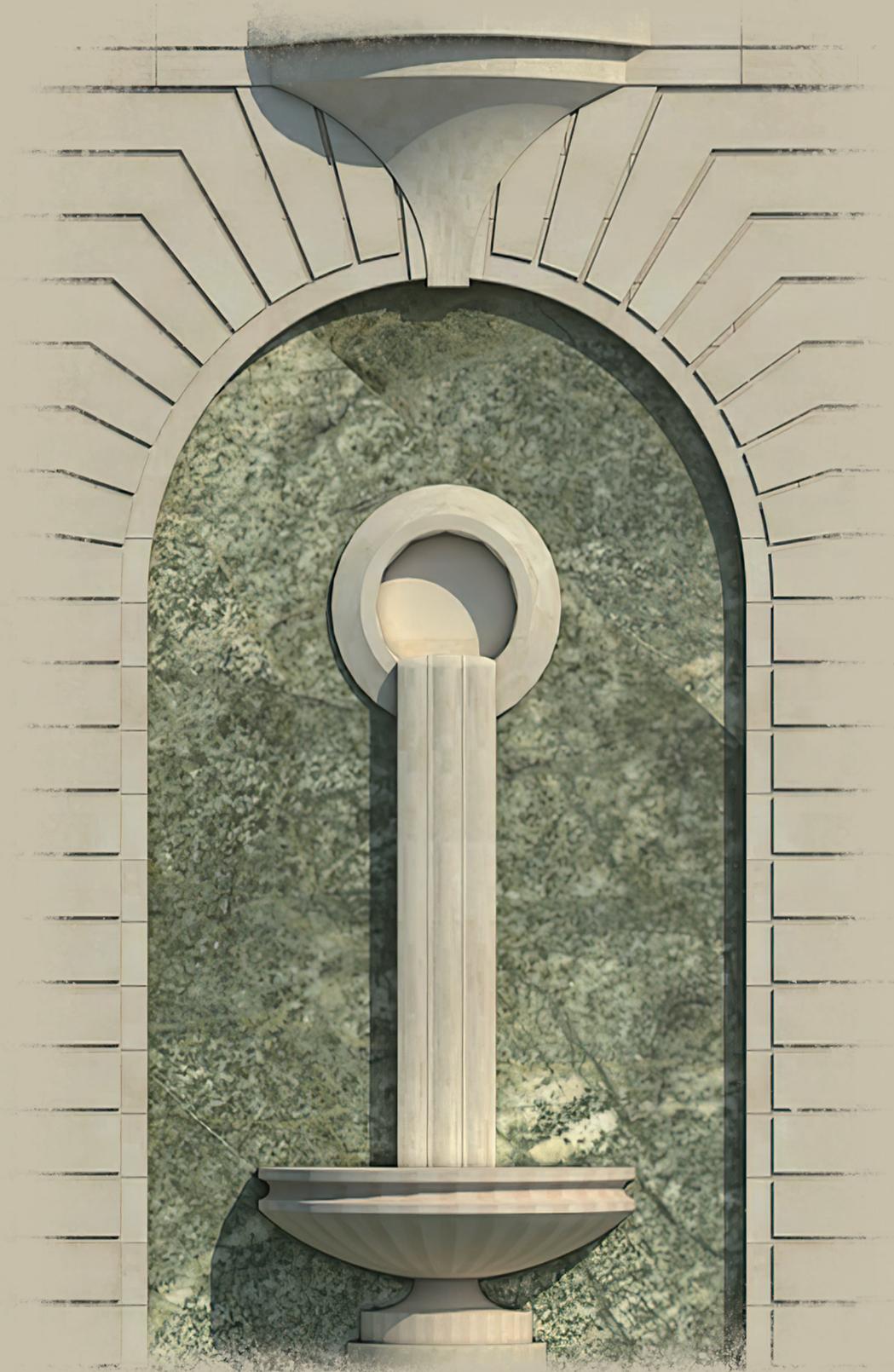


NATIONAL ELECTRONICS HOLDINGS LIMITED

Stock Code: 213



ANNUAL REPORT 2023

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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

William Chan Chak Cheung
Chan Kwok Wai
David Sun Dai Wai

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Solicitors

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
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited
Fubon Bank (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited

Registered Office

Conyers Corporate Services (Bermuda) Limited
Clarendon House, 2 Church Street
Hamilton, Pembroke
HM11
Bermuda

Principal Office

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

Registrar

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

Branch Registrar and Transfer Office

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road, Admiralty
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 2023.

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 March 2023 was HK\$48,869,383 (Year ended 31 March 2022: HK\$91,356,972). The basic and diluted earnings per share of the Company for the year ended 31 March 2023 were 5.2 HK cents per share and 5.2 HK cents per share respectively (Year ended 31 March 2022: 9.5 HK cents per basic share and 9.5 HK cents per diluted share respectively).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 1.8 HK cents per share for the year ended 31 March 2023 (Year ended 31 March 2022: A final dividend of 3.0 HK cents per share).

BUSINESS REVIEW

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the period under review, the Group's watch manufacturing and watch component trading division recorded a decrease in turnover while profit margin was maintained.



A rendering of a typical unit at 88 South, the third phase at the Group's 88 Queen city-block mixed-use development in Toronto, Canada.

CHAIRMAN'S STATEMENT

HOTEL OPERATION

The performance of the Group's hotel business has further improved and achieved higher revenue, occupancy and room rates as compared with the previous year.

PROPERTY DEVELOPMENT AND INVESTMENT

The Group's luxurious residential project at 1 South Bay Close, Repulse Bay, Hong Kong has topped out and the façade and internal building works are proceeding well.

The above grade construction work of the Group's Phase III residential condominium at 88 Queen Street East, Toronto, Canada is progressing according to schedule with the podium construction completed and the tower construction well underway.



A glimpse inside the newly renovated two-bedroom suites at The Putman, one of the Group's designer boutique hotels.

PROSPECTS

WATCHES MANUFACTURING AND WATCH COMPONENTS

The interest rate hikes in most countries this past year have weakened consumers' demand as well as Hong Kong's exports. This economic environment continues to challenge the Group's watch manufacturing and watch components business.

HOTEL OPERATION

With increasing numbers of both business and leisure visitors to Hong Kong, the prospects of the Group's designer boutique hotels is encouraging and the Group intends to take advantage of this trend to further increase room rates.

PROPERTY DEVELOPMENT AND INVESTMENT

The Group has engaged internationally renowned designers for the interior design of its show flats for its luxurious residential project at 1 South Bay Close, Repulse Bay.

Regarding the Group's mixed-use project at 88 Queen Street East in Toronto, Canada, the building is expected to top-off later this year and complete in 2024.

The Group anticipates that both inflation and interest rates to remain at an elevated level for a longer period than expected. The Group will take a conservative view and approach in its future investments.

Finally, on behalf of the Board, I would like to thank all our staff for their loyalty and dedication especially during these challenging times.

Jimmy Lee Yuen Ching
Chairman

Hong Kong, 27 June 2023

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE STRATEGY

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

The Group's watch manufacturing and watch component trading division continues to focus on traditional watch products while exploring the development of new technologies including smart, connected and hybrid watches.

The Group's property development and investment division remains committed to building the highest quality projects with a focus on design excellence. The Group has performed extensive research into expanding our sales and development expertise into different geographic markets and constantly looks for investment opportunities.

The Group's hotel operation division aims at providing first class hotel management services to each and every customer with the highest levels of care.



The Group has produced its own line of hybrid smartwatches that feature traditional mechanical dials with mobile connected notifications and state-of-the-art sensors that track heart rate and rhythm, breathing, sleep, stress as well as sports performance.

Constructed with premium materials including a SUS316 Stainless Steel case and bezel, sapphire crystal glass and genuine Italian leather straps, it is water resistant to 5ATM.

A companion app is available for Android and iOS, with individual data analysed and calibrated over time to provide personalized recommendations.

BUSINESS REVIEW

For the financial year ended 31 March 2023, the Group's profit before taxation decreased by 22% to approximately HK\$65 million. The volatile financial markets greatly contributed to the decrease in the Group's profits.

Global interest rates significantly increased, causing additional finance costs of approximately HK\$65 million as compared with the previous financial year. The appreciation of US dollar against most foreign currencies also negatively impacted the value of the Group's overseas holdings in dollar terms.

As well, the property market in Hong Kong remained extremely difficult as a result of the fifth wave of COVID-19 and the slow post-COVID reopening of Hong Kong to the rest of the world. In the previous financial year, the Group benefitted from the disposal of three houses at its joint venture residential development at 45 Tai Tam Road, Hong Kong while no sales at this development were recorded in the year under review.

WATCHES MANUFACTURING AND WATCH COMPONENTS

During the year under review, the Group's watch manufacturing and trading division recorded moderate decreases in profit as demand remained constricted in this difficult financial environment.

PROPERTY DEVELOPMENT AND INVESTMENT

During the year under review, the Group's investment properties recorded increases in fair value of approximately HK\$299 million (2022: HK\$135 million) as the property market sentiment recovered after the re-opening of the borders with China and overseas countries.

HOTEL OPERATION

The Group's hotel business recorded an increase in segmental profit of 73% to approximately HK\$43 million as the Group continued to capitalise on the return of business and leisure visitors to Hong Kong.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2023, the Group's total borrowings were approximately HK\$4,847 million (2022: HK\$4,620 million), representing an increase of approximately HK\$227 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$1,365 million repayable within one year, approximately HK\$3,272 million within two to five years and HK\$210 million beyond five years.

At the year end date, the Group's gearing ratio was 1.37 (2022: 1.25) which is calculated based on the Group's long-term borrowings of approximately HK\$3,482 million (2022: HK\$3,281 million) and shareholders' funds of approximately HK\$2,545 million (2022: HK\$2,615 million).

As at 31 March 2023, the Group's total bank balances and cash was approximately HK\$852 million (2022: HK\$1,100 million).

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

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

As at 31 March 2023, 84% of the Group's borrowings were in HKD, 13% in CAD, 1% in GBP, 1% in JPY and 1% in USD. As at 31 March 2023, 44% of the Group's bank balances and cash was in USD, 31% in HKD, 13% in CAD, 5% in JPY, 5% in RMB, and 2% in others.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

CHARGES ON ASSETS

As at 31 March 2023, certain properties and time deposits of the Group of approximately HK\$6,798 million (2022: HK\$6,058 million) were pledged to secure banking facilities for the Group.

EMPLOYEES

As at 31 March 2023, the Group employed approximately 250 employees in Hong Kong, the People's Republic of China ("PRC") and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$110 million (2022: HK\$103 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.

EXECUTIVE DIRECTORS

Mr. Jimmy Lee Yuen Ching (“Mr. Jimmy Lee”), aged 76, 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 from 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 31 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 43, 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 JPMorgan in New York.

Mr. James Lee Yuen Kui (“Mr. James Lee”), aged 69, is one of the Managing Directors of the Group. He joined the Group in 1976 and is currently responsible for the supervision of administration, trading of watch components and material procurement from foreign suppliers.

Mr. Edward Lee Yuen Cheor (“Mr. Edward Lee”), aged 65, 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. (“Mr. Ricky Wai”), aged 76, 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 63, 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.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. William Chan Chak Cheung (“Mr. William Chan”), aged 75, has been an Independent Non-executive Director of the Company since 2004. He is 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 PwC with a career spanning 33 years in Canada, Hong Kong and Mainland China. He brings extensive experience in solving complex business issues in many different industries including the real estate industry. He had worked 20 years in Canada and is very familiar with business issues in Canada. From 2004 to 2017, he had been an independent director of six other public companies or regulated companies. He brings extensive experience in risk management matters to the Group.

Mr. Chan Kwok Wai (“Mr. Chan”), aged 64, has been an Independent Non-executive Director of the Company since April 2005. He is the Chairman of the Audit and Risk Management Committee and a member of the 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 (Stock Code: 0132), Tern Properties Company Limited (Stock Code: 0277) and Chinese Estates Holdings Limited (Stock Code: 0127); and was an Independent Non-executive Director of Far East Consortium International Limited (Stock Code: 0035) for the period from 18 November 2005 to 30 August 2022, the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan brings extensive experience in financial reporting, corporate governance and internal control to the Group.

Mr. David Sun Dai Wai (“Mr. Sun”), aged 64, was appointed as an Independent Non-executive Director of the Company by way of a letter of appointment with an initial term of three years commencing from 17 February 2022. He is the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and Nomination Committee of the Company. Mr. Sun obtained a Bachelor’s degree in business administration (with honours) from the University of Western Ontario in Canada in 1981. He has been an executive director of Sun International Limited, Sun International Trading Company Limited, Sun International Concepts Limited and AOM-Sun Limited since 1981. He was a committee member of the Watch & Clock Advisory Committee of the Hong Kong Trade Development Council from 1988 to 2007 and 2012 to 2016. He was the co-chairman of Hong Kong International Watch & Clock Fair in 1991. Mr. Sun was the chairman of the Federation of Hong Kong Watch Trades & Industries Limited from 1991 to 1992. He also served as the president of the Hong Kong Watch Importers’ Association from 1992 to 1994, 1996 to 1998 and 2002 to 2004. He was an executive committee member of the Hong Kong Retail Management Association from 1992 to 2012. He has been a director of China Horologe Association since 2008. Mr. Sun brings extensive experience in the watch and clock industry to the Group.

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 2023.

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 2023 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\$4,597,970 in aggregate was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 1.8 HK cents per share to the shareholders of the Company whose names appear on the register of members on Wednesday, 6 September 2023, amounting to approximately HK\$16,500,000 in aggregate.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2023 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 128 of the annual report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2023, the Company's reserves available for distribution to shareholders were HK\$216,090,797 (2022: HK\$265,623,654), including the contributed surplus of HK\$90,854,039 (2022: HK\$90,854,039) and retained profits of HK\$125,236,758 (2022: HK\$174,769,615).

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited, details of which are set out in note 34 to the consolidated financial statements.

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

DIRECTORS

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

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

Mr. William Chan Chak Cheung
Mr. Chan Kwok Wai
Mr. David Sun Dai Wai

In accordance with the Bye-law 99(A) of the Company, Mr. Edward Lee Yuen Cheor and Mr. Chan Kwok Wai shall retire by rotation and, being eligible, offer themselves for re-election.

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "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 2023, 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	58.354 %
Mr. Loewe Lee Bon Chi	Managing Director	21,720,000	–	549,514,894 (notes a, c)	571,234,894	62.130%
Mr. James Lee Yuen Kui	Managing Director	6,534	–	–	6,534	0.001%
Mr. Ricky Wai Kwong Yuen	Executive Director	–	40,994,543 (note d)	–	40,994,543	4.459%
Mr. William Chan Chak Cheung	Independent Non-executive Director	330,000	–	–	330,000	0.036%
Mr. David Sun Dai Wai	Independent Non-executive Director	–	6,097,857 (note e)	–	6,097,857	0.663%

REPORT OF THE DIRECTORS

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 6,097,857 shares are held by Sun International Limited, the issued share capital of which are owned by Mr. David Sun Dai Wai and parties acting in concert with him. Therefore Mr. David Sun Dai Wai 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 919,420,962 shares in issue as at 31 March 2023.

Saved as disclosed above, at 31 March 2023, 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 2023.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 March 2023, the Group's five largest suppliers accounted for approximately 82.75% of the Group's purchases of which 50.93% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 43.49% of the Group's turnover of which 21.43% 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 2023, 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 has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 43 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Company, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 March 2023.

DONATIONS

During the year ended 31 March 2023, the Group made charitable donations amounting to HK\$97,926 (2022: HK\$22,000).

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, 27 June 2023

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining and upholding high standards of corporate governance. During the year ended 31 March 2023 (the “Year”), 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 (<i>Chairman</i>)	4/4	1/1
Mr. Loewe Lee Bon Chi (<i>Managing Director</i>)	4/4	1/1
Mr. James Lee Yuen Kui (<i>Managing Director</i>)	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:		
Mr. William Chan Chak Cheung	4/4	1/1
Mr. Chan Kwok Wai	4/4	1/1
Mr. David Sun Dai 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.

CORPORATE GOVERNANCE REPORT

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
Mr. Chan Kwok Wai (<i>Independent</i>) – <i>Committee Chairman</i>	4/4
Mr. William Chan Chak Cheung (<i>Independent</i>)	4/4
Mr. David Sun Dai Wai (<i>Independent</i>)	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 2022;
- Reviewed the interim results of the Group for the six months ended 30 September 2022;
- 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 2022;
- Reviewed the Environmental, Social and Governance Report of the Group for the year ended 31 March 2022;
- 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 individuals suitably qualified in terms of skill, knowledge and experience to become members of the Board in accordance with the board diversity policy adopted, taking into account of the existing composition of the Board in terms of skill, knowledge and experience and make recommendation to the Board for approval.

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

Members	Meetings Attended/Held
Mr. William Chan Chak Cheung (<i>Independent</i>) – <i>Committee Chairman</i>	1/1
Mr. Chan Kwok Wai (<i>Independent</i>)	1/1
Mr. David Sun Dai Wai (<i>Independent</i>)	1/1
Mr. Jimmy Lee Yuen Ching	1/1
Mr. Loewe Lee Bon Chi	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:

- to make recommendations to the Board on the Company’s policy and structure of remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to recommend the remuneration packages of the Directors and senior management; and
- 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
Mr. David Sun Dai Wai (<i>Independent</i>) – <i>Committee Chairman</i>	2/2
Mr. William Chan Chak Cheung (<i>Independent</i>)	2/2
Mr. Chan Kwok Wai (<i>Independent</i>)	2/2
Mr. Jimmy Lee Yuen Ching	2/2
Mr. Loewe Lee Bon Chi	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.

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.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 99(A) 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(A) 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(A) 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 Listing Rules relating to transactions and on-going compliance. All Directors have provided a record of the training they received to the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for overseeing 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 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 REVIEW FOR THE YEAR

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, has conducted an annual review of the effectiveness of the Company’s internal control and risk management systems for the Year to ensure that the Company maintains sound and effective controls to safeguard shareholders’ investment and the Company’s assets, while the management is responsible for the design, implementation and monitoring of such systems. The review covered financial, operational and compliance controls and risk management functions.

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.

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 businesses of the Group, the Group 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 adopting appropriate recommendations from the external auditors and external independent professionals.

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

CORPORATE GOVERNANCE REPORT

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	1,980
Non-audit services	168
Total	<u>2,148</u>

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 amounted to approximately HK\$1,360,000.

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 in 2019, 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 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.

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.

CORPORATE GOVERNANCE REPORT

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 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

CONSTITUTIONAL DOCUMENTS

A special resolution has been passed at the 2022 Annual General Meeting of the Company held on 22 August 2022 to adopt the amended and restated Bye-laws. Details can be found in the circular of the Company dated 20 July 2022. An up-to-date consolidated version of the memorandum and association and Bye-laws has been published on both the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Details of the environmental, social and governance of the Company will be set out in the Environmental, Social and Governance Report (the “ESG Report”) to be issued separately pursuant to Rule 13.91 and Appendix 27 to the Listing Rules.

INDEPENDENT AUDITORS' REPORT



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 125, which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023 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

Valuation of investment properties

Refer to note 15 to the consolidated financial statements.

The Group's investment properties amounted to HK\$4,890,224,988 as at 31 March 2023. Increase in fair value of investment properties of HK\$298,698,048 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.

How our audit addressed the key audit matter

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.

INDEPENDENT AUDITORS' REPORT

Key audit matter (Cont'd)

Valuation of properties under development for sale

Refer to note 25 to the consolidated financial statements.

The Group's properties under development for sale amounted to HK\$1,560,933,226 as at 31 March 2023.

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 sale 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.

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.

How our audit addressed the key audit matter (Cont'd)

Our procedures in relation to the valuation of properties under development for sale included:

- Evaluating the appropriateness of the estimated selling price by comparing it with recent sales transactions for similar properties in similar locations.
- Challenging the estimation of the total budget cost of the properties under development used by management in estimating the cost to completion of the properties under development by evaluating the effectiveness of management's prior period estimation process.

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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 HKSA's 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 HKSA's, 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.

INDEPENDENT AUDITORS' REPORT

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, actions taken to eliminate threats or safeguards applied.

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, 27 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023 (in HK Dollars)

	Notes	2023	2022
Revenue	7	501,313,169	694,563,912
Cost of sales		(393,513,297)	(606,742,048)
Gross profit		107,799,872	87,821,864
Other income, other gains and losses, net	8	(11,058,895)	(37,026,112)
Increase in fair value of investment properties	15	298,698,048	134,757,261
Distribution costs		(8,791,559)	(8,253,774)
Administrative expenses		(170,207,429)	(115,232,784)
Finance costs	9	(140,265,781)	(74,851,187)
Share of results of associates		(67,405)	25,388
Share of results of joint ventures		(10,608,405)	96,832,845
Profit before taxation	10	65,498,446	84,073,501
Income tax (expense)/credit	12	(16,654,533)	7,204,485
Profit for the year		48,843,913	91,277,986
Profit for the year attributable to:			
– Owners of the Company		48,869,383	91,356,972
– Non-controlling interests		(25,470)	(78,986)
		48,843,913	91,277,986
Earnings per share	14		
Basic		5.2 HK cents	9.5 HK cents
Diluted		5.2 HK cents	9.5 HK cents

The accompany notes form an integral part of these consolidated financial statements. Details of dividends for the year are disclosed in note 13 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023 (in HK Dollars)

	2023	2022
Profit for the year	48,843,913	91,277,986
Other comprehensive (expense)/income		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit obligation	399,249	(603,618)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(57,332,657)	18,489,702
Fair value gain on other assets at fair value through other comprehensive income	765,000	4,790,000
	(56,567,657)	23,279,702
Other comprehensive (expense)/income for the year	(56,168,408)	22,676,084
Total comprehensive (expense)/income for the year	(7,324,495)	113,954,070
Total comprehensive (expense)/income for the year attributable to:		
– Owners of the Company	(7,299,025)	114,033,056
– Non-controlling interests	(25,470)	(78,986)
	(7,324,495)	113,954,070

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023 (in HK Dollars)

	Notes	2023	2022
Non-current assets			
Investment properties	15	4,890,224,988	4,347,962,250
Property, plant and equipment	16	48,653,872	55,348,942
Right-of-use assets	17	301,784,471	321,489,959
Goodwill	18	1,269,932	1,269,932
Interests in associates	19	7,244,902	7,312,307
Interests in joint ventures	20	331,772,253	342,380,658
Other assets at fair value through other comprehensive income	21	27,500,000	26,735,000
Deferred tax assets	36	5,611,200	8,031,250
		5,614,061,618	5,110,530,298
Current assets			
Debt instruments at amortised cost	22	—	3,144,017
Inventories	23	61,802,714	94,199,104
Financial assets at fair value through profit or loss	24	152,693,565	199,831,028
Inventory of unsold properties		62,324,876	69,560,713
Properties under development for sale	25	1,560,933,226	1,325,975,077
Bills receivables	26	664,664	761,950
Trade receivables, deposits and prepayments	27	184,431,838	374,906,609
Amount due from an associate	19	9,889,499	9,786,402
Amount due from a joint venture	20	8,701,422	48,701,422
Tax recoverable		498,636	1,187,752
Bank balances and cash	28	852,304,897	1,100,195,772
		2,894,245,337	3,228,249,846
Current liabilities			
Trade and bills payables	29	28,995,195	68,596,023
Customers' deposits	30	567,907,320	585,298,237
Accrued expenses and other payables		167,573,577	118,371,690
Amount due to an associate	19	4,405,148	4,405,148
Amount due to a joint venture	20	199,367,825	179,367,825
Tax payable		3,567,212	3,145,703
Derivative financial instruments	31	—	20,684
Lease liabilities	32	16,756,295	17,319,229
Bank loans	33	1,364,816,521	1,338,453,008
		2,353,389,093	2,314,977,547
Net current assets		540,856,244	913,272,299
Total assets less current liabilities		6,154,917,862	6,023,802,597

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023 (in HK Dollars)

	Notes	2023	2022
Capital and reserves			
Share capital	34	91,942,096	94,930,696
Reserves		2,452,846,957	2,520,289,726
Equity attributable to owners of the Company		2,544,789,053	2,615,220,422
Non-controlling interests		1,359,522	1,384,992
Total equity		2,546,148,575	2,616,605,414
Non-current liabilities			
Provision for long service payments	35	1,183,239	1,814,267
Lease liabilities	32	50,957,830	63,731,825
Bank loans	33	3,481,974,650	3,281,226,408
Deferred tax liabilities	36	74,653,568	60,424,683
		3,608,769,287	3,407,197,183
		6,154,917,862	6,023,802,597

The consolidated financial statements on pages 31 to 125 were approved and authorised for issue by the Board of Directors on 27 June 2023 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

LOEWE LEE BON CHI
Director

The accompany notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023 (in HK Dollars)

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Exchange reserve	Revaluation reserve	FVTOCI reserve	Other reserve	Contributed surplus	Capital redemption reserve	Retained profits	Sub-total			
At 1 April 2021	97,017,296	34,677,029	(30,020,228)	37,159,511	10,212,500	22,920,911	66,141,751	44,861,840	2,273,774,697	2,556,745,307	1,463,978	2,558,209,285	
Profit/(Loss) for the year	-	-	-	-	-	-	-	-	91,356,972	91,356,972	(78,986)	91,277,986	
Other comprehensive income/(expense) for the year	-	-	18,489,702	-	4,790,000	-	-	-	(603,618)	22,676,084	-	22,676,084	
Total comprehensive income/(expense) for the year	-	-	18,489,702	-	4,790,000	-	-	-	90,753,354	114,033,056	(78,986)	113,954,070	
Dividends paid	-	-	-	-	-	-	-	-	(33,864,819)	(33,864,819)	-	(33,864,819)	
Repurchase of own shares	(2,086,600)	-	-	-	-	-	-	2,086,600	(21,693,122)	(21,693,122)	-	(21,693,122)	
At 31 March 2022 and 1 April 2022	94,930,696	34,677,029	(11,530,526)	37,159,511	15,002,500	22,920,911	66,141,751	46,948,440	2,308,970,110	2,615,220,422	1,384,992	2,616,605,414	
Profit/(Loss) for the year	-	-	-	-	-	-	-	-	48,869,383	48,869,383	(25,470)	48,843,913	
Other comprehensive (expense)/income for the year	-	-	(57,332,657)	-	765,000	-	-	-	399,249	(56,168,408)	-	(56,168,408)	
Total comprehensive (expense)/income for the year	-	-	(57,332,657)	-	765,000	-	-	-	49,268,632	(7,299,025)	(25,470)	(7,324,495)	
Dividends paid	-	-	-	-	-	-	-	-	(32,860,219)	(32,860,219)	-	(32,860,219)	
Repurchase of own shares	(2,988,600)	-	-	-	-	-	-	2,988,600	(30,272,125)	(30,272,125)	-	(30,272,125)	
At 31 March 2023	91,942,096	34,677,029	(68,863,183)	37,159,511	15,767,500	22,920,911	66,141,751	49,937,040	2,295,106,398	2,544,789,053	1,359,522	2,546,148,575	

The other reserve represents the difference between the amount by which the non-controlling interests are adjusted and the consideration received is recognised directly in equity and attributed to owners of the Company regarding the changes in the Group's ownership interests in the subsidiary that do not result in the Group losing control over the subsidiary.

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 2023 (in HK Dollars)

	2023	2022
Operating activities		
Profit before taxation	65,498,446	84,073,501
Adjustments for:		
Finance costs	140,265,781	74,851,187
Share of results of associates	67,405	(25,388)
Share of results of joint ventures	10,608,405	(96,832,845)
Waiver of amount due from a joint venture	40,000,000	–
(Reversal of write-down)/Write-down of inventories	(507,415)	1,477,074
Provision for long service payments	50,764	28,971
Depreciation of property, plant and equipment	7,991,752	9,829,746
Depreciation of right-of-use assets	23,678,394	24,797,286
Interest income	(12,483,484)	(3,868,876)
Increase in fair value of investment properties	(298,698,048)	(134,757,261)
Gain on disposal of property, plant and equipment	(2,233,056)	(380,294)
Loss on fair value changes of financial assets at fair value through profit or loss	32,785,401	49,900,352
(Gain)/Loss on fair value changes of derivative financial instruments	(77,287)	42,254
Operating cash flows before movements in working capital	6,947,058	9,135,707
Decrease/(Increase) in inventories	32,903,805	(6,004,903)
Increase in properties under development for sale	(383,973,109)	(511,489,720)
Decrease/(Increase) in bills receivables	97,286	(198,411)
Decrease/(Increase) trade receivables, deposits and prepayments	189,377,560	(74,759,964)
Decrease/(Increase) in financial assets at fair value through profit or loss	14,352,062	(22,406,471)
Increase in amount due from an associate	(103,097)	(30,000)
(Decrease)/Increase in trade and bills payables	(39,600,828)	6,778,185
Increase in customers' deposits	25,925,903	183,583,785
Increase in accrued expenses and other payables	46,481,708	13,850,586
Decrease in amount due to an associate	–	(150,000)
Increase in amount due to a joint venture	20,000,000	–
Utilisation of provision for long service payments	(282,543)	(451,452)
Cash used in operations	(87,874,195)	(402,142,658)
Hong Kong Profits Tax refunded/(paid)	53,448	(552,259)
Overseas income tax refunded/(paid)	892,155	(14,695,242)
Net cash used in operating activities	(86,928,592)	(417,390,159)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023 (in HK Dollars)

	2023	2022
Investing activities		
Additions to investment properties	(159,862,487)	(120,049,409)
Acquisition of a subsidiary	–	(132,558,000)
Purchase of property, plant and equipment	(1,610,847)	(1,218,398)
Repayment from joint ventures	–	183,724,472
Receipt from maturity of debt instruments at amortised cost	3,323,483	–
Proceed from disposal of property, plant and equipment	2,454,850	452,622
Dividends from a joint venture	–	129,500,000
Interest received	12,304,018	3,769,844
Net cash (used in)/generated from investing activities	(143,390,983)	63,621,131
Financing activities		
New bank loans raised	2,217,704,504	2,414,713,007
Interest paid	(200,615,087)	(106,649,660)
Dividends paid	(32,860,219)	(33,864,819)
Receipt from/(Settlement of) derivative financial instruments	56,603	(2,211,479)
Repayment of bank loans	(1,969,274,835)	(1,887,971,128)
Repayment of lease liabilities	(17,610,161)	(17,852,195)
Repurchase of own shares	(30,272,125)	(21,693,122)
Net cash (used in)/generated from financing activities	(32,871,320)	344,470,604
Net decrease in cash and cash equivalents	(263,190,895)	(9,298,424)
Cash and cash equivalents at 1 April	1,100,195,772	1,095,050,633
Effect of foreign exchange rate changes	15,300,020	14,443,563
Cash and cash equivalents at 31 March	852,304,897	1,100,195,772
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	852,304,897	1,100,195,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

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 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Borrowings which are subject to meeting certain conditions/covenants within 12 months from reporting date

As at 31 March 2023, the Group’s right to defer settlement for borrowings of HK\$1,137,919,109 are subject to compliance with certain financial ratios within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at 31 March 2023. The Group will further assess the potential impacts of the amendments in relation to the borrowings with financial and other covenants. The impacts on application, if any, will be disclosed in the Group’s future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group’s other liabilities as at 31 March 2023.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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, certain financial instruments and other assets 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 accounted for in accordance with HKFRS 16, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 April 2022, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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 acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations or asset acquisitions (Cont'd)

Business combinations (Cont'd)

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost 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 group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates and joint ventures (Cont'd)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in associates and joint ventures (Cont'd)

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.

Revenue from contracts with customers

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 leases is described in the accounting policy for leasing below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Right-of-use assets (Cont'd)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within “investment properties” and “properties under development for sale” respectively.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

Lease liabilities (Cont'd)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The Group as a lessee (Cont'd)

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment

Property, plant and equipment including buildings 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to properties under development. The property's deemed cost for subsequent accounting as properties under development is its fair value at the date of change in use.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (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; 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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("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 other comprehensive income ("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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (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 expected credit losses (“ECL”) on financial assets which are subject to impairment under HKFRS 9 (including debt instruments at amortised cost, bills receivables, trade receivables, deposits, other receivables, amount due from an associate, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (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 foregoing, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Financial liabilities at FVTPL (Cont'd)

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, amount due to a joint venture, lease liabilities 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

- (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 influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

4. 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.

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.

Properties under development for sale

An assessment of the net realisable value is made in each reporting period. The Group takes into consideration the current market environment and the estimated market value of leasehold land. Such assessment was made based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making the assessment, the directors have made estimates concerning estimated prices to be generated by the completed properties and made deductions for the estimated development costs and required estimated development profits from the properties. The assumptions used are intended to reflect conditions existing at the end of the reporting period. Impairment is made if the estimated net realisable value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, a material provision for impairment loss may result. The carrying amount of the properties under development for sale is HK\$1,560,933,226 (2022: HK\$1,325,975,077).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management of the Company 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 Group's management 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.

Income taxes

Determining income tax provisions involves judgement on the tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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:

	2023	2022
Debt ⁽ⁱ⁾	3,481,974,650	3,281,226,408
Equity ⁽ⁱⁱ⁾	2,544,789,053	2,615,220,422
Gearing ratio	137%	125%

(i) Debt is defined as non-current bank loans as detailed in note 33.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2023	2022
<i>Financial assets</i>		
Debt instruments at amortised cost	–	3,144,017
Mandatorily measured at FVTPL		
– Financial assets at fair value through profit or loss	152,693,565	199,831,028
Financial assets at amortised cost		
– Bills receivables	664,664	761,950
– Trade receivables, deposits and other receivables	56,232,951	250,371,570
– Amount due from an associate	9,889,499	9,786,402
– Amount due from a joint venture	8,701,422	48,701,422
– Bank balances and cash	852,304,897	1,100,195,772
	927,793,433	1,409,817,116
<i>Financial liabilities</i>		
Financial liabilities at amortised cost		
– Trade and bills payables	28,995,195	68,596,023
– Accrued expenses and other payables	167,573,577	118,371,690
– Amount due to an associate	4,405,148	4,405,148
– Amount due to a joint venture	199,367,825	179,367,825
– Lease liabilities	67,714,125	81,051,054
– Bank loans	4,846,791,171	4,619,679,416
	5,314,847,041	5,071,471,156
Derivative financial instruments	–	20,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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 management of the Company 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 29% (2022: 40%) of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 1% (2022: 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	
	2023	2022	2023	2022
Canadian Dollar ("CAD")	722,256,822	582,051,532	165,186,864	670,407,470
Japanese Yen ("JPY")	72,297,550	104,669,115	47,271,081	113,070,428
United States Dollar ("USD")	22,282,208	40,638,327	379,349,190	132,870,138
Renminbi ("RMB")	1,698,875	3,090,337	102,014,967	98,885,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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% (2022: 5%) increase and decrease in HKD against the relevant foreign currencies. 5% (2022: 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% (2022: 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% (2022: 5%) against the relevant currencies. For a 5% (2022: 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⁾	
	2023	2022	2023	2022
Profit or loss	1,278,000	1,888,000	–	–
Equity	–	–	8,193,000	1,962,000

(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 lease liabilities, while the Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see note 33 for details of these borrowings).

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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 (2022: 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 (2022: 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\$17,429,000 (2022: HK\$17,351,000).

(iii) Other price risk

The Group is exposed to price risk through its debt instruments at amortised cost 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% (2022: 5%) higher/lower, the Group's profit for the year would increase/decrease by approximately HK\$7,635,000 (2022: HK\$7,883,000). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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 bills receivables, trade receivables, deposits and other receivables, amount due from an associate, 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 37.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Debt instruments at amortised cost

For debt instruments at amortised cost, the Group applies a general approach in calculating ECL. At the end of each reporting period, the Group evaluates whether the debt instruments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the credit rating of the debt instruments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Bills receivables

As at 31 March 2023, the credit rating of bills receivables was performing. The Group accepts bills issued by major banks in Hong Kong 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.

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 2023 and 2022.

Debtors which are credit-impaired with gross carrying amount of HK\$14,669,626 (2022: HK\$14,649,445) is assessed individually, with impairment allowance for the entire amount made.

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

	Lifetime ECL (credit impaired)
At 1 April 2021	14,550,913
Impairment losses reversed	(7,520)
Exchange difference	106,052
At 31 March 2022 and 1 April 2022	14,649,445
Exchange difference	20,181
At 31 March 2023	14,669,626

Deposits and other receivables

As at 31 March 2023 and 2022, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Amount due from an associate

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 an associate was recognised.

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.

Counterparty	Location	Rating		Balance	
		2023	2022	2023	2022
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	Aa3	Aa2	349,750,349	403,793,012
Shanghai Commercial Bank Limited	Hong Kong	Aa3	Aa3	124,023,053	198,348,877

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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 31/03/2023
Non-derivative financial liabilities						
Trade and bills payables	28,995,195	-	-	-	28,995,195	28,995,195
Accrued expenses and other payables	167,573,577	-	-	-	167,573,577	167,573,577
Amount due to an associate	4,405,148	-	-	-	4,405,148	4,405,148
Amount due to a joint venture	199,367,825	-	-	-	199,367,825	199,367,825
Lease liabilities	19,769,585	17,238,030	33,923,021	6,621,522	77,552,158	67,714,125
Bank loans	1,559,824,062	1,689,347,619	1,807,180,948	301,999,264	5,358,351,893	4,846,791,171
Financial guarantees issued						
Maximum amount guaranteed	420,387,000	-	-	-	420,387,000	-
	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 31/03/2022
Non-derivative financial liabilities						
Trade and bills payables	68,596,023	-	-	-	68,596,023	68,596,023
Accrued expenses and other payables	118,371,690	-	-	-	118,371,690	118,371,690
Amount due to an associate	4,405,148	-	-	-	4,405,148	4,405,148
Amount due to a joint venture	179,367,825	-	-	-	179,367,825	179,367,825
Lease liabilities	20,789,861	18,274,831	39,709,649	15,418,830	94,193,171	81,051,054
Bank loans	1,441,645,656	1,214,973,506	1,827,251,359	384,623,089	4,868,493,610	4,619,679,416
Financial guarantees issued						
Maximum amount guaranteed	600,387,000	-	-	-	600,387,000	-
Derivatives						
Interest rate swaps	20,684	-	-	-	20,684	20,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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 31/03/2023	Fair value as at 31/03/2022	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\$50,845,999	HK\$82,187,019	Level 1	Quoted bid prices in an active market	N/A
Listed fund investments classified as financial assets at fair value through profit or loss	-	HK\$17,986,579	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\$36,708,646	HK\$23,484,000	Level 3	Recent transaction price	Recent transaction price
Unlisted fund investments classified as financial assets at fair value through profit or loss	HK\$65,138,920	HK\$59,199,561	Level 3	Net asset value ^(note)	Net asset ^(note) value
Unlisted debt instruments classified as financial assets at fair value through profit or loss	-	HK\$8,023,819	Level 2	Underlying assets has quoted price in an active market	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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		Fair value	Valuation	Significant
	31/03/2023	31/03/2022	hierarchy	technique(s) and key input(s)	unobservable input(s)
Equity linked notes	-	HK\$8,950,050	Level 2	Underlying assets has quoted price in an active market	N/A
Interest rate swaps classified as derivative financial instruments	Liabilities- -	Liabilities- HK\$20,684	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

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.

In June 2021, an unlisted equity security of approximately HK\$15,667,358 was listed on The Toronto Stock Exchange, with its shares traded in an active market. Therefore, the fair value of the investment as at 31 March 2022 was determined based on a published price quotation available on The Toronto Stock Exchange and was classified as Level 1 of the fair value hierarchy.

There were no changes made to any of the valuation techniques applied as of 31 March 2023. Other than the transfer of the equity security from Level 3 to Level 1 explained above, there were no transfers between the levels of the fair value hierarchy during the year ended 31 March 2022.

- (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

6. FINANCIAL INSTRUMENTS (Cont'd)

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

(iii) Reconciliation of Level 3 fair value measurements

	Unlisted warrant investment	Unlisted debt instruments	Unlisted equity securities	Unlisted fund investments	Total
At 1 April 2021	2,880,103	10,995,264	44,172,463	113,039,794	171,087,624
Purchase	-	-	-	19,661,931	19,661,931
Settlement	-	(10,833,326)	-	(41,413,043)	(52,246,369)
Redemption	-	-	-	(53,665,975)	(53,665,975)
Transfer out of level 3	-	-	(15,667,358)	-	(15,667,358)
Disposal	-	-	(750,726)	-	(750,726)
Total (losses)/gains in profit or loss	(2,880,103)	(161,938)	(4,270,379)	21,576,854	14,264,434
At 31 March 2022 and 1 April 2022	-	-	23,484,000	59,199,561	82,683,561
Purchase	-	-	36,708,646	6,732,222	43,440,868
Total losses in profit or loss	-	-	(23,484,000)	(792,863)	(24,276,863)
At 31 March 2023	-	-	36,708,646	65,138,920	101,847,566

7. REVENUE AND SEGMENT INFORMATION

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

	2023	2022
Revenue from contracts with customers within the scope of HKFRS 15, disaggregated by products or services		
Watches and watch movements	411,793,738	629,416,156
Sale of properties	-	472,352
Revenue from contracts with customers	411,793,738	629,888,508
Hotel operation	89,519,431	64,675,404
	501,313,169	694,563,912

Disaggregation of revenue from contracts with customers

	2023	2022
Timing of revenue recognition		
A point in time	411,793,738	629,888,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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 2023 and the expected timing of recognising revenue as follows:

	Sale of properties
More than one year but not more than two years	<u>2,801,181,159</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2022 and the expected timing of recognising revenue as follows:

	Sale of properties
More than two years	<u>3,021,430,907</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

7. REVENUE AND SEGMENT INFORMATION (Cont'd)

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 2023

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Consolidated
REVENUE				
External sales	411,793,738	–	89,519,431	501,313,169
RESULT				
Segment result	5,203,960	239,617,482	42,556,347	287,377,789
Bank interest income				12,304,018
Unallocated other income				6,268,558
Unallocated other expenses				(49,510,328)
Waiver of amount due from a joint venture				(40,000,000)
Finance costs				(140,265,781)
Share of results of associates				(67,405)
Share of results of joint ventures				(10,608,405)
Profit before taxation				65,498,446
Income tax expense				(16,654,533)
Profit for the year				48,843,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

7. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment revenue and results (Cont'd)

For the year ended 31 March 2022

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Consolidated
REVENUE				
External sales	629,416,156	472,352	64,675,404	694,563,912
RESULT				
Segment result	7,734,145	121,226,496	24,637,880	153,598,521
Bank interest income				3,769,844
Unallocated other income				484,048
Unallocated other expenses				(95,785,958)
Finance costs				(74,851,187)
Share of results of associates				25,388
Share of results of joint ventures				96,832,845
Profit before taxation				84,073,501
Income tax credit				7,204,485
Profit for the year				91,277,986

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each segment without allocation of central administration costs, share of results of associates and joint ventures, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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

	2023	2022
Manufacture of watches and trading of watch movements	199,136,628	238,349,400
Property development and investment	4,290,729,053	3,861,402,770
Hotel operation	2,351,861,605	2,135,008,978
Total segment assets	6,841,727,286	6,234,761,148
Interests in associates	7,244,902	7,312,307
Interests in joint ventures	331,772,253	342,380,658
Amount due from an associate	9,889,499	9,786,402
Amount due from a joint venture	8,701,422	48,701,422
Unallocated	1,308,971,593	1,695,838,207
Consolidated assets	8,508,306,955	8,338,780,144

Segment liabilities

	2023	2022
Manufacture of watches and trading of watch movements	36,187,055	75,951,300
Property development and investment	706,038,821	665,458,513
Hotel operation	14,508,677	13,140,863
Total segment liabilities	756,734,553	754,550,676
Amount due to an associate	4,405,148	4,405,148
Amount due to a joint venture	199,367,825	179,367,825
Unallocated	5,001,650,854	4,783,851,081
Consolidated liabilities	5,962,158,380	5,722,174,730

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

- all assets are allocated to operating segments other than interests in associates and joint ventures, amounts due from an associate and a joint venture, other assets at fair value through other comprehensive income, debt instruments at amortised cost, 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 amounts due to an associate and a joint venture, tax payable, bank loans, deferred tax liabilities and other unallocated corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

7. REVENUE AND SEGMENT INFORMATION (Cont'd)

Other segment information

For the year ended 31 March 2023

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Unallocated	Consolidated
Capital additions	595,214	188,444,761	3,935,516	12,516	192,988,007
Depreciation of property, plant and equipment	1,676,600	1,592,631	1,007,366	3,715,155	7,991,752
Depreciation of right-of-use assets	6,178,034	6,928,992	1,260,533	9,310,835	23,678,394
Reversal of write-down of inventories	507,415	–	–	–	507,415
Increase in fair value of investment properties	–	154,650,807	144,047,241	–	298,698,048
Gain/(Loss) on disposal of property, plant and equipment	358,867	151,258	(3,402)	1,726,333	2,233,056

For the year ended 31 March 2022

	Manufacture of watches and trading of watch movements	Property development and investment	Hotel operation	Unallocated	Consolidated
Capital additions	846,791	260,680,660	11,602,612	42,520,244	315,650,307
Depreciation of property, plant and equipment	2,338,406	1,588,962	1,784,257	4,118,121	9,829,746
Depreciation of right-of-use assets	180,685	–	1,353,224	23,263,377	24,797,286
Write-down of inventories	1,477,074	–	–	–	1,477,074
Increase in fair value of investment properties	–	134,757,261	–	–	134,757,261
Gain/(Loss) on disposal of property, plant and equipment	46,622	339,931	(4,200)	(2,059)	380,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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:

	2023	2022
Watches and watch movements	411,793,738	629,416,156
Sale of properties	–	472,352
Hotel operation	89,519,431	64,675,404
	501,313,169	694,563,912

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	
	2023	2022	2023	2022
Hong Kong and the PRC	484,629,183	670,066,471	5,241,254,190	4,873,100,537
North America	3,288,689	15,511,932	177,060,623	29,495,654
Europe	13,269,906	8,906,030	147,090,625	156,271,857
Others	125,391	79,479	15,544,980	16,896,000
	501,313,169	694,563,912	5,580,950,418	5,075,764,048

Note: Non-current assets excluded other assets at fair value through other comprehensive income and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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:

	2023	2022
Customer A ¹	107,442,039	231,575,458

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

8. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2023	2022
Bank interest income	12,304,018	3,769,844
Government subsidies ^(note)	3,391,200	1,200,000
Interest income from debt instruments at amortised cost	179,466	99,032
Net loss on fair value changes of financial assets at fair value through profit or loss	(32,785,401)	(49,900,352)
Gain on disposal of property, plant and equipment	2,233,056	380,294
Net foreign exchange gain	–	5,616,871
Sundry income	3,618,766	1,808,199
	(11,058,895)	(37,026,112)

Note: During the year ended 31 March 2023, the Group recognised government grants of HK\$3,391,200 in respect of COVID-19-related subsidies which relates to Employment Support Scheme provided by the government of the HKSAR.

During the year ended 31 March 2022, the Group recognised government grants of HK\$1,200,000 in respect of COVID-19-related subsidies which relates to Hotel Sector Support Scheme provided by the government of the HKSAR.

9. FINANCE COSTS

	2023	2022
Interest on:		
Bank loans and overdrafts	205,733,945	105,032,874
Lease liabilities	3,471,686	3,403,371
Total borrowing costs	209,205,631	108,436,245
Less: Amounts capitalised to investment properties and properties under development	(68,939,850)	(33,585,058)
	140,265,781	74,851,187

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 4.98% (2022: 4.00%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

10. PROFIT BEFORE TAXATION

	2023	2022
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs including directors' emoluments	109,892,908	103,440,831
Depreciation of property, plant and equipment	7,991,752	9,829,746
Depreciation of right-of-use assets	23,678,394	24,797,286
Auditors' remuneration	3,140,721	3,340,973
Cost of inventories recognised as an expense	362,379,987	578,746,108
Net foreign exchange loss	49,140,200	–
(Gain)/Loss on fair value changes of derivative financial instruments	(77,287)	42,254
Expenses relating to short-term leases	712,969	1,250,391
(Reversal of write-down)/Write-down of inventories (included in cost of sales on consolidated statement of profit or loss)	(507,415)	1,477,074
Waiver of amount due from a joint venture	40,000,000	–
Gross rental income from investment properties	(89,519,431)	(64,675,404)
Less: Outgoings	20,710,885	14,752,824
Net rental income from investment properties	(68,808,546)	(49,922,580)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	Executive Director					Non-executive Director	Independent Non-executive Director				Total
	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. (note (i))	Mr. William Chan Chak Cheung	Mr. Chan Kwok Wai	Mr. Sun Dai Wai David (note (ii))	
For the year ended 31 March 2023											
Fees	50,000	50,000	50,000	50,000	50,000	50,000	–	396,000	396,000	396,000	1,488,000
Other emoluments											
Salaries and other benefits	15,484,400	6,520,800	6,079,200	3,420,600	1,872,000	–	–	–	–	–	33,377,000
Retirement benefit scheme contributions	18,000	18,000	18,000	18,000	18,000	–	–	–	–	–	90,000
	15,552,400	6,588,800	6,147,200	3,488,600	1,940,000	50,000	–	396,000	396,000	396,000	34,955,000
For the year ended 31 March 2022											
Fees	50,000	50,000	50,000	50,000	50,000	50,000	528,000	396,000	396,000	49,500	1,669,500
Other emoluments											
Salaries and other benefits	16,386,650	7,239,980	6,683,965	3,614,405	1,872,000	–	–	–	–	–	35,797,000
Retirement benefit scheme contributions	18,000	18,000	18,000	18,000	18,000	–	–	–	–	–	90,000
	16,454,650	7,307,980	6,751,965	3,682,405	1,940,000	50,000	528,000	396,000	396,000	49,500	37,556,500

Notes:

(i) Dr. Samson Sun, M.B.E., J.P. passed away on 28 November 2021.

(ii) Mr. Sun Dai Wai David was appointed on 17 February 2022.

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 (2022: four) of the Group's properties are provided to the directors as an accommodation. The rateable value of the properties is amounting to HK\$4,669,800 (2022: HK\$4,662,300).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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 (2022: four directors), details of whose emoluments are disclosed above. The emoluments of the remaining one (2022: one) highest paid individual of the Group are as follows:

	2023	2022
Salaries, allowances and other benefits	2,511,000	2,623,500
Retirement benefit scheme contributions	18,000	18,000
	2,529,000	2,641,500

The emoluments of the one (2022: one) remaining individual fell within the band from HK\$2,500,001 to HK\$3,000,000.

During the years ended 31 March 2023 and 2022, 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 (2022: Nil).

12. INCOME TAX EXPENSE/(CREDIT)

	2023	2022
Hong Kong Profits Tax		
Current year	456,709	–
Under/(Over) provision in prior years	60,330	(249,795)
	517,039	(249,795)
Other jurisdictions		
Current year	61,684	25,639
Over provision in prior years	(488,536)	(534,519)
	(426,852)	(508,880)
Deferred tax (note 36)		
Current year	16,564,346	(6,445,810)
	16,654,533	(7,204,485)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

12. INCOME TAX EXPENSE/(CREDIT) (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/(credit) for the year can be reconciled to profit before taxation per the consolidated statement of profit or loss as follows:

	2023	2022
Profit before taxation	65,498,446	84,073,501
Tax at Hong Kong Profits Tax rate of 16.5%	10,807,244	13,872,128
Tax effect of share of result of an associate	11,122	(4,189)
Tax effect of share of results of joint ventures	1,750,387	(15,977,419)
Tax effect of expenses not deductible for tax purpose	41,932,230	32,734,170
Tax effect of income not taxable for tax purpose	(44,963,857)	(37,421,334)
Tax effect of tax losses not recognised	5,404,434	10,777,720
Tax effect of different tax rates of operations in other jurisdictions	7,024,007	(1,181,399)
Utilisation of tax losses previously not recognised	(2,527,039)	(5,103,272)
Over provision in prior years	(428,206)	(784,314)
Others	(2,355,789)	(4,116,576)
Taxation charge/(credit) for the year	16,654,533	(7,204,485)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

13. DIVIDENDS

	2023	2022
Dividends recognised as distribution during the year		
2022 Final – 3.0 HK cents (2021: 3.0 HK cents) per share	28,262,249	29,037,329
2023 Interim – 0.5 HK cent (2022: 0.5 HK cent) per share	4,597,970	4,827,490
	<u>32,860,219</u>	<u>33,864,819</u>

Subsequent to the end of the reporting period, a final dividend of 1.8 HK cents (2022: A final dividend of 3.0 HK cents) per share in respect of the year ended 31 March 2023 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:

	2023	2022
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	<u>48,869,383</u>	<u>91,356,972</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>932,722,173</u>	<u>965,261,998</u>

No diluted earnings per share is presented for both years as there were no potential ordinary shares in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

15. INVESTMENT PROPERTIES

FAIR VALUE

At 1 April 2021	3,946,422,950
Additions	131,715,536
Acquired on an acquisition of a subsidiary	132,463,810
Increase in fair value recognised in profit or loss	134,757,261
Exchange realignment	2,602,693
	<hr/>
At 31 March 2022 and 1 April 2022	4,347,962,250
Additions	187,103,928
Transfer from properties under development for sale	156,090,153
Increase in fair value recognised in profit or loss	229,368,264
Exchange realignment	(30,299,607)
	<hr/>
At 31 March 2023	4,890,224,988

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 2023 and 2022 have been arrived at on the basis of valuations carried out by Cushman & Wakefield Limited, Jones Lang LaSalle Limited and Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected with the Group, respectively.

The fair values of the Group's investment properties located in the PRC at 31 March 2023 and 2022 have been arrived at on the basis of a valuation carried out by Knight Frank Petty Limited, independent qualified professional valuer not connected with the Group.

The fair values of the Group's investment properties located in United Kingdom at 31 March 2023 and 2022 have been arrived at on the basis of a valuation carried out by Savills (UK) Limited, independent qualified professional valuer not connected with the Group.

The fair value of the Group's investment property located in Japan at 31 March 2023 and 2022 has been arrived at on the basis of a valuation carried out by CBRE K.K., independent qualified professional valuer not connected with the Group.

The fair values of the completed investment properties located in Hong Kong and United Kingdom, the investment properties under construction located in Canada and the land located in Japan 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, location, time and quality.

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 2023, the Group's properties under development for sale with carrying amounts of HK\$86,760,369 were transferred to investment properties at fair value of HK\$156,090,153 at the date of transfer due to the change of usage as evidenced by inception of leasing activities. The difference between the carrying amount and fair value which amounted to HK\$69,329,784 was recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

15. INVESTMENT PROPERTIES (Cont'd)

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 31/03/2023	Fair value as at 31/03/2022	Fair value hierarchy	Valuation technique	Significant unobservable inputs
Commercial and residential properties located in Hong Kong	HK\$2,711,000,000	HK\$2,558,500,000	Level 3	Direct comparison approach	Adjusted average price per square foot, ranging from HK\$18,608 to HK\$81,150 (2022: HK\$17,461 to HK\$79,959) (note (i))
Residential properties under redevelopment located in Hong Kong	HK\$1,570,000,000	HK\$1,340,000,000	Level 3	Residual approach	Adjusted average price per square foot of HK\$75,800 (2022: HK\$71,397) (note (i)) Expected developer's profit margin of 10% (2022: 10%) (note (ii)) Estimated outstanding development cost to complete amounted to HK\$51.3 million (2022: HK\$201 million) (note (iii))
Residential properties located in United Kingdom	HK\$147,090,625	HK\$155,636,250	Level 3	Direct comparison approach	Adjusted average price per square foot, ranging from HK\$43,217 to HK\$45,392 (2022: HK\$45,728 to HK\$48,029) (note (i))
Land in Japan for residential use	HK\$15,544,980	HK\$16,896,000	Level 3	Direct comparison approach	Adjusted average price per square metre of HK\$17,026 (2022: HK\$18,506) (note (i))
Industrial property under construction located in the PRC	HK\$276,424,500	HK\$276,930,000	Level 3	Residual approach	Adjusted average price per square metre of HK\$5,940 (2022: HK\$5,100 to HK\$5,300) (note (i)) Expected developer's profit margin ranging from 10% to 15% (2022: 15%) (note (ii))
Residential properties located in Canada	HK\$170,164,883	–	Level 3	Direct comparison approach	Adjusted average price per square foot of HK\$6,743 (note (i))

Notes:

- (i) A significant increase in the price per square foot/metre 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\$4,598,255,508 (2022: HK\$4,054,136,250) have been pledged to secure banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong	Freehold land and buildings outside Hong Kong	Building outside Hong Kong	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 2021	28,801,961	6,981,572	6,367,821	40,403,085	59,200,751	45,896,135	98,675,186	20,974,901	27,517,406	334,818,818
Exchange realignment	-	34,427	-	-	-	-	53,538	-	-	87,965
Additions	-	-	-	-	-	-	1,218,398	-	-	1,218,398
Disposals	-	-	-	-	(218,741)	-	(418,021)	-	-	(636,762)
At 31 March 2022 and 1 April 2022	28,801,961	7,015,999	6,367,821	40,403,085	58,982,010	45,896,135	99,529,101	20,974,901	27,517,406	335,488,419
Exchange realignment	-	14,400	-	-	-	-	(209,549)	-	-	(195,149)
Additions	-	-	-	61,100	35,356	-	1,269,403	-	244,988	1,610,847
Disposals	-	(1,833,362)	-	-	(774,711)	(7,142,521)	(194,271)	(79,425)	-	(10,024,290)
At 31 March 2023	28,801,961	5,197,037	6,367,821	40,464,185	58,242,655	38,753,614	100,394,684	20,895,476	27,762,394	326,879,827
DEPRECIATION AND IMPAIRMENT										
At 1 April 2021	11,551,503	4,985,097	3,315,187	23,843,858	59,116,269	39,390,609	86,195,063	15,159,885	27,264,805	270,822,276
Exchange realignment	-	21,553	-	-	-	-	30,336	-	-	51,889
Provided for the year	528,817	132,413	100,487	1,251,076	2,109	2,036,516	4,817,064	708,663	252,601	9,829,746
Eliminated on disposals	-	-	-	-	(218,741)	-	(345,693)	-	-	(564,434)
At 31 March 2022 and 1 April 2022	12,080,320	5,139,063	3,415,674	25,094,934	58,899,637	41,427,125	90,696,770	15,868,548	27,517,406	280,139,477
Exchange realignment	-	9,492	-	-	-	-	(112,270)	-	-	(102,778)
Provided for the year	528,817	132,953	100,486	840,735	6,104	1,632,371	4,186,438	529,822	34,026	7,991,752
Eliminated on disposals	-	(1,833,362)	-	-	(774,711)	(6,969,149)	(145,849)	(79,425)	-	(9,802,496)
At 31 March 2023	12,609,137	3,448,146	3,516,160	25,935,669	58,131,030	36,090,347	94,625,089	16,318,945	27,551,432	278,225,955
CARRYING VALUES										
At 31 March 2023	16,192,824	1,748,891	2,851,661	14,528,516	111,625	2,663,267	5,769,595	4,576,531	210,962	48,653,872
At 31 March 2022	16,721,641	1,876,936	2,952,147	15,308,151	82,373	4,469,010	8,832,331	5,106,353	-	55,348,942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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%
Buildings in Hong Kong	Over the shorter of the terms of leases, or 50 years
Leasehold improvements	14 $\frac{1}{3}$ % – 33 $\frac{1}{3}$ %
Plant and machinery	25%
Motor vehicles and yacht	10% – 25%
Furniture, fixtures and office equipment	14 $\frac{1}{3}$ % – 25%
Antiques and pictures	10%
Tools and moulds	15% – 33 $\frac{1}{3}$ %

As at 31 March 2023, the Group has pledged buildings with a net book value of HK\$16,192,824 (2022: HK\$16,721,641) to secure general banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

17. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Yacht	Total
As at 31 March 2023				
Carrying amount	238,319,630	63,327,906	136,935	301,784,471
As at 31 March 2022				
Carrying amount	243,071,114	73,722,558	4,696,287	321,489,959
For the year ended 31 March 2023				
Depreciation charge	4,751,483	14,367,559	4,559,352	23,678,394
For the year ended 31 March 2022				
Depreciation charge	4,751,483	15,486,451	4,559,352	24,797,286
			2023	2022
Interest expenses (note 9)			3,471,686	3,403,371
Expense relating to short-term leases			712,969	1,250,391
Total cash outflow for leases			21,794,816	22,505,957
Additions to right-of-use assets			4,273,232	50,252,563

For both years, the Group leases land, properties and yacht for its operations. Lease contracts are entered into for fixed term of 3 to 50 years (2022: 2.1 to 50 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Some lease contracts include an option to renew for an additional period after the end of the initial contract term. Where practicable, the Group seeks to include in all leases such extension options exercisable by the Group to provide operational flexibility. The Group assesses at the lease commencement date the likelihood of exercising the extension options, and only include those reasonably certain to be exercised in the measurement of lease liabilities.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 March 2023, the Group has pledged leasehold land with a carrying amount of HK\$238,319,630 (2022: HK\$243,071,114) to secure general banking facilities granted to the Group.

Details of the lease maturity analysis of lease liabilities are set out in note 6(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

18. GOODWILL

COST

At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 1,269,932

IMPAIRMENT

At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 —

CARRYING VALUES

At 31 March 2023 **1,269,932**

At 31 March 2022 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.

	2023	2022
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 2023 and 2022, 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. The value in use calculation of Unit A uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 11.17% (2022: 11.64%). The value in use calculation of Unit B uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 11.17% (2022: 11.63%). Both sets of cash flows beyond the 5-year period are extrapolated using a steady 3% (2022: 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.

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For the year ended 31 March 2023 (in HK Dollars)

19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM/TO AN ASSOCIATE

	2023	2022
Cost of unlisted investment in associates	3,013,396	3,013,396
Share of post-acquisition profits and other comprehensive income, net of dividends received	4,231,506	4,298,911
	7,244,902	7,312,307

Particulars of the Group's associates 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		Principal activities
				2023	2022	
Eden Bay Corporation ("Eden Bay")	Incorporated	British Virgin Islands/ Hong Kong	Ordinary	20%	20%	Investment holding
Dobree Investments Limited ("Dobree")	Incorporated	British Virgin Islands/ Hong Kong	Ordinary	50%	50%	Investment holding

The amount due from an associate included in the Group's current assets represents an amount of HK\$9,889,499 (2022: HK\$9,786,402) due by Dobree to the Group, which is unsecured, interest-free and repayable on demand.

The amount due to an associate included in the Group's current liabilities represents an amount of HK\$4,405,148 (2022: HK\$4,405,148) due by the Group to Eden Bay, which is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM/TO AN ASSOCIATE (Cont'd)

Summarised financial information of associates

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

The associates are accounted for using the equity method in these consolidated financial statements.

Eden Bay	2023	2022
Current assets	22,309,528	23,458,503
Non-current assets	–	–
Current liabilities	450	812,400
Non-current liabilities	–	–
Revenue	–	–
(Loss)/Profit from continuing operations	(337,026)	126,942
Post-tax profit from discontinued operations	–	–
(Loss)/Profit and total comprehensive expense for the year	(337,026)	126,942
Dividends received from the associate during the year	–	–

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

	2023	2022
Net assets of Eden Bay	22,309,078	22,646,103
Proportion of the Group's ownership interest in Eden Bay	20%	20%
Goodwill	4,461,816	4,529,221
	2,783,086	2,783,086
Carrying amount of the Group's interest in Eden Bay	7,244,902	7,312,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM/TO AN ASSOCIATE (Cont'd)

Summarised financial information of associates (Cont'd)

Dobree	2023	2022
Current assets	–	–
Non-current assets	–	–
Current liabilities	19,850,772	19,730,013
Non-current liabilities	–	–
Revenue	–	–
Loss from continuing operations	(120,759)	(97,209)
Post-tax profit from discontinued operations	–	–
Loss and total comprehensive expense for the year	(120,759)	(97,209)
Dividends received from the associate during the year	–	–

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

	2023	2022
Net liabilities of Dobree	(19,850,772)	(19,730,013)
Proportion of the Group's ownership interest in Dobree	50%	50%
Cumulative unrecognised share of loss and other comprehensive expense	(9,925,386)	(9,865,007)
	9,925,386	9,865,007
Carrying amount of the Group's interest in Dobree	–	–

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

	2023	2022
Unrecognised share of loss of an associate for the year	60,379	48,605
Cumulative unrecognised share of loss of an associate	9,925,386	9,865,007

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For the year ended 31 March 2023 (in HK Dollars)

20. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM/TO A JOINT VENTURE

	2023	2022
Costs of unlisted investments in joint ventures	317,813,998	317,813,998
Share of post-acquisition profits and other comprehensive income, net of dividends received	13,958,255	24,566,660
	331,772,253	342,380,658

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

Name of joint venture	Form of entity	Place of incorporation/ operation	Class of shares held	Percentage of ownership interests held by the Group		Principal activities
				2023	2022	
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

As at 31 March 2023, the amount due from a joint venture included in the Group's current assets represents an amount of HK\$8,701,422 (2022: HK\$48,701,422) due by Harvest Sun, which is unsecured, interest-free and repayable on demand.

As at 31 March 2023, the amount due to a joint venture included in the Group's current liabilities represents an amount of HK\$199,367,825 (2022: HK\$179,367,825) due by the Group to Tania, which is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

20. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM/TO A JOINT VENTURE (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	2023	2022
Current assets	1,079,140,497	1,051,199,246
Non-current assets	–	–
Current liabilities	399,090,145	102,932,084
Non-current liabilities	16,505,847	263,505,847

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	19,392,896	31,882,396
Current financial liabilities (excluding trade and other payables and provisions)	396,048,082	13,000,000
Non-current financial liabilities (excluding trade and other payables and provisions)	–	247,000,000

Tania	2023	2022
Revenue	–	1,316,350,000
(Loss)/Profit from continuing operations	(21,216,811)	193,665,690
Post-tax profit from discontinued operations	–	–
(Loss)/Profit and total comprehensive (expense)/income for the year	(21,216,811)	193,665,690
Dividends received from Tania during the year	–	129,500,000

The above loss for the year includes the following:

Depreciation and amortisation	–	–
Interest income	32,345	749
Interest expense	(15,429,384)	(14,880,784)
Income tax credit/(expense)	61,918	(62,045,872)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

20. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM/TO A JOINT VENTURE (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:

	2023	2022
Net asset of Tania	663,544,505	684,761,315
Proportion of the Group's ownership interest in Tania	50%	50%
Carrying amount of the Group's interest in Tania	331,772,253	342,380,658

Harvest Sun	2023	2022
Current assets	19,132,415	21,411,019
Non-current assets	–	–
Current liabilities	59,134,478	99,004,563
Non-current liabilities	–	–

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	19,129,331	19,339,813
Current financial liabilities (excluding trade and other payables and provisions)	58,024,442	97,752,837
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–

Harvest Sun	2023	2022
Revenue	–	–
Profit/(Loss) from continuing operations	52,707,978	(13,487,367)
Post-tax profit from discontinued operations	–	–
Profit/(Loss) and total comprehensive income/(expense) for the year	37,591,480	(377,915)
Dividends received from Harvest Sun during the year	–	–
The above profit for the year includes the following:		
Depreciation and amortisation	–	–
Interest income	43,867	793
Interest expense	–	(250,266)
Income tax credit	–	456,882

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For the year ended 31 March 2023 (in HK Dollars)

20. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM/TO A JOINT VENTURE (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:

	2023	2022
Net liabilities of Harvest Sun	(40,002,063)	(77,593,544)
Proportion of the Group's ownership interest in Harvest Sun	50%	50%
	(20,001,032)	(38,796,772)
Cumulative unrecognised share of loss and other comprehensive income	20,001,032	38,796,772
Carrying amount of the Group's interest in Harvest Sun	–	–

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

	2023	2022
Unrecognised share of (profit)/loss of a joint venture for the year	(18,795,740)	188,957
Cumulative unrecognised share of loss of a joint venture	20,001,032	38,796,772

21. OTHER ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
Club debentures	27,500,000	26,735,000

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		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/03/2023	31/03/2022		
Club debentures classified as other assets at fair value through other comprehensive income	HK\$27,500,000	HK\$26,735,000	Level 2	Market prices in secondary markets

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22. DEBT INSTRUMENTS AT AMORTISED COST

	2023	2022
Bonds listed in Luxembourg with fixed interest of 2.5% per annum and maturity date on 23 January 2023	–	3,144,017

23. INVENTORIES

	2023	2022
Raw materials and consumables	2,582,456	2,299,595
Work in progress	3,628,452	2,915,982
Finished goods	55,591,806	88,983,527
	61,802,714	94,199,104

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
Listed securities:		
– Equity securities listed in Hong Kong	50,542,965	49,411,010
– Equity securities listed in the United States of America	–	29,561,211
– Equity securities listed in Canada	303,034	3,214,798
Fund investments listed in Luxembourg	–	17,986,579
Unlisted debt instruments	–	8,023,819
Unlisted equity securities	36,708,646	23,484,000
Unlisted fund investments	65,138,920	59,199,561
Equity linked notes	–	8,950,050
	152,693,565	199,831,028

The fair value of the listed securities and listed fund investments are determined based on quoted market bid price available on the relevant stock exchange.

The fair value of the unlisted debt instruments 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.

The fair value of the equity linked notes is determined with reference to the quoted price of the underlying listed equity investments in Hong Kong and the United States of America at the end of the reporting period.

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For the year ended 31 March 2023 (in HK Dollars)

25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2023	2022
Expected to be completed after 12 months	1,560,933,226	1,325,975,077

The Group's properties under development for sale with an aggregate carrying amount of HK\$1,560,933,226 (2022: HK\$1,325,975,077) have been pledged to secure banking facilities granted to the Group.

26. BILLS RECEIVABLES

Bills receivables of HK\$664,664 (2022: HK\$761,950) are aged within 30 days.

27. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
Trade receivables	35,042,326	78,055,898
Less: allowance for credit losses	(14,669,626)	(14,649,445)
	20,372,700	63,406,453
Deposits and prepayments	133,981,868	278,814,932
Advance payment to suppliers	1,479,644	2,496,721
Other receivables	28,597,626	30,188,503
Total trade receivables, deposits and prepayments	184,431,838	374,906,609

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.

	2023	2022
Within 30 days	9,121,092	30,332,179
31 to 90 days	4,079,963	22,906,108
91 to 180 days	5,660	6,911,900
Over 180 days	7,165,985	3,256,266
	20,372,700	63,406,453

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27. 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. 46% (2022: 76%) of the trade receivables that are neither past due nor impaired have the best credit quality with reference to respective settlement history.

Movement in the allowance for credit losses

	2023	2022
At beginning of year	14,649,445	14,550,913
Impairment losses reversed	–	(7,520)
Exchange difference	20,181	106,052
At end of year	14,669,626	14,649,445

Included in the allowance for credit losses are individually credit-impaired trade receivables with an aggregate balance of HK\$14,669,626 (2022: HK\$14,649,445) which were past due and generally not recoverable and is considered as in default. The Group does not hold any collateral over these balances.

As at 31 March 2023, included in the Group's gross trade receivables balance are debtors with aggregate carrying amount of HK\$18,837,491 (2022: HK\$18,874,893) which are past due as at the reporting date. Out of the past due balances, HK\$3,035,184 (2022: HK\$3,027,962) has been past due 90 days or more and is not considered as in default. The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

28. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates ranging from 0.001% to 4.85% (2022: 0.001% to 3.09%) per annum.

Included in bank balances and cash are bank deposits of HK\$378,000,000 (2022: HK\$412,256,725) which are subject to the charges to secure general banking facilities granted to the Group. These bank deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

29. TRADE AND BILLS PAYABLES

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

	2023	2022
Within 30 days	19,333,587	53,045,072
31 to 90 days	8,925,334	14,973,427
91 to 180 days	2,285	15,766
Over 180 days	733,989	561,758
	<u>28,995,195</u>	<u>68,596,023</u>

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

30. CUSTOMERS' DEPOSITS

	2023	2022
Customers' deposits	<u>567,907,320</u>	<u>585,298,237</u>

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.

No revenue recognised that was included in the customers' deposits balance at the beginning of the year (2022: nil).

Customers' deposits in the amount of HK\$567,907,320 (2022: HK\$585,298,237) are expected to be recognised as revenue in the consolidated statement of profit or loss after more than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2023	2022
Derivatives not under hedge accounting		
Interest rate swaps	–	20,684

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\$20,000,000	From 1.130% to 1-month HIBOR

As at 31 March 2022, the above contracts will mature within five years from the end of the reporting period.

32. LEASE LIABILITIES

	2023	2022
Lease liabilities payable:		
Within one year	16,756,295	17,319,229
Within a period of more than one year but not more than two years	15,120,277	15,465,065
Within a period of more than two years but not more than five years	31,368,660	35,617,143
Within a period of more than five years	4,468,893	12,649,617
	67,714,125	81,051,054
Less: Amount due for settlement with 12 months shown under current liabilities	(16,756,295)	(17,319,229)
Amount due for settlement after 12 months shown under non-current liabilities	50,957,830	63,731,825

Lease obligations that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2023	2022
RMB	2,238,432	2,635,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

33. BANK LOANS

	2023	2022
Secured bank loans	3,938,867,714	4,016,843,966
Unsecured bank loans	907,923,457	602,835,450
	4,846,791,171	4,619,679,416
Carrying amount repayable:		
On demand or within one year	1,364,816,521	1,338,453,008
More than one year, but not exceeding two years	1,575,850,939	1,141,601,562
More than two years, but not exceeding five years	1,695,742,921	1,770,907,217
More than five years	210,380,790	368,717,629
	4,846,791,171	4,619,679,416
Less: Amounts due within one year shown under current liabilities	(1,364,816,521)	(1,338,453,008)
Amounts shown under non-current liabilities	3,481,974,650	3,281,226,408

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

	2023	2022
USD	13,563,897	26,878,321
GBP	83,574,735	91,306,916
JPY	52,796,461	49,013,933

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 from 1.32% to 7.50% (2022: 0.55% to 4.25%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

34. SHARE CAPITAL

	Number of shares		Amount	
	2023	2022	2023	2022
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	949,306,962	970,172,962	94,930,696	97,017,296
Cancelled on repurchase of shares	(29,886,000)	(20,866,000)	(2,988,600)	(2,086,600)
At end of the year	919,420,962	949,306,962	91,942,096	94,930,696

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		Aggregate consideration paid (including expenses)
		Highest	Lowest	
April 2022	8,000	1.01	1.01	8,191
May 2022	960,000	1.05	1.01	992,041
July 2022	6,264,000	1.03	1.03	6,477,239
August 2022	2,148,000	1.03	1.01	2,197,114
September 2022	12,200,000	1.01	1.00	12,267,671
October 2022	8,134,000	1.02	0.99	8,165,775
January 2023	12,000	0.98	0.96	11,958
February 2023	122,000	0.96	0.92	115,904
March 2023	38,000	0.95	0.91	36,232
	29,886,000			30,272,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

35. 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 2023 by Mr. Clarence Ma and Mr. Kin Cheng 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:

	2023	2022
Discount rate	3.20%	1.90%
Expected rate of salary increase	3.00%	3.00%
Expected rate of return on MPF balances	5.50%	3.00%
Expected rate of increase to long service payment maximum amount	0.00%	2.50%
Expected rate of increase to maximum MPF relevant income	2.50%	2.50%

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

	2023	2022
Current service cost	22,136	20,859
Interest cost	28,628	8,112
Components of defined benefit costs recognised in profit or loss	50,764	28,971
Remeasurement on the net defined benefit liability:		
Actuarial losses arising from experience adjustments	278,169	604,275
Actuarial gains arising from changes in financial assumptions	(677,291)	(597)
Actuarial gains arising from changes in demographic assumptions	(127)	(60)
Components of defined benefit (income)/cost recognised in other comprehensive income	(399,249)	603,618
Total	(348,485)	632,589

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

	2023	2022
Present value of the obligations under long service payments	1,183,239	1,814,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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

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

	2023	2022
At beginning of the year	1,814,267	1,633,130
Current service cost	22,136	20,859
Interest cost	28,628	8,112
Remeasurement (gains)/losses:		
– Actuarial losses arising from experience adjustments	278,169	604,275
– Actuarial gains arising from changes in financial assumptions	(677,291)	(597)
– Actuarial gains arising from changes in demographic assumptions	(127)	(60)
Benefits paid	(282,543)	(451,452)
At end of the year	1,183,239	1,814,267

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected rate of salary increase, expected return on MPF balances, 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\$3,940 (2022: HK\$14,239) (increase by HK\$3,966 (2022: HK\$14,636)).
- If the expected rate of salary increase is 25 basis points higher (lower), the defined benefit obligation would increase by HK\$6,396 (2022: HK\$32,872) (decrease by HK\$7,120 (2022: HK\$31,092)).
- If the expected rate of return on MPF balances is 25 basis points higher (lower), the defined benefit obligation would decrease by HK\$11,764 (2022: HK\$67,024) (increase by HK\$12,014 (2022: HK\$70,330)).
- If the expected rate of increase to long service payment maximum amount is 25 basis points higher, the defined benefit obligation would increase by HK\$11,295.
- If the expected rate of increase to maximum MPF relevant income is 25 basis points higher (lower), the defined benefit obligation would increase by nil (decrease by nil).

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 2023 is 1.4 year (2022: 3.2 years).

The expected defined benefit costs during the next financial year is HK\$39,290 (2022: HK\$50,764).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

36. 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:

	2023	2022
Deferred tax assets	5,611,200	8,031,250
Deferred tax liabilities	(74,653,568)	(60,424,683)
	(69,042,368)	(52,393,433)

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 2021	58,427,437	7,342,907	48,138,957	(55,009,061)	58,900,240
Charge/(Credit) to profit or loss for the year	389,230	–	(3,344,834)	(3,490,206)	(6,445,810)
Exchange differences	–	–	–	(60,997)	(60,997)
At 31 March 2022 and 1 April 2022	58,816,667	7,342,907	44,794,123	(58,560,264)	52,393,433
Charge/(Credit) to profit or loss for the year	451,280	–	18,737,982	(2,624,916)	16,564,346
Exchange differences	–	–	–	84,589	84,589
At 31 March 2023	59,267,947	7,342,907	63,532,105	(61,100,591)	69,042,368

At the end of the reporting period, the Group has unused tax losses of approximately HK\$1,090,321,000 (2022: HK\$1,180,576,000) available for offset against future profits. A deferred tax asset of HK\$61,100,591 (2022: HK\$58,560,264) has been recognised in respect of approximately HK\$370,307,000 (2022: HK\$358,359,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining approximately HK\$720,014,000 (2022: HK\$822,217,000) 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\$6,863,000 (2022: HK\$6,586,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

37. FINANCIAL GUARANTEE CONTRACTS

	2023	2022
Guarantee given to bank in respect of banking facilities to a joint venture ^{(note (a))}	420,000,000	600,000,000
Other guarantees ^{(note (b))}	387,000	387,000
	420,387,000	600,387,000

Notes:

- (a) At 31 March 2023, 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\$420,000,000 (2022: HK\$600,000,000), of which approximately HK\$396,000,000 (2022: HK\$260,000,000) 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.

38. CAPITAL COMMITMENTS

	2023	2022
Contracted for but not provided:		
Construction of properties	82,493,147	192,766,595
Investment properties	6,860,414	9,039,068
	89,353,561	201,805,663

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	2023	2022
Within one year	6,973,923	9,757,818
In the second year	1,650,000	1,307,702
In the third year	985,315	–
	9,609,238	11,065,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

40. RETIREMENT BENEFIT SCHEME

Commencing from 1 December 2000, the Group's employees are required to join the Mandatory Provident Fund ("MPF") Scheme. Under the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK\$1,500 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\$3,754,709 (2022: HK\$3,558,137) represents contributions payable to these schemes by the Group in respect of the current accounting period.

41. 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:

	2023	2022
Investment properties	4,598,255,508	4,054,136,250
Leasehold land (included in right-of-use assets)	238,319,630	243,071,114
Buildings in Hong Kong	16,192,824	16,721,641
Inventory of unsold properties	5,979,917	6,267,690
Properties under development for sale	1,560,933,226	1,325,975,077
Bank deposits	378,000,000	412,256,725

42. RELATED PARTY TRANSACTIONS

- (a) 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.
- (b) 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 37.
- (c) Compensation of key management personnel is disclosed in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

43. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 26 August 2019 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 25 August 2029. 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.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2023 and 2022. 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 shall be at least the highest 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.

44. 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	Lease liabilities	Bank loans	Total
At 1 April 2021	2,189,909	48,650,686	4,092,165,483	4,143,006,078
Financing cash flows	(2,211,479)	(21,255,566)	423,495,590	400,028,545
Loss on fair value changes	42,254	–	–	42,254
Interest expenses	–	3,403,371	105,032,874	108,436,245
New lease entered	–	50,252,563	–	50,252,563
Transfer to other payables	–	–	(1,786,585)	(1,786,585)
Exchange adjustment	–	–	772,054	772,054
At 31 March 2022 and 1 April 2022	20,684	81,051,054	4,619,679,416	4,700,751,154
Financing cash flows	56,603	(21,081,847)	51,286,268	30,261,024
Gain on fair value changes	(77,287)	–	–	(77,287)
Interest expenses	–	3,471,686	205,733,945	209,205,631
New lease entered	–	4,273,232	–	4,273,232
Transfer to other payables	–	–	(8,590,544)	(8,590,544)
Exchange adjustment	–	–	(21,317,914)	(21,317,914)
At 31 March 2023	–	67,714,125	4,846,791,171	4,914,505,296

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For the year ended 31 March 2023 (in HK Dollars)

45. ACQUISITION OF A SUBSIDIARY

Speedy Tactic Limited (“Speedy”)

In October 2021, the Group acquired the entire issued share capital of Speedy and the benefit of the vendor’s shareholder loan for a total consideration of HK\$132,558,000.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 *Business Combinations* and concluded that the investment property is a single identifiable asset. Consequently, the Group determined that substantially all of the fair value of the gross assets acquired is concentrated in the identifiable asset and concluded that the acquired set of activities and assets is not a business.

Consideration transferred

Cash	132,558,000
Less: assignment of shareholder loan	(114,655,571)
	<u>17,902,429</u>

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

Investment property	132,463,810
Deposits and prepayments	94,190
Amount due to a shareholder	(114,655,571)
	<u>17,902,429</u>

Net cash outflow on acquisition:

Cash consideration paid	132,558,000
Less: cash and cash equivalent balances acquired	–
	<u>132,558,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

46. 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		Principal activities
				2023	2022	
<i>Direct subsidiary</i>						
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
<i>Indirect subsidiary</i>						
88 Queen Partnership	Ontario, Canada	N/A	CAD34,658,597 Partners' capital	100%	100%	Property development
88 North Tower Developments Limited Partnership	Ontario, Canada	N/A	CAD11,913,975 Partners' equity	100%	100%	Property development
88 South Tower Phase I Developments Limited Partnership	Ontario, Canada	N/A	CAD10,625,292 Partners' capital	100%	100%	Property development
88 South Tower Phase II Developments Limited Partnership	Ontario, Canada	N/A	CAD9,138,047 Partners' capital	100%	100%	Property development
99 Bonham Management Limited	Hong Kong	Ordinary	HK\$1	100%	100%	Property management
Ally Vantage Limited	British Virgin Islands	Ordinary	US\$1,000	100%	100%	Investment holding
Asiatic Limited	Hong Kong	Ordinary	HK\$100	100%	100%	Property development and investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

46. 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		Principal activities
				2023	2022	
<i>Indirect subsidiary (Cont'd)</i>						
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
Cheer Rise Global Limited	British Virgin Islands	Ordinary	US\$1	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

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For the year ended 31 March 2023 (in HK Dollars)

46. 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		Principal activities
				2023	2022	
<i>Indirect subsidiary (Cont'd)</i>						
Eastern Mount Limited	Hong Kong	Ordinary	HK\$100	51%	51%	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
Globics Technology Limited	Hong Kong	Ordinary	HK\$1	100%	100%	Development and sale of hybrid and smart watches and wearables
Harbour Horizon Holdings Limited	British Virgin Islands	Ordinary	US\$1	100%	100%	Property investment
HGL Investment Limited	Hong Kong	Ordinary	HK\$100	100%	100%	Property investment
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

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For the year ended 31 March 2023 (in HK Dollars)

46. 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		Principal activities
				2023	2022	
<i>Indirect subsidiary (Cont'd)</i>						
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 and investment holding
National Hotel Management Limited	British Virgin Islands	Ordinary	US\$100	100%	100%	Investment holding
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

46. 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		Principal activities
				2023	2022	
<i>Indirect subsidiary (Cont'd)</i>						
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	CAD6,664,528	100%	100%	Investment holding
St. Thomas Developments Incorporated	Ontario, Canada	Common	CAD2,100	100%	100%	Property development
Susanne Limited	British Virgin Islands	Ordinary	US\$100	100%	100%	Investment holding
Sun Shine Limited	Hong Kong	Ordinary	HK\$2	100%	100%	Investment holding
Tania Investments Limited	British Virgin Islands	Ordinary	US\$100	100%	100%	Investment holding
The Putman Management Limited	Hong Kong	Ordinary	HK\$100	100%	100%	Property management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

46. 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		Principal activities
				2023	2022	
<i>Indirect subsidiary (Cont'd)</i>						
Unionville Development Limited Partnership	Ontario, Canada	N/A	CAD40,209 Partners' capital	100%	100%	Property development
Verde Group Limited	British Virgin Islands	Ordinary	US\$1	100%	100%	Investment holding
1061383 Ontario Limited	Ontario, Canada	Common	CAD100	100%	100%	Property holding
中霸電子科技(南寧)有限公司*	PRC	Registered capital	HK\$91,348,500	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. The Group had no subsidiaries which have material non-controlling interests for the years ended 31 March 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023	2022
Non-current assets		
Interests in subsidiaries	943,301,586	905,452,767
Other assets at fair value through other comprehensive income	2,000,000	2,000,000
	945,301,586	907,452,767
Current assets		
Other receivables	41,744	16,815
Amount due from a subsidiary	528,590,255	519,989,054
Bank balances	7,892,397	7,224,921
	536,524,396	527,230,790
Current liabilities		
Accrued expenses	8,491,570	8,686,796
Financial guarantee contracts	300,772,629	276,057,680
Amounts due to subsidiaries	657,914,821	585,759,262
Bank loans	122,000,000	60,000,000
	1,089,179,020	930,503,738
Net current liabilities	(552,654,624)	(403,272,948)
Total assets less current liabilities	392,646,962	504,179,819
Capital and reserves		
Share capital	91,942,096	94,930,696
Reserves	300,704,866	347,249,123
Total equity	392,646,962	442,179,819
Non-current liabilities		
Bank loans	–	62,000,000
	392,646,962	504,179,819

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 June 2023 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

LOEWE LEE BON CHI
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023 (in HK Dollars)

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

Movement in the Company's reserves

	Share premium	Contributed surplus	Capital redemption reserve	Retained profits	Total
At 1 April 2021	34,677,029	90,854,039	44,861,840	72,946,664	243,339,572
Profit for the year	–	–	–	157,380,892	157,380,892
Dividends paid	–	–	–	(33,864,819)	(33,864,819)
Repurchase of own shares	–	–	2,086,600	(21,693,122)	(19,606,522)
At 31 March 2022 and 1 April 2022	34,677,029	90,854,039	46,948,440	174,769,615	347,249,123
Profit for the year	–	–	–	13,599,487	13,599,487
Dividends paid	–	–	–	(32,860,219)	(32,860,219)
Repurchase of own shares	–	–	2,988,600	(30,272,125)	(27,283,525)
At 31 March 2023	34,677,029	90,854,039	49,937,040	125,236,758	300,704,866

SCHEDULE OF MAJOR PROPERTIES HELD BY THE GROUP

Details of the major properties held by the Group at 31 March 2023 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
Two parcels of land located at Nos. 10 and 12 Nali Road, Yinkai Industrial Park, Economic and Technological Development Area, Nanning, Guangxi Zhuangzu Autonomous Region, the PRC	Medium term	100%	Industrial
Apartment 306, Burlington Gate, together with Parking Space 7, 25 Cork Street, London W1S 3NB, United Kingdom	Long term	100%	Residential
Apartment 503, Burlington Gate, together with Parking Space 49, 25 Cork Street, London W1S 3NB, United Kingdom	Long term	100%	Residential
No. 1 South Bay Close, Repulse Bay, Hong Kong	Medium term	100%	Residential
House No. 8, No. 39 Deep Water Bay Road, Shouson Hill, Hong Kong	Medium term	100%	Residential
House No. 26, Le Palais, No. 8 Pak Pat Shan Road, Hong Kong	Medium term	100%	Residential
31 Remaining Residential Units in Phase III at 88 Queen Street East, Toronto, Ontario, Canada	Freehold	100%	Residential

SCHEDULE OF MAJOR PROPERTIES HELD BY THE GROUP

PROPERTIES UNDER DEVELOPMENT FOR SALE

Location	Group's accounting classification	Group's interest	Site area (sq. m.)	Residential (sq. m.)	Retail and office (sq. m.)	Development status	Expected completion date
88 Queen Street East, Toronto, Ontario, Canada	Subsidiary	100%	3,197	37,357	10,360	The above grade podium construction has been completed and the tower construction has surpassed the twenty-fifth floor	2024

INVENTORY OF UNSOLD PROPERTIES

Location	Group's accounting classification	Group's interest	Residential (sq. m.)	Development status
House No. 1 and House No. 6, 45 Tai Tam Road, Hong Kong	Joint venture ^(note)	50%	889	Completed
			Total held through the joint venture:	889
			– of which attributable to the Group:	444.5

Note: The carrying amount of the interest in joint venture as at 31 March 2023 represented 3.90% of the total assets of the Group.

FINANCIAL SUMMARY

Results:

	Year ended 31 March				
	2023 HK\$' 000	2022 HK\$' 000	2021 HK\$' 000	2020 HK\$' 000	2019 HK\$' 000
Revenue	501,313	694,564	1,442,829	673,879	881,448
Cost of sales	(393,513)	(606,742)	(1,282,228)	(559,853)	(720,505)
Gross profit	107,800	87,822	160,601	114,026	160,943
Other income, other gains and losses, net	(11,059)	(37,026)	57,368	64,360	28,872
Increase in fair value of investment properties	298,698	134,757	89,949	138,831	415,178
Distribution costs	(8,792)	(8,253)	(8,291)	(8,726)	(9,639)
Administrative expenses	(170,208)	(115,233)	(117,599)	(142,780)	(201,071)
Finance costs	(140,266)	(74,851)	(78,951)	(115,363)	(90,375)
Share of results of associates	(67)	25	(40)	(62)	(87)
Share of results of joint ventures	(10,608)	96,833	(13,473)	73,452	(3,911)
Profit before taxation	65,498	84,074	89,564	123,738	299,910
Income tax (expense)/credit	(16,654)	7,204	26,622	(2,952)	(78,085)
Profit for the year	48,844	91,278	116,186	120,786	221,825
Profit/(Loss) for the year attributable to:					
– Owners of the Company	48,869	91,357	116,262	120,825	221,825
– Non-controlling interests	(25)	(79)	(76)	(39)	–
	48,844	91,278	116,186	120,786	221,825
Earnings per share					
– Basic	5.2 HK cents	9.5 HK cents	11.8 HK cents	12.0 HK cents	21.7 HK cents
– Diluted	5.2 HK cents	9.5 HK cents	11.8 HK cents	12.0 HK cents	21.7 HK cents

Assets and liabilities:

	At 31 March				
	2023 HK\$' 000	2022 HK\$' 000	2021 HK\$' 000	2020 HK\$' 000	2019 HK\$' 000
Total assets	8,508,307	8,338,780	7,362,633	7,157,718	6,889,174
Total liabilities	5,962,158	5,722,175	4,804,424	4,754,442	4,514,829
Net assets	2,546,149	2,616,605	2,558,209	2,403,276	2,374,345
Equity attributable to owners of the Company	2,544,789	2,615,220	2,556,745	2,401,736	2,374,345
Non-controlling interests	1,360	1,385	1,464	1,540	–
Total equity	2,546,149	2,616,605	2,558,209	2,403,276	2,374,345



The Group's luxurious residential development, 1 South Bay Close, Repulse Bay has topped out and the façade and internal building works are proceeding well.
本集團位於淺水灣南灣坊1號的豪華住宅發展項目已經平頂，外牆及內部工程進展順利。



The construction for the third phase of 88 South, the Group's mixed-use development in Toronto, Canada, is progressing well with the podium construction completed and the tower construction well underway. 本集團位於加拿大多倫多的商住發展項目88 South第三期工程進展順利，平台工程已完成，現正在進行大樓工程。



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One of the Group's designer boutique hotels, the Putman recently unveiled its new ground floor lobby.
本集團精品酒店The Putman之全新大堂現已揭幕。