STELUX
Holdings International Limited
寶光實業(國際)有限公司

Annual Report 2008

Stock Code: 84

web site

http://www.irasia.com/listco/hk/stelux

Contents

	(As restated) 2004 HK$'M	(As restated) 2005 HK$'M	2006 HK$'M	2007 HK$'M	**2008 HK$'M**
Consolidated income statement for the year ended 31st March (Note)					
Revenues	1,210.0	1,413.5	1,618.0	1,792.6	**2,261.8**
Profit attributable to shareholders	82.7	171.0	187.8	102.7	**129.3**
Interim dividend paid	–	9.5	9.5	10.5	**11.4**
Final dividend proposed	18.9	23.8	26.6	27.6	**28.5**
Special dividend paid	–	–	475.7	–	**–**
Consolidated balance sheet as at 31st March					
Assets	1,677.3	1,830.6	1,360.9	1,436.3	**1,829.0**
Less: Liabilities and minority interests	854.8	867.2	713.2	698.6	**986.2**
Shareholders' funds	822.5	963.4	647.7	737.7	**842.8**
	HK$	HK$	HK$	HK$	**HK$**
Per share data					
Earnings	0.088	0.181	0.197	0.107	**0.135**
Interim dividend paid	–	0.010	0.010	0.011	**0.012**
Final dividend proposed	0.020	0.025	0.028	0.029	**0.030**
Net assets	0.872	1.013	0.681	0.775	**0.886**

Note: The Board resolved on 14th July 2005 to close the Hipo.fant business. Such closure was completed in March 2006.

The financial data of 2004 to 2006 include the results of the Hipo.fant business.

The Group is pleased to announce a profit attributable to shareholders after tax and minority interests of HK$129 million for the financial year ended 31st March 2008 compared to HK$102 million during the same period last year, a year on year increase of 26%. Turnover was HK$2,262 million up by 26% compared to last year. This set of results is derived almost entirely from our core watch and optical businesses.

The Directors recommend the payment of a final dividend of HK$0.030 (06/07: HK$0.029) per share and with an interim dividend of HK$0.012 (06/07:HK$0.011) per share, the total dividend payment for the financial year ended 31st March 2008 is HK$0.042 per share (06/07: HK$0.040).

Joseph C. C. Wong
Vice Chairman and Chief Executive Officer

WATCH RETAIL BUSINESS

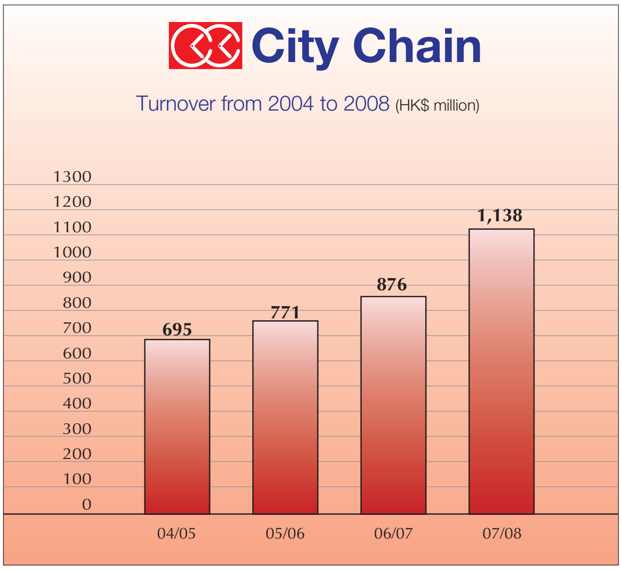
Generally, the Group's watch retail business, comprising of "CITY CHAIN" and concept stores like "moments", "CITHARA" and "C^2", continued to post satisfactory results. Turnover and EBIT were up by 30% and 32% respectively with turnover for the full year exceeding HK$1,100 million and EBIT at HK$91 million.

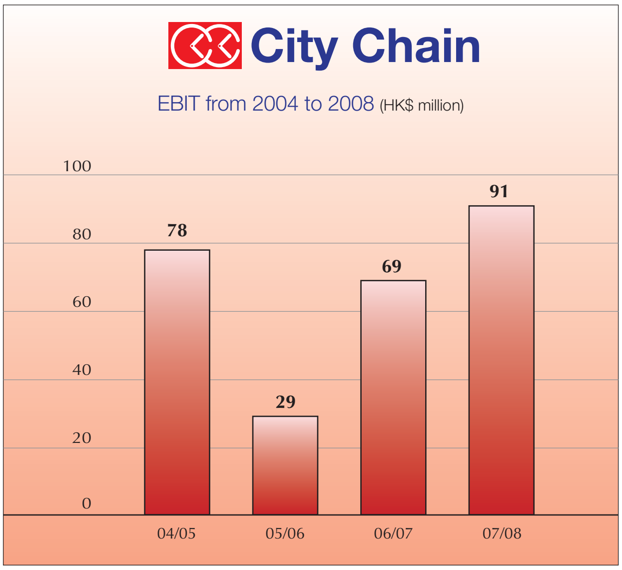
During the year, we have introduced new concepts and fresh shopping experiences to our customers. We have begun the process of reengineering the "look and feel" of our "CITY CHAIN" stores. To enlarge our customer base, we have also opened several concept stores to target certain customer profiles. Response so far has been satisfactory.

As a result, our Hong Kong and Macau operations recorded turnover growth of 28% and an EBIT of HK$30 million up 14%.

Operations in Singapore, Malaysia and Thailand reported strong earnings and double digit turnover growth. Overall turnover grew by 30%. Singapore returned a strong performance with EBIT at HK$21 million, an increase of 63%. After several years of rapid shop expansion, EBIT contribution from our Malaysian operations is now more significant and this year an EBIT of HK$ 28 million was recorded, a marked increase of 104%. Despite the political uncertainties, Thailand continued to contribute posting an EBIT of HK$28 million albeit smaller than last year.

Compared to the same period last year, the loss reported by our Mainland operations narrowed slightly to HK$15 million (for the first six months, a loss of HK$12 million was reported) and turnover grew by 48%. Our Mainland watch business is now strategically operated from offices located in Beijing, Shanghai and Guangzhou. With the strengthening of certain key positions within these operations, we remain on track to reap the future benefits from our expansion plans.





OPTICAL RETAIL BUSINESS

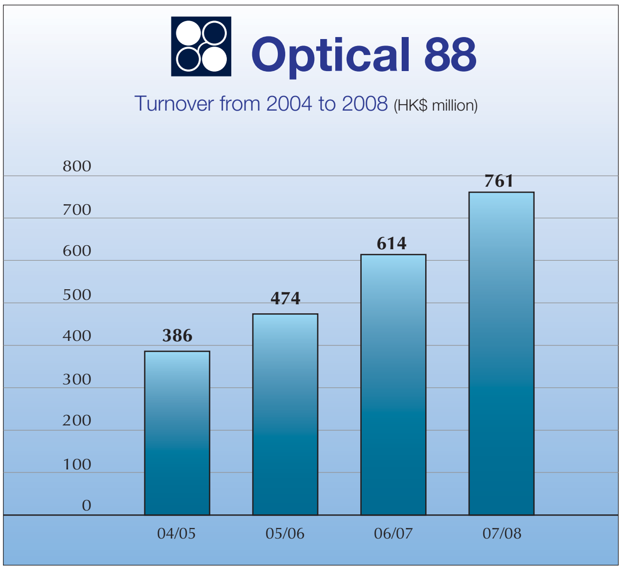
Our optical retailing business comprising "OPTICAL 88", "INSIGHT", "IZE" and "EYE-Q" posted an EBIT of HK$57 million an increase of 5% over the same period last year.

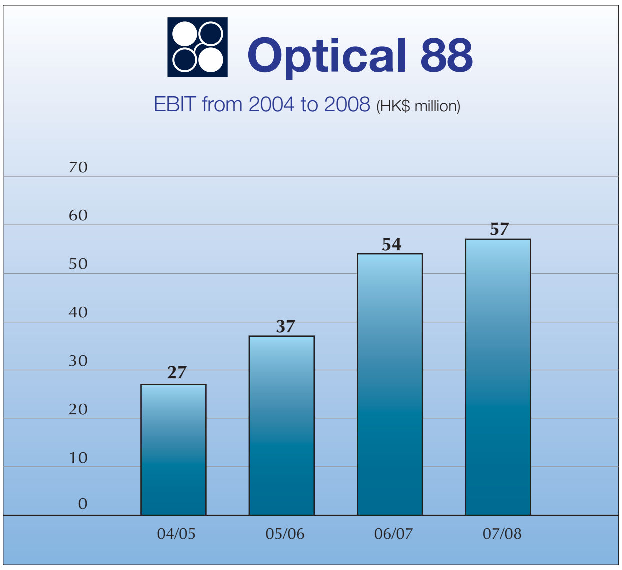
More stores were opened during the year but due to the professional nature of the optical business, (more time is required to train staff and to build strong customer relationships) new stores have not begun to contribute as significantly to turnover growth and coupled with store set up costs, EBIT grew at a more moderate pace. However, after the first few months, as turnover increases and gains momentum, these new stores will contribute more significantly to overall performance.

Overall, turnover increased by 24%. All countries reported double digit turnover growth with our Malaysian and Mainland China operations recording growth of nearly 60% and 70% respectively.

Competition in the Hong Kong and Macau markets remained strong but both these markets still managed to return a strong EBIT of HK$49 million, a year on year increase of 21%. Our operations in Thailand reported stable results despite the political uncertainties during the year posting an EBIT of HK$13 million close to that of the previous year. Our Malaysian operations reported an EBIT of HK$3 million, up 16%, an encouraging performance for a business that is in its early stages of development and that nearly doubled store numbers during the year. Singapore posted turnover growth of 32% and a small EBIT was reported as market competition and initial set up costs from our new concept stores, introduced to capture market share, impacted.

Turnover growth at our Mainland operations for the year was robust standing at around 70%. If momentum is sustained, performance will continue to improve and this business will become a contributor over the longer term. During the year, these operations posted a loss of HK$10 million, twice the loss of last year.





WATCH EXPORT ASSEMBLY AND WHOLESALE TRADING

Our watch export, assembly and wholesale trading operations reported an EBIT of HK$55 million compared to HK$24 million last year. Turnover increased by 20%.

Thong Sia Division, Stelux' wholesale arm operating in Hong Kong, Singapore, Malaysia and Taiwan, continued to contribute to the Group's business returning increases in EBIT and turnover of 52% and 21% respectively compared to the previous year. Our Taiwan operations, reversed its loss position from the previous year and recorded a small EBIT.

Turnover at our watch export arm picked up considerably during the second half of the year reversing the negative trend in the first half of the year. An increase in turnover of 30% was recorded for the full year. Performance improved compared to last year with the loss narrowing by HK$2 million to HK$4 million.

Our watch assembly unit, which produces for the Group reported a healthy increase in EBIT due to a higher turnover from the Group's watch business.

A loss of HK$18 million arising from Universal Geneve SA, our Swiss subsidiary was maintained at the same level as last year. Delivery problems with the "MICROTOR" movement contributed to the loss. However, the response to new models exhibited at this year's Basel World has been encouraging.

OUTLOOK

It has generally been a successful year for the Group and the momentum built up should likely continue, and, in the first three months of the new financial year, this has been maintained in almost all of our business units. However, with inflation prevalent in many of the regions where we operate conditions will be challenging and business sentiment may turn for the worse. We shall continue with expansion plans, in particular in Mainland China, where expansion has been more aggressive, and shall continue to take a prudent approach to managing and growing the Group's businesses.

FINANCE

The Group's gearing ratio at balance sheet date was 36% (2007: 31%), which was calculated based on the Group's net debt of HK$304 million (2007: HK$232 million) and shareholders' funds of HK$843 million (2007: HK$738 million). The Group's net debt was calculated based on the Group's borrowings of HK$470 million (2007: HK$337 million) less the Group's bank balances and cash of HK$166 million (2007: HK$105 million). Of the Group's borrowings at balance sheet date, HK$325 million (2007: HK$265 million) were repayable within 12 months.

Of the Group's borrowings, 2% (2007: 3%) were denominated in foreign currencies. The Group's borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

The Group enters into forward foreign exchange contracts when it is deemed appropriate as hedges against its foreign currency exposures. The forward foreign exchange contracts are used to settle trade creditors and operating expenses. The hedging activities are regularly reviewed by the Group.

As at 31st March 2008, the Group does not have any significant contingent liabilities.

STAFF

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 31st March 2008, the Group had 3,068 (2007: 2,694) employees.

I express my most sincere thanks and gratitude to colleagues and staff members for their commitment, hard work and loyalty to the Group during the year.

On behalf of the Board

Joseph C. C. Wong
Vice Chairman and Chief Executive Officer

Hong Kong, 22nd July 2008

The directors submit their report together with the audited financial statements for the year ended 31st March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 33 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 2008 are set out in the consolidated income statement on page 28.

The directors have declared an interim dividend of HK$0.012 (2007: HK$0.011) per ordinary share, totalling HK$11,416,000.

The directors recommend the payment of a final dividend of HK$0.030 (2007: HK$0.029) per ordinary share totalling HK$28,540,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

DONATIONS

During the year, the Group made charitable donations of HK$344,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are shown in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st March 2008, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK$403,203,000 (2007: HK$442,208,000).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

DIRECTORS AND INTERESTS IN CONTRACTS

The directors during the year were:

Wong Chong Po	
Joseph C. C. Wong	
Chu Kai Wah, Anthony	
Sakorn Kanjanapas	
Lau Tak Bui, Vincent	
Wu Chun Sang	(independent non-executive)
Wu Chi Man, Lawrence	(independent non-executive)
Kwong Yi Hang, Agnes	(independent non-executive)

In accordance with Bye-law 110(A), Prof. Wu Chi Man, Lawrence and Dr. Kwong Yi Hang, Agnes will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

No director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

During the year, Mr. Wong Chong Po, Mr. Joseph C. C. Wong, Mr. Chu Kai Wah, Anthony, and Mr. Lau Tak Bui, Vincent were eligible to an annual bonus determinable under the terms of an executive bonus scheme with respect to their management of the Group. Provision for the executive bonus in respect of the directors eligible under the Executive Bonus Scheme for the year ended 31st March 2008 amounted to HK$9,327,000 (2007: HK$7,380,000).

Apart from the foregoing, no other contracts of significance in relation to the Group's businesses to which the Company, its subsidiaries or its holding company 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.

SHARE OPTIONS

On 9th March 2005, a new share option scheme, replacing the previous scheme which was approved by the shareholders on 25th June 1997, for the employees, officers and directors of the Company and its subsidiaries (the "Share Option Scheme") was approved and adopted by the shareholders pursuant to which the Board was authorised to grant options to the employees, officers and directors of the Company or its subsidiaries to subscribe for shares of the Company for a fixed period. The option period refers to a period which the Board may in its absolute discretion determine and specify, save that (a) for ease of administration, in the absence of a separate Board resolution at the time of grant specifying otherwise, such period should be seven years from the commencement date of the share option and (b) in any event such period shall expire not later than 10 years from the commencement date of the share option. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 95,134,002 shares. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. An offer of the grant of options must be accepted within 28 days from the commencement date of the relevant option period. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Company's business; to provide additional incentives to the employees, officers and directors of the Company and its subsidiaries and to promote the long term financial success of the Company by aligning the interests of the Option Holder (any employee or a director of the Company or any subsidiary who accepts an offer of the grant of an Option in accordance with the terms of the Share Option Scheme or their legal personal representatives) to shareholders. The consideration payable on acceptance of the offer for the grant of an option is HK$1. The subscription price is determined by the Board at the time of grant of the relevant option and shall not be less than whichever is the higher of the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on the commencement date of the share option, which must be a business day; the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the commencement date of the share option; and the nominal value of a share. No option had been granted during the year and there was no option outstanding as at 31st March 2008.

As at 31st March 2008, the total number of ordinary shares available for issue in the remaining life of the Share Option Scheme was 95,134,002.

With the exception of the Share Option Scheme of the Company, at no time during the year was the Company, its subsidiaries or its holding company 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

As at 31st March 2008, the interests and short positions of the Directors, and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) The Company – Ordinary shares

Long position in shares and underlying shares of the Company

	Number of shares					Approximate percentage of
	Personal interest	Family interest	Corporate/ trust interest	Other interest	Total	issued share capital
Mr Wong Chong Po	1,215,000	–	300,069,959 (Note 1)	308,770,884 (Note 2)	309,985,884	32.58
Mr Joseph C. C. Wong	200,592,091	10,000	300,069,959 (Note 1)	–	500,672,050	52.63
Mr Chu Kai Wah, Anthony	2,000,000	–	–	–	2,000,000	0.21
Mr Sakorn Kanjanapas	47,452,056	–	300,069,959 (Note 1)	–	347,522,015	36.53
Mr Lau Tak Bui, Vincent	819,200	–	–	–	819,200	0.09

Notes:

(1) Yee Hing Company Limited, directly and indirectly through its subsidiaries, including Active Lights Company Limited and Thong Sia Company Limited, held 300,069,959 shares of the Company as at 31st March 2008. 55% of the total issued ordinary shares of Yee Hing Company Limited is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas are the beneficiaries of the Trust and were therefore deemed to be interested in 300,069,959 shares of the Company through the Trust's interest in Yee Hing Company Limited.

(2) Mr. Wong Chong Po is the executor of the estate of Mr. Wong Chue Meng (the "Estate") and is deemed to be interested in the interests in shares of the Company held by the Estate. As at 31st March 2008, the Estate directly held 8,700,925 shares and is also deemed to be interested in those 300,069,959 shares of the Company held directly or indirectly by Yee Hing Company Limited through the Estate's controlling interest in Dragon Master Investment Limited which owns 45% of the total issued ordinary shares of Yee Hing Company Limited. Mr. Wong Chong Po's deemed interest in such 300,069,959 shares of the Company by virtue of his capacity as the executor of the Estate duplicates his deemed interest through the Trust as described in Note 1 above.

(b) Subsidiaries

		Number of shares				Approximate percentage of preference share as at 31st March 2008
		Personal interests	Family interests	Corporate interests	Total	
(i)	City Chain (Thailand) Company Limited – Preference shares[1]					
	Mr. Wong Chong Po	200	–	208,800	209,000	99.52
	Mr. Joseph C. C. Wong	200	–	208,800	209,000	99.52
	Mr. Sakorn Kanjanapas	200	–	208,800	209,000	99.52
(ii)	Stelux Watch (Thailand) Company Limited – Preference shares[2]					
	Mr. Wong Chong Po	600	–	–	600	16.67
	Mr. Joseph C. C. Wong	600	–	–	600	16.67
	Mr. Sakorn Kanjanapas	600	–	–	600	16.67
(iii)	Optical 88 (Thailand) Company Limited – Preference shares[3]					
	Mr. Wong Chong Po	5,000	–	225,000	230,000	90.20
	Mr. Joseph C. C. Wong	5,000	–	225,000	230,000	90.20
	Mr. Sakorn Kanjanapas	5,000	–	225,000	230,000	90.20

Notes:

(1) City Chain (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by City Chain (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas in 208,800 preference shares duplicate with each other.

(2) Stelux Watch (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Stelux Watch (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.

(3) Optical 88 (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Optical 88 (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr. Wong Chong Po, Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas in 225,000 preference shares duplicate with each other.

Save as disclosed above, no directors, chief executive of the Company or their associates have any interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE PURSUANT TO THE SFO

Save as disclosed below, the Directors are not aware of any person (other than a Director or chief executive of the Company or his/her respective associate(s)), who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31st March 2008:

Name		Number of shares	Nature of interest	Approximate percentage of interests (%)
Yee Hing Company Limited		73,384,105	Beneficial owner	
		226,685,854	Interest of controlled corporation	
	Total:	300,069,959		31.54
Dragon Master Investment Limited		300,069,959	Interest of controlled corporation (Note 1)	31.54
Klayze Holdings Limited		300,069,959	Trustee of the Trust (Note 2)	31.54
Active Lights Company Limited		135,653,636	Beneficial owner	14.26
Thong Sia Company Limited		91,032,218	Beneficial owner	9.57
Arisaig Greater China Fund Limited		90,000,000	Beneficial owner	9.46
Arisaig Partners (Mauritius) Limited		90,000,000	Investment manager (Note 3)	9.46
Cooper Lindsay William Ernest		90,000,000	Interest of controlled corporation (Note 3)	9.46
Mr. Chaiyasit Kanjanapas		85,303,000	Beneficial owner	8.97

Notes:

(1) Dragon Master Investment Limited holds 45% of the total issued ordinary shares of Yee Hing Company Limited.

(2) Klayze Holdings Limited holds 55% of the total issued ordinary shares of Yee Hing Company Limited as the trustee of the Trust.

(3) Cooper Lindsay William Ernest has a controlling interest in Arisaig Partners (Mauritius) Ltd. which is the fund manager of Arisaig Greater China Fund.

All interests disclosed above represent long positions in shares of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	21%
– five largest suppliers combined	34%
Sales	
– the largest customer	1%
– five largest customers combined	2%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors of the Company, at least 25% of the issued share capital of the Company was held by public members as at the date of this report.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmations of independence from its independent non-executive directors, who have confirmed their independence as of 1st April 2007 up to and including 31st March 2008. The Company considers its independent non-executive directors to be independent.

CONNECTED TRANSACTIONS

The following continuing connected transactions are based on normal commercial terms agreed after arms' length negotiations between the parties and are in the ordinary and usual course of business of the Company. The continuing connected transactions are subject to the annual review, reporting and announcement requirements respectively under Rules 14A.37 to 14A.41, and Rules 14A.45 to 14A.47 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and exempt from independent shareholders' approval.

I. CONTINUING CONNECTED TRANSACTIONS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2008

The following continuing connected transactions under the heading above have been reviewed by the directors of the Company (including the independent non-executive directors). The independent non-executive directors of the Company have confirmed that during the year all these transactions were entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either (i) on normal commercial terms or (ii) where there was no available comparison on terms no less favourable to or from the Company than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company had performed certain agreed upon procedures on the above transactions and confirmed that the transactions:

(a) had received approval from the directors of the Company;

(b) had been entered in accordance with the terms of the relevant agreements governing such transactions; and

(c) had not exceeded the relevant caps as previously announced.

(1) Purchase of optical products from connected parties

Period of transaction:
From 1st April 2007 to 31st March 2008

Parties and their connected relationship:
Purchaser: Certain retail subsidiaries of the Company under Retail Purchase Agreements and certain wholesale subsidiaries of the Company under Wholesale Purchase Agreements
Vendor: Vision PRO Trading Company Limited and its subsidiary companies ("Vision Pro Group")

At the date of the announcement on 26th March 2007, it was disclosed that Vision Pro Group was an 87% indirectly owned subsidiary of Yee Hing, which was a substantial shareholder of the Company holding approximately 36% of its issued share capital. Therefore, Vision Pro Group was a connected person of the Company by virtue of the fact that it was an associate of a connected person of the Company.

Description and purpose of the transaction:
On 1st April 2004, the Group, through certain subsidiaries, entered into the Retail Purchase Agreements with Vision Pro Group to record the terms of continuing purchases of optical products by the Group for its retail operations for the period from 1st April 2004 to 31st March 2007. On 1st April 2005, Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd (collectively referred to as "Thong Sia Companies") entered into the Wholesale Purchase Agreements with Vision Pro Group to record the terms of their respective continuing purchases of optical products from Vision Pro Group for the period from 1st April 2005 to 31st March 2008 for their wholesale distribution business. The Group continued to make purchases of suitable optical products on a continuing basis from Vision Pro Group for its retail and wholesale operations and with the expiration of the Retail Purchase Agreements on 31st March 2007 decided to streamline its relationship with Vision Pro Group. It was the intention of the Group to continue respectively with purchasing optical products under the Retail Purchase Agreements from Vision Pro Group after 31st March, 2007, and continue with the ongoing purchases of optical products under the Wholesale Purchase Agreements, also from the Vision Pro Group. As a result, on 26th March 2007, the Group, through certain subsidiaries,

(i) entered into the Renewal Retail Purchase Agreements for the period from 1st April 2007 to 31st March 2010;

(ii) terminated the Wholesale Purchase Agreements with effect from 1st April 2007, earlier than the contractual expiration date of 31st March 2008; and

(iii) entered into the Renewal Wholesale Purchase Agreements with expiry dates to coincide with that of the Renewal Retail Purchase Agreements.

The two renewal agreements were entered into with Vision Pro Group to record the terms of continuing purchases of optical products by the Group.

Terms of the transaction:
For a period of three years from 1st April 2007 to 31st March 2010 with major terms:

(A) The Renewal Retail Purchase Agreements

The Group will purchase optical products from Vision Pro Group typically for cash with payment terms of 30 to 60 days upon receipt of invoice. The terms of purchase will be determined on an individual order basis based on the prevailing industry conditions and the purchases will be on terms no less favourable than those offered by Vision Pro Group to other third parties. Currently, the optical products to be purchased by the Group from Vision Pro Group are not available from other suppliers. In future, if the Group purchases optical products that are also available from suppliers other than Vision Pro Group, the terms of purchase under these agreements will be on terms no less favourable to the Group than those offered by independent third party suppliers to the Group.

(B) The Renewal Wholesale Purchase Agreements

Thong Sia Companies will purchase optical products from Vision Pro Group typically for cash with payment terms of 90 days upon receipt of invoice. The terms of purchase will be determined on an individual order basis based on the prevailing industry conditions and the purchases will be on terms no less favourable than those offered by Vision Pro Group to other third parties. Currently, the optical products to be purchased by the Thong Sia Companies from Vision Pro Group are not available from other suppliers. In future, if the Group purchases optical products that are also available from suppliers other than Vision Pro Group, the terms of purchase under these agreements will be on terms no less favourable to the Thong Sia Companies than those offered by independent third party suppliers to the Thong Sia Companies.

Total consideration of the transaction for the financial year ended 31st March 2008:
HK$9,813,000.

Nature and extent of the connected person's interest in the transaction:
The estimated annual amount of purchases to be made by the Group from Vision Pro Group under the two renewal agreements have been aggregated in accordance with the aggregation of transactions provisions under Rule 14A.25 of the Listing Rules. The Caps for the continuing purchases of optical products from Vision Pro Group under the two renewal agreements are HK$11,800,000, HK$12,400,000 and HK$13,000,000 for each of the financial years ending 31st March 2008, 2009 and 2010 respectively. The Caps were determined on the following basis:

(i) historical transaction amounts for the period from 1st April 2003 up to and including 30th September 2006;

(ii) additional brands of optical products expected to be purchased by the Group from Vision Pro Group in the financial year ending 31st March 2008; and

(iii) the estimates by the Group of the pace of growth of its optical wear business with respect to the existing brands of optical products purchased from Vision Pro Group and the establishment of new retail stores.

Based upon information available to the Directors at the date of an announcement on 26th March 2007, the Directors considered that the Caps were fair and reasonable. Nevertheless, if during any financial year from 1st April 2007 to 31st March 2010, the aggregate annual consideration for such transactions exceeds the Cap for the relevant financial year, the Company will take steps as required to ensure compliance with the Listing Rules. The directors (including the independent non-executive directors) are of the opinion that the terms of the two renewal agreements are based on normal commercial terms agreed after arms' length negotiations between the parties, and are fair and reasonable. Furthermore, the directors consider that the transactions contemplated under the two renewal agreements are in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole.

(2) Leasing of properties from connected parties

(A) Period of transaction:
From 1st April 2007 to 31st March 2008

Parties and their connected relationship:
Tenant: Thong Sia Company (Singapore) Private Limited ("TSS")
Landlord: Mengiwa Private Limited ("Mengiwa")

At the date of the circular to the Company's shareholders on 31st August 2005, it was disclosed that the Estate held more than a 30% equity interest in Mengiwa, Mengiwa was a connected person (as defined in the Listing Rules) of the Group by virtue of the fact that it was an associate of the Estate which was a connected person (as defined in the Listing Rules) of the Group.

Description and purpose of the transaction:
Tenancy agreement in respect of the lease of Units #01-01 and #04-00 of Thongsia Building, No.30 Bideford Road, Singapore as office, showroom, warehouse and service centre of the tenant.

Terms of the transaction:
For a period of 3 years from 1st July 2005 up to and including 30th June 2008 at an aggregate sum of the annual rent, management fee and air-conditioning charge of S$420,000. It was renewed on 22nd July 2008 for a period of two years from 1st July 2008 up to and including 30th June 2010 (please see II (1)(B) below for details).

Total consideration of the transaction for the financial year ended 31st March 2008:
S$420,000 (equivalent to HK$2,247,000)

Nature and extent of the connected person's interest in the transaction:
Rental income of S$420,000 per annum up to and including 30th June 2008.

(B) Period of transaction:
From 1st April 2007 to 31st March 2008

Parties and their connected relationship:
Tenant: Stelux Holdings Limited ("SHL"), a wholly-owned subsidiary of the Company
Landlord: Mengiwa Property Investment Limited ("MPIL")

At the date of the circular to the Company's shareholders on 24th February 2006, it was disclosed that the landlord would become a wholly-owned subsidiary of Yee Hing, a connected party of the Company, upon completion of the disposal of Stelux House by the Group ("Completion"). Therefore, MPIL became a connected party of the Company by virtue of the fact that it became an associate of Yee Hing on the date of Completion on 30th March 2006.

Description and purpose of the transaction:
Tenancy agreements in respect of the lease of portion of 5/F, the whole floor of 27/F and portion of 28/F and 12 carparking spaces of Stelux House as headquarters of the Group.

Terms of the transaction:
For the period from 30th March 2006 to 31st March 2008 at an aggregated monthly rental of HK$373,000 exclusive of management fee, rates and government rent payable in advance on the first day of each calendar month with rent free periods from 30th March 2006 to 29th April 2006 and from 30th March 2007 to 29th April 2007. It was renewed on 19th December 2007 for a period of two years from 1st April 2008 up to and including 31st March 2010 (please see II.(1)(A) below for the details).

Total consideration of the transaction for the financial year ended 31st March 2008:
HK$4,115,000

Nature and extent of the connected person's interest in the transaction:
The transaction relates to the rental of office premises. The Caps for each of the three financial years ended 31st March 2006, 2007 and 2008 are HK$4,500,000.

(C) Period of transaction:
From 1st April 2007 to 31st March 2008

Parties and their connected relationship:
Tenant: Thong Sia Watch Company Limited
Landlord: MPIL

At the date of the announcement on 19th July 2006, it was disclosed that Thong Sia Watch Company Limited was a 96% majority owned subsidiary of the Company. Yee Hing ultimately held approximately 60% of the issued share capital of the Company. MPIL was a wholly-owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:
Tenancy agreement in respect of the lease of office premises (the whole of 21/F), with a gross floor area of approximately 13,300 sq. feet and 3 carparking spaces (#314, 315 and 317) at basement of Stelux House. The Company, including its major subsidiaries, has its headquarters located at Stelux House. Thong Sia Watch Company Limited was acquired by the Company at the end of September 2005. Relocating the operations of Thong Sia Watch Company Limited to Stelux House improves operational efficiency and helps to reduce rental costs.

Terms of the transaction:
The tenancy agreement dated 19th July 2006 is for a term of two years eight months and thirteen days from 19th July 2006 to 31st March 2009 (both days inclusive) with rent free periods from 19th July 2006 to 18th August 2006, from 19th July 2007 to 18th August 2007 and from 19th July 2008 to 10th August 2008 at a monthly rental for the office of HK$130,340 exclusive of rates, government rent, management fees and other outgoings. For the carparking spaces from 19th July 2006 to 31st March 2009 at a monthly rental of HK$9,450 inclusive of rates, government rent and management fees.

Total consideration of the transaction for the financial year ended 31st March 2008:
HK$1,547,000

Nature and extent of the connected person's interest in the transaction:
The transaction relates to the rental of office premises and carparking spaces. The Caps for the three financial years ended 31st March 2007, 2008 and 2009 are HK$1,100,000, HK$1,600,000 and HK$1,600,000 respectively.

(D) Period of transaction:
From 1st May 2007 to 31st March 2008

Parties and their connected relationship:
Tenant: SHL
Landlord: MPIL

At the date of the announcement on 25th April 2007, it was disclosed Yee Hing, a substantial shareholder of the Company, held approximately 36% of the issued share capital of the Company. MPIL was a wholly owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:
Tenancy agreement in respect of the lease of Unit 1501 and storeroom 1A on the 15/F of Stelux House as additional office space and storage space of the tenant.

Terms of the transaction:
For the period from 1st May 2007 to 31st March 2008 at HK$36,500 per month exclusive of rates, government rent and management charges payable monthly in advance in cash from internal funds by the tenant, on the first day of each and every calendar month. It was renewed on 19th December 2007 for a period of two years from 1st April 2008 up to and including 31st March 2010 (please see II.(1)(A) below for the details).

Total consideration of the transaction for the financial year ended 31st March 2008:
HK$402,000

Nature and extent of the connected person's interest in the transaction:
The annual Cap for this transaction has been set at the approximate rental payable by the tenant to the landlord under the terms of the tenancy agreement for the period from 1st May 2007 up to and including 31st March 2008 and is HK$405,000.

(E) Period of transaction:
From 19th December 2007 to 31st March 2008

Parties and their connected relationship:
Tenant: SHL
Landlord: MPIL

At the date of the announcement on 19th December 2007, it was disclosed Yee Hing, a controlling shareholder of the Company, held approximately 31.54% of the issued share capital of the Company. MPIL was a wholly owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:
Tenancy agreement in respect of the lease of Unit 1503 on the 15/F and storeroom 1206A on the 12/F of Stelux House as staff training room and storeroom of the tenant.

Terms of the transaction:
A term of 27 months and 13 days commencing from 19th December 2007 up to and including 31st March 2010 at a rental of HK$18,255.80 per calendar month (exclusive of rates, government rent and management charges) for office unit 1503 and HK$4,300.00 per calendar month (inclusive of rates, government rent and management charges) for storeroom 1206A payable monthly in advance in cash from internal funds by the tenant on the first day of each and every calendar month, there will be a rent-free period of one month commencing from 19th December 2007 up to and including 18th January 2008 (except for the storeroom).

Total consideration of the transaction for the financial year ended 31st March 2008:
HK$59,000

Nature and extent of the connected person's interest in the transaction:
The annual Cap for this transaction has been set at the approximate rental payable by the tenant to the landlord under the terms of the tenancy agreement. The Cap for the financial year ended 31st March 2008 is HK$62,000. The Caps for the two financial years ended 31st March 2009 and 2010 are included in II.(1)(A) below.

(3) Provision of management and property agency liaison services

Period of transaction:
From 1st April 2007 to 31st March 2008

Parties and their connected relationship:
Agent: Stelux Properties Agency Limited ("SPAL"), a wholly-owned subsidiary of the Company
Principal: MPIL

At the date of the circular to the Company's shareholders on 24th February 2006, it was disclosed that MPIL would become a wholly-owned subsidiary of Yee Hing, a connected party of the Company, upon Completion. Therefore, MPIL became a connected party of the Company by virtue of the fact that it became an associate of Yee Hing.

Description and purpose of the transaction:
On 30th March 2006, SPAL entered into the management and property agency liaison services agreement ("Services Agreement") with MPIL for the provision of the following services ("Services"):

(a) Contract administration with respect to contracts entered into between MPIL and third parties from time to time;

(b) property agency liaison and tenancy management;

(c) management of the property manager of Stelux House; and

(d) other miscellaneous administrative services.

SPAL had been providing the Services to the landlord of Stelux House since 1998 and had accumulated the relevant knowledge and experience. Yee Hing had requested SPAL to continue to manage the Property so as to maintain continuity and the quality of service.

Terms of the transaction:
HK$170,000 per calendar month (in the first year during the duration of the Services Agreement) payable in advance on the first day of each calendar month and for the period from 30th March 2006 to 31st March 2008. The annual fee (other than that in the first year during the duration of the Services Agreement) is subject to increment with reference to the actual increase in costs incurred by SPAL relating to the Services by not more than 10% each year. It was renewed on 19th December 2007 for a period of two years from 1st April 2008 up to and including 31st March 2010 (please see II.(2) below for the details).

Total consideration of the transaction for the financial year ended 31st March 2008:
HK$2,040,000

Nature and extent of the connected person's interest in the transaction:
The transaction relates to the provision of services. The Caps for the three financial years ended 31st March 2006, 2007 and 2008 are HK$2,100,000, HK$2,300,000 and HK$2,500,000 respectively.

The above continuing connected transactions also constitute related party transactions and are disclosed in note 32 to the financial statements.

II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

(1) Leasing of properties from connected parties

(A) Period of transaction:
From 1st April 2008 to 31st March 2010

Parties and their connected relationship:
Tenant: SHL
Landlord: MPIL

At the date of the announcement on 19th December 2007, it was disclosed that Yee Hing, a controlling shareholder of the Company, held approximately 31.54% of the issued share capital of the Company. MPIL was a wholly owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:
Tenancy agreement in respect of the lease of 27/F, portion of 28/F, office unit 1501 with storeroom 1A on 15/F, office units 502, 503, 505 and 506 on 5/F and 12 carparking spaces of Stelux House as headquarters of the Group.

Terms of the transaction:
For the period from 1st April 2008 to 31st March 2010 at a monthly rental of HK$453,107.86 exclusive of management fee, rates and government rent payable in advance on the first day of each calendar month with a rent free period of one month from 1st April 2008 up to and including 30th April 2008.

Nature and extent of the connected person's interest in the transaction:
The transaction relates to the rental of office premises, storeroom and car parking spaces of Stelux House. Based on the monthly rent payable by SHL during the term of the tenancy agreements (together with the new lease committed during the financial year ended 31st March 2008 as mentioned in I.(2)(E) above), the Caps for the two financial years ended 31st March 2009 and 2010 were set at HK$5,260,000 and HK$5,750,000 respectively.

(B) Period of transaction:
From 1st July 2008 to 30th June 2010

Parties and their connected relationship:
Tenant: TSS
Landlord: Mengiwa

At the date of the announcement on 22nd July 2008, it was disclosed the Estate held a controlling interest in Mengiwa and was deemed to be interested in a controlling interest in the Company through the Estate's indirect controlling interest in Yee Hing. In this connection, Mengiwa was an associate of the Estate and thus was a connected person of the Company. The entering into of this tenancy agreement therefore constituted a continuing connected transaction for the Company under the Listing Rules.

Description and purpose of the transaction:
Tenancy agreement in respect of the lease of Units #B2-00, #01-01 and #04-00 of Thongsia Building, No. 30 Bideford Road, Singapore as office, showroom, warehouse and service centre of the tenant.

Terms of the transaction:
For two years commencing from 1st July 2008 up to and including 30th June 2010 at a monthly rental of S$82,650 per month (exclusive of management fee and air-conditioning charge) payable monthly in advance in cash from internal funds by the tenant on the first day of each and every calendar month. There will be rent-free periods of two months in total commencing respectively from 1st June 2009 up to and including 30th June 2009, and from 1st June 2010 up to and including 30th June 2010.

Nature and extent of the connected person's interest in the transaction:
The transaction relates to the rental for the use of office, showroom, warehouse and service centre of the tenant. Based on the monthly rent payable by the tenant under the term of the tenancy agreement, the Caps were set at S$743,850, S$909,150 and S$165,300 for each of the periods from 1st July 2008 to 31st March 2009, from 1st April 2009 to 31st March 2010 and from 1st April 2010 to 30th June 2010 respectively.

(C) Period of transaction:
From 1st July 2008 to 31st March 2010

Parties and their connected relationship:
Tenants: Certain wholly-owned subsidiaries of the Company
Landlords: Active Lights Company Limited or TSCL

At the date of the announcement on 22nd July 2008, it was disclosed the Estate was deemed to be interested in a controlling interest in the Company through the Estate's indirect controlling interest in Yee Hing. Furthermore, both Active Lights Company Limited and TSCL were subsidiaries of Yee Hing. In this connection, each of Active Lights Company Limited and TSCL was an associate of the Estate and thus was a connected person of the Company. The entering into of the tenancy agreements therefore constituted continuing connected transactions for the Company under the Listing Rules.

Description and purpose of the transaction:
The Tenancy Agreements relate to the leasing or licensing of certain properties from the landlords at different locations in Hong Kong.

Terms of the transaction:
For twenty-one months commencing from 1st July 2008 up to and including 31st March 2010 at an aggregated monthly rental of HK$71,440 payable monthly in advance in cash from internal funds by the tenants on the first day of each and every calendar month.

Nature and extent of the connected person's interest in the transaction:
The transaction relates to the rental of properties for use as warehouses. Based on the monthly rent payable by the tenant under the term of the tenancy agreements, the Caps were set at HK$642,960 and HK$857,280 for each of the periods from 1st July 2008 to 31st March 2009 and from 1st April 2009 to 31st March 2010 respectively.

(2) Provision of management and property agency liaison services

Period of transaction:
From 1st April 2008 to 31st March 2010

Parties and their connected relationship:
Agent: SPAL
Principal: MPIL

At the date of the announcement on 19th December 2007, it was disclosed Yee Hing, a controlling shareholder of the Company, held approximately 31.54% of the issued share capital of the Company. MPIL was a wholly owned indirect subsidiary of Yee Hing.

Description and purpose of the transaction:
SPAL entered into the Services Agreement with MPIL for the provision of the Services. SPAL had been providing the Services to the landlord of Stelux House since 1998 and had accumulated the relevant knowledge and experience. Yee Hing had requested SPAL to continue to manage the Property so as to maintain continuity and the quality of service.

Terms of the transaction:
HK$178,500 per calendar month (in the first year during the duration of the Services Agreement) payable in advance in cash on the first day of each calendar month and for the period from 1st April 2008 to 31st March 2010. The annual fee (other than that in the first year during the duration of the Services Agreement) is subject to increment with reference to the actual increase in costs incurred by SPAL relating to the Services by not more than 10% each year.

Nature and extent of the connected person's interest in the transaction:
The transaction relates to the provision of services. The Caps for the two financial years ended 31st March 2009 and 2010 are HK$2,200,000 and HK$2,400,000 respectively.

III. NEW CONTINUING CONNECTED TRANSACTION ARRANGED AFTER 31ST MARCH 2008 IN CONNECTION WITH MANUFACTURE AND SUPPLY OF OPTICAL PRODUCTS BY A CONNECTED PERSON

Period of transaction:
From 20th June 2008 to 31st March 2011

Parties and their connected relationship:
Purchaser: Two wholly-owned subsidiaries of the Company, which collectively are principally engaged in the trading of optical frames and sunglasses ("Optical Products")
Vendor: International Optical Manufacturing Company Limited ("IOM")

At the date of the announcement on 19th June 2008, it was disclosed that Yee Hing, the controlling shareholder of the Company, had an effective controlling interest of approximately 87% in IOM.

Description and purpose of the transaction:
IOM agrees to manufacture for and supply to the Group, and the Group agrees to purchase from IOM, house-brand Optical Products subject to the terms and conditions contained in the Manufacturing and Supply Agreement. The house-brand Optical Products are purchased for the Group's retail operations.

Terms of the transaction:
The Group shall engage IOM to supply and manufacture house-brand Optical Products typically for cash with payment terms of 60 days upon receipt of invoice. The terms of purchase will be determined on an individual purchase order basis based on the prevailing industry conditions and the purchases will be on normal commercial terms.

Nature and extent of the connected person's interest in the transaction:
The transaction relates to the manufacturing and supplying of house-brand Optical Products. The Caps for the three financial years ending 31st March 2009, 2010 and 2011 are HK$3,500,000, HK$4,200,000 and HK$5,040,000 respectively.

AUDITORS

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

On behalf of the Board

Joseph C. C. Wong
Vice Chairman and Chief Executive Officer

Hong Kong, 22nd July 2008

INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF STELUX HOLDINGS INTERNATIONAL LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Stelux Holdings International Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 28 to 80, which comprise the consolidated and company balance sheets as at 31st March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STELUX HOLDINGS INTERNATIONAL LIMITED (Continued)
(incorporated in Bermuda with limited liability)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Revenues	5	**2,261,823**	1,792,625
Cost of sales	9	**(888,472)**	(714,854)
Gross profit		**1,373,351**	1,077,771
Other gains, net	6	**42,728**	79,145
Other income	7	**20,470**	23,197
Selling expenses	9	**(996,568)**	(783,764)
General and administrative expenses	9	**(236,130)**	(199,699)
Other operating expenses	9	**(18,561)**	(38,984)
Operating profit		**185,290**	157,666
Finance costs	11	**(18,072)**	(19,270)
Profit before income tax		**167,218**	138,396
Income tax expense	12	**(37,949)**	(35,676)
Profit for the year		**129,269**	102,720
Attributable to:			
Equity holders of the Company		**128,705**	101,842
Minority interests		**564**	878
		129,269	102,720
Dividends	14	**39,956**	38,054
		HK cents	HK cents
Earnings per share for profit attributable to the equity holders of the Company – Basic and diluted	15	**13.53**	10.71

CONSOLIDATED BALANCE SHEET

As at 31st March 2008

	Note	**2008 HK$'000**	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**228,328**	192,209
Investment property	17	**2,100**	1,300
Prepayment of lease premium	18	**205,489**	152,974
Intangible assets	20	**24,884**	23,027
Deferred tax assets	29	**36,831**	21,092
Available-for-sale financial assets	21	**17,158**	13,252
		514,790	403,854
Current assets			
Stocks	22	**741,391**	518,284
Debtors and prepayments	23	**406,247**	376,607
Bank balances and cash	24	**166,567**	105,103
		1,314,205	999,994
Non-current assets held for sale		**–**	32,473
		1,314,205	1,032,467
Total assets		**1,828,995**	1,436,321
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	**95,134**	95,134
Reserves	26	**747,616**	642,547
Shareholders' funds		**842,750**	737,681
Minority interests		**4,751**	4,587
Total equity		**847,501**	742,268

	Note	**2008** **HK$'000**	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	29	**1,456**	2,825
Borrowings	28	**144,952**	71,223
		146,408	74,048
Current liabilities			
Creditors and accruals	27	**476,667**	321,195
Income tax payable		**32,979**	33,382
Borrowings	28	**325,440**	265,428
		835,086	620,005
Total liabilities		**981,494**	694,053
Total equity and liabilities		**1,828,995**	1,436,321
Net current assets		**479,119**	412,462
Total assets less current liabilities		**993,909**	816,316

Wong Chong Po
Chairman

Joseph C.C. Wong
Vice Chairman and
Chief Executive Officer

BALANCE SHEET
As at 31st March 2008

	Note	**2008 HK$'000**	2007 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	**–**	–
Current assets			
Amounts due from subsidiaries	19	**501,984**	537,665
Debtors and prepayments		**478**	3,664
Bank balances and cash	24	**4**	2
		502,466	541,331
Total assets		**502,466**	541,331
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	**95,134**	95,134
Reserves	26	**403,203**	442,208
Total equity		**498,337**	537,342
LIABILITIES			
Current liabilities			
Creditors and accruals	27	**4,129**	3,989
Total liabilities		**4,129**	3,989
Total equity and liabilities		**502,466**	541,331

Wong Chong Po
Chairman

Joseph C.C. Wong
Vice Chairman and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2008

	Attributable to the equity holders of the Company			
	Share capital	**Reserves**	**Minority interests**	**Total**
	(Note 25)	(Note 26)		
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 2006	95,134	552,511	6,777	654,422
Acquisition of additional equity interests in subsidiaries	–	–	(2,950)	(2,950)
Exchange differences	–	22,964	680	23,644
Revaluation of available-for-sale financial assets	–	2,332	–	2,332
Profit for the year	–	101,842	878	102,720
Dividends paid	–	(37,102)	(798)	(37,900)
At 31st March 2007	95,134	642,547	4,587	742,268
At 1st April 2007	95,134	642,547	4,587	742,268
Exchange differences	–	11,463	232	11,695
Revaluation of available-for-sale financial assets	–	3,906	–	3,906
Profit for the year	–	128,705	564	129,269
Dividends paid	–	(39,005)	(632)	(39,637)
At 31st March 2008	95,134	747,616	4,751	847,501

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2008

	Note	**2008 HK$'000**	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**161,857**	41,265
Interest paid		**(18,500)**	(20,206)
Hong Kong profits tax paid		**(16,984)**	(9,972)
Overseas profits tax paid		**(38,786)**	(18,922)
Net cash generated from/(used in) operating activities		**87,587**	(7,835)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(119,007)**	(107,635)
Prepayment of lease premium		**(64,846)**	(1,749)
Proceeds from sale of property, plant and equipment		**16,503**	2,567
Proceeds from disposal of investment properties		**32,473**	11,569
Proceeds from disposal of prepayment of lease premium		**3,735**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	120,000
Acquisition of additional equity interests in subsidiaries		**–**	(2,079)
Interest received		**1,523**	2,611
Dividends received		**2,783**	2,928
Net cash (used in)/generated from investing activities		**(126,836)**	28,212
Cash flows from financing activities			
Drawdown of bank loans		**526,104**	500,258
Repayment of bank loans		**(391,420)**	(463,551)
Capital element of finance lease payments		**(601)**	(574)
Repayment of loans from related companies		**–**	(42,278)
Dividends paid to the Company's shareholders		**(39,005)**	(37,102)
Dividends paid to minority shareholders		**(632)**	(798)
Net cash generated from/(used in) financing activities		**94,446**	(44,045)
Net increase/(decrease) in cash and cash equivalents		**55,197**	(23,668)
Cash and cash equivalents at beginning of year		**103,259**	115,977
Effect of foreign exchange rate changes		**8,111**	10,950
Cash and cash equivalents at end of year		**166,567**	103,259
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		**166,567**	105,103
Bank overdrafts		**–**	(1,844)
		166,567	103,259

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are shown in Note 33 to financial statements.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong Dollars, unless otherwise stated. These financial statements have been approved by the Board of Directors on 22nd July 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment property.

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

Adoption of standards, amendments to standards and interpretations

In 2008, the Group adopted the following standards, amendments to standards and interpretations of HKFRS issued by the Hong Kong Institute of Certified Public Accountants, which have become effective for accounting periods beginning on or after 1st April 2007 and are relevant to its operations:

- HK(IFRIC)-Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued to establish whether or not they fall within the scope of HKFRS 2. The adoption of this interpretation did not have material impact on the Group's financial statements.

- HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The application of the interpretation did not have a significant impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Adoption of standards, amendments to standards and interpretations (Continued)

- HKFRS 7, 'Financial Instruments: Disclosures', and the complementary Amendment to HKAS 1, 'Presentation of Financial Statements-Capital Disclosures', introduces new disclosures relating to financial instruments and capital management. The adoption of the new standard and amendment to standard did not have any significant impact on the classification and valuation of the Group's financial statements.

Standards, interpretations and amendments to standards that are not yet effective and have not been early adopted by the Group

- HKAS 1 (Revised), 'Presentation of Financial Statements', requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1st April 2009.

- HKAS 23 (Revised), 'Borrowing Costs', requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1st April 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKFRS 8, 'Operating Segments', replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1st April 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- HKFRS 2 Amendment, 'Share-based Payment Vesting Conditions and Cancellations', clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1st April 2009, but it is not expected to have any impact on the Group's accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Standards, interpretations and amendments to standards that are not yet effective and have not been early adopted by the Group (Continued)

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements', requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1st April 2010.

- HKFRS 3 (Revised), 'Business Combination', may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1st April 2010.

- HK(IFRIC)-Int 12, 'Service concession arrangements', applies to companies that participate in service concession arrangements and provides guidance on the accounting by operators in public-to-private service concession arrangements. Management does not expect the interpretation to be relevant to the Group.

- HK(IFRIC)-Int 13, 'Customer loyalty programmes', clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply HK(IFRIC)-Int 13 from 1st April 2009 but it is not expected to have significant impact on the Group's accounts.

- HK(IFRIC)-Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC)-Int 14 from 1st April 2008, but it is not expected to have any impact on the Group's accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2(g)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation difference on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	Lesser of the unexpired lease term or 20 to 50 years
Equipment	3 to 10 years
Furniture and fixtures	3 to 15 years
Motor vehicles	4 to 5 years

No depreciation is provided on freehold land.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

(f) Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are carried at fair value, representing open market value determined annually by independent qualified valuers. Changes in fair values are recorded in the income statement.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to these cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

(ii) Trademarks

Trademarks are reassessed as having an infinite useful life in the previous financial years and the carrying amount brought forward are not amortised but tested annually for impairment. Trademarks are carried at cost less accumulated amortisation and accumulated impairment losses.

(h) Impairment of investments in subsidiaries and non-financial assets

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

(i) Financial assets

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as debtors and prepayments in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on trade date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group’s right to receive payments is established.

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group’s right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial assets (Continued)

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

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

(j) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes the cost of direct labour, materials and appropriate proportion of production overhead expenditure, and is calculated on the weighted average basis. Net realisable value is the anticipated sales proceeds less selling expenses.

(k) Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Creditors

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Current and deferred income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

The Group operates and participates in a number of defined contribution plans. The assets of the defined contribution plans are held separately from those of the Group in independently administered funds. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefit relating to employee service in the current and prior periods.

(iii) Profit-sharing and bonus plan

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to equity holders of the Company after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Recognition of revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods – wholesale and trading

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) Sales of goods – retail

Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(iii) Building management fee income

Building management fee income is recognised when the services are rendered.

(iv) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(vi) Dividend income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Leases

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's shareholders.

(v) Financial guarantee

A financial guarantee (a kind of insurance 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 original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised in the income statement immediately.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

(i) Foreign exchange risk

The Group mainly operates in Hong Kong, China and a number of countries in South East Asia. Retail sales transactions are mostly denominated in the functional currencies of the group entities. The Group's exposure to foreign exchange risk mainly arise from future purchase transactions, recognised financial assets and liabilities denominated in currencies other than the functional currency of the group entities to which they relate. The Group considers its foreign currency exposure as mainly arising from the exposure of the Singapore Dollar, Malaysian Ringgit, Thai Baht and Chinese Renminbi against the Hong Kong Dollar. The Group regularly monitors its exposures to foreign currency transactions and use foreign exchange forward contracts to hedge such exposure occasionally depending on management's risk assessment.

The details of the currencies in which the Group's bank loans are denominated are set out in Note 28 to the accounts. The Group's bank loans are principally denominated in the functional currency of the relevant group entity. Management does not anticipate any significant foreign exchange risk associated with the Group's borrowings.

The approximate impact to the Group's profit before tax that might be resulted from the reasonable possible changes in the foreign exchange rates against the Hong Kong Dollar to which the Group has significant exposure at 31st March 2008 is summarised below. The analysis includes balances between group companies where the balances are denominated in a currency other than the functional currencies of the lending or the borrowing entities.

	2008		2007	
	Increase in foreign exchange rates	**Increase in profit before tax HK$'000**	Increase in foreign exchange rates	Increase in profit before tax HK$'000
Singapore Dollar	**5%**	**6,618**	5%	5,196
Malaysian Ringgit	**5%**	**5,090**	5%	3,173
Thai Baht	**5%**	**2,696**	5%	4,283
Chinese Renminbi	**5%**	**5,012**	5%	2,501

Decrease in the above foreign exchange rates by 5% would affect the profit before tax by the same amount but in the opposite direction.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets.

Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. All borrowings as at 31st March 2008 were at floating interest rates. The Group will review whether bank loans bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates.

The Group did not use any interest rate swaps to hedge its exposure to cash flow interest rate risk.

At 31st March 2008, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, profit before tax would have been HK$4,015,000 (2007: HK$3,284,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Credit risk

The Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets (mainly include deposits with banks and debtors and prepayments) as stated in the consolidated balance sheet.

Bank balances are deposited in banks with sound credit ratings to mitigate the risk arising from banks. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. The Group also has policies in place to assess the credit worthiness of customers to ensure that sales of products are made to wholesale customers with an appropriate credit history. Besides, management of the Group monitors its credit risk on an ongoing basis by reviewing the debtors' aging to minimise its exposure to credit risk.

Sales to retail customers are made in cash or via major credit cards.

Rental deposits are mainly placed with various landlords in countries where the Group operates and are due to refund upon the expiry of the tenancy agreements and handover of the leased premises. During the year, the Group did not experience any defaults by the landlords.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Balances without contractual maturity date and not yet due at the balance sheet date are excluded from the analysis below. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year	Between 1 and 2 year	Between 2 and 3 year	Over 3 years
Group				
At 31st March 2008				
Bank borrowings	345,512	61,357	21,162	78,955
Finance lease	884	739	669	427
Creditors and accruals	33,347	–	–	–
At 31st March 2007				
Bank borrowings	282,717	29,057	22,933	27,323
Finance lease	512	498	375	462
Creditors and accruals	13,724	–	–	–
Company				
At 31st March 2008				
Creditors and accruals	4,129	–	–	–
At 31st March 2007				
Creditors and accruals	3,989	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by shareholders' funds. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents.

The gearing ratios at 31st March 2007 and 2008 were as follows:

	2008	2007
	HK$'000	HK$'000
Total borrowings (Note 28)	**470,392**	336,651
Less: Bank balances and cash (Note 24)	**(166,567)**	(105,103)
Net debt	**303,825**	231,548
Shareholders' funds	**842,750**	737,681
Gearing ratio	**36%**	31%

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques such as estimated discounted cash flows. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, debtors and prepayments and financial liabilities including creditors and accruals, short-term borrowings, approximate their fair values due to their short maturities.

The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Net realisable value of stocks

Net realisable value of stocks is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

(ii) Impairment of debtors

The Group's management determines the provision for impairment of debtors. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each balance sheet date.

(iii) Impairment of intangible assets

The Group tests annually whether goodwill and trademarks have suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 20).

(iv) Deferred income tax

The Group's management determines the amount of deferred tax asset to be recognised by estimating the amount of future profit available to utilise the tax losses in the relevant tax jurisdiction and entity. The estimate is based on the projected profit in respective jurisdiction and entity and the Group uses its judgement to make assumptions that are mainly based on market conditions existing on balance sheet date. It could change as a result of the uncertainties in the market conditions.

5 REVENUES

	2008	2007
	HK$'000	HK$'000
Turnover		
Sales of goods	**2,261,571**	1,791,264
Gross rental income	**252**	1,361
	2,261,823	1,792,625

6 OTHER GAINS, NET

	2008 HK$'000	2007 HK$'000
Gain on disposal of financial assets at fair value through profit or loss	–	29,250
Gain on disposal of property, plant and equipment, net	**1,164**	396
Gain on disposal of investment properties	–	1,569
Fair value gains of investment properties	**800**	8,212
Exchange gain, net	**40,764**	39,718
	42,728	79,145

7 OTHER INCOME

	2008 HK$'000	2007 HK$'000
Building management fee income	**4,030**	5,061
Dividend income from investments	**2,783**	2,928
Interest income	**1,523**	2,611
Sundries	**12,134**	12,597
	20,470	23,197

8 SEGMENT INFORMATION

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated items represent net corporate expenses or income. Segment assets consist primarily of property, plant and equipment, investment properties, prepayment of lease premium, intangible assets, stocks, debtors and prepayments, non-current assets held for sale and exclude deferred tax assets and bank balances and cash. Segment liabilities consist mainly of creditors and accruals and exclude provision for executive bonus, income tax payable, deferred tax liabilities and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment, investment properties and prepayment of lease premium.

In respect of geographical segment reporting, sales are based on location of its markets and customers. Total assets and capital expenditure are based on where the assets are located. Inter-segment sales are conducted at prices and terms mutually agreed amongst those business segments.

8 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments

	For the year ended 31st March 2008			
	Retail and trading		Property	Group
	Watch HK$'000	Optical HK$'000	HK$'000	Total HK$'000
Revenues				
Gross segment	1,500,871	760,700	11,330	2,272,901
Inter-segment	–	–	(11,078)	(11,078)
	1,500,871	760,700	252	2,261,823
Segment results	145,915	56,975	16,721	219,611
Unallocated income				2,877
Net corporate expenses				(37,198)
Operating profit				185,290
Finance costs				(18,072)
Profit before income tax				167,218
Income tax expense				(37,949)
Profit for the year				129,269
Capital expenditure	(68,780)	(48,331)	(64,325)	
Depreciation	(44,683)	(28,598)	(37)	
Amortisation of prepayment of lease premium	(3,607)	(3,053)	(3,081)	
Fair value gain of investment property	–	–	800	
(Loss)/gain on disposal of property, plant and equipment	(552)	(703)	2,419	
Provision for stocks	(10,342)	(3,739)	–	
Impairment of debtors and bad debts written off	(2,095)	(249)	–	
Reversal of bad debts provision	182	–	17,498	

	As at 31st March 2008			
	Retail and trading		Property	Group
	Watch HK$'000	Optical HK$'000	HK$'000	Total HK$'000
Segment assets	1,132,863	329,069	145,238	1,607,170
Unallocated assets				221,825
Total assets				1,828,995
Segment liabilities	318,271	135,488	4,817	458,576
Unallocated liabilities				522,918
Total liabilities				981,494

8 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

	For the year ended 31st March 2007			
	Retail and trading		Property	Group
	Watch	Optical		Total
	HK$'000	HK$'000	HK$'000	HK$'000
Revenues				
Gross segment	1,177,418	613,846	8,159	1,799,423
Inter-segment	–	–	(6,798)	(6,798)
	1,177,418	613,846	1,361	1,792,625
Segment results	92,987	54,250	6,397	153,634
Unallocated income				40,792
Net corporate expenses				(36,760)
Operating profit				157,666
Finance costs				(19,270)
Profit before income tax				138,396
Income tax expense				(35,676)
Profit for the year				102,720
Capital expenditure	(81,565)	(28,232)	(13)	
Depreciation	(31,883)	(22,040)	(321)	
Impairment of property, plant and equipment	(429)	(578)	–	
Amortisation of prepayment of lease premium	(3,390)	(2,853)	(3,083)	
Fair value gains of investment properties	–	–	8,212	
Gain/(loss) on disposal of property, plant and equipment	228	(208)	–	
Gain on disposal of investment properties	–	–	1,569	
Provision for stocks	(18,993)	(2,530)	–	
Impairment of debtors and bad debts written off	(1,636)	(1)	–	
Reversal of bad debts provision	1,091	–	–	

8 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

	As at 31st March 2007			
	Retail and trading		Property	Group
	Watch	Optical		Total
	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	857,869	246,216	190,645	1,294,730
Unallocated assets				141,591
Total assets				1,436,321
Segment liabilities	198,196	103,194	2,484	303,874
Unallocated liabilities				390,179
Total liabilities				694,053

Secondary reporting format – geographical segments

	As at and for the year ended 31st March 2008			
	Revenues	**Segment results**	**Total assets**	**Capital expenditure**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Hong Kong	**1,165,783**	**99,493**	**841,672**	**114,331**
Mainland China	**125,130**	**(25,247)**	**197,513**	**10,575**
Rest of Asia	**952,981**	**158,166**	**742,660**	**57,421**
Europe	**15,482**	**(13,513)**	**47,150**	**2,749**
North America	**2,447**	**712**	**–**	**–**
	2,261,823	**219,611**	**1,828,995**	**185,076**

	As at and for the year ended 31st March 2007			
	Revenues	Segment results	Total assets	Capital expenditure
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	962,323	62,800	666,554	32,099
Mainland China	82,337	(21,087)	95,091	7,229
Rest of Asia	730,806	130,608	625,045	66,366
Europe	14,738	(19,491)	49,631	4,606
North America	2,421	804	–	–
	1,792,625	153,634	1,436,321	110,300

9 EXPENSES BY NATURE

	2008 HK$'000	2007 HK$'000
Cost of stocks sold and raw materials consumed	**869,692**	706,343
Amortisation of prepayment of lease premium	**9,741**	9,326
Depreciation of property, plant and equipment		
– Owned	**74,133**	54,826
– Leased	**710**	533
Impairment of property, plant and equipment	**–**	1,007
Auditor's remuneration	**5,913**	4,719
Operating leases		
– Buildings	**333,930**	261,810
– Equipment	**18**	26
Provision for stocks	**14,081**	21,523
Impairment of debtors and bad debts written off	**2,344**	1,637
Reversal of bad debts provision	**(17,680)**	(1,091)
Donations	**344**	102
Employee benefit expense (Note 10)	**398,402**	315,647
Others	**448,103**	360,893
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	**2,139,731**	1,737,301

10 EMPLOYEE BENEFIT EXPENSE

	2008 HK$'000	2007 HK$'000
Salaries and allowances	**368,333**	297,599
Pension contributions less forfeiture utilised (Note a)	**21,330**	10,149
Unutilised annual leave	**1,179**	751
Social security costs	**4,505**	3,651
Other allowances	**3,055**	3,497
	398,402	315,647

(a) Pensions – defined contribution plans

The Group operated a mandatory provident fund ("MPF") scheme which is available to eligible employees of the Group, including executive directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

For subsidiaries outside Hong Kong, contributions to the local pension scheme are made by the Group and employees, which are calculated at rates specified in the rules of the local pension scheme. The assets of the pension scheme are held separately from those of the Group in an independently administered fund.

Forfeited contributions totalling HK$364,000 for the year ended 31st March 2008 (2007: HK$6,224,000) arising from employees leaving the Occupation Retirement Scheme Ordinance scheme, were utilised to offset contributions during the year. The MPF scheme cost charged to the consolidated income statement represents contributions payable by the Company to the fund.

10 EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Emoluments of directors and senior management

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

Name	Fees HK$'000	Basic salaries, allowances, and benefits in kind HK$'000	Contributions to pension plans HK$'000	Discretionary bonus[i] HK$'000	Total HK$'000
For the year ended 31st March 2008					
Wong Chong Po	**100**	**1,395**	**–**	**1,107**	**2,602**
Joseph C. C. Wong	**80**	**2,531**	**86**	**3,321**	**6,018**
Chu Kai Wah, Anthony	**80**	**1,751**	**97**	**1,476**	**3,404**
Sakorn Kanjanapas	**80**	**–**	**–**	**–**	**80**
Lau Tak Bui, Vincent [iv]	**80**	**1,796**	**66**	**1,476**	**3,418**
Kwong Yi Hang, Agnes [vi]	**120**	**–**	**–**	**–**	**120**
Wu Chun Sang	**120**	**–**	**–**	**–**	**120**
Wu Chi Man, Lawrence	**120**	**–**	**–**	**–**	**120**
	780	**7,473**	**249**	**7,380**	**15,882**
For the year ended 31st March 2007					
Wong Chong Po	100	1,395	–	2,042	3,537
Joseph C. C. Wong	80	2,500	90	6,125	8,795
Chu Kai Wah, Anthony	80	1,500	85	2,042	3,707
Sakorn Kanjanapas	80	–	–	–	80
Lee Shu Chung, Stan [ii]	80	1,245	77	2,042	3,444
Wong Yuk Woon [iii]	80	294	14	2,042	2,430
Lau Tak Bui, Vincent [iv]	80	1,718	63	–	1,861
Kwong Yiu Chung [v]	33	–	–	–	33
Kwong Yi Hang, Agnes [vi]	47	–	–	–	47
Wu Chun Sang	100	–	–	–	100
Wu Chi Man, Lawrence	80	–	–	–	80
	840	8,652	329	14,293	24,114

i Discretionary bonus represents the amount paid during the year.
ii Resigned on 16th February 2007
iii Resigned on 1st June 2006
iv Appointed on 1st April 2006
v Retired on 6th September 2006
vi Appointed on 6th September 2006

During the year, none of the directors has waived their emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation of loss of office.

10 EMPLOYEE BENEFIT EXPENSE (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2007: five) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining one (2007: Nil) individual during the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries, allowance and benefits in kind	**974**	–
Performance bonus	**969**	–
Contributions to pension plans	**46**	–
	1,989	–

11 FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**16,464**	15,713
Interest on bank loans and overdrafts not wholly repayable within five years	**1,402**	1,645
Interest on other loans wholly repayable within five years	**96**	1,854
Interest on finance leases	**110**	58
	18,072	19,270

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for the year ended 31st March 2008 (2007: 17.5%) less relief for available tax losses. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the territories in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

	2008	2007
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**17,101**	12,916
– Overseas profits tax	**37,926**	27,160
– Over provisions in respect of prior years	**(2,140)**	(4,783)
	52,887	35,293
Deferred income tax (Note 29)	**(14,938)**	383
Income tax expense	**37,949**	35,676

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of tax rates prevailing in the territories in which the Group operates, is as follows:

	2008	2007
	HK$'000	HK$'000
Profit before income tax	**167,218**	138,396
Theoretical tax at weighted average rate of 18.7% (2007: 18.8%)	**31,284**	26,070
Income not subject to tax	**(11,023)**	(5,044)
Expenses not deductible for tax purpose	**5,233**	11,394
Effect of changes in tax rate	**535**	–
Recognition of temporary differences not previously recognised	**(585)**	(1,535)
Utilisation of previously unrecognised tax losses	**(6,251)**	(4,480)
Tax losses not recognised	**17,638**	13,216
Over provisions in respect of prior years	**(2,140)**	(4,783)
Others	**3,258**	838
Income tax expense	**37,949**	35,676

13 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK$Nil (2007: HK$3,627,000) for the year ended 31st March 2008.

14 DIVIDENDS

	2008	2007
	HK$'000	HK$'000
Interim, paid, of HK$0.012 (2007: HK$0.011) per ordinary share	**11,416**	10,465
Final, proposed, of HK$0.030 (2007: HK$0.029) per ordinary share	**28,540**	27,589
	39,956	38,054

15 EARNINGS PER SHARE

Basic

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

	2008	2007
Weighted average number of ordinary shares in issue (thousands)	**951,340**	951,340
Profit attributable to equity holders of the Company (HK$'000)	**128,705**	101,842
Basic earnings per share (HK cents)	**13.53**	10.71

Dilutive

There were no dilutive potential ordinary shares in existence during the years ended 31st March 2007 and 2008.

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Freehold land and buildings HK$'000	Equipment and others HK$'000	Total HK$'000
Year ended 31st March 2007			
Opening net book amount	47,835	82,545	130,380
Additions	40,510	68,041	108,551
Disposals	(1,291)	(880)	(2,171)
Depreciation	(912)	(54,447)	(55,359)
Impairment (note c)	–	(1,007)	(1,007)
Exchange differences	5,848	5,967	11,815
Closing net book amount	91,990	100,219	192,209
At 31st March 2007			
Cost	127,655	408,721	536,376
Accumulated depreciation and impairment	(35,665)	(308,502)	(344,167)
Net book amount	91,990	100,219	192,209
Year ended 31st March 2008			
Opening net book amount	**91,990**	**100,219**	**192,209**
Additions	**3,941**	**116,289**	**120,230**
Disposals	**(12,496)**	**(2,843)**	**(15,339)**
Depreciation	**(3,172)**	**(71,671)**	**(74,843)**
Exchange differences	**664**	**5,407**	**6,071**
Closing net book amount	**80,927**	**147,401**	**228,328**
At 31st March 2008			
Cost	**117,536**	**451,424**	**568,960**
Accumulated depreciation and impairment	**(36,609)**	**(304,023)**	**(340,632)**
Net book amount	**80,927**	**147,401**	**228,328**

16 PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

Notes:

(a) Certain property, plant and equipment of the Group have been pledged for bank borrowings. The carrying value of these property, plant and equipment as at 31st March 2008 were approximately HK$58,722,000 (2007: HK$54,825,000).

(b) At 31st March 2008, the net book value of motor vehicles held under finance leases amounted to HK$3,025,000 (2007: HK$1,752,000).

(c) Impairment loss was included in other operating expenses in the consolidated income statement.

(d) The Group's interest in freehold land and buildings at their net book values are analysed as follows:

	2008	2007
	HK$'000	HK$'000
Freehold land and buildings outside Hong Kong	**77,853**	79,010
Buildings in Hong Kong, held on:		
– Leases between 10 to 50 years	**3,074**	692
Buildings outside Hong Kong:		
– Leases over 50 years	**–**	12,288
	80,927	91,990

17 INVESTMENT PROPERTY – GROUP

	2008	2007
	HK$'000	HK$'000
At 1st April	**1,300**	34,340
Transfer to non-current assets held for sale	**–**	(32,473)
Disposals	**–**	(10,000)
Exchange differences	**–**	1,221
Fair value gain	**800**	8,212
At 31st March	**2,100**	1,300

The investment property was revalued by independent professionally qualified valuer, CS Surveyors Limited, as at 31st March 2008. Valuation was based on open market value of the property.

The Group's interests in investment property are held on lease in Hong Kong with periods between 10 to 50 years.

18 PREPAYMENT OF LEASE PREMIUM – GROUP

	2008 HK$'000	2007 HK$'000
At 1st April	**152,974**	146,877
Additions	**64,846**	1,749
Disposals	**(3,735)**	–
Amortisation (note b)	**(9,741)**	(9,326)
Exchange differences	**1,145**	13,674
At 31st March	**205,489**	152,974

The Group's interests in prepayment of lease premium at their net book amounts are analysed as follows:

	2008 HK$'000	2007 HK$'000
In Hong Kong, held on:		
– Leases between 10 to 50 years	**135,375**	76,542
Outside Hong Kong, held on:		
– Leases over 50 years	**–**	3,048
– Leases between 10 to 50 years	**59,212**	60,312
– Leases under 10 years	**10,902**	13,072
	205,489	152,974

Notes:

(a) Certain prepayment of lease premium of the Group have been pledged for bank borrowings. The carrying amount of these prepayment of lease premium as at 31st March 2008 were HK$156,457,000 (2007: HK$100,325,000).

(b) Amortisation of prepayment of lease premium is included in the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Selling expenses	**6,660**	6,243
General and administrative expenses	**–**	3
Other operating expenses	**3,081**	3,080
	9,741	9,326

19 SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2008	2007
	HK$'000	HK$'000
Investment in subsidiaries	**–**	–
Amounts due from subsidiaries	**501,984**	537,665
	501,984	537,665

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

Details of principal subsidiaries are shown in Note 33.

20 INTANGIBLE ASSETS – GROUP

	Goodwill	**Trademarks**	**Total**
	HK$'000	HK$'000	HK$'000
Year ended 31st March 2007			
Opening net book amount	5,315	16,721	22,036
Exchange differences	882	109	991
Closing net book amount	6,197	16,830	23,027
At 31st March 2007			
Cost	6,197	45,727	51,924
Accumulated amortisation	–	(28,897)	(28,897)
Net book amount	6,197	16,830	23,027
Year ended 31st March 2008			
Opening net book amount	**6,197**	**16,830**	**23,027**
Exchange differences	**1,480**	**377**	**1,857**
Closing net book amount	**7,677**	**17,207**	**24,884**
At 31st March 2008			
Cost	**7,677**	**46,645**	**54,322**
Accumulated amortisation	**–**	**(29,438)**	**(29,438)**
Net book amount	**7,677**	**17,207**	**24,884**

20 INTANGIBLE ASSETS – GROUP (Continued)

(a) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. The goodwill is attributable to the watch trading operations.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets performed by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for the market development. Cash flows beyond the five year period are extrapolated using the estimated growth rate stated below.

The key assumptions used for value-in-use calculations are as follows:

1. Growth rate used to extrapolate cash flows beyond the budget period of 2% which does not exceed historical growth rate.

2. Pre-tax discount rate applied to cash flows projections of 10%. The discount rate used is pre-tax and reflects specific risks related to the Group.

During the year ended 31st March 2008, there was no impairment on the CGUs containing goodwill with indefinite useful lives.

(b) Impairment test for trademarks

The valuation of the trademarks is determined by estimating the value of royalties which the Group is exempted from by virtue of the fact that it owns the trademarks. A net sales royalty rate is multiplied by the net sales expected to be generated by the trademarks and then capitalised at a discount rate at which the trademarks are utilised.

During the year ended 31st March 2008, there was no impairment on the trademarks with indefinite useful lives.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2008 **HK$'000**	2007 HK$'000
At 1st April	**13,252**	10,920
Revaluation surplus transfer to equity (Note 26)	**3,906**	2,332
At 31st March	**17,158**	13,252

Available-for-sale financial assets as at 31st March 2008 represent unlisted equity investments in Switzerland and are denominated in Swiss Francs.

22 STOCKS – GROUP

	2008 HK$'000	2007 HK$'000
Raw materials	**21,484**	21,206
Work-in-progress	**754**	3,107
Finished goods	**719,153**	493,971
	741,391	518,284

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$869,692,000 (2007: HK$706,343,000).

23 DEBTORS AND PREPAYMENTS – GROUP

	2008 HK$'000	2007 HK$'000
Trade debtors, net (Note a)	**198,643**	121,195
Deposits, prepayments and other debtors (Note c)	**207,604**	255,412
	406,247	376,607
Trade debtors analysed by invoice date:		
Below 60 days	**58,482**	54,492
Over 60 days	**140,161**	66,703
	198,643	121,195

Notes:

(a) The Group engages designated import and export agents for the importation of products from the subsidiaries in Hong Kong to the subsidiaries in the Mainland. The balances due from and due to the import and export agents are settled on a back-to-back basis and hence there are no fixed terms of settlement for such balances. The Group's trade debtors and trade creditors include balances due from and due to the import and export agents of HK$113,672,000 (2007: HK$51,133,000).

Other than the balances due from the import and export agents, the Group allows an average credit period of 60 days from the invoice date to its trade debtors.

Included in the Group's trade debtors were debtors with a carrying amount of HK$21,925,000 (2007: HK$12,982,000) which were past due for which the Group has not provided for impairment loss. The ageing analysis of these trade debtors based on due dates is as follows:

	2008 HK$'000	2007 HK$'000
Overdue:		
Within 1 year	**21,680**	12,590
1-2 years	**205**	261
Over 2 years	**40**	131
	21,925	12,982

23 DEBTORS AND PREPAYMENTS – GROUP (Continued)

(a) (Continued)

Receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully receivable. The Group does not hold any collateral over these balances.

As at 31st March 2008, debtors of HK$30,275,000 (2007: HK$47,074,000) aged over 3 years were fully impaired.

(b) The movement on the provision for impairment of trade debtors is as follows:

	2008 **HK$'000**	2007 HK$'000
At 1st April	**47,074**	47,749
Impairment provision	**1,266**	1,606
Receivables written off during the year as uncollectible	**(976)**	(1,715)
Provisions written back	**(17,680)**	(1,091)
Exchange differences	**591**	525
At 31st March	**30,275**	47,074

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) The balance included amounts due from related companies of HK$5,551,000 (2007: HK$91,882,000). The balance as at 31st March 2007 comprises a balance owed by Bangkok Land Public Company Limited ("Bangkok Land") of HK$79,795,000 (net of impairment provision). The Chairman of the Company, Mr. Wong Chong Po, is also the Chairman of Bangkok Land. The balance owed by Bangkok Land was fully repaid during the year. Impairment provision of HK$17,498,000 was reversed to the income statement during the year and included in other operating expenses.

The amounts due from related companies as at 31st March 2008 are unsecured, interest free and repayable on demand.

(d) An analysis of debtors and prepayments by currency is as follows:

	2008 **HK$'000**	2007 HK$'000
Hong Kong Dollar	**244,225**	270,815
Chinese Renminbi	**43,690**	19,161
Singapore Dollar	**42,254**	19,243
Malaysian Ringgit	**39,004**	30,223
Thai Baht	**11,387**	12,376
Swiss Francs	**12,177**	6,310
US Dollar	**5,389**	8,537
Others	**8,121**	9,942
	406,247	376,607

24 BANK BALANCES AND CASH

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**166,567**	105,103	**4**	2
	166,567	105,103	**4**	2

An analysis of bank balances and cash by currency is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**54,758**	28,931	**4**	2
Chinese Renminbi	**35,605**	23,386	**–**	–
Singapore Dollar	**26,906**	11,700	**–**	–
Malaysian Ringgit	**33,171**	29,510	**–**	–
Thai Baht	**5,219**	5,659	**–**	–
UK Pound	**30**	521	**–**	–
Others	**10,878**	5,396	**–**	–
	166,567	105,103	**4**	2

25 SHARE CAPITAL

	Number of shares of HK$0.1 each	HK$'000
Authorised:		
At 31st March 2007 and 2008	1,600,000,000	160,000
Issued and fully paid:		
At 1st April 2006, 31st March 2007 and 31st March 2008	951,340,023	95,134

On 9th March 2005, the share option scheme for the employees, officers and directors of the Company and its subsidiaries (the "Share Option Scheme") was approved and adopted by the shareholders pursuant to which the Board was authorised to grant options to the employees, officers and directors of the Company or its subsidiaries to subscribe for shares of the Company for a fixed period.

No share option has been granted during the year and no share options were outstanding as at 31st March 2007 and 2008.

26 RESERVES

Group

	Share premium HK$'000	Revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2006	1,977	6,621	(4,477)	548,390	552,511
Exchange differences	–	–	22,964	–	22,964
Change in fair value of available-for-sale financial assets	–	2,332	–	–	2,332
Profit for the year	–	–	–	101,842	101,842
Dividends paid	–	–	–	(37,102)	(37,102)
At 31st March 2007	1,977	8,953	18,487	613,130	642,547
Representing:					
2007 proposed final dividend				27,589	
Reserves				585,541	
				613,130	
At 1st April 2007	**1,977**	**8,953**	**18,487**	**613,130**	**642,547**
Exchange differences	**–**	**–**	**11,463**	**–**	**11,463**
Change in fair value of available-for-sale financial assets	**–**	**3,906**	**–**	**–**	**3,906**
Profit for the year	**–**	**–**	**–**	**128,705**	**128,705**
Dividends paid	**–**	**–**	**–**	**(39,005)**	**(39,005)**
At 31st March 2008	**1,977**	**12,859**	**29,950**	**702,830**	**747,616**
Representing:					
2008 proposed final dividend				**28,540**	
Reserves				**674,290**	
				702,830	

26 RESERVES (Continued)

Company

	Share premium HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2006	1,977	480,960	482,937
Loss for the year	–	(3,627)	(3,627)
Dividends paid	–	(37,102)	(37,102)
At 31st March 2007	1,977	440,231	442,208
Representing:			
2007 proposed final dividend		27,589	
Reserves		412,642	
		440,231	
At 1st April 2007	**1,977**	**440,231**	**442,208**
Results for the year	**–**	**–**	**–**
Dividends paid	**–**	**(39,005)**	**(39,005)**
At 31st March 2008	**1,977**	**401,226**	**403,203**
Representing:			
2008 proposed final dividend		**28,540**	
Reserves		**372,686**	
		401,226	

27 CREDITORS AND ACCRUALS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors analysed by invoice date:				
Below 60 days	**121,880**	128,382	**–**	–
Over 60 days	**170,665**	46,797	**–**	–
	292,545	175,179	**–**	–
Other creditors and accruals (note a)	**184,122**	146,016	**4,129**	3,989
	476,667	321,195	**4,129**	3,989

Notes:

(a) Included in other creditors and accruals are amounts due to related companies of HK$12,731,000 (2007: HK$10,499,000), which are unsecured, interest free and repayable on demand.

(b) An analysis of creditors and accruals by currency is as follows:

	2008	2007
	HK$'000	HK$'000
Hong Kong Dollar	**219,850**	174,340
Chinese Renminbi	**132,144**	59,808
Singapore Dollar	**27,260**	21,425
Malaysian Ringgit	**25,439**	16,167
Thai Baht	**42,342**	34,892
Swiss Francs	**10,456**	4,034
US Dollar	**9,389**	4,055
UK Pound	**3,471**	1,414
Others	**6,316**	5,060
	476,667	321,195

28 BORROWINGS – GROUP

	2008 HK$'000	2007 HK$'000
Bank borrowings and overdrafts (note a)	**467,983**	335,027
Obligations under finance leases (note b)	**2,409**	1,624
	470,392	336,651
Amount repayable within one year included in current liabilities	**(325,440)**	(265,428)
	144,952	71,223

(a) Bank borrowings and overdrafts

The Group's bank borrowings and overdrafts are repayable as follows:

	2008 HK$'000	2007 HK$'000
Within 1 year	**324,689**	264,994
Between 1 and 2 years	**54,980**	25,352
Between 2 and 5 years	**41,507**	28,422
Over 5 years	**46,807**	16,259
	467,983	335,027

Included in bank borrowings and overdrafts as at 31st March 2008 are secured borrowings amounted to HK$204,007,000 (2007: HK$132,464,000), which are secured by land and buildings of the Group (Notes 16 and 18) and corporate guarantees provided by the Company and certain subsidiaries.

An analysis of the carrying amounts of the Group's bank borrowings and overdrafts by currency is as follows:

	2008 HK$'000	2007 HK$'000
Hong Kong Dollar	**459,091**	326,441
Chinese Renminbi	**2,220**	–
Thai Baht	**6,672**	6,742
Singapore Dollar	**–**	1,844
	467,983	335,027

28 BORROWINGS – GROUP (Continued)

(a) Bank borrowings and overdrafts (Continued)

The weighted average effective interest rate per annum for bank borrowings and overdrafts was 4.45% (2007: 5.29%).

As at 31st March 2008, the carrying amounts approximate to the fair values of bank borrowings and overdrafts.

As at 31st March 2008, the Company had given guarantees to various banks to secure general banking facilities granted to certain subsidiaries amounting to HK$714,407,000 (2007: HK$650,482,000). As at 31st March 2008, the utilised amount of such facilities covered by the Company's guarantees was HK$467,983,000 (2007: HK$333,183,000). The directors considered that no significant liabilities would arise from the bank guarantees given the bank borrowings were arose in the ordinary course of business of the Group.

(b) Obligations under finance leases

The obligations under finance leases are payable as follows:

	2008	2007
	HK$'000	HK$'000
Within 1 year	**884**	512
Between 1 and 2 years	**739**	498
Between 2 and 5 years	**1,067**	700
Over 5 years	**29**	136
	2,719	1,846
Future finance charges on finance leases	**(310)**	(222)
Present value of finance lease liabilities	**2,409**	1,624

The present value of finance lease liabilities is analysed as follows:

Within 1 year	**751**	435
Between 1 and 2 years	**649**	434
Between 2 and 5 years	**986**	632
Over 5 years	**23**	123
	2,409	1,624

An analysis of the carrying amounts of the obligations under finance lease by currency is as follows:

	2008	2007
	HK$'000	HK$'000
Hong Kong Dollar	**182**	118
Singapore Dollar	**593**	530
Malaysian Ringgit	**893**	976
Thai Baht	**741**	–
	2,409	1,624

29 DEFERRED INCOME TAX – GROUP

Deferred income tax is calculated in full on temporary differences under the liability method using rates of taxation prevailing in the territories in which the Group operates.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2008	2007
	HK$'000	HK$'000
Deferred tax assets	**36,831**	21,092
Deferred tax liabilities	**(1,456)**	(2,825)
	35,375	18,267

The movement in deferred tax assets and liabilities during the year is as follows:

	Deferred tax assets/(liabilities)				
	Tax losses HK$'000	Provision for unrealised profit on stock HK$'000	Accelerated accounting/(tax) depreciation allowances HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1st April 2006	2,869	6,863	3,068	5,554	18,354
Transfer to income statement	(2,638)	2,666	(758)	347	(383)
Exchange differences	–	–	(106)	402	296
At 31st March 2007 and 1st April 2008	231	9,529	2,204	6,303	18,267
Transfer to income statement	(231)	9,688	1,464	4,017	14,938
Exchange differences	–	1,769	155	246	2,170
At 31st March 2008	–	20,986	3,823	10,566	35,375

Out of the total unrecognised tax losses of HK$482,881,000 (2007: HK$446,181,000) carried forward against future taxable income, an amount of HK$331,630,000 (2007: HK$329,723,000) can be carried forward indefinitely. The remaining HK$151,251,000 (2007: HK$116,458,000) will expire in the following years:

	2008	2007
	HK$'000	HK$'000
In the first year	**–**	7,602
In the second year	**18,648**	7,309
In the third year	**28,354**	13,962
In the fourth year	**38,693**	33,269
In the fifth to tenth years inclusive	**65,556**	54,316
	151,251	116,458

30 CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash generated from operations

	2008 HK$'000	2007 HK$'000
Profit before income tax	**167,218**	138,396
Depreciation	**74,843**	55,359
Impairment loss	**–**	1,007
Gain on disposal of property, plant and equipment	**(1,164)**	(396)
Fair value gains of investment properties	**(800)**	(8,212)
Gain on disposal of investment properties	**–**	(1,569)
Gain on disposal of financial assets at fair values through profit or loss	**–**	(29,250)
Negative goodwill recognised on purchase of additional equity interests in subsidiaries	**–**	(871)
Amortisation of prepayment of lease premium	**9,741**	9,326
Interest income	**(1,523)**	(2,611)
Interest expense	**18,072**	19,270
Dividend income	**(2,783)**	(2,928)
Effect of foreign exchange rate changes	**–**	(13,230)
Operating profit before working capital changes	**263,604**	164,291
Increase in stocks	**(223,107)**	(61,457)
Increase in debtors and prepayments	**(19,595)**	(72,580)
Increase in creditors and accruals	**140,955**	11,011
Cash generated from operations	**161,857**	41,265

31 COMMITMENTS

(a) Capital commitments of the Group for property, plant and equipment:

	2008 HK$'000	2007 HK$'000
Contracted but not provided for	**907**	1,382
Authorised but not contracted for	**612**	–
	1,519	1,382

(b) Commitments under operating leases (where the Group is the lessee)

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2008 HK$'000	2007 HK$'000
Buildings		
Not later than one year	**358,335**	290,951
Later than one year but not later than five years	**401,800**	268,782
Later than five years	**46,285**	12,174
	806,420	571,907

31 COMMITMENTS (Continued)

(c) Operating lease arrangements (where the Group is the lessor)

The Group had future aggregate minimum lease receivables under non-cancellable operating leases as follows:

	2008	2007
	HK$'000	HK$'000
Buildings		
Not later than one year	**57**	195

32 RELATED PARTY TRANSACTIONS

The ultimate holding company of the Group is Yee Hing Company Limited ("Yee Hing") (incorporated in Hong Kong).

Save as disclosed in Notes 23 and 27, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business:

(i) Sales of goods and services/advances to related companies

	2008	2007
	HK$'000	HK$'000
Interest income from a related company[1]	**727**	1,830
Service income from a related company[2]	**2,040**	2,040

[1] Interest income is charged at 3% per annum on the balance owed by Bangkok Land Public Company Limited ("Bangkok Land") (Note 23(c)). The Chairman of the Company, Mr. Wong Chong Po, is also the Chairman of Bangkok Land. The balance was fully repaid in August 2007.

[2] Stelux Properties Agency Limited ("SPAL"), a wholly-owned subsidiary of the Group, entered into agreement ("the Services Agreement") with Mengiwa Property Investment Limited ("MPIL"), a wholly-owned subsidiary of Yee Hing, for the provision of the following services ("Services"):

(a) contract administration with respect to contracts entered into between MPIL and third parties from time to time;

(b) property agency liaison and tenancy management;

(c) management of the property manager of Stelux House; and

(d) other miscellaneous administrative services.

Duration of the Services Agreement is from 30th March 2006 to 31st March 2008. The fee was agreed at HK$170,000 per calendar month.

32 RELATED PARTY TRANSACTIONS (Continued)

(ii) Purchases of goods and services/advances from related companies

	2008 HK$'000	2007 HK$'000
Purchase of goods (note a)	**9,813**	7,456
Interest expense to related companies	**–**	1,708
Rental expense to related companies (note b)	**10,251**	7,226
	20,064	16,390

Notes:

(a) During the year, certain subsidiaries of the Company purchased optical products from the Vision Pro Group, an indirectly owned subsidiary of Yee Hing, in accordance with the terms of written agreements for the Group's retail and trading operations.

(b) On 3rd August 2005, Thong Sia Company (Singapore) Pte Limited, a wholly-owned subsidiary of the Group as tenant has entered into a tenancy agreement with Mengiwa Pte Ltd for the lease of office premises and showroom in Singapore for a period of 3 years from 1st July 2005 up to and including 30th June 2008 at a monthly rental of HK$187,000 (or SGD35,000). Rental paid for the year ended 31st March 2008 amounted to HK$2,247,000 (2007: HK$2,104,000).

On 30th March 2006, Stelux Holdings Limited ("SHL"), a wholly-owned subsidiary of the Group as tenant has entered into a tenancy agreement with MPIL, which is the landlord of Stelux House, to lease certain units and car-parking spaces of Stelux House for the period from 30th March 2006 to 31st March 2008 at an average monthly rental of HK$343,000. Rental paid for the year ended 31st March 2008 amounted to HK$4,115,000 (2007: HK$4,091,000).

On 25th April 2007, SHL as tenant has entered into a tenancy agreement with MPIL to lease an additional office unit and a storeroom of Stelux House for the period from 1st May 2007 to 31st March 2008 at an average monthly rental of HK$36,500. Rental paid for the year ended 31st March 2008 amounted to HK$402,000.

On 19th December 2007, SHL as tenant has entered into a tenancy agreement with MPIL to lease an office unit and an additional storeroom of Stelux House for the period from 19th December 2007 to 31st March 2010 at an average monthly rental of HK$17,000. Rental paid for the year ended 31st March 2008 amounted to HK$59,000.

On 19th July 2006, Thong Sia Watch Company Limited, a wholly-owned subsidiary of the Group as tenant has entered into a tenancy agreement with MPIL to lease certain units and car-parking spaces of Stelux House for the period from 19th July 2006 to 31st March 2009 at an average monthly rental of HK$129,000. Rental paid for the financial year ended 31st March 2008 amounted to HK$1,547,000 (2007: HK$1,031,000).

During the year, the subsidiaries of the Company in Hong Kong and Thailand incurred rental payable of HK$1,881,000 to related companies for the lease of office premises and warehouses under the terms mutually agreed between the parties.

(iii) Year-end balances with related parties

Year-end balances arising from interest income, service income, purchases of goods and rental expenses are disclosed in Note 23(c) and Note 27(a).

(iv) Key management compensation

	2008 HK$'000	2007 HK$'000
Salaries and other short-term employee benefits	**17,580**	16,872
Other long-term benefits	**249**	329
	17,829	17,201

33 PRINCIPAL SUBSIDIARIES

	Place of incorporation/ operation	Principal activities	Share capital issued Number	Par value	Percentage of equity attributable to the Group 2008	2007
Investment						
Stelux Holdings International Group (BVI) Limited	British Virgin Islands	Investment holding	1	US$1	100[a]	100[a]
Stelux Holdings Limited	Hong Kong	Investment holding	1,000	HK$1	100	100
Stelux Investments and Properties (BVI) Limited	British Virgin Islands	Investment holding	1	US$1	100	100
Stelux Watch Holdings Limited (in members' voluntary liquidation)	Singapore	Investment holding	35,617,861	S$1	100	100
Thong Sia (BVI) Company Limited	British Virgin Islands	Investment holding	1	US$1	100	100
Property						
City Chain Properties Limited	Hong Kong	Property investment	2	HK$1	100	100
Fulani Investment Limited	Hong Kong	Property investment	2	HK$1	100	100
Optical 88 Properties Limited	Hong Kong	Property investment	2	HK$1	100	100
Prime Master Limited	Hong Kong	Property investment	2	HK$1	100	100
Stelux Consultants B.V.	The Netherlands	Property development and project consultancy	80	EUR227	100	100
Stelux Properties Agency Limited	Hong Kong	Property agency and management	2	HK$1	100	100
Stelux Properties Limited	Hong Kong	Property management	500	HK$100	100	100
Retailing and trading						
City Chain Company Limited	Hong Kong	Watch retailing	250,000	HK$100	100	100
City Chain (M) Sdn Bhd	Malaysia	Watch retailing	3,333,333	RM1	70	70
City Chain (Macau) Company Limited	Macau	Watch retailing	2	MOP5,000	100	100
City Chain Stores (S) Pte Limited	Singapore	Watch retailing	1,800,000	S$1	100	100
City Chain (Thailand) Company Limited	Thailand	Watch retailing	200,000 210,000[b]	Baht100 Baht100	100	100
Optical 88 Limited	Hong Kong	Glasses and related optical gears retailing	30,700,000	HK$1	100	100

33 PRINCIPAL SUBSIDIARIES (Continued)

	Place of incorporation/ operation	Principal activities	Share capital issued Number	Par value	Percentage of equity attributable to the Group 2008	2007
Retailing and trading (Continued)						
Optical 88 (Macau) Limited	Macau	Glasses and related optical gears retailing	2	MOP5,000	100	100
Optical 88 (S) Pte Limited	Singapore	Glasses and related optical gears retailing	500,000	S$1	100	100
Optical 88 (Thailand) Company Limited	Thailand	Glasses and related optical gears retailing	245,000 255,000[b]	Baht10 Baht10	100	100
Optical 88 Eyecare (M) Sdn Bhd	Malaysia	Glasses and related optical gears retailing	1,428,572	RM1	70	70
Pronto Watch S.A.	Switzerland	Watch distribution	100	SFr1,000	100	100
Solvil et Titus S.A.	Switzerland	Watch distribution	300	SFr1,000	100	100
Stelux International Licensing Limited	Bahamas	Trademark holding and licensing	2	US$1	100	100
Stelux Trading (International) Limited	Hong Kong	Watch distribution	2	HK$1	100	100
Stelux Watch Limited	Hong Kong	Watch assembling	1,000,000	HK$1	100	100
Time House (Europe) Limited	Hong Kong	Watch distribution	10,000	HK$1	100	100
Thong Sia Watch Company Limited	Hong Kong	Watch distribution	80,000	HK$1	100	100
Thong Sia Company (Singapore) Pte Limited	Singapore	Watch distribution	2,000,000	S$1	100	100
Thong Sia Sdn Bhd	Malaysia	Watch distribution	1,000,000	RM1	96.4	96.4
Thong Tai (Taiwan) Company Limited	Hong Kong/ Taiwan	Watch distribution	1,000	HK$10	100	100
Universal Geneve S.A.	Switzerland	Watch assembling and distribution	5,000	SFr1,000	100	100

33 PRINCIPAL SUBSIDIARIES (Continued)

	Place of incorporation/ operation	Principal activities	Paid-up capital	Percentage of equity attributable to the Group 2008	2007
Retailing and trading (Continued)					
Baoshi (Guangdong) Company Limited	People's Republic of China/ Mainland China (foreign-invested commercial enterprise)	Retailing, trading and related optical services	HK$40,890,000	100	100
City Chain (Beijing) Company Limited	People's Republic of China/ Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	US$649,975	100	–
City Chain (Guangdong) Company Limited	People's Republic of China/ Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	HK$41,400,000	100	100
City Chain (Shanghai) Company Limited	People's Republic of China/ Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	US$3,000,000	100	100
Xiong Teng (Shanghai) Trading Co.,Limited	People's Republic of China/ Mainland China (wholly owned trading company in free trade zone)	Trading and business consultancy	US$4,500,000	100	100

a Directly held subsidiary

b Non-redeemable preference shares

1. CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The Board of Directors (the "Board") of the Company is committed to making sure that effective self-regulatory practices exist to protect the interests of the shareholders. These include a Board comprising experienced and high calibre members, board committees, and effective internal audit and sound systems of internal controls.

This Corporate Governance Report ("Report") describes the Company's corporate governance practices with specific reference to the code provisions set out in the Code on Corporate Governance Practices ("The Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). During the financial year ended 31st March 2008, the Company complied with the provisions of the Code as set out in Appendix 14 of the Listing Rules, except for the deviations set out in this Report and where there are deviations from the Code, details of such deviations (including considered reasons for such deviations) are set out in this Report.

2. DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding Directors' securities transactions.

The Company has also made specific enquiry of all its Directors to ascertain whether they have complied with or whether there has been any non-compliance with the required standard set out in the Model Code.

Save for one, all Directors complied with the provisions of the Model Code during the financial year ended 31st March 2008, but there was no impact on the Company. The non-compliance related to dealing in an insignificant number of shares of the Company by a Director's spouse prior to obtaining clearance from the Company. Immediately after the non-compliance was brought to light by the Director concerned, letters were sent to all Directors reminding them of their obligations when dealing with the Company's shares..

In addition, the Board also established written guidelines on no less exacting terms than the Model Code for relevant employees of the Company in respect of their dealings in the securities of the Company.

3. BOARD OF DIRECTORS

The Board assumes responsibility for leadership and control of the Group (the Company and its subsidiaries) and is collectively responsible for promoting the success of the Group by directing and supervising its affairs. Every Director is expected to discharge his duties in good faith and up to the standard of prevailing applicable laws and regulations, acting in the best interests of the Group and the Company's shareholders. The Board currently consists of eight members. Among them, four are executive Directors and four are non-executive Directors. Three out of the four non-executive Directors are independent.

The post of Chairman and Chief Executive Officer ("CEO") are separate and are not held by the same individual. The Chairman, Mr. Wong Chong Po, and the CEO, Mr. Joseph C.C. Wong, also Vice Chairman of the Board, are brothers. Both the Chairman and Vice Chairman are responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The CEO, supported by other board members and senior management, manages the Group's businesses, implementing major strategies, making day-to-day decisions and co-ordinating overall business operations.

The independent non-executive Directors are highly experienced professionals with a broad range of expertise and experience including in areas such as accounting, finance and business. They ensure that the Board maintains high standards of financial and other mandatory reporting and provides adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole.

To assist the Directors to discharge their duties, the Board has established written procedures to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. Directors are encouraged to attend professional development seminars and programmes during the year.

The term of office of the Company's non-executive Directors, including the independent non-executive Directors, is for a term of 3 years, subject to retirement by rotation (pursuant to Bye-law 110(A) of the Company's Bye-laws), whichever is the earlier.

Under Code Provision A.4.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Not all Directors of the Company retire strictly under Code Provision A.4.2 but in accordance with the Company's Bye-Laws. Bye-Law 110(A) stipulates that one-third of the Directors of the Company who have been longest serving in office since their last election, except the Chairman, Vice Chairman or CEO, shall retire from office by rotation at each annual general meeting.

Both the Board and management have clearly defined responsibilities under various internal controls and checks and balance mechanisms. The Board is responsible for establishing the strategic direction of the Group, setting objective and business development plans, monitoring the performance of senior management and assuming responsibility for corporate governance. Management is responsible for implementing these strategies and plans, and regular reports on the Company's operations are submitted to the Board. All Directors have access to management and enquiries, explanations, briefings or informal discussions on the Company's operations are welcome.

The Board held a total of twelve board meetings during the financial year and up to the date of this Report. At these meetings, different issues and matters were discussed and reviewed including, approval of the 2007 final results and the 2008 interim and final results of the Group; reviewing financial and operating performances of the Group; approval of borrowing facilities; approval of the acquisition of shop premises; approval of new continuing connected transactions and the renewals of continuing connected transactions; and conducting an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries for the purposes of Code Provision C.2.1. The Executive Director for Finance & Corporate Affairs and the Company Secretary attended all board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Details of the Directors' attendance at the board meetings during the year and up to the date of this Report are set out below. All businesses transacted at the board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

Date of board meeting	Total no. of Directors	No. of Directors present
25th April 2007	8	6
23rd July 2007	8	7
25th September 2007	8	5
8th October 2007	8	5
26th October 2007	8	6
6th December 2007	8	6
19th December 2007	8	6
28th January 2008	8	3
14th March 2008	8	6
24th April 2008	8	6
16th June 2008	8	5
22nd July 2008	8	7

Director	No. of board meetings attended/held in FY2008 and up to the date of this Report
Executive Directors	
Mr. Wong Chong Po (Chairman)	2/12
Mr. Joseph C. C. Wong (Vice Chairman and CEO)	10/12
Mr. Chu Kai Wah, Anthony	12/12
Mr. Lau Tak Bui, Vincent	12/12
Non-executive Directors	
Mr. Sakorn Kanjanapas	0/12
Mr. Wu Chun Sang (independent)	10/12
Professor Wu Chi Man, Lawrence (independent)	11/12
Dr. Kwong Yi Hang, Agnes (independent)	11/12

The Board is supplied with relevant information by senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. At least 14 day's notice of a regular board meeting is given to all Directors to give them the opportunity to attend. Board papers are despatched to the Directors generally at least 3 days before the meeting and in any event as soon as practicable, in all instances, ensuring that they have sufficient time to review the papers and be adequately prepared for the meeting.

The proceedings of the Board at its meetings are generally conducted by the Vice-Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to Directors to speak, express their views and share their concerns.

Under the first part of Code Provision E.1.2, the Chairman of the Board should attend annual general meetings. The Chairman of the Board did not attend the annual general meeting of the Company held on 6th September 2007 as he was not in Hong Kong.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility for the preparation of the Group's accounts and has delegated this responsibility to the Executive Director for Finance and Corporate Affairs ("Finance Director"). The Finance Director and his team are responsible for preparing interim and annual financial statements based on generally accepted accounting principles in Hong Kong ensuring that the financial statements present a fair and true view of the results and the financial position of the Group and that they comply with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and other applicable laws and regulations. The Finance Director maintains regular communications with the external auditors. He also plays a role in reviewing and making recommendations to the Board on the Group's financial risk management. The Finance Director is also responsible for overseeing the Group's investor relations activities.

A statement by the Group's external auditor, PricewaterhouseCoopers about their reporting responsibilities on the Group's financial statements is set out in the Independent Auditor's Report on page 26.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company and its subsidiaries ability to continue as a going concern.

4. AUDITORS' REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditor of the Company at the 2007 Annual General Meeting until the conclusion of the next Annual General Meeting. During the year, HK$5,372,000 was paid to PricewaterhouseCoopers for the provision of audit services. Details of nature for non-audit related services provided by and the fee paid to PricewaterhouseCoopers are set out as below:

Description	**HK$**
Taxation compliance	1,017,000
Advisory and other services	336,000

The Group also engaged other auditors in Hong Kong and overseas for auditing and miscellaneous services and total fees paid amounted to HK$1,398,000.

5. BOARD COMMITTEES

To assist the Board in the discharge of its duties, the Board is supported by two board committees. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee.

(1) Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wu Chun Sang (Chairman of the Audit Committee), Prof. Wu Chi Man, Lawrence and Dr. Kwong Yi Hang, Agnes.

The terms of reference of the Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Code. The Committee provides advice and recommendations to the Board and oversees all matters relating to the external auditors, thus it plays an important role in monitoring and safeguarding the independence of external auditors.

The Committee met three times for the period from 1st April 2007 up to and including 31st July 2008 together with the external auditors in two meetings to discuss matters, including, the review of accounting principles and practices adopted by the Group and other financial reporting matters; to ensure the completeness, accuracy and fairness of the financial statements of the Company; to discuss the effectiveness of the systems of internal control throughout the Group; to review all significant business affairs managed by the executive Directors in particular on connected transactions and to review the Group's results for the year ended 31st March 2007 and 2008 before they were presented to the Board of Directors for approval.

Attendance of Directors at the Audit Committee Meetings held on:

14th July 2007

Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

14th December 2007

Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

15th July 2008

Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

(2) Remuneration Committee

Under Code Provision B.1.1, issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. The Company established a remuneration committee on 20th December 2005 and Mr. Wu Chun Sang, Professor Wu Chi Man, Lawrence, Dr. Kwong Yi Hang, Agnes (all independent non-executive Directors of the Company) and Mr. Joseph C.C. Wong (Vice Chairman and CEO of the Company) were appointed as committee members. Professor Wu Chi Man, Lawrence is the Chairman of the Remuneration Committee.

Code Provision B.1.3 deals with the terms of reference of the remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.3 except that the terms of reference do not include reviewing and determining the remuneration packages of senior management. The Company believes that the remuneration packages of senior management should be the responsibility of the executive Directors as they are in a better position to appraise the performance of senior management.

Two committee meetings were held during the financial year and up to the date of this Report. At these meetings, the Committee determined annual bonus entitlement and conducted an annual review of the salaries of its executive Directors. The policy adopted by the Committee was that in general where an increase was to be given, the increase should follow the average rate of salary increase adopted for other general staff. However as the workloads of two executive directors had increased, it was proposed and the Committee agreed that they should receive a further 1% increment over the increment for other staff. The annual salary of one executive director was revised in line with that of other general staff whilst the annual salary of one director remained unchanged.

Attendance of Directors at the Remuneration Committee Meetings held on:

23rd July 2007	**14th March 2008**
Professor Wu Chi Man, Lawrence	Professor Wu Chi Man, Lawrence
Mr. Joseph C.C. Wong	Mr. Joseph C.C. Wong
Mr. Wu Chun Sang	Mr. Wu Chun Sang
Dr. Kwong Yi Hang, Agnes	Dr. Kwong Yi Hang, Agnes

The above board committees report to the Board of Directors on a regular basis. All businesses transacted at the board committee meetings are recorded and minuted. The Terms of Reference of the two board committees are available on the Company's website.

Although the Company has not set up a nomination committee, policies are in place to ensure that the most appropriate candidates are appointed to the Board.

6. INTERNAL CONTROL

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation and the accounting records are reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities.

In order to establish a sound system of internal controls in safeguarding shareholders' interests and the Group's assets, the Company established a Compliance and Internal Control Department, the key tasks of which include:

- to report to the Board from time to time on the situation/environment of the Group's corporate governance;
- to review cost control and performance efficiency in all operating units;
- to identify the need for improvement in the Group's internal control area and to propose necessary recommendations to the Board; and
- to carry out internal audit work at operating units.

Under Code Provision C.2.1, the Directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions.

The Board has conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries and a board meeting was held on 14th March 2008 for such a review for the period from 27th March 2007 up to and including 14th March 2008. The Board reported that there were no significant changes since the beginning of this financial year in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment. According to the opinion of the Board, the Company and its subsidiaries have established sound internal control systems so that the shareholders' investment and the Company's assets are safeguarded.

This was the second meeting of the Board on internal control and the effectiveness of the Company and its subsidiaries internal control systems will be reviewed annually.

7. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communications with its investors. Communications are maintained with analysts and fund managers to keep them abreast of the Company's development.

8. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communication with its shareholders and investors. To foster effective communications, the Company provides extensive information in its annual report, interim report and also disseminates information relating to the Group and its business electronically through its website: www.irasia.com/listco/hk/stelux

The Company regards the Annual General Meeting ("AGM") as a platform to provide an important opportunity for direct communications between the Board and the Company's shareholders. All Directors and senior management will make an effort to attend. External auditors will also attend the AGM. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders participation.

9. CODE OF CONDUCT

To enhance the ethical standards of employees, the Company has an employee handbook, setting out standards of professional and an ethical code of conduct for all employees of the Group. Employees at all levels are expected to conduct themselves in an honest, diligent and responsible manner.

10. CONCLUSION

The Company believes that corporate governance principles and practices are particularly relevant in an ever changing world, and continues its ongoing efforts to review its corporate governance practices from time to time so as to meet changing circumstances. The Company will endeavour to strengthen and improve the standard and quality of the Company's corporate governance.

PROFILE OF DIRECTORS AND SENIOR EXECUTIVES

Chairman

WONG Chong Po, aged 66, was appointed Chairman of the Group in October 2003. He was the Managing Director of the Group from 1967 to 1995. He is also the Chairman of Bangkok Land Public Company Limited (Thailand). Mr. Wong holds directorships in Yee Hing Company Limited, Dragon Master Investment Limited, Active Lights Company Limited and Thong Sia Company Limited, companies which have interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Vice Chairman and Chief Executive Officer

Joseph C. C. WONG, Masters in Science (Operational Research), aged 48, was appointed a director of the Group in 1986. He was appointed Vice Chairman of the Group in October 2003. He is also the Group CEO. He is a brother of the Chairman. Mr. Wong holds directorships in Yee Hing Company Limited, Dragon Master Investment Limited, Klayze Holdings Limited, Active Lights Company Limited and Thong Sia Company Limited, companies which have interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Directors

CHU Kai Wah, Anthony, BBA, aged 49, was appointed a director of City Chain Company Limited, a wholly owned subsidiary of the Group in 1992. He was also appointed Executive Director for Retail Trading and Property Investment of the Group in 1997. He joined the Group in 1987.

LAU Tak Bui, Vincent, aged 50, was appointed a director of the Group in 2006. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau is the Company Secretary of Yee Hing Company Limited, Dragon Master Investment Limited, Active Lights Company Limited and both the Company Secretary and a director of Thong Sia Company Limited, companies which have interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Sakorn KANJANAPAS, aged 58, was appointed a director of the Group in 1987. He was previously Managing Director of Bangkok Land Public Company Limited (Thailand). He is a brother of the Chairman. He is a non-executive director.

WU Chun Sang, aged 51, was appointed a director of the Group in 2004. He is a Macau Registered Auditor. He is also a fellow member of the Association of Chartered Certified Accountants, UK and an associate member of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director.

WU Chi Man, Lawrence, aged 50, was appointed a director of the Group in 2005. He is a Professor at the Department of Physics and Material Science at the City University of Hong Kong. He holds a PHD from Bristol University, U.K. and is an associate member of the Royal Aeronautical Society, U.K. He is an independent non-executive director.

KWONG Yi Hang, Agnes, aged 49, was appointed a director of the Group in 2006 and is a director of Pallavi International Limited (Hong Kong), a health consultancy. She holds a PhD in Molecular Immunology from the University of Hong Kong. She is an independent non-executive director.

Group Legal Counsel and Company Secretary

CHONG Sue Peng, Caroline, BA (Law) (Hons), admitted as a Barrister in England and Wales, and, Hong Kong, aged 46, is the Group Legal Counsel and Company Secretary. She joined the Group in 1997 and is responsible for the Group's legal and corporate secretarial matters.

Registered Office
Canon's Court, 22 Victoria Street
Hamilton, HM12, Bermuda

Principal Office
27th Floor, Stelux House
698 Prince Edward Road East
San Po Kong
Kowloon
Hong Kong

Principal Bankers
China Construction Bank (Asia) Corporation Limited
The Bank of East Asia, Limited
Hang Seng Bank Limited
Wing Hang Bank Limited

Legal Advisers
Baker & Mckenzie
Johnson Stokes & Master

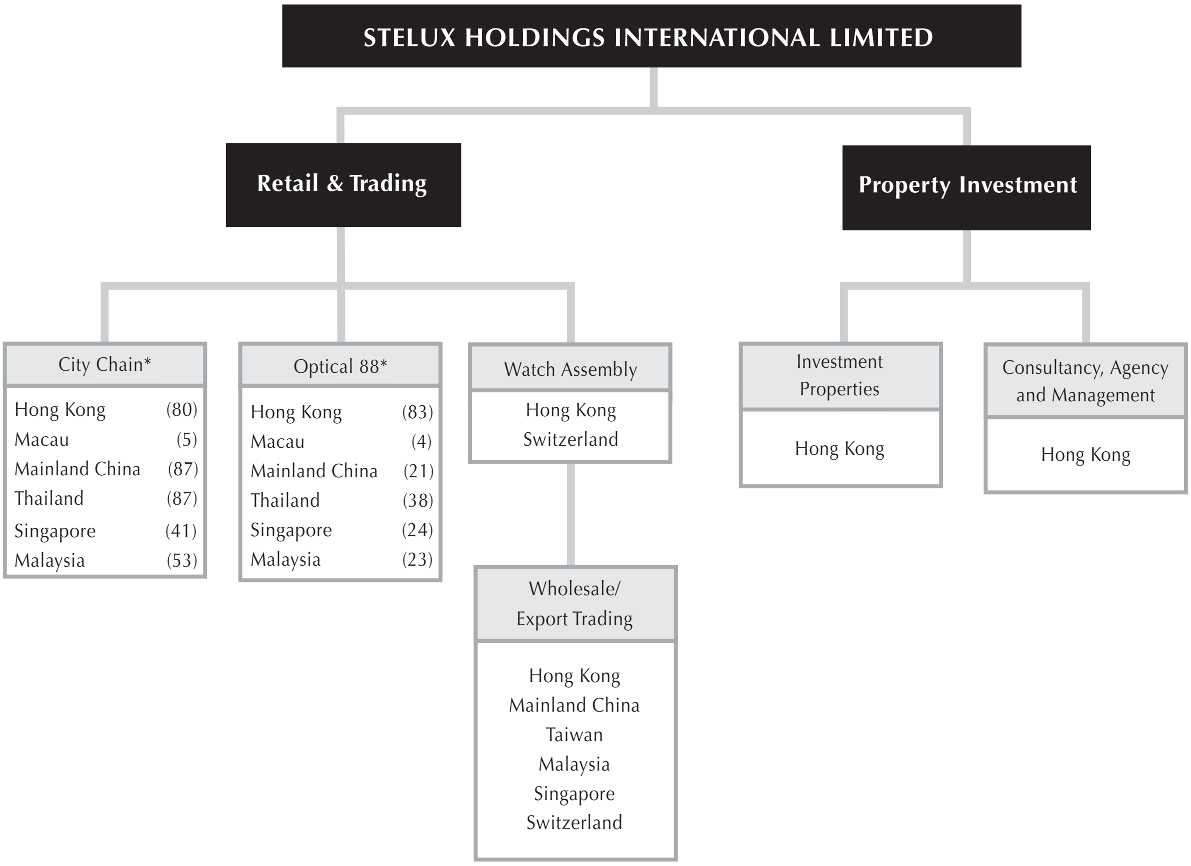
Auditors
PricewaterhouseCoopers

Share Registrar
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM08
Bermuda

Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Room 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Audit Committee
Mr. Wu Chun Sang (Chairman of Committee)
Prof. Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

Remuneration Committee
Prof. Wu Chi Man, Lawrence (Chairman of Committee)
Mr. Joseph C.C Wong
Mr. Wu Chun Sang
Dr. Kwong Yi Hang, Agnes



* Number of shops as at 30th June 2008. Includes all concept shops.

CORPORATE CITIZENSHIP AND SOCIAL RESPONSIBILITIES

At Stelux, we recognize that we are very much a part of the communities which we serve. Through the year we participated in and also partnered several social organizations to support giving to various sections of our communities.

Donations of gifts-in-kind were made to the Hong Chi Association. Stelux and its employees also participated in the "ORBIS Pin Day 2007" raising a cash donation of HK$47,170 to support the work at ORBIS and were invited to tour the ORBIS Flying Eye Hospital.

We continue to promote and adopt a policy of equal opportunities to eliminate any discrimination in sex, family status and disability in employment and the workplace. City Chain Hong Kong, for example, employs persons with disabilities as watch repairers providing them with technical training.

In February 2008, Stelux was presented with the Caring Company Award for the fifth year running. The Caring Company Scheme is organized by The Hong Kong Council of Social Service. The goal of the Caring Company Scheme is "to build a caring community spirit through cultivating corporate citizenship and strategic partnership between the business and social service sectors."

To raise public awareness of childhood blindness, Optical 88 Hong Kong continued to sponsor and also provided complimentary eye-checks at the "ORBIS – Optical 88 Kids' Sight Carnival". Various fund-raising activities have either been launched or planned to support ORBIS.

Optical 88 donated HK$240,000 to ORBIS through cash sponsorship and also from the charity sale of eyewear cloth and mini-screw driver sets at its stores. Optical 88 has also helped to raise money by putting donation boxes in its stores to encourage public donations to ORBIS. As a corporate donor, Optical 88 received a Diamond Award from ORBIS for cash and gifts-in-kind made.

Following the Sichuan earthquake, Stelux and its employees donated HK$3.8 million and RMB 530,000 to the Hong Kong Red Cross and Red Cross Society of China respectively to aid the victims and to help in reconstruction efforts.

Stelux's subsidiary, Thong Sia Singapore, the Singapore distributor for Seiko watches sponsored a golf charity event organized by leading Singapore law firm "Lee and Lee" at the Sentosa Golf Club in aid of two local charities, the Singapore Children's Society and Dover Park Hospice. Watches to the value of HK$120,000 were sponsored.

We also recognize the importance of our employees and their contributions to Stelux. During the year, social activities such as annual family outings and various lifestyle classes like Tai Chi classes were organized for our employees. In addition, training courses and seminars are organized to foster employee development.

AWARDS

Stelux's subsidiary, Thong Sia, the Hong Kong distributor for Seiko watches was presented with the "Trusted Brand Award 2008" by Reader's Digest. The results were determined by a consumer survey organised by Nielsen.

MAINLAND CHINA AND HONG KONG

Equity Investment, Property Investment, Retail and Trading and Watch Assembling

- Stelux Holdings International Ltd
- Stelux Holdings Ltd
- Stelux Properties Ltd
- Optical 88 Ltd
- City Chain Co Ltd
- Stelux Watch Ltd
- Stelux Trading (International) Ltd
  27/F., Stelux House,
  698 Prince Edward Road East,
  San Po Kong, Kowloon, HONG KONG

  3/F., Kader Building
  22 Kai Cheung Road
  Kowloon Bay
  Kowloon, HONG KONG

- Thong Sia Watch Company Limited
  21/F., Stelux House
  698 Prince Edward Road East
  San Po Kong, Kowloon, HONG KONG

- City Chain (Shanghai) Company Limited
  Rm D, 19/F, Century BA-SHI BLDG
  No. 398 Huaihai Middle Road, Shanghai
  PRC

- Xiong Teng (Shanghai) Trading Co Ltd
  Room 1402, 6 Ji Long Road
  Shanghai Waigaoqiao Free Trade Zone
  PRC

- City Chain (Guangdong) Company Limited
  Room 607A, Ronghui Building
  302 Zhicheng Road
  Guangzhou Economic & Technological
  Development District
  Guangzhou

- Baoshi (Guangdong) Company Limited
  Room 607B, Ronghui Building
  302 Zhicheng Road
  Guangzhou Economic & Technological
  Development District
  Guangzhou

- City Chain (Beijing) Company Limited
  Room 426, 4/F, Wang Fu Shi Ji Building
  No. 55 Dong Anmen Street
  Beijing

TAIWAN

Trading

- Thong Tai (Taiwan) Company Limited
  19/F., No. 102
  Sung Lung Road
  Taipei (110)
  TAIWAN

MACAU

Retail and Trading

- City Chain (Macau) Co Ltd
- Optical 88 (Macau) Ltd
  Avenida da Praia Grande
  No. 429, 25º andar D., Macau

MALAYSIA

Retail and Trading

- City Chain (M) Sdn Bhd
- Optical 88 Eyecare (M) Sdn Bhd
  Unit 10.01, 10th Floor
  MCB Plaza, 6 Changkat Raja Chulan
  50200 Kuala Lumpur
  MALAYSIA
- Thong Sia Sdn Bhd
  Suite 2601-04 Central Plaza
  34, Jalan Sultan Ismail
  50250 Kuala Lumpur
  MALAYSIA

THAILAND

Retail and Trading

- City Chain (Thailand) Co Ltd
- Optical 88 (Thailand) Co Ltd
  47/543-544, Industrial Condominium
  6 Fl., Jeneva Building
  Moo 3, Chaeng Wattana Road
  Ban-Mai, Pak-Kred
  Nonthaburi 11120
  THAILAND

SINGAPORE

Equity Investment, Retail and Trading

- Stelux Watch Holdings Ltd (in member's voluntary liquidation)
- City Chain Stores (S) Pte Ltd
- Optical 88 (S) Pte Ltd
  315 Outram Road #10-03
  Tan Boon Liat Building
  Singapore 169074
  SINGAPORE
- Thong Sia Company (Singapore) Private Limited
  30 Bideford Road, #04-00
  Thongsia Building
  Singapore 229922

SWITZERLAND

Watch Assembling and Trading

- Universal Geneve S.A.
- Solvil et Titus S.A.
- Pronto Watch S.A.
  6 Route des Acacias
  1227 Les Acacias – Geneve
  SWITZERLAND