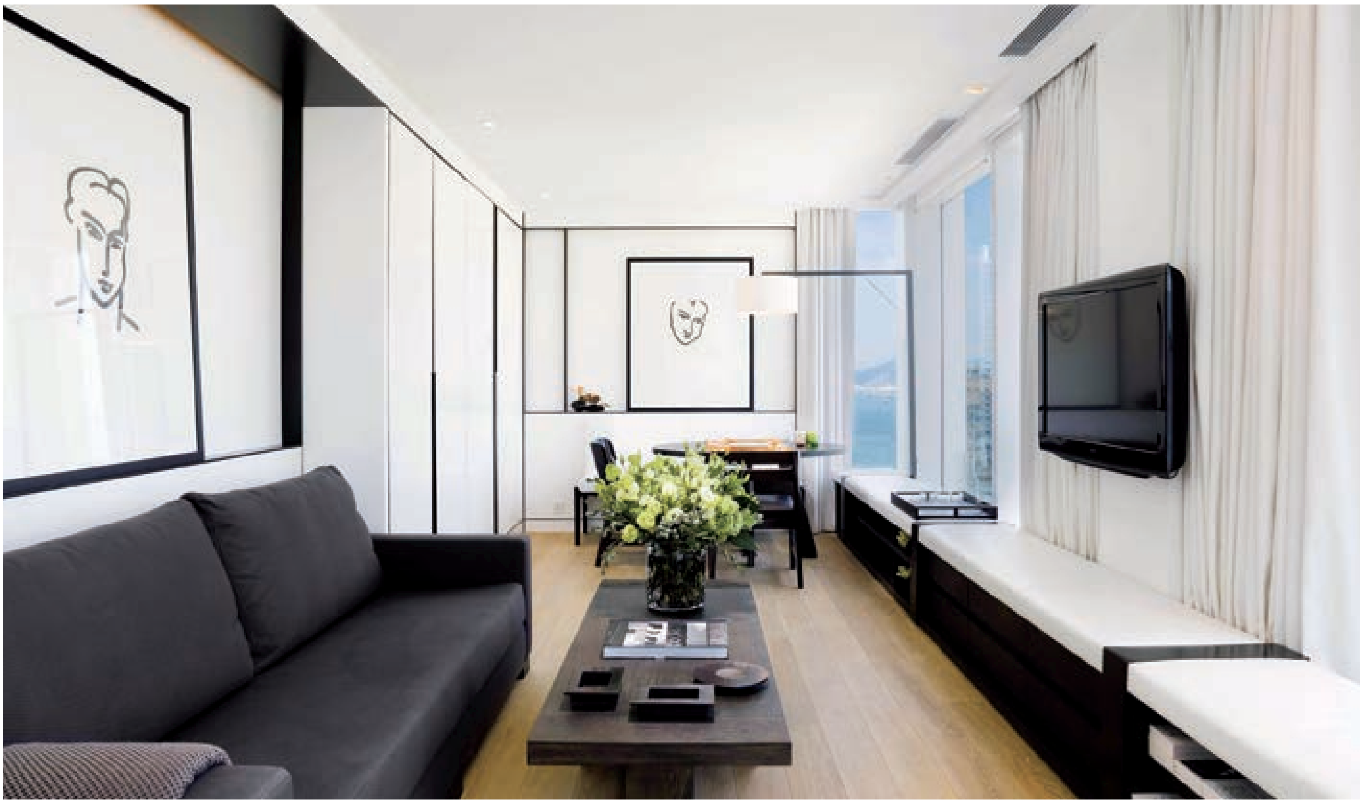
The Group currently has no other plans for material investments. Any acquisition will be funded by internal resources of the Group and bank borrowings.

CHARGES ON ASSETS

As at 31 March 2019, certain properties and time deposit of the Group of approximately HK$5,034 million (2018: HK$4,334 million) were pledged to secure banking facilities for the Group.

EMPLOYEES

As at 31 March 2019, the Group employed approximately 300 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK$128 million (2018: HK$104 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.



A two-bedroom suite at The Jervois, one of the Group's luxurious boutique hotels.

EXECUTIVE DIRECTORS

Mr. Jimmy Lee Yuen Ching ("Mr. Jimmy Lee"), aged 72, 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 27 years ago and has been responsible for the management of the property division since that time.

Mr. Loewe Lee Bon Chi ("Mr. Loewe Lee"), aged 39, is one of the Managing Directors 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 ("Mr. James Lee"), aged 65, is one of the Managing Directors 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 ("Mr. Edward Lee"), aged 61, is an 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., aged 72, is the President and Executive Director of National Electronics and Watch Company Limited. He 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. Dorathy Lee"), aged 59, has not previously held any positions with the Company or its subsidiaries before joining the Group in September 2004. Ms. Dorathy Lee is sister of Mr. James Lee and Mr. Edward Lee, who are Managing Director and Executive Director of the Company respectively. She is also cousin of Mr. Jimmy Lee, the Chairman of the Company and aunt of Mr. Loewe Lee, Managing Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Samson Sun, M.B.E., J.P. ("Dr. Samson Sun"), aged 94, is the Chairman of the Audit and Risk Management Committee and Remuneration Committee, as well as a member of the Nomination Committee of the Company. Dr. Samson Sun is the Chairman of the Sun International Group of companies. He was a Director of Gilman & Co., Ltd. and Vice Chairman and Director of Inchcape Hong Kong respectively from 1967 to 1985. Dr. Samson Sun is the Honorary Permanent President of The Federation of Hong Kong Watch Trades & Industries Limited. He has over 63 years' experience in the manufacturing, marketing and distribution of watches and 35 years' experience in the marketing and distribution of consumer and electronic products. Dr. Samson 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 the 80's. Dr. Samson Sun is also an independent non-executive director of Oriental Watch Holdings Limited (Stock Code: 398) and Cheuk Nang (Holdings) Limited (Stock Code: 131).

Mr. William Chan Chak Cheung ("Mr. William Chan"), aged 71, 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. Until November 2017, he was an Independent Non-executive Director of Link Asset Management Limited, the Manager of the Link Real Estate Investment Trust (Link REIT), which is 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 experience in matters on corporate governance to the Company.

Mr. Chan Kwok Wai ("Mr. Chan"), aged 60, has been an Independent Non-executive Director of the Company since April 2005. He is also a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee of the Company. 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

The Executive Directors are also senior management members of the Group.

The directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2019.

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 2019 are set out in the consolidated statement of profit or loss on page 31.

An interim dividend of 0.5 HK cent per share amounting to HK$5,101,510 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 Tuesday, 3 September 2019, amounting to approximately HK$40,526,000 in aggregate.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 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.

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 134 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 36 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 2019, the Company's reserves available for distribution to shareholders were HK$231,295,347 (2018: HK$180,608,600), including the contributed surplus of HK$90,854,039 (2018: HK$90,854,039) and retained profits of HK$140,441,308 (2018: HK$89,754,561).

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 36 to the consolidated financial statements.

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

DIRECTORS

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

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

Non-executive director
Ms. Dorathy Lee Yuen Yu

Independent non-executive directors
Dr. Samson Sun, M.B.E., J.P.
Mr. William Chan Chak Cheung
Mr. Chan Kwok Wai

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

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

As at 31 March 2019, the interests of the Directors and their associates in the shares 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:

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 *(note f)*
Mr. Jimmy Lee Yuen Ching	Chairman	–	–	536,514,894 *(notes a, b)*	536,514,894	52.776%
Mr. Loewe Lee Bon Chi	Managing Director	16,720,000	–	549,514,894 *(notes a, c)*	566,234,894	55.700%
Mr. James Lee Yuen Kui	Managing Director	6,534	–	–	6,534	0.001%
Mr. Ricky Wai Kwong Yuen	Director	–	40,994,543 *(note d)*	–	40,994,543	4.033%
Dr. Samson Sun, M.B.E., J.P.	Director	–	5,817,864 *(note e)*	–	5,817,864	0.572%
Mr. William Chan Chak Cheung	Director	330,000	–	–	330,000	0.032%

Notes:

(a) 516,514,894 shares are part of the property of two discretionary trusts of which Mr. Jimmy Lee Yuen Ching and his family members and Mr. Loewe Lee Bon Chi's family members are named beneficiaries.

(b) 20,000,000 shares are held by Mr. Jimmy Lee Yuen Ching's family member.

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

(d) These 40,994,543 shares are part of the property of two discretionary trusts of which Mr. Ricky Wai Kwong Yuen is named beneficiary.

(e) These 5,817,864 shares are held by a company which is controlled by Dr. Samson Sun, M.B.E., J.P. indirectly. Therefore, Dr. Samson Sun, M.B.E., J.P. is deemed to be interested in the shares held by that company under the SFO.

(f) The percentage was calculated based on a total of 1,016,584,962 shares in issue as at 31 March 2019.

Saved as disclosed above, at 31 March 2019, none of the directors or chief executive or any of their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain directors disclosed under the heading "Directors' interests in shares" 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 2019.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2019, the Group's five largest suppliers accounted for approximately 98.80% of the Group's purchases of which 98.44% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 54.67% of the Group's turnover of which 21.24% 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 2019, 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 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 did not maintain any share option scheme during the year ended 31 March 2019.

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 2019.

DONATIONS

During the year, the Group did not make any charitable donations (2018: Nil).

EVENTS AFTER THE REPORTING PERIOD

There is no significant event affecting the Group that had occurred since the end of the year up to the date of this annual report.

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

JIMMY LEE YUEN CHING
Chairman

Hong Kong, 24 June 2019

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 (the "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 2019 (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 as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). Employees who are likely to possess unpublished inside information of the Company are also subject to compliance with the same terms as the Model Code. Having made specific enquiries by the Company, it is confirmed that all Directors have complied with the required standard as set out in the Model Code throughout the Year.

THE BOARD

The Board is responsible for leadership and control of the Group. The Board reviews and approves the objectives, strategies, directions and policies of the Group. The Board also reviews the Group's performance and monitors the activities of the Group. Three board committees, namely 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 currently comprises 9 Directors, consisting of 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.

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

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, as well as interim reports and reviewing significant accounting policies;

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

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

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

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

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

– Reviewed the audited annual results of the Group for the year ended 31 March 2018;

– Reviewed the interim results of the Group for the six months ended 30 September 2018;

– 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 2018;

– Reviewed the ESG Report of the Group for the year ended 31 March 2018;

– Reviewed the Dividend Policy of the Company; 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 individual's 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 the 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 as well as 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 the executives and reviewed the remuneration policy of the Group and the remuneration packages of the Directors and the senior management and the draft Share Option Scheme to be adopted upon approval of shareholders in Annual General Meeting 2019.

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 RC.

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 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 Bye-law 99 of the Company. 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 the CG 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 Company's 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") in 2016 which sets out the objectives and principle regarding board diversity.

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 that 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 NC 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 26 to 30.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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 ARMC, will conduct reviews of the effectiveness of the risk management and internal control systems of the Group annually, 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 ARMC.

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.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS REVIEW FOR THE YEAR

The Board has conducted an annual review of the effectiveness of the Company's risk management and internal control systems for the Year 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. The Board considered the current risk management and internal control systems adequate and effective.

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 ARMC, the external independent professionals have made assessment on various business and operation risks of the Group. The ARMC reviewed the findings from the external independent professionals and discussed the recommended actions needed to be taken to develop and improve the effectiveness of the Group's risk management and internal control systems. The Board will continue to improve the Group's risk management and internal control systems through periodic reviews and recommendations from the external auditors and external independent professionals during their audit.

EXTERNAL AUDITORS

The consolidated financial statements of the Company for the Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming AGM. The ARMC 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	1,950
Non-audit services	152
Total	2,102

The non-audit services are relating to professional review services conducted during the Year.

The remuneration payable to other auditors of the Group in respect of audit services for the year ended 31 March 2019 amounted to approximately HK$1,144,000.

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 regulations. 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 ARMC, RC and NC, 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 updated information of the Group, including annual and interim reports, announcements and circulars, to the Shareholders. Shareholders are welcome to put to the Board any enquiries by contacting the Company Secretary, contact details of which are published on the IR Contact page of the Company's website.

DIVIDEND POLICY

The Company intends to strike a balance between maintaining sufficient capital to develop and operate the business of the Group and rewarding the shareholders of the Company. According to the Dividend Policy adopted during the Year, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account various factors including, but not limited to:

- the Company's actual and expected results;
- the Group's liquidity position and financial covenants;
- the Group's expected working capital requirements and future expansion plans;
- the general economic and market conditions; and
- any other factors that the Board may deem appropriate and relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Bermuda Companies Act, any applicable laws, rule and regulations and the Memorandum and Bye-Laws of the Company.

The Dividend Policy is subject to the review of and the changes to be made by the Board from time to time, and the Board may exercise at its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary.

SHAREHOLDERS RIGHTS

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

Pursuant to Section 74 of the Bermuda Companies Act 1981, shareholders of a 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 directors of the company to convene a SGM of the company.

Requisitionist(s) who wish to convene a SGM must deposit a written requisition at the principal place of business of the Company in Hong Kong at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, for the attention of the Company Secretary. The requisition must state clearly the name of the requisitionist(s) concerned, his/her/their address and shareholding in the Company, the purpose(s) to convene a SGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the SGM which should be signed by the requisitionist(s) concerned.

Such requisition will be verified by 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 themselves 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.

Requisitionist(s) who wish to put forward proposal(s) or moving resolution(s) at AGM or SGM must deposit a written requisition at the principal place of business of the Company in Hong Kong at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong, for the attention of the Company Secretary. The requisition must state clearly the name of the requisitionist(s) concerned, his/her/their address and shareholding in the Company and the details of business(es) proposed to be transacted at the AGM or SGM which should be signed by the requisitionist(s) concerned, together 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 by 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(s) in the agenda of the AGM or SGM.

PROCEDURES FOR MAKING ENQUIRIES 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Bye-laws during the Year.

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 31 to 132, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019 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 judgement, 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$3,816,951,052 as at 31 March 2019. Increase in fair value of investment properties of HK$415,178,334 was recognised in the consolidated statement of profit or loss for 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 report 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 (Cont'd)	**How our audit addressed the key audit matter** (Cont'd)
Valuation of properties under development for sale	
Refer to note 27 to the consolidated financial statements. The Group's properties under development for sale amounted to HK$881,054,373 as at 31 March 2019. 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 relations 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 judgement and maintain professional scepticism 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.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements (Cont’d)

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 Lo Kin Kei.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019 (in HK Dollars)

	Notes	**2019**	2018
Revenue	7	**881,447,549**	1,405,711,077
Cost of sales		**(720,504,459)**	(1,231,016,363)
Gross profit		**160,943,090**	174,694,714
Other income and gains	8	**28,872,201**	77,450,333
Increase in fair value of investment properties	15	**415,178,334**	246,758,357
Distribution costs		**(9,639,238)**	(10,809,965)
Administrative expenses		**(201,071,032)**	(159,006,311)
Finance costs	9	**(90,375,429)**	(76,025,841)
Share of result of an associate		**(86,694)**	(92,515)
Share of results of joint ventures		**(3,910,784)**	1,303,271
Profit before taxation	10	**299,910,448**	254,272,043
Income tax expense	12	**(78,084,669)**	(35,563,113)
Profit for the year		**221,825,779**	218,708,930
Earnings per share	14		
Basic		**21.7 HK cents**	21.5 HK cents
Diluted		**21.7 HK cents**	21.3 HK cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019 (in HK Dollars)

	2019	2018
Profit for the year	**221,825,779**	218,708,930
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	**339,545**	1,775,105
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations	**(19,522,457)**	23,020,416
Fair value loss on other assets at fair value through other comprehensive income	**(1,650,000)**	–
Fair value loss on available-for-sale investments	–	(1,230,000)
	(21,172,457)	21,790,416
Other comprehensive (expense)/income for the year	**(20,832,912)**	23,565,521
Total comprehensive income for the year	**200,992,867**	242,274,451

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019 (in HK Dollars)

	Notes	**2019**	2018
Non-current assets			
Investment properties	15	**3,816,951,052**	3,652,884,300
Property, plant and equipment	16	**450,506,420**	464,554,299
Prepaid lease payments	17	**2,505,354**	2,573,319
Goodwill	18	**1,269,932**	1,269,932
Interest in an associate	19	**7,389,666**	7,476,360
Interests in joint ventures	20	**366,222,526**	370,133,310
Other assets at fair value through other comprehensive income	21	**24,550,000**	–
Available-for-sale investments	22	**–**	26,200,000
Debt instruments at amortised cost	23	**3,173,350**	–
Held-to-maturity investments	24	**–**	3,483,194
Deferred tax assets	38	**6,498,562**	3,448,974
		4,679,066,862	4,532,023,688
Current assets			
Inventories	25	**132,109,337**	165,510,507
Prepaid lease payments	17	**67,965**	67,965
Financial assets at fair value through profit or loss	26	**191,926,464**	157,199,165
Inventory of unsold properties		**6,032,957**	6,173,515
Properties under development for sale	27	**881,054,373**	396,496,623
Bills receivables	28	**337,626**	666,673
Trade receivables, deposits and prepayments	29	**140,424,430**	81,020,491
Amount due from a joint venture	20	**43,496,822**	41,651,822
Tax recoverable		**2,859,393**	523,216
Bank balances and cash	30	**811,798,033**	864,809,741
		2,210,107,400	1,714,119,718
Current liabilities			
Trade and bills payables	31	**88,182,873**	126,270,695
Customers' deposits	32	**220,921,007**	227,132,990
Accrued expenses and other payables		**147,502,527**	98,010,840
Amount due to an associate	19	**4,555,148**	4,555,148
Tax payable		**8,099,075**	13,858,028
Derivative financial instruments	33	**1,872,974**	224,999
Obligations under finance leases	34	**4,311,029**	4,155,476
Bank loans	35	**673,701,551**	772,764,477
		1,149,146,184	1,246,972,653
Net current assets		**1,060,961,216**	467,147,065
Total assets less current liabilities		**5,740,028,078**	4,999,170,753

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019 (in HK Dollars)

	Notes	**2019**	2018
Capital and reserves			
Share capital	36	**101,658,496**	102,806,496
Reserves		**2,272,687,218**	2,129,711,303
Total equity		**2,374,345,714**	2,232,517,799
Non-current liabilities			
Provision for long service payments	37	**2,654,254**	2,954,498
Obligations under finance leases	34	**11,898,761**	16,198,714
Bank loans	35	**3,201,974,212**	2,679,999,609
Deferred tax liabilities	38	**149,155,137**	67,500,133
		3,365,682,364	2,766,652,954
		5,740,028,078	4,999,170,753

The consolidated financial statements on pages 31 to 132 were approved and authorised for issue by the Board of Directors on 24 June 2019 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

LOEWE LEE BON CHI
Director

For the year ended 31 March 2019 (in HK Dollars)

	Share capital	Share premium	Exchange reserve	Revaluation reserve	FVTOCI reserve	Share options reserve	Contributed surplus	Capital redemption reserve	Retained profits	Total
At 1 April 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
Profit for the year	–	–	–	–	–	–	–	–	218,708,930	218,708,930
Other comprehensive income/ (expense) for the year	–	–	23,020,416	(1,230,000)	–	–	–	–	1,775,105	23,565,521
Total comprehensive income/ (expense) for the year	–	–	23,020,416	(1,230,000)	–	–	–	–	220,484,035	242,274,451
Dividends paid	–	–	–	–	–	–	–	–	(45,770,629)	(45,770,629)
Issue of shares upon exercise of share options	1,672,000	10,579,761	–	–	–	(2,702,001)	–	–	–	9,549,760
Expiry of share options	–	–	–	–	–	(64,519)	–	–	64,519	–
Repurchase of own shares	(586,200)	–	–	–	–	–	–	586,200	(6,688,230)	(6,688,230)
At 31 March 2018	102,806,496	34,677,029	(64,982,398)	51,627,011	–	–	66,141,751	39,072,640	2,003,175,270	2,232,517,799
Impact from initial application of HKFRS 9	–	–	–	(14,467,500)	14,467,500	–	–	–	–	–
At 1 April 2018	102,806,496	34,677,029	(64,982,398)	37,159,511	14,467,500	–	66,141,751	39,072,640	2,003,175,270	2,232,517,799
Profit for the year	–	–	–	–	–	–	–	–	221,825,779	221,825,779
Other comprehensive (expense)/ income for the year	–	–	(19,522,457)	–	(1,650,000)	–	–	–	339,545	(20,832,912)
Total comprehensive (expense)/ income for the year	–	–	(19,522,457)	–	(1,650,000)	–	–	–	222,165,324	200,992,867
Dividends paid	–	–	–	–	–	–	–	–	(46,102,109)	(46,102,109)
Repurchase of own shares	(1,148,000)	–	–	–	–	–	–	1,148,000	(13,062,843)	(13,062,843)
At 31 March 2019	**101,658,496**	**34,677,029**	**(84,504,855)**	**37,159,511**	**12,817,500**	**–**	**66,141,751**	**40,220,640**	**2,166,175,642**	**2,374,345,714**

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.

The capital redemption reserve represents the nominal value of the share capital of the Company repurchased and cancelled.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019 (in HK Dollars)

	Notes	2019	2018
Operating activities			
Profit before taxation		**299,910,448**	254,272,043
Adjustments for:			
Finance costs		**90,375,429**	76,025,841
Share of result of an associate		**86,694**	92,515
Share of results of joint ventures		**3,910,784**	(1,303,271)
Impairment loss reversed in respect of property, plant and equipment		**–**	(25,400,000)
Impairment loss reversed in respect of trade receivables		**(5,152)**	–
Impairment loss recognised in respect of other receivables		**–**	7,950,096
(Reversal of write-down)/Write-down of inventories		**(2,299,244)**	8,708,512
Provision for long service payments		**50,042**	59,155
Amortisation of prepaid lease payments		**67,965**	67,965
Depreciation of property, plant and equipment		**28,055,758**	26,476,519
Interest income		**(6,250,472)**	(3,065,576)
Increase in fair value of investment properties		**(415,178,334)**	(246,758,357)
Gain on disposal of an investment property		**–**	(7,497,270)
Gain on disposal of property, plant and equipment		**(1,119,533)**	(2,477,819)
Gain on disposal of subsidiaries		**–**	(4,152,518)
Gain on fair value changes of financial assets at fair value through profit or loss		**(19,928,291)**	(27,675,979)
Loss/(Gain) on fair value changes of derivative financial instruments		**2,516,394**	(512,149)
Operating cash flows before movements in working capital		**(19,807,512)**	54,809,707
Decrease/(Increase) in inventories		**35,700,414**	(45,592,396)
(Increase)/Decrease in properties under development for sale		**(159,198,230)**	210,673,720
Decrease in bills receivables		**329,047**	99,827
(Increase)/Decrease in trade receivables, deposits and prepayments		**(60,373,955)**	385,748,529
Increase in financial assets at fair value through profit or loss		**(14,799,008)**	(4,464,341)
Decrease in trade and bills payables		**(38,087,822)**	(5,440,140)
Decrease in customers' deposits		**(6,211,983)**	(59,635,508)
Increase/(Decrease) in accrued expenses and other payables		**49,645,557**	(4,696,787)
Utilisation of provision for long service payments		**(10,741)**	(70,491)
Cash (used in)/generated from operations		**(212,814,233)**	531,432,120
Hong Kong Profits Tax refunded/(paid)		**613,378**	(751,344)
Overseas income tax paid		**(6,645,205)**	(97,762)
Net cash (used in)/generated from operating activities		**(218,846,060)**	530,583,014

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019 (in HK Dollars)

	Notes	**2019**	2018
Investing activities			
Additions to investment properties		**(80,514,132)**	(204,307,485)
Acquisition of a subsidiary	46	–	(374,073,324)
Purchase of property, plant and equipment		**(14,862,122)**	(15,680,297)
Advance to a joint venture		**(1,845,000)**	(1,502,000)
Proceed from disposal of an investment property		–	91,497,270
Proceed from disposal of property, plant and equipment		**1,119,533**	3,410,870
Proceed from disposal of subsidiaries	47	–	498,637,384
Interest received		**6,151,362**	3,067,397
Net cash (used in)/generated from investing activities		**(89,950,359)**	1,049,815
Financing activities			
New bank loans raised		**1,230,090,303**	1,214,442,024
Proceed from issuance of shares		–	9,549,760
Interest paid		**(124,725,911)**	(105,538,874)
Dividends paid		**(46,102,109)**	(45,770,629)
Settlement of derivative financial instruments		**(868,419)**	(176,617)
Repayment of bank loans		**(795,690,157)**	(1,146,083,647)
Repayment of obligations under finance leases		**(4,144,400)**	(4,120,362)
Repurchase of own shares		**(13,062,843)**	(6,688,230)
Net cash generated from /(used in) financing activities		**245,496,464**	(84,386,575)
Net (decrease)/increase in cash and cash equivalents		**(63,299,955)**	447,246,254
Cash and cash equivalents at 1 April		**864,809,741**	401,039,104
Effect of foreign exchange rate changes		**10,288,247**	16,524,383
Cash and cash equivalents at 31 March		**811,798,033**	864,809,741
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		**811,798,033**	864,809,741

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")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from contracts with Customers and the related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

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

HKFRS 9 *Financial Instruments* (Cont'd)

Classification and measurement of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). On initial recognition the Group makes an election to designate the equity investments at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from equity investments, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income when the Group's right to receive payments is established.

The Group's financial assets measured at amortised cost and FVTPL continue with their respective classification and measurements upon initial application of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liabilities' credit risk to be recognised in other comprehensive income (non-recycling). The Group does not have any financial liabilities designated at FVTPL and therefore the new requirement on financial liabilities does not have any impact on the Group.

Summary of effects arising from initial application of HKFRS 9

Classification of financial assets and financial liabilities

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present in other comprehensive income for the fair value changes of the investments previously classified as available-for-sale investments, of which previously measured at fair value under HKAS 39, as the investments are not held for trading and not expected to be sold in the foreseeable future. As at the date of initial application of HKFRS 9, financial assets with a fair value of HK$26,200,000 were reclassified from available-for-sale investments to other assets at FVTOCI, and reserve amount of HK$14,467,500 were reclassified from the investments revaluation reserve to the FVTOCI reserve. Listed bonds previously classified as held-to-maturity investments are reclassified and measured at amortised cost upon application of HKFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash consist solely of payments of principal and interest on the principal amount outstanding. These was no difference between the previous carrying amount and the revised carrying amount at 1 April 2018.

The table below illustrates the classification of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018. Line items that were not affected by the changes have not been included.

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

HKFRS 9 *Financial Instruments* (Cont'd)

Summary of effects arising from initial application of HKFRS 9 (Cont'd)

Classification of financial assets and financial liabilities (Cont'd)

	Available-for-sale investments	Other assets at FVTOCI (Note)	Held-to-maturity investments	Debt instruments at amortised cost	Revaluation reserve	FVTOCI reserve
At 31 March 2018 – HKAS 39	26,200,000	–	3,483,194	–	51,627,011	–
Reclassification upon initial application of HKFRS 9	(26,200,000)	26,200,000	(3,483,194)	3,483,194	(14,467,500)	14,467,500
At 1 April 2018 – HKFRS 9	–	26,200,000	–	3,483,194	37,159,511	14,467,500

Note: The directors of the Company considered that other assets at FVTOCI are non-financial assets.

Impairment under ECL model

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets at amortised cost for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with HKFRS 9. The results of the assessment and the impact thereof are detailed below.

The Group applies the HKFRS 9 simplified approach to measure ECL when uses a lifetime ECL for all trade receivables from initial recognition. To measure the ECL, except for those which had been determined as credit impaired under HKAS 39, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Loss allowances for other financial assets at amortised cost mainly comprise of bills receivables, deposit, other receivables, amount due from a joint venture and bank balances are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered that the measurement of ECL has no material impact to the Group's retained profits at 1 April 2018.

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

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

HKFRS 15 *Revenue from Contracts with Customers* (Cont'd)

The Group has the revenue which is recognised at a point in time under HKFRS 15, namely (i) manufacture of watches and trading of watch movements and (ii) property development and investment. Gross rental income from leasing of properties and hotel operation are specifically excluded from the scope of HKFRS 15. Management has performed an assessment and the implementation of HKFRS 15 does not result in any significant impact on the Group's financial position and results of operations.

HKFRS 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for contract assets and contract liabilities, provided that sufficient information is available for a financial statements user to distinguish between receivables and contract assets, payables and contract liabilities. The Group does not have any significant contract asset and continues to include contract liability in "customers' deposits" in the consolidated statement of financial position. The amounts of contract liability were approximately HK$220,921,000 as at 31 March 2019.

As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 3 to the financial statements.

There was no material impact of transition to HKFRS 15 on retained profits at 1 April 2018.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[4]
HKFRS 17	Insurance Contracts[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[4]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycles[4]

1 Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
5 Effective for annual periods beginning on or after a date to be determined.

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

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.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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.

At 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$49,421,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease upon the application of HKFRS 16, 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.

The Group expects to adopt HKFRS 16 using a modified retrospective approach where the cumulative effect of initially applying the standard is recognised as an adjustment to the opening retained profits and comparatives are not restated. The directors of the Company anticipate that the adoption of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations

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

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

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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 of the unit 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 is described below.

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. 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 from contracts with customers (after application of HKFRS 15 on 1 April 2018)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from the sale of watches and watch movements directly to the customers is recognised at the point that the control of the finished products has passed to the customers, which is primarily upon the delivery of the products to the customers.

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties pre-sold prior to the date of revenue recognition were included in the consolidated statement of financial position under "customers' deposits".

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

Revenue recognition (before application of HKFRS 15 on 1 April 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition (before application of HKFRS 15 on 1 April 2018) (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee (Cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated 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 goodwill or 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.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Financial instruments (after application of HKFRS 9 on 1 April 2018)

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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 (FVTPL)) 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (after application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned.

All recognised financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows;
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (after application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial assets (Cont'd)

Amortised cost and interest income

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments, other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including bill receivables, trade receivables, deposit, other receivables, amount due from a joint venture and bank balances). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (after application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial assets (Cont'd)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtors;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (after application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial assets (Cont'd)

Definition of default

The Group considers an event of default occurs when (i) there is a breach of financial covenants by the counterparty; or (ii) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (after application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial assets (Cont'd)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (after application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 Company are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) 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 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial 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 HKFRS 9/HKAS 39 permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (after application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial liabilities and equity (Cont'd)

Financial liabilities at FVTPL (Cont'd)

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

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

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 payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 April 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (before application of HKFRS 9 on 1 April 2018)

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 (before application of HKFRS 9 on 1 April 2018) (Cont'd)

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either 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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (before application of HKFRS 9 on 1 April 2018) (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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (before application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (before application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (before application of HKFRS 9 on 1 April 2018) (Cont'd)

Financial liabilities and equity instruments (Cont'd)

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 (before application of HKFRS 9 on 1 April 2018) (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 case 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 in accordance with the revenue recognition policies.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (before application of HKFRS 9 on 1 April 2018) (Cont'd)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group 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.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related parties (Cont'd)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any number of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity.

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.

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

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.

Impairment of receivables

The Group records impairment of receivables based on an assessment made by management on the expected credit losses of trade and other receivables. Impairment assessment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

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 2019 amounted to HK$132,109,337 (2018: HK$165,510,507).

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

Key sources of estimation uncertainty (Cont'd)

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$881,054,373 (2018: HK$396,496,623).

Income taxes

At 31 March 2019, a deferred tax asset of HK$46,185,784 (2018: HK$43,057,204) 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$657,870,000 (2018: HK$688,449,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less 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.

Fair value measurements and valuation processes

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

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

5. CAPITAL RISK MANAGEMENT

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

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

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

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

	2019	2018
Debt (i)	**3,201,974,212**	2,679,999,609
Equity (ii)	**2,374,345,714**	2,232,517,799
Gearing ratio	**135%**	120%

(i) Debt is defined as non-current bank loans as detailed in note 35.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019	2018
Financial assets		
Available-for-sale investments	**N/A**	26,200,000
Debt instruments at amortised cost	**3,173,350**	N/A
Held-to-maturity investments	**N/A**	3,483,194
Financial assets at fair value through profit or loss	**191,926,464**	157,199,165
Financial assets at amortised cost		
– Bills receivables	**337,626**	N/A
– Trade receivables, deposits and other receivables	**90,963,446**	N/A
– Loan to a joint venture	**51,154,294**	N/A
– Amount due from a joint venture	**43,496,822**	N/A
– Bank balances and cash	**811,798,033**	N/A
	997,750,221	N/A
Loans and receivables		
– Bills receivables	**N/A**	666,673
– Trade receivables, deposits and other receivables	**N/A**	53,271,881
– Loan to a joint venture	**N/A**	51,154,294
– Amount due from a joint venture	**N/A**	41,651,822
– Bank balances and cash	**N/A**	864,809,741
	N/A	1,011,554,411
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and bills payables	**88,182,873**	126,270,695
– Accrued expenses and other payables	**147,502,527**	96,335,092
– Amount due to an associate	**4,555,148**	4,555,148
– Obligations under finance leases	**16,209,790**	20,354,190
– Bank loans	**3,875,675,763**	3,452,764,086
	4,132,126,101	3,700,279,211
Derivative financial instruments	**1,872,974**	224,999

6. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies

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

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

Market risk

(i) Foreign currency risk

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 28% (2018: 51%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 1% (2018: 1%) of costs are denominated in the group entity's respective functional currencies.

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

	Liabilities		**Assets**	
	2019	2018	**2019**	2018
Canadian Dollar ("CAD")	**492,563,692**	399,907,567	**59,273,689**	168,111,805
Japanese Yen ("JPY")	**166,459,969**	156,881,666	**119,077,923**	53,180,075
United States Dollar ("USD")	**69,567,108**	124,479,933	**124,565,412**	182,782,143
Renminbi ("RMB")	**5,753,097**	7,928,469	**61,607,961**	37,303,934
Others	**26,413,587**	205,524	**19,375,837**	1,034,426

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% (2018: 5%) increase and decrease in HKD against the relevant foreign currencies. 5% (2018: 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% (2018: 5%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where HKD strengthen 5% (2018: 5%) against the relevant currencies. For a 5% (2018: 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)]	
	2019	2018	**2019**	2018
Profit or loss	**8,064,000**	8,945,000	**–**	–
Equity	**–**	–	**13,709,000**	10,060,000

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

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

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate short term bank deposits and obligations under finance leases, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see note 35 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.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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 (2018: 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 (2018: 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$14,551,000 (2018: HK$12,916,000).

(iii) Other price risk

The Group is exposed to price risk through its available-for-sale investments, debt instruments at amortised cost, held-to-maturity investments and financial assets at fair value through profit or loss. The management will monitor the price risk and take appropriate actions should the need arise.

Sensitivity analysis

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

If prices had been 5% (2018: 5%) higher/lower, the Group's profit for the year would increase/decrease by approximately HK$8,107,000 (2018: HK$5,782,000). 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

The Group's credit risk is primarily attributable to bill receivables, trade receivables, deposits and other receivables, amount due from a joint venture and bank balances. 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 39.

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 Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Group definition of category	Basis for recognition of ECL
Performing	There have low risk of default and has not been any significant increase in credit risk since initial recognition	12-month ECL
Doubtful	There has been significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
Default	There is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Bill receivables

As at 31 March 2019, the credit rating of bill receivables was performing. The Group accepts bills issued by major banks in Hong Kong and considers that the credit risk associated with such bills to be insignificant.

Trade receivables

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL for trade receivables. To measure the expected credit losses, these trade receivables have been based on past due status, historical credit loss experience based on the past default experience of the Group and are adjusted with forward-looking information. In this regard, the directors of the Company consider that there is no additional loss allowance recognised in accordance with HKFRS 9 as at 31 March 2019.

The following table shows reconciliation of loss allowances that has been recognised for trade receivables:

	Lifetime ECL (credit impaired)
At 31 March 2018 under HKAS 39	15,395,496
Adjustment upon application of HKFRS 9	–
At 1 April 2018 under HKFRS 9	15,395,496
Impairment losses reversed	(5,152)
Exchange difference	(10,344)
At 31 March 2019	**15,380,000**

Deposits and other receivables

As at 31 March 2019, the credit rating of deposits and other receivables was performing. The management considered that the credit risk of these financial assets have not significantly increased since initial recognition. The Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12-month ECL method after taken into account the historical default experience, historical settlement records as well as the loss upon default in each case and are adjusted with forward-looking information.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Amount due from a joint venture

The directors of the Company continuously monitor the credit quality and financial positions of the counterparty and the level of exposure to ensure that the follow-up action is taken to recover the debts. The Group has assessed that the expected credit loss rate for this receivable is not material under 12 months expected losses method. Therefore, no loss allowance for the amount due from a joint venture was recognised.

Bank balances

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

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**	**2019**	2018	**2019**	2018
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	**A2**	A2	**224,243,590**	266,001,492
Hang Seng Bank Limited	Hong Kong	**Aa2**	Aa3	**113,651,670**	138,117,113

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.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk (Cont'd)

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 31/03/2019
Non-derivative financial liabilities						
Trade and bills payables	**88,182,873**	–	–	–	**88,182,873**	**88,182,873**
Accrued expenses and other payables	**147,502,527**	–	–	–	**147,502,527**	**147,502,527**
Amount due to an associate	**4,555,148**	–	–	–	**4,555,148**	**4,555,148**
Obligations under finance leases	**4,972,596**	**4,397,622**	**8,418,089**	–	**17,788,307**	**16,209,790**
Bank loans	**800,423,117**	**910,838,061**	**1,887,818,925**	**663,763,248**	**4,262,843,351**	**3,875,675,763**
Financial guarantees issued						
Maximum amount guaranteed	**1,048,387,000**	–	–	–	**1,048,387,000**	–
Derivatives						
Interest rate swaps	**1,872,974**	–	–	–	**1,872,974**	**1,872,974**

	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 31/03/2018
Non-derivative financial liabilities						
Trade and bills payables	126,270,695	–	–	–	126,270,695	126,270,695
Accrued expenses and other payables	96,335,092	–	–	–	96,335,092	96,335,092
Amount due to an associate	4,555,148	–	–	–	4,555,148	4,555,148
Obligations under finance leases	4,944,468	4,944,468	12,381,537	355,317	22,625,790	20,354,190
Bank loans	782,133,825	945,522,335	1,432,324,277	582,693,742	3,742,674,179	3,452,764,086
Financial guarantees issued						
Maximum amount guaranteed	1,048,621,000	–	–	–	1,048,621,000	–
Derivatives						
Interest rate swaps	224,999	–	–	–	224,999	224,999

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 31/03/2019	Fair value as at 31/03/2018	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$19,091,051**	HK$17,224,320	Level 1	Quoted bid prices in an active market	N/A
Listed debt securities classified as financial assets at fair value through profit or loss	**HK$6,224,175**	HK$11,583,121	Level 1	Quoted bid prices in an active market	N/A
Listed fund investment classified as financial assets at fair value through profit or loss	**HK$12,747,031**	–	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	**HK$23,550,000**	HK$23,400,000	Level 3	Recent transaction price	Recent transaction price
Unlisted fund investment classified as financial assets at fair value through profit or loss	**HK$110,686,656**	HK$93,260,655	Level 3	Net asset value(note)	Net asset (note) value
Unlisted debt securities classified as financial assets at fair value through profit or loss	**HK$19,627,551**	HK$11,731,069	Level 2	Quoted price provided by financial institutions	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 31/03/2019	31/03/2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Interest rate swaps classified as derivative financial instruments	**Liabilities- HK$1,872,974**	Liabilities- HK$224,999	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 reflect the credit risk of various counterparties	N/A
Club debentures classified as available-for-sale investments	**N/A**	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.

(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.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted equity securities	Unlisted fund investments	Total
At 1 April 2017	–	56,232,610	56,232,610
Purchase	23,400,000	8,416,348	31,816,348
Total gains in profit or loss			
– unrealised	–	28,611,697	28,611,697
At 31 March 2018 and 1 April 2018	23,400,000	93,260,655	116,660,655
Total gains in profit or loss			
– unrealised	150,000	17,426,001	17,576,001
At 31 March 2019	**23,550,000**	**110,686,656**	**134,236,656**

7. REVENUE AND SEGMENT INFORMATION

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

	2019	2018
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by products or services		
Watches and watch movements	**740,137,503**	832,357,105
Sale of properties	**–**	440,523,965
Property management service	**–**	875,000
	740,137,503	1,273,756,070
Leasing of properties	**5,066,189**	7,194,935
Hotel operation	**136,243,857**	124,760,072
	881,447,549	1,405,711,077

Disaggregation of revenue from contracts with customers

	2019
Timing of revenue recognition	
A point in time	**740,137,503**

7. REVENUE AND SEGMENT INFORMATION (Cont'd)

Transaction price allocated to the remaining performance obligations from contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and the expected timing of recognising revenue as follows:

	Sale of properties
More than one year but not more than two years	**946,374,611**

Revenue from watches and watch movements is for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 2019

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Consolidated
REVENUE				
External sales	**740,137,503**	**5,066,189**	**136,243,857**	**881,447,549**
RESULT				
Segment result	**5,084,020**	**325,467,805**	**78,732,449**	**409,284,274**
Bank interest income				**6,151,362**
Unallocated other income				**20,418,345**
Unallocated other expenses				**(41,570,626)**
Finance costs				**(90,375,429)**
Share of result of an associate				**(86,694)**
Share of results of joint ventures				**(3,910,784)**
Profit before taxation				**299,910,448**
Income tax expense				**(78,084,669)**
Profit for the year				**221,825,779**

7. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 March 2018

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Consolidated
REVENUE				
External sales	832,357,105	448,593,900	124,760,072	1,405,711,077
RESULT				
Segment result	6,468,022	229,553,573	74,067,365	310,088,960
Bank interest income				2,970,006
Gain on disposal of an investment property				7,497,270
Gain on disposal of subsidiaries				4,152,518
Unallocated other income				55,473,502
Unallocated other expenses				(51,095,128)
Finance costs				(76,025,841)
Share of result of an associate				(92,515)
Share of results of joint ventures				1,303,271
Profit before taxation				254,272,043
Income tax expense				(35,563,113)
Profit for the year				218,708,930

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, gain on disposal of an investment property, gain on disposal of subsidiaries, share of results of an 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

	2019	2018
Manufacture of watches and trading of watch movements	**264,453,013**	284,367,456
Property development and investment	**2,601,107,879**	2,055,675,651
Hotel operation	**2,093,796,674**	1,991,023,476
Total segment assets	**4,959,357,566**	4,331,066,583
Interest in an associate	**7,389,666**	7,476,360
Interests in joint ventures	**366,222,526**	370,133,310
Amount due from a joint venture	**43,496,822**	41,651,822
Unallocated	**1,512,707,682**	1,495,815,331
Consolidated assets	**6,889,174,262**	6,246,143,406

Segment liabilities

	2019	2018
Manufacture of watches and trading of watch movements	**100,519,741**	138,501,586
Property development and investment	**333,994,481**	289,247,987
Hotel operation	**15,135,087**	15,112,326
Total segment liabilities	**449,649,309**	442,861,899
Amount due to an associate	**4,555,148**	4,555,148
Unallocated	**4,060,624,091**	3,566,208,560
Consolidated liabilities	**4,514,828,548**	4,013,625,607

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, other assets at fair value through other comprehensive income, available-for-sale investments, debt instruments at amortised cost, 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, deferred tax liabilities and other unallocated corporate liabilities.

7. REVENUE AND SEGMENT INFORMATION (Cont'd)

Other segment information

For the year ended 31 March 2019

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Unallocated	Consolidated
Capital additions	**5,065,018**	**101,755,760**	**3,831,703**	**2,059,394**	**112,711,875**
Depreciation of property, plant and equipment	**7,467,238**	**4,450,275**	**2,405,832**	**13,732,413**	**28,055,758**
Amortisation of prepaid lease payments	**67,965**	**–**	**–**	**–**	**67,965**
Reversal of write-down of inventories	**(2,299,244)**	**–**	**–**	**–**	**(2,299,244)**
Increase in fair value of investment properties	**–**	**314,178,334**	**101,000,000**	**–**	**415,178,334**
Gain on disposal of property, plant and equipment	**1,119,533**	**–**	**–**	**–**	**1,119,533**

For the year ended 31 March 2018

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Unallocated	Consolidated
Capital additions	2,796,018	746,819,966	1,863,829	256,488	751,736,301
Depreciation of property, plant and equipment	9,095,093	1,688,473	1,896,444	13,796,509	26,476,519
Amortisation of prepaid lease payments	67,965	–	–	–	67,965
Write-down of inventories	8,708,512	–	–	–	8,708,512
Increase in fair value of investment properties	–	246,758,357	–	–	246,758,357
Gain/(Loss) on disposal of property, plant and equipment	3,201,713	(723,894)	–	–	2,477,819

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:

	2019	2018
Watches and watch movements	**740,137,503**	832,357,105
Leasing of properties	**5,066,189**	7,194,935
Sale of properties	–	440,523,965
Property management service	–	875,000
Hotel operation	**136,243,857**	124,760,072
	881,447,549	1,405,711,077

Geographical information

The Group's main operations are located in Hong Kong and other regions in 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**	
	2019	2018	**2019**	2018
Hong Kong and the PRC	**856,223,766**	926,844,018	**3,927,054,873**	3,846,368,811
North America	**7,403,954**	448,397,936	**665,376,354**	608,322,709
Europe	**12,732,569**	9,285,689	**52,413,723**	44,200,000
Others	**5,087,260**	21,183,434	–	–
	881,447,549	1,405,711,077	**4,644,844,950**	4,498,891,520

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:

	2019	2018
Customer A[1]	**187,236,938**	212,859,256
Customer B[1]	**149,173,132**	173,656,512

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

8. OTHER INCOME AND GAINS

	2019	2018
Bank interest income	**6,151,362**	2,970,006
Interest income from debt instruments at amortised cost	**99,110**	–
Interest income from held-to-maturity investments	–	95,570
Gain on fair value changes of derivative financial instruments	–	512,149
Gain on fair value changes of financial assets at fair value through profit or loss	**19,928,291**	27,675,979
Gain on disposal of an investment property	–	7,497,270
Gain on disposal of property, plant and equipment	**1,119,533**	2,477,819
Gain on disposal of subsidiaries	–	4,152,518
Net foreign exchange gains	–	13,870
Reversal of impairment loss on property, plant and equipment	–	25,400,000
Sundry income	**1,573,905**	6,655,152
	28,872,201	77,450,333

9. FINANCE COSTS

	2019	2018
Interest on:		
Bank loans and overdrafts	**125,527,336**	105,552,647
Obligations under finance leases	**811,974**	954,394
Total borrowing costs	**126,339,310**	106,507,041
Less: Amounts capitalised to investment properties and properties under development	**(35,963,881)**	(30,481,200)
	90,375,429	76,025,841

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 4.26% (2018: 2.93%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

	2019	2018
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	**127,937,783**	103,887,009
Depreciation of property, plant and equipment	**28,055,758**	26,476,519
Amortisation of prepaid lease payments	**67,965**	67,965
Auditors' remuneration	**3,093,611**	2,932,538
Cost of inventories recognised as an expense	**694,061,791**	785,372,696
Impairment loss reversed in respect of trade receivables (included in administrative expenses on consolidated statement of profit or loss)	**(5,152)**	–
Impairment loss recognised in respect of other receivables (included in administrative expenses on consolidated statement of profit or loss)	**–**	7,950,096
Net foreign exchange loss	**8,984,705**	–
Loss on fair value changes of derivative financial instruments	**2,516,394**	–
Minimum lease payments for operating leases in respect of land and buildings	**14,915,263**	12,159,783
(Reversal of write-down)/Write-down of inventories	**(2,299,244)**	8,708,512
Gross rental income from investment properties	**(141,310,046)**	(131,955,008)
Less: Outgoings	**21,973,744**	15,898,745
Net rental income from investment properties	**(119,336,302)**	(116,056,263)

Minimum lease payments for operating leases in respect of staff quarters amounting to HK$9,000,000 (2018: HK$6,065,226) are included in staff costs.

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	Executive Director					Non-executive Director	Independent Non-executive Director			
	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 2019										
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	**21,408,000**	**11,249,800**	**11,141,600**	**5,844,200**	**1,872,000**	**–**	**–**	**–**	**–**	**51,515,600**
Retirement benefit scheme contributions	**18,000**	**18,000**	**18,000**	**18,000**	**18,000**	**–**	**–**	**–**	**–**	**90,000**
	21,476,000	**11,317,800**	**11,209,600**	**5,912,200**	**1,940,000**	**50,000**	**528,000**	**396,000**	**396,000**	**53,225,600**
For the year ended 31 March 2018										
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	19,717,293	11,942,300	10,702,600	5,115,700	1,872,000	–	–	–	–	49,349,893
Retirement benefit scheme contributions	18,000	18,000	18,000	18,000	18,000	–	–	–	–	90,000
	19,785,293	12,010,300	10,770,600	5,183,700	1,940,000	50,000	528,000	396,000	396,000	51,059,893

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 (2018: four) of the Group's properties are provided to the directors as an accommodation. The rateable value of the properties is amounting to HK$4,895,700 (2018: HK$4,812,720).

11. DIRECTORS' AND EMPLOYEES' REMUNERATION (Cont'd)

(b) Five highest paid individuals

The five highest paid individuals of the Group during the year included four directors (2018: four directors), details of whose emoluments are disclosed above. The emoluments of the remaining one (2018: one) highest paid individual of the Group are as follows:

	2019	2018
Salaries, allowances and other benefits	**2,880,000**	2,933,500
Retirement benefit scheme contributions	**18,000**	18,000
	2,898,000	2,951,500

The emoluments of the one (2018: one) remaining individual fell within the band from HK$2,500,001 to HK$3,000,000.

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

There was no arrangement under which any of the five highest paid individuals waived or agreed to waive any remuneration during the year (2018: Nil).

12. INCOME TAX EXPENSE

	2019	2018
Hong Kong Profits Tax		
Current year	**224,551**	4,669,269
(Over)/Under provision in prior years	**(427,550)**	358,181
	(202,999)	5,027,450
Other jurisdictions		
Current year	**92,978**	6,814,925
Over provision in prior years	**(2,824,275)**	–
	(2,731,297)	6,814,925
Deferred tax (note 38)		
Current year	**81,018,965**	23,720,738
	78,084,669	35,563,113

12. INCOME TAX EXPENSE (Cont'd)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

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

	2019	2018
Profit before taxation	**299,910,448**	254,272,043
Tax at Hong Kong Profits Tax rate of 16.5%	**49,485,224**	41,954,887
Tax effect of share of result of an associate	**14,305**	15,265
Tax effect of share of results of joint ventures	**645,279**	(215,040)
Tax effect of expenses not deductible for tax purpose	**15,279,068**	6,491,060
Tax effect of income not taxable for tax purpose	**(27,128,828)**	(26,160,472)
Tax effect of tax losses not recognised	**11,315,037**	3,227,003
Tax effect of different tax rates of operations in other jurisdictions	**33,495,261**	12,562,650
Utilisation of tax losses previously not recognised	**(3,348,575)**	(5,581,318)
(Over)/Under provision in prior years	**(123,791)**	358,181
Tax effect of tax exemption (note)	**–**	108,239
Others	**(1,548,311)**	2,802,658
Taxation charge for the year	**78,084,669**	35,563,113

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

13. DIVIDENDS

	2019	2018
Dividends recognised as distribution during the year		
2018 Final – 3.0 HK cents (2017: 3.0 HK cents) per share	**30,750,449**	30,516,209
2018 Special Cash – 1.0 HK cent (2017: 1.0 HK cent) per share	**10,250,150**	10,172,070
2019 Interim – 0.5 HK cent (2018: 0.5 HK cent) per share	**5,101,510**	5,082,350
	46,102,109	45,770,629

Subsequent to the end of the reporting period, a final dividend of 3.0 HK cents (2018: 3.0 HK cents) per share and a special cash dividend of 1.0 HK cent (2018: 1.0 HK cent) per share in respect of the year ended 31 March 2019 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:

	2019	2018
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**221,825,779**	218,708,930
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,022,762,546**	1,016,927,499
Effect of dilutive potential ordinary shares:		
Share options	**–**	7,839,368
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,022,762,546**	1,024,766,867

15. INVESTMENT PROPERTIES

FAIR VALUE	
At 1 April 2017	3,391,985,288
Additions	190,533,183
Acquired on an acquisition of a subsidiary	376,338,934
Disposals	(84,000,000)
Disposal of subsidiaries	(490,000,000)
Transfer to properties under development for sale	(5,209,298)
Increase in fair value recognised in profit or loss	246,758,357
Exchange realignment	26,477,836
At 31 March 2018 and 1 April 2018	3,652,884,300
Additions	97,849,753
Transfer to properties under development for sale	(321,074,917)
Increase in fair value recognised in profit or loss	415,178,334
Exchange realignment	(27,886,418)
At 31 March 2019	**3,816,951,052**

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

The fair values of the Group's investment properties located in Hong Kong at 31 March 2019 and 31 March 2018 have been arrived at on the basis of valuations carried out by Cushman & Wakefield Limited and Jones Lang LaSalle Limited, independent qualified professional valuers not connected with the Group, respectively.

The fair value of the Group's investment property located in Canada at 31 March 2019 and 31 March 2018 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 2019 and 31 March 2018 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 value of the Group's investment property located in United Kingdom at 31 March 2019 and 31 March 2018 has been arrived at on the basis of a valuation carried out by Savills (UK) Limited, independent qualified professional valuers not connected with the Group.

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

15. INVESTMENT PROPERTIES (Cont'd)

The fair values of the investment properties under construction located in Hong Kong and the PRC were 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.

During the year ended 31 March 2019, the Group's investment property was transferred to properties under development for sale at fair value of HK$321,074,917 at the date of transfer due to the change of usage as evidenced by commencement of development with a view to sale.

During the year ended 31 March 2019, the Group has entered into a sale and purchase agreement with a third party to sell a parcel of land. The sale is dependent on the completion of the land severance. As at 31 March 2019, the land severance request is under appeal and the approval date is unknown. The purchaser may withdraw at any time prior to the approval of the land severance.

During the year ended 31 March 2018, the valuation techniques used for determining the fair value of industrial property under construction located in PRC was changed from depreciated replacement cost approach to residual approach as adequate and relevant market comparable information became available in the market that were appropriate to assess the fair value of this industrial property under construction.

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 31/03/2019	Fair value as at 31/03/2018	Fair value hierarchy	Valuation technique	Significant unobservable inputs
Commercial and residential properties located in Hong Kong	**HK$2,080,000,000**	HK$1,979,000,000	Level 3	Direct comparison approach	Adjusted average price per square foot, ranging from HK$16,255 to HK$17,645 (2018: HK$15,483 to HK$16,790) (note (i))
Residential properties under redevelopment located in Hong Kong	**HK$980,000,000**	HK$930,000,000	Level 3	Residual approach	Adjusted average price per square foot of HK$63,915 (2018: HK$63,915) (note (i)) Expected developer's profit margin of 15% (2018: 15%) (note (ii)) Estimated total construction cost to complete amounted to HK$429 million (2018: HK$429 million) (note (iii))
Residential properties located in United Kingdom	**HK$49,871,250**	HK$44,200,000	Level 3	Direct comparison approach	Adjusted average price per square foot of HK$45,461 (2018: HK$40,292) (note (i))
Land in Canada for commercial and residential use	**HK$617,190,002**	HK$625,622,000	Level 3	Direct comparison approach	Adjusted average price per square foot of HK$16,868 (2018: HK$8,350) (note (i))
Industrial property under construction located in the PRC	**HK$89,889,800**	HK$74,062,300	Level 3	Residual approach	Adjusted average price per square meter of HK$4,553 (2018: HK$4,335) (note (i)) Expected developer's profit margin of 10% (2018: 10%) (note (ii))

15. INVESTMENT PROPERTIES (Cont'd)

Notes:

(i) A significant increase in the price per square foot/meter 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.

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

The Group's investment properties with an aggregate carrying amount of HK$3,727,061,250 (2018: HK$3,534,622,000) 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 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
Exchange realignment	–	–	618,500	–	–	–	–	–	24,938	–	–	643,438
Additions	–	–	–	–	–	6,807,657	8,961	950,164	5,953,662	1,959,853	–	15,680,297
Transfer from properties under development for sale	–	–	29,209,645	–	–	–	–	–	–	–	–	29,209,645
Disposals	–	–	–	–	–	–	(6,540,091)	(5,057,584)	(15,447,604)	–	–	(27,045,279)
At 31 March 2018 and 1 April 2018	335,211,367	28,801,961	34,973,048	6,367,821	65,513,965	56,201,669	62,740,621	90,763,843	85,310,485	19,621,989	27,705,270	813,212,039
Exchange realignment	–	–	(901,731)	–	–	–	–	–	(104,179)	–	–	(1,005,910)
Additions	–	–	–	–	39,577	1,685,057	–	3,601,514	8,279,051	1,256,923	–	14,862,122
Disposals	–	–	–	–	–	(1,373,716)	(1,480,590)	(3,823,212)	(29,090)	–	–	(6,706,608)
At 31 March 2019	**335,211,367**	**28,801,961**	**34,071,317**	**6,367,821**	**65,553,542**	**56,513,010**	**61,260,031**	**90,542,145**	**93,456,267**	**20,878,912**	**27,705,270**	**820,361,643**
DEPRECIATION AND IMPAIRMENT												
At 1 April 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
Exchange realignment	–	–	26,971	–	–	–	–	–	(36,747)	–	–	(9,776)
Provided for the year	4,751,483	528,817	164,666	100,486	–	2,309,155	1,385,735	6,450,363	4,886,261	741,975	5,157,578	26,476,519
Impairment loss reversed in profit or loss	–	–	–	–	(25,400,000)	–	–	–	–	–	–	(25,400,000)
Eliminated on disposals	–	–	–	–	–	–	(6,537,628)	(5,057,511)	(14,517,089)	–	–	(26,112,228)
At 31 March 2018 and 1 April 2018	73,134,320	9,965,052	2,813,511	3,013,727	–	34,092,995	62,549,709	62,165,123	69,734,043	13,423,883	17,765,377	348,657,740
Exchange realignment	–	–	(94,438)	–	–	–	–	–	(57,229)	–	–	(151,667)
Provided for the year	4,751,483	528,817	951,981	100,486	–	3,263,544	76,156	6,473,921	5,908,406	856,989	5,143,975	28,055,758
Eliminated on disposals	–	–	–	–	–	(1,373,716)	(1,480,590)	(3,823,212)	(29,090)	–	–	(6,706,608)
At 31 March 2019	**77,885,803**	**10,493,869**	**3,671,054**	**3,114,213**	**–**	**35,982,823**	**61,145,275**	**64,815,832**	**75,556,130**	**14,280,872**	**22,909,352**	**369,855,223**
CARRYING VALUES												
At 31 March 2019	**257,325,564**	**18,308,092**	**30,400,263**	**3,253,608**	**65,553,542**	**20,530,187**	**114,756**	**25,726,313**	**17,900,137**	**6,598,040**	**4,795,918**	**450,506,420**
At 31 March 2018	262,077,047	18,836,909	32,159,537	3,354,094	65,513,965	22,108,674	190,912	28,598,720	15,576,442	6,198,106	9,939,893	464,554,299

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
Buildings outside Hong Kong	2% – 4%
Leasehold land and buildings in Hong Kong	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% – $33^{1}/_{3}$%

During the year ended 31 March 2018, the Group carried out a review of the recoverable amount of its construction in progress based on the valuation performed by a qualified valuer, and there was a reversal of impairment loss of HK$25,400,000 on the construction in progress recognised in consolidated statement of profit or loss. The estimate of recoverable amount of the construction in progress was based on the assets' fair value less cost of disposal, using the residual approach with the basis that the construction in progress 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 on which the recoverable amount is based on is categorised as Level 3 fair value measurements.

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

	2019	2018
Yacht	**19,669,559**	24,543,599

The Group has pledged leasehold land and buildings with a net book value of HK$303,611,924 (2018: HK$280,913,956) to secure general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	2019	2018
Analysed for reporting purposes as:		
– Non-current assets	**2,505,354**	2,573,319
– Current assets	**67,965**	67,965
	2,573,319	2,641,284

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

18. GOODWILL

COST	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	1,269,932
IMPAIRMENT	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	–
CARRYING VALUES	
At 31 March 2019	**1,269,932**
At 31 March 2018	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.

	2019	2018
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 2019 and 2018, 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 amount of Units A and B have been determined on the basis of value in use calculations. Their recoverable amounts are based on certain similar key assumptions. Both value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 13.54% (2018: 13.77%). Both sets of cash flows beyond the 5-year period are extrapolated using a steady 3% (2018: 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 respective aggregate recoverable amount of Unit A and Unit B.

19. INTEREST IN/AMOUNT DUE TO AN ASSOCIATE

	2019	2018
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	**4,376,278**	4,462,972
	7,389,666	7,476,360

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 2019	2018	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.

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	**2019**	2018
Current assets	**471,447,081**	471,892,426
Non-current assets	**–**	–
Current liabilities	**448,414,181**	448,426,055
Non-current liabilities	**–**	–
Revenue	**–**	–
Loss from continuing operations	**(433,471)**	(462,577)
Post-tax profit from discontinued operations	**–**	–
Loss and total comprehensive expense for the year	**(433,471)**	(462,577)
Dividends received from the associate during the year	**–**	–

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

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

	2019	2018
Net assets of Eden Bay	**23,032,900**	23,466,371
Proportion of the Group's ownership interest in Eden Bay	**20%**	20%
	4,606,580	4,693,274
Goodwill	**2,783,086**	2,783,086
Carrying amount of the Group's interest in Eden Bay	**7,389,666**	7,476,360

20. INTERESTS IN/AMOUNT DUE FROM JOINT VENTURES

	2019	2018
Costs of unlisted investments in joint ventures	**317,813,998**	317,813,998
Share of post-acquisition (losses)/profits and other comprehensive (expense)/income	**(2,745,766)**	1,165,018
	315,068,232	318,979,016
Loan to a joint venture	**51,154,294**	51,154,294
	366,222,526	370,133,310

Particulars of the Group's joint venture 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 2019	2018	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 (2018: 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$43,496,822 (2018: HK$41,651,822) due by Harvest Sun to the Group, which is unsecured, interest-free and repayable on demand.

20. INTERESTS IN/AMOUNT DUE FROM 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	**2019**	2018
Current assets	**2,258,780,884**	2,146,154,205
Non-current assets	**–**	–
Current liabilities	**163,784,995**	59,067,963
Non-current liabilities	**1,464,859,426**	1,451,825,919
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**190,441**	25,873,530
Current financial liabilities (excluding trade and other payables and provisions)	**152,207,152**	58,000,000
Non-current financial liabilities (excluding trade and other payables and provisions)	**1,407,007,027**	1,393,973,520

Tania	**2019**	2018
Revenue	**–**	–
Loss from continuing operations	**(5,123,860)**	(91,166)
Post-tax profit from discontinued operations	**–**	–
Loss and total comprehensive expense for the year	**(5,123,860)**	(91,166)
Dividends received from Tania during the year	**–**	–
The above loss for the year includes the following:		
Depreciation and amortisation	**–**	–
Interest income	**3,184**	21,485
Interest expense	**–**	–
Income tax expense	**–**	–

20. INTERESTS IN/AMOUNT DUE FROM 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 Tania recognised in the consolidated financial statements:

	2019	2018
Net asset of Tania	**630,136,463**	635,260,323
Proportion of the Group's ownership interest in Tania	**50%**	50%
Carrying amount of the Group's interest in Tania	**315,068,232**	317,630,162

Harvest Sun	2019	2018
Current assets	**5,139,595**	6,628,557
Non-current assets	**128,477,050**	152,425,165
Current liabilities	**88,983,592**	84,810,390
Non-current liabilities	**71,462,619**	71,545,624
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,216,474**	502,455
Current financial liabilities (excluding trade and other payables and provisions)	**87,551,638**	83,805,944
Non-current financial liabilities (excluding trade and other payables and provisions)	**70,031,000**	70,031,000

Harvest Sun	2019	2018
Revenue	**–**	–
(Loss)/Profit from continuing operations	**(16,425,338)**	4,295,570
Post-tax profit from discontinued operations	**–**	–
(Loss)/Profit and total comprehensive (expense)/income for the year	**(29,527,274)**	8,352,024
Dividends received from Harvest Sun during the year	**–**	–
The above profit for the year includes the following:		
Depreciation and amortisation	**–**	–
Interest income	**39**	557
Interest expense	**–**	–
Income tax credit	**81,884**	538,414

20. INTERESTS IN/AMOUNT DUE FROM 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:

	2019	2018
Net (liabilities)/assets of Harvest Sun	**(26,829,566)**	2,697,708
Proportion of the Group's ownership interest in Harvest Sun	**50%**	50%
	(13,414,783)	1,348,854
Recognised share of loss and other comprehensive income	**1,348,854**	–
Cumulative unrecognised share of loss and other comprehensive income	**12,065,929**	–
Carrying amount of the Group's interest in Harvest Sun	**–**	1,348,854

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

	2019	2018
Unrecognised share of loss of a joint venture for the year	**12,065,929**	–
Cumulative unrecognised share of loss of a joint venture	**12,065,929**	–

21. OTHER ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019
Club debentures	**24,550,000**

At the end of the reporting period, all other assets at fair value through other comprehensive income are stated at fair value.

Details of the Group's other assets at fair value through other comprehensive income and information about the fair value hierarchy at the end of the reporting period are as follows:

Other assets at fair value through other comprehensive income	Fair value as at 31/03/2019	31/03/2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Club debentures classified as other assets at fair value through other comprehensive income	**HK$24,550,000**	N/A	Level 2	Market prices in secondary markets	N/A

22. AVAILABLE-FOR-SALE INVESTMENTS

	2018
Club debentures	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.

Upon application of HKFRS 9, the available-for-sale investments were reclassified to other assets at fair value through other comprehensive income.

23. DEBT INSTRUMENTS AT AMORTISED COST

	2019
Bonds listed in Luxembourg with fixed interest of 2.5% per annum and maturity date on 23 January 2023	**3,173,350**

24. HELD-TO-MATURITY INVESTMENTS

	2018
Bonds listed in Luxembourg with fixed interest of 2.5% per annum and maturity date on 23 January 2023	3,483,194

Upon application of HKFRS 9, the held-to-maturity investments were reclassified to debt instruments at amortised cost.

25. INVENTORIES

	2019	2018
Raw materials and consumables	**4,140,327**	7,361,059
Work in progress	**4,356,023**	4,366,747
Finished goods	**123,612,987**	153,782,701
	132,109,337	165,510,507

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
Listed securities:		
– Equity securities listed in Hong Kong	**3,815,500**	3,838,240
– Equity securities listed in United States of America	**15,275,551**	13,386,080
– Debt securities listed in France	**–**	7,711,247
– Debt securities listed in Hong Kong	**2,246,081**	2,353,982
– Debt securities listed in United Kingdom	**–**	1,517,892
– Debt securities listed in United States of America	**3,978,094**	–
Fund investments listed in Luxembourg	**12,747,031**	–
Unlisted debt securities	**19,627,551**	11,731,069
Unlisted equity securities	**23,550,000**	23,400,000
Unlisted fund investments	**110,686,656**	93,260,655
	191,926,464	157,199,165

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

The fair value of the unlisted debt securities is determined based on the quoted price provided 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 values of the funds as the fund investments are redeemable at their net asset values.

27. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in properties under development for sale are properties with an aggregate amount of HK$881,054,373 (2018: HK$396,496,623) 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$881,054,373 (2018: HK$396,496,623) have been pledged to secure banking facilities granted to the Group.

28. BILLS RECEIVABLES

Bills receivables of HK$337,626 (2018: HK$666,673) are aged within 30 days.

29. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
Trade receivables	**74,411,203**	48,618,378
Less: allowance for credit losses	**(15,380,000)**	(15,395,496)
	59,031,203	33,222,882
Deposits and prepayments	**48,764,513**	30,573,464
Advance payment to suppliers	**3,363,294**	8,110,168
Other receivables	**29,265,420**	9,113,977
Total trade receivables, deposits and prepayments	**140,424,430**	81,020,491

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 credit losses presented based on the invoice date at the end of the reporting period.

	2019	2018
Within 30 days	**55,373,252**	32,511,528
31 to 90 days	**620**	55,607
91 to 180 days	**–**	743
Over 180 days	**3,657,331**	655,004
	59,031,203	33,222,882

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

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. 92% (2018: 91%) of the trade receivables that are neither past due nor impaired have the best credit quality with reference to respective settlement history.

As at 31 March 2019, trade receivables of HK$4,952,182 were past due. Based on past experience and forward-looking estimates, the amounts are considered as recoverable.

As at 31 March 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$3,071,366 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.

Ageing of trade receivables which are past due but not impaired

	2018
Within 30 days past due	2,360,012
31 to 90 days past due	55,607
91 to 180 days past due	743
Over 180 days past due	655,004
	3,071,366

Movement in the allowance for credit losses

	2019	2018
At beginning of year	**15,395,496**	15,339,720
Impairment losses reversed	**(5,152)**	–
Exchange difference	**(10,344)**	55,776
At end of year	**15,380,000**	15,395,496

Included in the allowance for credit losses are individually credit-impaired trade receivables with an aggregate balance of HK$15,380,000 (2018: HK$15,395,496) which were past due and generally not recoverable. The Group does not hold any collateral over these balances.

Ageing of credit-impaired trade receivables

	2019	2018
Over 180 days	**15,380,000**	15,395,496

Details of impairment assessment are set out in Note 6(b).

30. 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 6.63% (2018: 0.001% to 8.25%) per annum.

Included in bank balances and cash are bank deposits of HK$115,942,378 (2018: HK$115,573,063) 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.

31. TRADE AND BILLS PAYABLES

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

	2019	2018
Within 30 days	**66,960,550**	101,596,579
31 to 90 days	**19,304,629**	19,478,000
91 to 180 days	**132,298**	1,279,076
Over 180 days	**1,785,396**	3,917,040
	88,182,873	126,270,695

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.

32. CUSTOMERS' DEPOSITS

	2019	2018
Customers' deposits	**220,921,007**	227,132,990

The Group receives certain percentage of the contract value as a deposit from customers when the Group signs the sale and purchase agreement with the customers. This deposit is recognised as a contract liability until the properties are completed and legally assigned to the customer.

Revenue recognised that was included in the customers' deposits balance at 1 April 2018 is nil.

Customers' deposits in the amount of HK$220,921,007 are expected to be recognised as revenue in the consolidated statement of profit or loss after more than one year.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2019	2018
Derivatives not under hedge accounting		
Interest rate swaps	**1,872,974**	224,999

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.

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.

34. OBLIGATIONS UNDER FINANCE LEASES

	2019	2018
Analysed for reporting purposes as:		
Current liabilities	**4,311,029**	4,155,476
Non-current liabilities	**11,898,761**	16,198,714
	16,209,790	20,354,190

It is the Group's policy to lease certain of its yacht under finance leases. The leases terms are for 7 to 10 years (2018: 7 to 10 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.15% to 4.25% (2018: 3.9% to 4%) per annum. All the leases are 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	
	2019	2018	**2019**	2018
Amounts payable under finance leases:				
Within one year	**4,972,596**	4,944,468	**4,311,029**	4,155,476
In the second to fifth years inclusive	**12,815,711**	17,326,005	**11,898,761**	15,844,600
In more than five years	**–**	355,317	**–**	354,114
	17,788,307	22,625,790	**16,209,790**	20,354,190
Less: Future finance charges	**(1,578,517)**	(2,271,600)	**–**	–
Present value of lease obligations	**16,209,790**	20,354,190	**16,209,790**	20,354,190
Less: Amount due for settlement within one year (shown under current liabilities)			**(4,311,029)**	(4,155,476)
Amount due for settlement after one year			**11,898,761**	16,198,714

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

35. BANK LOANS

	2019	2018
Secured bank loans	**3,187,889,367**	2,667,731,779
Unsecured bank loans	**687,786,396**	785,032,307
	3,875,675,763	3,452,764,086
Carrying amount repayable:		
On demand or within one year	**673,701,551**	772,764,477
More than one year, but not exceeding two years	**825,667,313**	797,922,008
More than two years, but not exceeding five years	**1,757,495,163**	1,345,269,525
More than five years	**618,811,736**	536,808,076
	3,875,675,763	3,452,764,086
Less: Amounts due within one year shown under current liabilities	**(673,701,551)**	(772,764,477)
Amounts shown under non-current liabilities	**3,201,974,212**	2,679,999,609

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

	2019	2018
USD	**45,262,233**	86,399,783
GBP	**26,096,237**	–
JPY	**105,099,362**	97,751,279
CAD	**432,962,904**	354,489,877

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 1.60% to 5.30% (2018: 1.30% to 4.95%) per annum.

36. SHARE CAPITAL

	Number of shares		Amount	
	2019	2018	**2019**	2018
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	**1,028,064,962**	1,017,206,962	**102,806,496**	101,720,696
Issue of shares upon exercise of share options	–	16,720,000	–	1,672,000
Cancelled on repurchase of shares	**(11,480,000)**	(5,862,000)	**(1,148,000)**	(586,200)
At end of the year	**1,016,584,962**	1,028,064,962	**101,658,496**	102,806,496

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)
April 2018	1,300,000	1.15	1.14	1,489,838
May 2018	552,000	1.14	1.14	631,533
June 2018	300,000	1.16	1.15	348,924
July 2018	898,000	1.16	1.16	1,045,464
August 2018	802,000	1.16	1.14	919,597
September 2018	296,000	1.14	1.13	337,757
October 2018	3,616,000	1.11	1.08	4,001,982
November 2018	382,000	1.09	1.09	417,871
December 2018	516,000	1.09	1.07	563,848
March 2019	2,818,000	1.19	1.13	3,306,029
	11,480,000			13,062,843

37. 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 2019 by Ms. Katherine Chu of Towers Watson Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the obligations under long service payments and the related current service cost were measured using the projected unit credit method.

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

	2019	2018
Discount rate	**1.40%**	1.50%
Expected rate of salary increase	**4.00%**	4.00%
Expected rate of return on MPF balances	**4.50%**	4.50%
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:

	2019	2018
Current service cost	**19,488**	18,061
Interest cost	**30,554**	41,094
Components of defined benefit costs recognised in profit or loss	**50,042**	59,155
Remeasurement on the net defined benefit liability:		
Actuarial gains arising from experience adjustments	**(44,331)**	(1,823,251)
Actuarial losses arising from changes in financial assumptions	**3,993**	48,240
Actuarial gains arising from changes in demographic assumptions	**(299,207)**	(94)
Components of defined benefit income recognised in other comprehensive income	**(339,545)**	(1,775,105)
Total	**(289,503)**	(1,715,950)

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

	2019	2018
Present value of the obligations under long service payments	**2,654,254**	2,954,498

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

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

	2019	2018
At beginning of the year	**2,954,498**	4,740,939
Current service cost	**19,488**	18,061
Interest cost	**30,554**	41,094
Remeasurement (gains)/losses:		
– Actuarial gains arising from experience adjustments	**(44,331)**	(1,823,251)
– Actuarial losses arising from changes in financial assumptions	**3,993**	48,240
– Actuarial gains arising from changes in demographic assumptions	**(299,207)**	(94)
Benefits paid	**(10,741)**	(70,491)
At end of the year	**2,654,254**	2,954,498

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$9,911 (2018: HK$19,269) (increase by HK$10,130 (2018: HK$19,824)).

- If the expected rate of salary increase is 25 basis points higher (lower), the defined benefit obligation would increase by HK$16,129 (2018: HK$36,325) (decrease by HK$16,715 (2018: HK$39,801)).

- If the expected rate of return on MPF balances is 25 basis points higher (lower), the defined benefit obligation would decrease by HK$39,791 (2018: HK$76,986) (increase by HK$43,187 (2018: HK$81,236)).

- 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$36,073 (2018: HK$60,740) (decrease by HK$34,048 (2018: HK$60,254)).

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 2019 is 1.4 years (2018: 2.4 years).

The expected defined benefit costs during the next financial year is HK$38,465 (2018: HK$50,042).

38. 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:

	2019	2018
Deferred tax assets	**6,498,562**	3,448,974
Deferred tax liabilities	**(149,155,137)**	(67,500,133)
	(142,656,575)	(64,051,159)

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 2017	48,724,826	7,342,907	29,603,529	(46,258,959)	39,412,303
(Credit)/Charge to profit or loss for the year	(206,611)	–	20,676,608	3,250,741	23,720,738
Acquisition of a subsidiary	3,113,763	–	–	(1,725,788)	1,387,975
Disposal of subsidiaries	(3,113,763)	–	–	1,725,788	(1,387,975)
Exchange differences	–	–	967,104	(48,986)	918,118
At 31 March 2018 and 1 April 2018	48,518,215	7,342,907	51,247,241	(43,057,204)	64,051,159
Charge/(Credit) to profit or loss for the year	4,752,199	–	79,555,958	(3,289,192)	81,018,965
Exchange differences	–	–	(2,574,161)	160,612	(2,413,549)
At 31 March 2019	**53,270,414**	**7,342,907**	**128,229,038**	**(46,185,784)**	**142,656,575**

At the end of the reporting period, the Group has unused tax losses of approximately HK$937,784,000 (2018: HK$949,402,000) available for offset against future profits. A deferred tax asset of HK$46,185,784 (2018: HK$43,057,204) has been recognised in respect of approximately HK$279,914,000 (2018: HK$260,953,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining approximately HK$657,870,000 (2018: HK$688,449,000) of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$2,640,000 (2018: HK$4,494,000). 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.

39. FINANCIAL GUARANTEE CONTRACTS

	2019	2018
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))	**387,000**	621,000
	1,048,387,000	1,048,621,000

Notes:

(a) At 31 March 2019, 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 (2018: HK$1,048,000,000), of which HK$1,048,000,000 (2018: HK$1,047,970,954) 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.

40. CAPITAL COMMITMENTS

	2019	2018
Contracted for but not provided:		
Construction and acquisition of properties	**21,432,404**	19,352,475

41. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2019	2018
Within one year	**21,085,082**	13,883,323
In the second to fifth year inclusive	**23,243,786**	19,661,759
Over five years	**5,091,849**	5,611,074
	49,420,717	39,156,156

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 (2018: 6 years) with fixed rentals.

41. OPERATING LEASE ARRANGEMENTS (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:

	2019	2018
Within one year	**6,765,699**	5,461,933
In the second to fifth year inclusive	–	57,074
	6,765,699	5,519,007

Leases are negotiated for an average term of 1 year (2018: 1 year).

42. RETIREMENT BENEFIT SCHEME

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

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

The total cost charged to profit or loss of HK$2,267,538 (2018: HK$3,064,023) represents contributions payable to these schemes by the Group in respect of the current accounting period.

43. 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:

	2019	2018
Investment properties	**3,727,061,250**	3,534,622,000
Leasehold land in Hong Kong	**257,325,563**	262,077,047
Buildings in Hong Kong	**18,308,093**	18,836,909
Buildings outside Hong Kong	**27,978,268**	–
Inventory of unsold properties	**6,016,124**	6,156,121
Properties under development for sale	**881,054,373**	396,496,623
Bank deposits	**115,942,378**	115,573,063

44. RELATED PARTY TRANSACTIONS

(a) Transaction with a joint venture

Nature of transaction	**2019**	2018
Property management fee received by the Group	–	875,000

(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 39.

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

45. 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 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was nil, representing 0% 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.

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

The following table discloses movements of the Company's share options held by directors during the year ended 31 March 2018:

Date of grant	Exercise period	Exercise price per share	Outstanding at 01/04/2017	Expired during the year ended 31/03/2018	Exercised during the year ended 31/03/2018	Outstanding at 31/03/2018
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	(330,000)	(6,600,000)	–
			17,050,000	(330,000)	(16,720,000)	–
Exercisable at 31 March 2018						–
Weighted average exercise price			HK$0.573	HK$0.691	HK$0.571	HK$ –

The following share options under the Scheme were exercised during the year ended 31 March 2018:

Date of option grant	Number of shares	Exercise date	Share price at exercise date	Share price immediately before the date of exercise
18 March 2010	10,120,000	14 March 2018	HK$1.15	HK$1.14
23 March 2011	6,600,000	14 March 2018	HK$1.15	HK$1.14

46. ACQUISITION OF A SUBSIDIARY

Elite Bright Asia Pacific Limited ("Elite Bright")

On 3 October 2017, the Group acquired the entire issued share capital of Elite Bright and the benefit of the vendor's shareholder loan for a total consideration of HK$376,082,284.

Consideration transferred

Cash	376,082,284
Less: assignment of shareholder's loans	(107,448,400)
	268,633,884

Acquisition-related costs amounting to HK$1,212,728 have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss.

46. ACQUISITION OF A SUBSIDIARY (Cont'd)

Elite Bright Asia Pacific Limited ("Elite Bright") (Cont'd)

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

Investment properties	376,338,934
Deposits, prepayments and other receivables	863,050
Bank balances	2,008,960
Other payables and accruals	(22,630)
Tenancy deposits	(1,718,055)
Amounts due to shareholders	(107,448,400)
Deferred tax liabilities	(1,387,975)
	268,633,884

Net cash outflow on acquisition:

Cash consideration paid	376,082,284
Less: cash and cash equivalent balances acquired	(2,008,960)
	374,073,324

47. DISPOSAL OF SUBSIDIARIES

On 16 March 2018, the Group disposed of its 100% equity interest in Purplefield Holdings Limited and its subsidiaries (the "Purplefield Group") and assigned its 100% interest in the shareholder's loan to purchaser at a consideration of HK$501,341,156. The net assets of Purplefield Group at the date of disposal were as follows:

Consideration received and receivable:

Cash received	501,341,156
Less: assignment of shareholder's loan	(376,577,703)
	124,763,453

Analysis of assets and liabilities over which control was lost:

Investment properties	490,000,000
Deposits, prepayments and other receivables	676,868
Bank balances	2,703,772
Other payables and accruals	(47,700)
Tenancy deposits	(1,718,075)
Receipt in advance	(243,446)
Amount due to a shareholder	(376,577,703)
Deferred tax liabilities	(1,387,975)
Net assets disposed of	113,405,741

47. DISPOSAL OF SUBSIDIARIES (Cont'd)

Gain on disposal of subsidiaries:

Consideration received and receivable	501,341,156
Cost of disposal	(7,205,194)
Assignment of shareholder's loan	(376,577,703)
Net assets disposed of	(113,405,741)
Gain on disposal	4,152,518

Net cash inflow arising on disposal:

Cash consideration received	501,341,156
Less: cash and cash equivalents sold	(2,703,772)
	498,637,384

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Derivative financial instruments	Obligation under finance leases	Bank loans	Total
At 1 April 2017	913,765	24,474,552	3,356,796,614	3,382,184,931
Financing cash flows	(176,617)	(5,074,756)	(36,226,103)	(41,477,476)
Gain on fair value changes	(512,149)	–	–	(512,149)
Interest expenses	–	954,394	105,552,647	106,507,041
Transfer to other payables	–	–	(968,167)	(968,167)
Exchange adjustment	–	–	27,609,095	27,609,095
At 31 March 2018 and 1 April 2018	224,999	20,354,190	3,452,764,086	3,473,343,275
Financing cash flows	(868,419)	(4,956,374)	310,486,209	304,661,416
Loss on fair value changes	2,516,394	–	–	2,516,394
Interest expenses	–	811,974	125,527,336	126,339,310
Transfer to other payables	–	–	(1,613,399)	(1,613,399)
Exchange adjustment	–	–	(11,488,469)	(11,488,469)
At 31 March 2019	**1,872,974**	**16,209,790**	**3,875,675,763**	**3,893,758,527**

49. LITIGATION

During the year ended 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 RMB45 million.

As at the date of approval of these consolidated financial statements, the three litigation cases were resolved. Pursuant to the court verdict, the claims made by the Plaintiff in the Construction Disputes against the Subject Subsidiary were dismissed and accordingly no indemnification arising from the claims were made by the Group.

50. 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 2019	2018	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	CAD751,792 Partners' deficiency	**100%**	100%	Property development
88 South Tower Phase I Developments Limited Partnership	Ontario, Canada	N/A	CAD782,594 Partners' deficiency	**100%**	100%	Property development
88 South Tower Phase II Developments Limited Partnership	Ontario, Canada	N/A	CAD307 Partners' deficiency	**100%**	100%	Property development
99 Bonham Management Limited	Hong Kong	Ordinary	HK$1	**100%**	100%	Property management

50. 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 2019	2018	Principal activities
Indirect subsidiary (Cont'd)						
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%**	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
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

50. 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 2019	2018	Principal activities
Indirect subsidiary (Cont'd)						
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 investment and development
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	HK$1,000	**100%**	100%	Investment holdings and trading of electronic products
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

50. 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 2019	2018	Principal activities
Indirect subsidiary (Cont'd)						
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.à.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
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
St. Thomas Commercial Developments Incorporated	Ontario, Canada	Common	CAD6,664,425	**100%**	100%	Investment holding
St. Thomas Commercial Holdings Limited Partnership	Ontario, Canada	N/A	CAD4,362,115 Partners' equity	**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

50. 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 2019	2018	Principal activities
Indirect subsidiary (Cont'd)						
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
The Putman Management Limited	Hong Kong	Ordinary	HK$100	**100%**	100%	Property management
Unionville Development Limited Partnership	Ontario, Canada	N/A	CAD75,612 Partners' capital	**100%**	100%	Property development
Unionville Development (2010) Limited Partnership	Ontario, Canada	N/A	CAD3,550,720 Partners' equity	**100%**	100%	Property development
Verde Group Limited	British Virgin Islands	Ordinary	US$1	**100%**	100%	Investment holding
1061383 Ontario Limited	Ontario, Canada	Common	CAD100	**100%**	100%	Property holding
中霸電子科技(南寧)有限公司*	PRC	Registered capital	HK$60,230,000	**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.

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019	2018
Non-current assets		
Interests in subsidiaries	**728,461,632**	685,886,784
Available-for-sale investments	**2,000,000**	2,000,000
	730,461,632	687,886,784
Current assets		
Other receivables	**50**	8,104
Amount due from a subsidiary	**308,418,531**	256,882,998
Bank balances	**5,953,504**	5,907,627
	314,372,085	262,798,729
Current liabilities		
Accrued expenses	**8,005,340**	6,689,305
Financial guarantee contracts	**127,481,798**	149,987,602
Amounts due to subsidiaries	**384,495,065**	270,143,841
Bank loans	**25,000,002**	166,700,000
	544,982,205	593,520,748
Net current liabilities	**(230,610,120)**	(330,722,019)
Total assets less current liabilities	**499,851,512**	357,164,765
Capital and reserves		
Share capital	**101,658,496**	102,806,496
Reserves	**306,193,016**	254,358,269
Total equity	**407,851,512**	357,164,765
Non-current liabilities		
Bank loans	**92,000,000**	–
	499,851,512	357,164,765

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 24 June 2019 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

LOEWE LEE BON CHI
Director

51. 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 2017	24,097,268	90,854,039	38,486,440	2,766,520	68,661,870	224,866,137
Profit for the year	–	–	–	–	73,487,031	73,487,031
Dividends paid	–	–	–	–	(45,770,629)	(45,770,629)
Issue of shares upon exercise of share options	10,579,761	–	–	(2,702,001)	–	7,877,760
Expiry of share options	–	–	–	(64,519)	64,519	–
Repurchase of own shares	–	–	586,200	–	(6,688,230)	(6,102,030)
At 31 March 2018 and 1 April 2018	34,677,029	90,854,039	39,072,640	–	89,754,561	254,358,269
Profit for the year	–	–	–	–	109,851,698	109,851,698
Dividends paid	–	–	–	–	(46,102,109)	(46,102,109)
Repurchase of own shares	–	–	1,148,000	–	(13,062,842)	(11,914,842)
At 31 March 2019	**34,677,029**	**90,854,039**	**40,220,640**	**–**	**140,441,308**	**306,193,016**

Details of the major properties held by the Group at 31 March 2019 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
One96 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
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

FINANCIAL SUMMARY

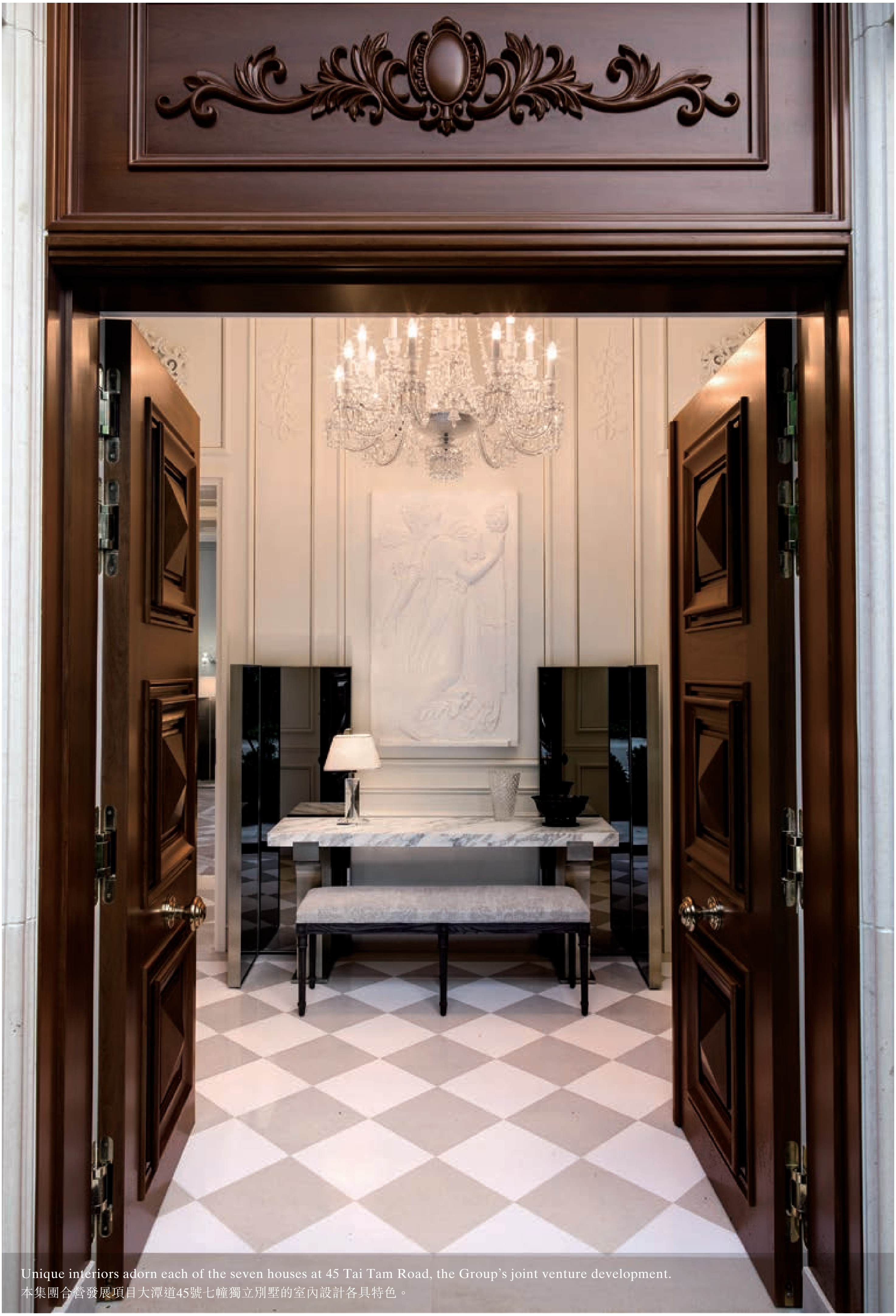
Results:

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**881,448**	1,405,711	1,008,976	1,149,451	1,432,142
Cost of sales	**(720,505)**	(1,231,016)	(856,896)	(969,484)	(1,194,810)
Gross profit	**160,943**	174,695	152,080	179,967	237,332
Other income and gains	**28,872**	77,450	65,474	318,949	58,891
Increase in fair value of investment properties	**415,178**	246,758	191,236	2,215	56,369
Distribution costs	**(9,639)**	(10,810)	(10,008)	(8,798)	(10,452)
Administrative expenses	**(201,071)**	(159,006)	(153,506)	(174,129)	(151,395)
Finance costs	**(90,375)**	(76,026)	(75,794)	(67,190)	(59,531)
Share of results of associates	**(87)**	(93)	(160)	(97)	1,498
Share of results of joint ventures	**(3,911)**	1,303	(654)	516	–
Profit before taxation	**299,910**	254,271	168,668	251,433	132,712
Income tax (expense)/credit	**(78,085)**	(35,563)	(23,509)	(6,702)	362
Profit for the year	**221,825**	218,708	145,159	244,731	133,074
Earnings per share					
– Basic	**21.7 HK cents**	21.5 HK cents	14.3 HK cents	23.8 HK cents	12.9 HK cents
– diluted	**21.7 HK cents**	21.3 HK cents	14.2 HK cents	23.7 HK cents	12.8 HK cents

Assets and liabilities:

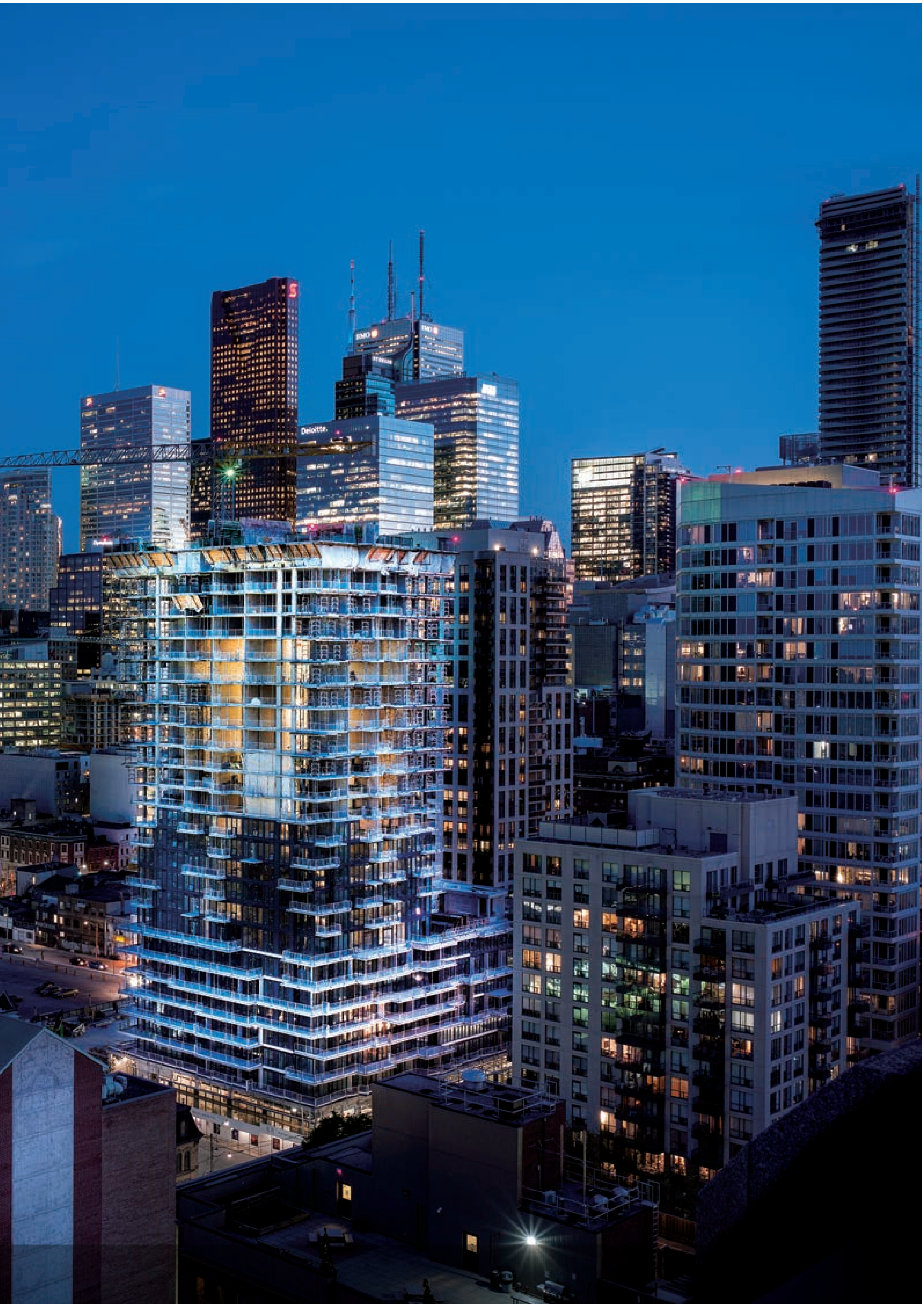
	At 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**6,889,174**	6,246,143	5,979,747	5,208,728	5,274,372
Total liabilities	**4,514,829**	4,013,626	3,946,595	3,264,295	3,530,765
Net assets	**2,374,345**	2,232,517	2,033,152	1,944,433	1,743,607

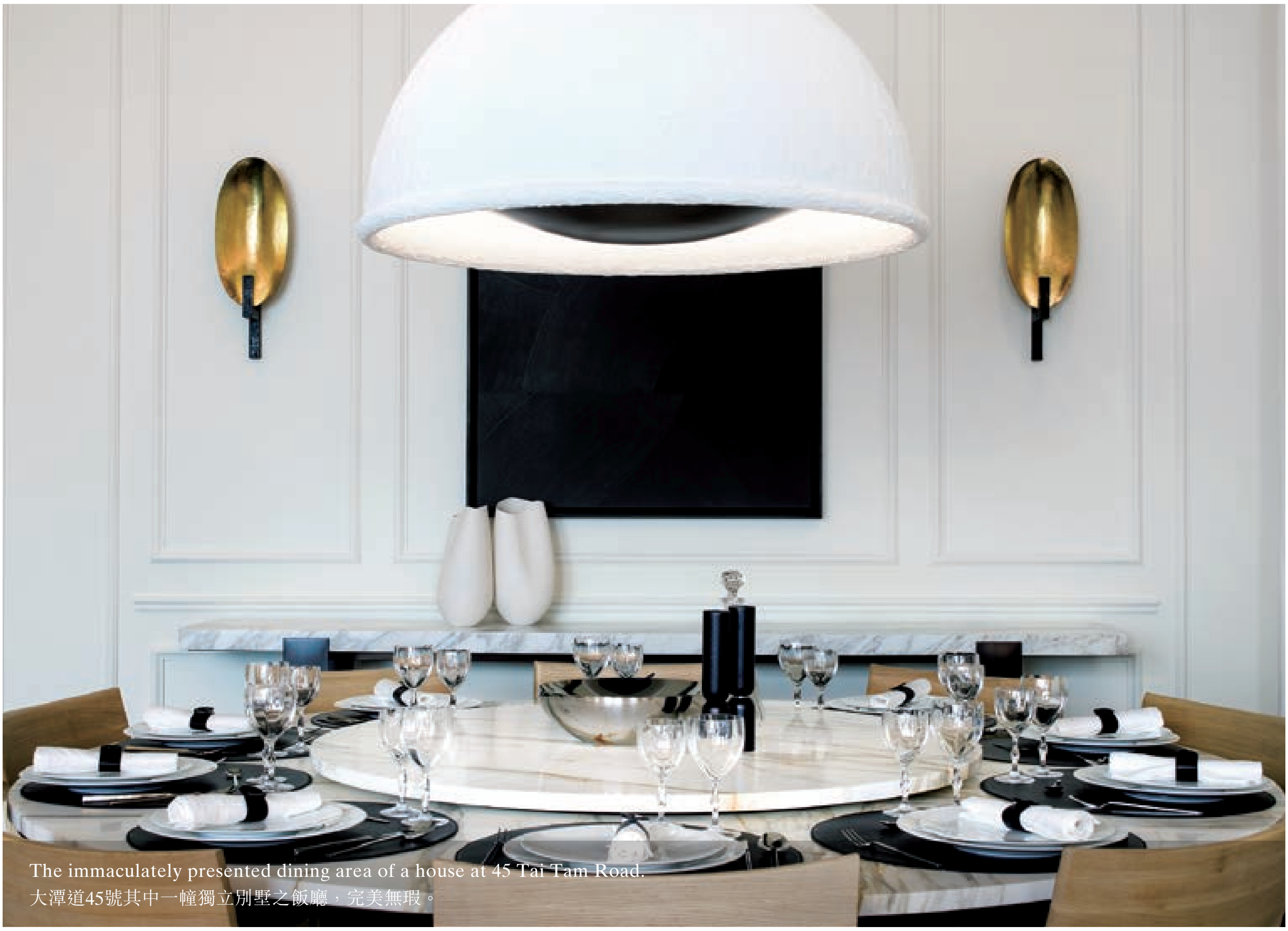
Note: The earnings per share for the year ended 31 March 2015 were calculated based on number of shares as adjusted for the effect of the bonus issue on 11 September 2015 under HKAS 33 "Earnings per share".



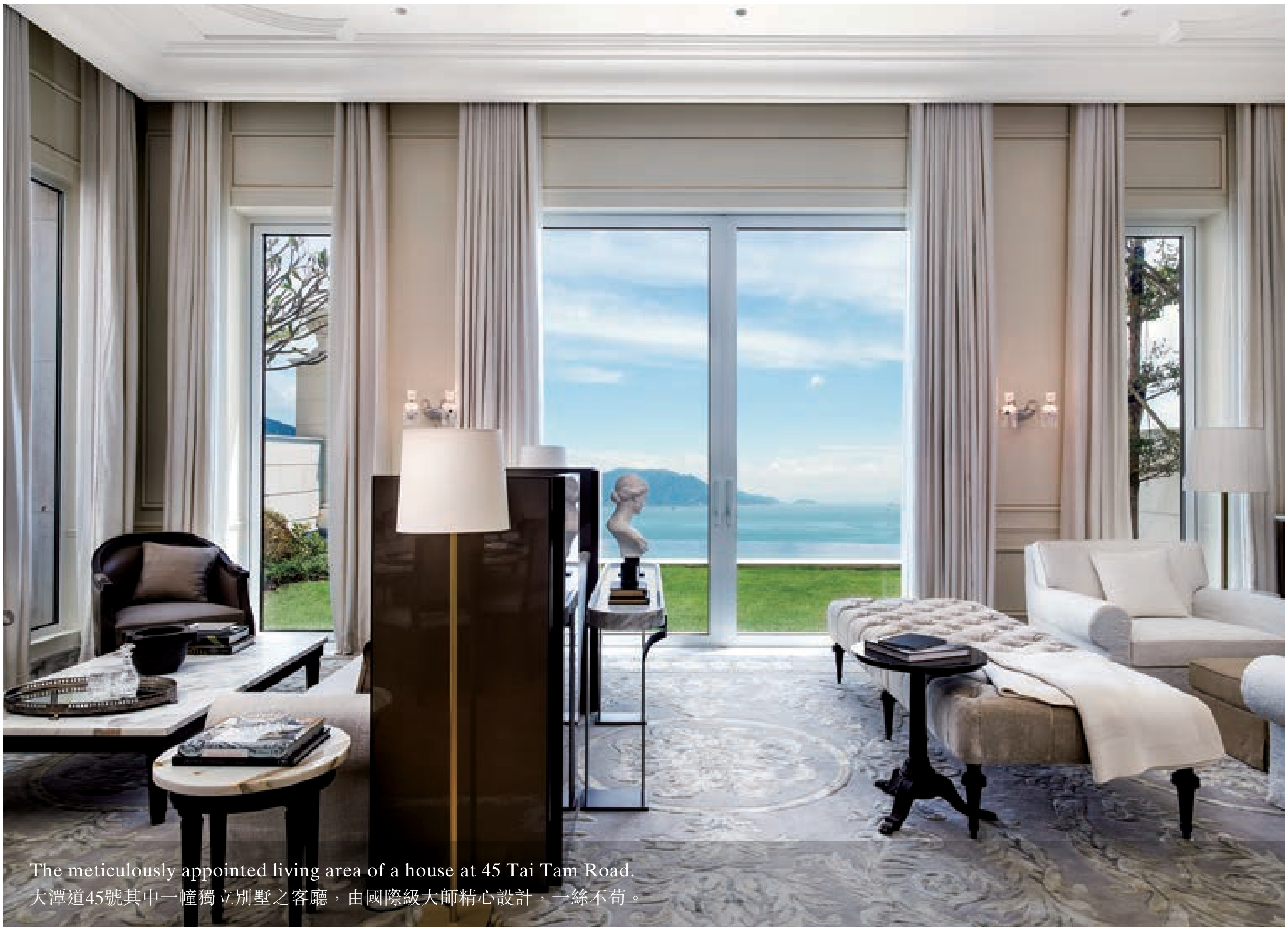
Unique interiors adorn each of the seven houses at 45 Tai Tam Road, the Group's joint venture development.
本集團合營發展項目大潭道45號七幢獨立別墅的室內設計各具特色。

The 88 North, the first phase of the Group's multi-phased mixed-use development 88 Queen, Toronto, Canada is close to topping off.
本集團位於加拿大多倫多88 Queen的商住發展項目第一期88 North快將竣工。


Deloitte.



The immaculately presented dining area of a house at 45 Tai Tam Road.
大潭道45號其中一幢獨立別墅之飯廳，完美無瑕。



The meticulously appointed living area of a house at 45 Tai Tam Road.
大潭道45號其中一幢獨立別墅之客廳，由國際級大師精心設計，一絲不苟。