STELUX
Holdings International Limited

寶光實業(國際)有限公司

Annual Report 2011

Stock Code: 84

web site

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

To act justly and to love mercy and to walk humbly with your God.

Micah 6:8

CONTENTS

	2007 HK$'M	2008 HK$'M	2009 HK$'M	2010 HK$'M	**2011** **HK$'M**
Consolidated income statement for the year ended 31st March					
Revenues	1,792.6	2,261.8	2,443.5	2,370.2	**2,705.6**
Profit attributable to shareholders	102.7	129.3	33.7	25.2	**131.5**
Interim dividend paid	10.5	11.4	–	9.5	**11.4**
Final dividend proposed	27.6	28.5	9.5	9.5	**22.8**
Consolidated balance sheet as at 31st March					
Assets	1,436.3	1,829.0	1,757.5	1,754.0	**1,884.0**
Less: Liabilities and non-controlling interests	698.6	986.2	968.1	906.2	**902.5**
Shareholders' funds	737.7	842.8	789.4	847.8	**981.5**
	HK$	HK$	HK$	HK$	**HK$**
Per share data					
Earnings	0.107	0.135	0.035	0.026	**0.138**
Interim dividend paid	0.011	0.012	–	0.010	**0.012**
Final dividend proposed	0.029	0.030	0.010	0.010	**0.024**
Net assets	0.775	0.886	0.830	0.891	**1.032**

The Group returned a strong performance reporting a profit attributable to equity holders of HK$131 million for the year ended 31st March 2011, sharply up by 430% compared to a profit of HK$25 million over the same period last year. Group turnover grew by 14% and stood at HK$2.7 billion.

The Directors are, therefore, pleased to recommend the payment of a final dividend of HK$0.024 (2009/2010: HK$0.01) per share to the Group's shareholders.

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

WATCH RETAIL BUSINESS

Our watch retail business, namely, "CITY CHAIN", "MOMENTS", "CITHARA", "C^2" and "SEIKO boutique" recorded a marked improvement in EBIT of HK$100 million, an increase of 41% whilst turnover rose 12% to HK$1.4 billion.

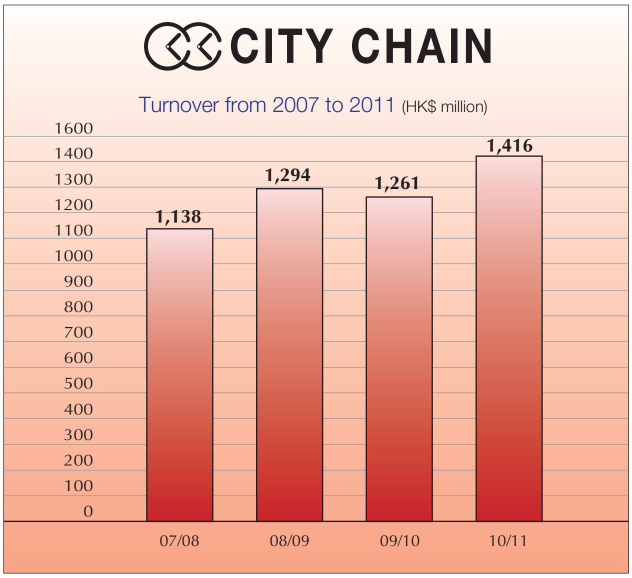
As our Hong Kong and Macau watch retail operations continued to benefit from strong Mainland arrivals, we continued to take steps to improve operational efficiencies. During the period under review, product development of our in-house brands was further strengthened resulting in significant turnover growth for this product segment. Additional internationally well-known agency brands, some on exclusive terms, continued to be added to our already large portfolio of brands. These measures, together with our very well received "Solvil et Titus – Time is Love" marketing campaign, contributed to turnover growth and improved gross margin. Moreover, during the year under review the shop image and positioning of our concept shops, namely, "MOMENTS", "CITHARA" and "C^2" were fine-tuned and the results have been positive. Rental and other costs as a percentage of turnover has also improved from last year. Consequently, strong performances for Hong Kong and Macau were reported with EBIT rising a massive 60% to HK$110 million. Turnover improved by 19% from last year.

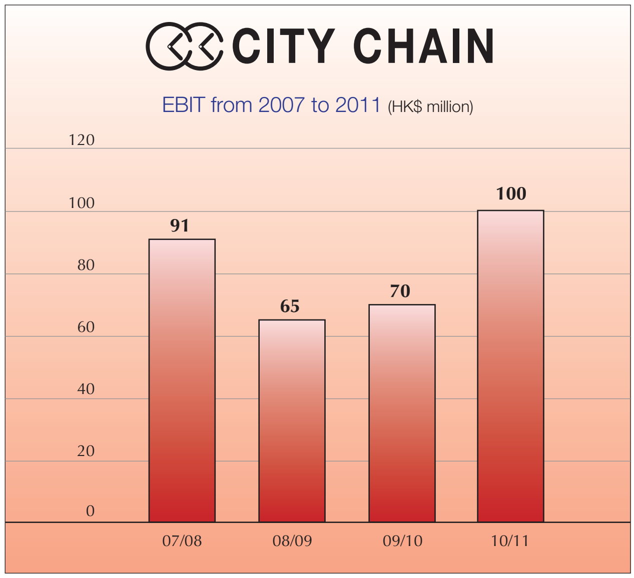
The turnover from our Mainland watch retail business, with offices strategically located in Guangzhou, Shanghai and Beijing rose by 10% whilst losses narrowed by 12% to HK$40 million. Several factors contributed to these improved results.

We have benefited from the Chinese Government's stimulus measures to increase domestic consumption. Moreover, a growing awareness of the "CITY CHAIN" brand, the products we carry, improved operational efficiencies and in particular the reconfiguration of our network of shops to meet rapidly evolving local shopping patterns have, in different measures, contributed to the improved results. Year on year same shop turnover growth of our performing shops exceeded 30% as non-performing shops continued to be closed during the year. This momentum has been carried through into the first quarter of the financial year ending 31st March 2012. Therefore, we expect the performance of our Mainland operations to continue to improve in the next year.

The performance of our South East Asian watch retail operations in Singapore, Malaysia and Thailand was less robust. Overall turnover edged up slightly by 4% and EBIT was down 37% at HK$30 million.

The political problems in Thailand continued to drag down performance, whilst general retail sentiment in Singapore and Malaysia was much less stronger compared to Hong Kong. Certain strategies have been adopted and we expect these three countries to return a better performance next year.





OPTICAL RETAIL BUSINESS

The Group's optical retail business, "OPTICAL 88" recorded a strong rise in EBIT from HK$26 million last year to HK$55 million for the period under review. Turnover rose 13% and stood at HK$931 million.

Operations in Hong Kong and Macau recorded turnover growth of 13% and an EBIT of HK$43 million was posted compared to HK$19 million last year.

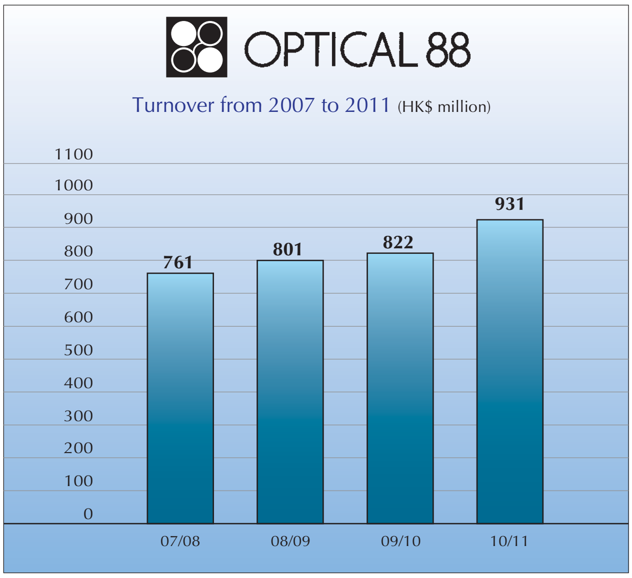
Our optical retail operations are also increasingly benefiting from Mainland shoppers, many of whom view Hong Kong as a shopping mecca. We have seen a shift in Mainland consumption patterns here in Hong Kong, as the reach of this affluent segment of consumers spans out from traditional tourist and central business locations to shopping malls along the railway and near the border.

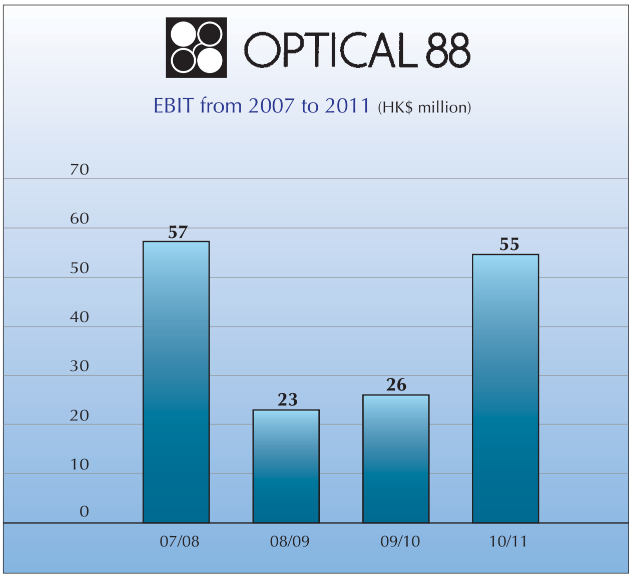
Other factors have also contributed to the pleasing performance. During the year under review, product development and quality of our house brands have been strengthened. Product range and mix has been fine-tuned and shop enhancement measures have been carried out. Our novel "shop in shop" concept, where a well-known brand is allocated a dedicated counter within an "OPTICAL 88" shop has proved very popular with our customers. Recently introduced concept shops, like, "SUNGLASS 88 L'ACCESSORI" specialising in the sale of sunglasses in tourist areas and "OPTICAL 88 Premier", with a higher brand positioning have been well received.

To further expand our market share, we also plan to introduce a 'lens and frame' concept shop in Hong Kong targeting young consumers in the coming financial year. We expect this new business model to expedite the expansion of our business through franchise operations on the Mainland and in South East Asia.

Our Mainland optical business with its network of shops in Guangdong Province posted a respectable year on year turnover growth of nearly 30%. A slightly higher loss of HK$11.6 million was recorded compared to HK$10 million last year. The increased loss was mainly due to increased office overheads as we are expanding outside of Guangdong Province – we expect to open our first optical retail shop in Shanghai in the next financial year. We are confident that same shop turnover growth in Guangdong Province will be maintained and expect the performance of our Guangdong operations to improve significantly in the coming year.

The Group's optical retail business in South East Asia, comprising Singapore, Malaysia and Thailand posted a rise in turnover of 12% and an EBIT of HK$24 million, an increase of 40% from the corresponding period last year.





WATCH ASSEMBLY AND WHOLESALE TRADING

The Group's watch assembly and wholesale trading businesses recorded an EBIT of HK$76 million whilst turnover grew by 24% compared to the same time last year.

Our watch assembly subsidiary which produces for the Group reported an increase in EBIT as favourable retail conditions saw an increase in production.

The Thong Sia Group, with sole distribution rights for "SEIKO" watches and clocks in Hong Kong, Singapore and Malaysia, performed well as a result of successful new product launches and a new marketing campaign. It also benefits from the synergy effect between this segment of the business and our watch retail business.

During the year under review, a new wholesale unit was set up in Shanghai to take over the distribution of "CYMA" watches on the Mainland from a third party. We have since enhanced and strengthened our dealership network and feedback so far has been encouraging.

The Group has very recently appointed a well-known Chinese actor "Liu Ye" as spokesperson for "CYMA" watches regionally, and particularly, on the Mainland. This step will not only increase the volume of our wholesale business on the Mainland but also benefit the Group's watch retail business.

OUTLOOK

We will continue to adopt effective strategies striving to maximize Group performance in the coming year. And as the momentum from this year carries through, we expect the financial year ending 31st March 2012 to return further improved results.

FINANCE

The Group's gearing ratio at balance sheet date was 22% (2010: 38%), which was calculated based on the Group's net debt of HK$212 million (2010: HK$319 million) and shareholders' funds of HK$982 million (2010: HK$848 million). The Group's net debt was calculated based on the Group's borrowings of HK$438 million (2010: HK$532 million) less the Group's bank balances and cash of HK$226 million (2010: HK$213 million). Of the Group's borrowings at balance sheet date, HK$370 million (2010: HK$450 million) were repayable within 12 months.

Of the Group's borrowings, 8% (2010: 9%) 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.

As at 31st March 2011, 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 2011, the Group had 3,078 (2010: 3,210) employees. The Group offers discretionary bonuses to eligible employees based on the performance of the Group and the individual employee. The Group also provides related training programmes to improve the quality, competence and skills of its 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, 29th June 2011

The directors submit their report together with the audited financial statements for the year ended 31st March 2011.

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 2011 are set out in the consolidated income statement on page 22.

Interim dividend of HK$0.012 (2010: HK$0.01) per ordinary share totalling HK$11,416,000 was paid during the year.

The directors recommend the payment of a final dividend of HK$0.024 (2010: HK$0.01) per ordinary share totalling HK$22,832,000.

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$1,117,000.

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 2011, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK$334,708,000 (2010: HK$355,637,000).

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), Professor Wu Chi Man, Lawerence 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 2011 amounted to HK$11,417,000 (2010: HK$3,833,000).

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 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 2011.

As at 31st March 2011, 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 2011, 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 issued share capital
	Personal interest	Family interest	Corporate/ trust interest	Other interest	Total	
Mr Wong Chong Po	1,215,000	–	300,378,959 *(Note 1)*	309,079,884 *(Note 2)*	310,294,884	32.62
Mr Joseph C. C. Wong	280,500,091	10,000	300,378,959 *(Note 1)*	–	580,889,050	61.06
Mr Chu Kai Wah, Anthony	2,000,000	–	–	–	2,000,000	0.21
Mr Sakorn Kanjanapas	47,452,056	–	300,378,959 *(Note 1)*	–	347,831,015	36.56
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 300,378,959 shares of the Company as at 31st March 2011. 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 300,378,959 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 2011, the Estate directly held 8,700,925 shares and is also deemed to be interested in those 300,378,959 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 300,378,959 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
	Personal interests	Family interests	Corporate interests	Total	31st March 2011
(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 subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing. 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 subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing.

(3) Optical 88 (Thailand) Company Limited is a subsidiary of the Company. Each preference share carries a right to vote and a right to an annual fixed dividend but not to any other profit sharing. 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 2011:

Name	Number of shares	Nature of interest	Approximate percentage of interests (%)
Yee Hing Company Limited	73,693,105	Beneficial owner	
	226,685,854	Interest of controlled corporation	
Total:	300,378,959		31.57
Dragon Master Investment Limited	300,378,959	Interest of controlled corporation *(Note 1)*	31.57
Klayze Holdings Limited	300,378,959	Trustee of the Trust *(Note 2)*	31.57
Active Lights Company Limited	135,653,636	Beneficial owner	14.26
Thong Sia Company Limited	91,032,218	Beneficial owner	9.57
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.

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	29%
– five largest suppliers combined	46%
Sales	
– the largest customer	1%
– five largest customers combined	3%

None of the directors, their associates or any shareholder (which of 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 2010 up to and including 31st March 2011. 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.

(1) Continuing connected transactions of the Group for the financial year ended 31st March 2011

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 Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 13 to 17 of the Annual Report in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the Company's auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Summary of the continuing connected transactions:

Connected persons	**Nature of transactions**	**Income/ (expenses)** HK$'000	**Caps** HK$'000	**Note**
Vision PRO Trading Company Limited and its subsidiary companies ("Vision Pro Group") as Vendor	Purchase of optical products	(8,156)	(8,750)	(i)
International Optical Manufacturing Company Limited ("IOM") as Manufacturer	Manufacture and supply of optical products	(2,141)	(3,000)	(ii)
Mengiwa Private Limited ("Mengiwa) as Landlord	Leasing of properties	(3,343)	Aggregated per note (vi) below	(iii)
Mengiwa Property Investment Limited ("MPIL") as Landlord	Leasing of properties	(5,651)	Aggregated per note (vi) below	(iv)
Active Lights Company Limited and Thong Sia Company Limited ("TSCL"), each of them as Landlord	Leasing of properties	(935)	Aggregated per note (vi) below	(v)
MPIL as Landlord	Leasing of properties	(72)	(10,105)	(vi)
MPIL as Principal	Provision of management and property agency liaison services	2,142	2,142	(vii)

Notes:

(i) On 31st March 2010, the Group, through certain of its subsidiaries, entered into the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements, with Vision Pro Group for a term of three years to 31st March 2013 in order to continue to make purchases of suitable optical products on an ongoing basis for its retail and wholesale operations from the Vision Pro Group.

At the date of the announcement on 31st March 2010, Yee Hing, the controlling shareholder of the Company with an approximate shareholding of 32% in the Company, had effective controlling interests of approximately 94% in Vision Pro Group. Vision Pro Group, being a subsidiary of Yee Hing, was thus a connected person of the Company as defined in the Listing Rules.

The Vision Pro Group is the exclusive wholesale distributor for, and licensee of, several brands of optical products in Hong Kong, the PRC, Singapore and Malaysia respectively. It has been one of the major optical products suppliers of the Group. The optical products supplied by the Vision Pro Group have been well received in the retail and wholesale markets and have made a positive contribution to the Group's principal business of optical retailing and wholesale distribution. As such, the renewal of the Retail Purchase Agreements and Wholesale Purchase Agreements are considered commercially beneficial to the Group.

The Group has engaged the Vision Pro Group to supply optical products typically for cash with payment terms of 30 to 60 days upon receipt of the invoice for purchases made under the Renewal Retail Purchase Agreements and 90 days upon receipt of the invoice for purchases made under the Renewal Wholesale Purchase Agreements. The terms of purchases have been determined on an individual purchase order basis based on prevailing industry conditions and the purchases have been on terms no less favourable than those offered by the Vision Pro Group to other third parties. Currently, the optical products 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.

The aggregate annual caps for the Renewal Retail Purchase Agreements and the Renewal Wholesale Purchase Agreements were set at HK$8.75 million, HK$9 million and HK$9.25 million for the year ended 31st March 2011 and for each of the years ending 31st March 2012 and 2013 respectively.

(ii) On 19th June 2008, IOM, as manufacturing supplier, and the Group, through two of its wholly-owned subsidiaries, as purchaser, entered into the Manufacturing and Supply Agreement engaging IOM as one of the manufacturing suppliers of the Group for the manufacture and supply of the Group's house-brand optical products for the period from 20th June 2008 to and including 31st March 2011. In order to streamline the administration of various supply agreements entered into with IOM and the Vision Pro Group, on 31st March 2010, the Group, through certain of its wholly-owned subsidiaries, entered into the Extended Manufacturing and Supply Agreement with IOM to extend the Manufacturing and Supply Agreement for a term of 24 months covering the period from 1st April 2011 up to and including 31st March 2013.

At the date of announcement on 31st March 2010, Yee Hing, the controlling shareholder of the Company with an approximate shareholding of 32% in the Company, had effective controlling interests of approximately 94% in IOM. IOM, being a subsidiary of Yee Hing, was thus a connected person of the Company as defined in the Listing Rules.

IOM is a well-known and leading manufacturer of quality optical products in the industry and its customers include various internationally renowned brands of optical products. 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 Extended Manufacturing and Supply Agreement. The Group is satisfied with the business relationship with IOM over the previous years, and is pleased with IOM's market knowledge and trend perception in certain major markets, as evidenced by its success in being a supplier to various internationally renowned brands of optical products. The directors of the Company believe that the Extended Manufacturing and Supply Agreement will help achieve the Group's objectives to develop more higher-end house-brand optical products and secure manufacture and supply of these products in the upcoming years. Furthermore, the extension of the Manufacturing and Supply Agreement will help the Group streamline the administration of various supply agreements entered into with IOM and the Vision Pro Group.

The Group has engaged IOM to supply and manufacture optical products typically for cash with payment terms of 60 days upon receipt of invoice. The terms of purchases have been determined on an individual purchase order basis based on prevailing industry conditions and the purchases have been made on normal commercial terms.

In light of the then current market conditions and historical purchases records, the Group had decided to reduce the annual cap for the Manufacturing and Supply Agreement for the year ended 31st March 2011 from HK$5.04 million to HK$3 million. The annual cap for the Extended Manufacturing Supply Agreement for each of the years ending 31st March 2012 and 2013 is HK$3 million and has been set based on the Group's past experience and best estimation of the maximum amount of future purchases.

(iii) Thong Sia Company (Singapore) Private Limited ("TSS") as tenant, entered into Thongsia Building Tenancy Agreement 2010 with Mengiwa as landlord, 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.

At the date of the announcement on 16th December 2009 for renewal of the lease, it was disclosed that the estate of Mr. Wong Chue Ming ("Estate") held a controlling interest in Mengiwa and the Estate 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 tenancy agreement was renewed on 22nd July 2008 for two years 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 charges) payable monthly in advance in cash from internal funds by the tenant on the first day of each and every calendar month. There were rent-free periods of two months in total from 1st June 2009 up to and including 30th June 2009, and from 1st June 2010 up to and including 30th June 2010. It was renewed on 16th December 2009 for a further 33 months from 1st July 2010 to 31st March 2013 ("Thongsia Building Tenancy Agreement 2010") with rent-free periods of 3 months in total from 1st March 2011 and up to and including 31st March 2011, from 1st March 2012 and up to and including 31st March 2012, and from 1st March 2013 and up to and including 31st March 2013. The monthly rental is S$50,404.22 (equivalent to approximately HK$282,264) per calendar month (exclusive of management fees and air-conditioning charges), payable monthly in advance in cash by the tenant on the first day of each and every calendar month. Based on the monthly rent payable by the tenant under the term of the tenancy agreement, the caps were set at S$105,000, S$743,850, S$909,150 and S$165,300 for each of the periods from 1st April 2008 to 30th June 2008, 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.

Pursuant to the Thongsia Building Tenancy Agreement 2010, the monthly rental was revised downward from S$82,650 (equivalent to approximately HK$462,840) to S$50,404.22 (equivalent to approximately HK$282,264). The monthly rental was determined on an arm's length basis having taken into account the valuation conducted by an independent property valuer dated 23rd November 2009, indicated that the renewal rental rate under the Thongsia Building Tenancy Agreement 2010 was favourable to the Group as compared with the then prevailing market rental values of the subject premises. Accordingly, the directors of the Company considered the Thongsia Building Tenancy Agreement 2010 was on normal commercial terms and was fair and reasonable and in the interests of the Company and its shareholders as a whole. Based on the monthly rental rate mentioned above, the annual rental (and also the annual cap) were S$568,533.76 (equivalent to approximately HK$3,183,789) after taking into account the two months rent-free period for the financial year ended 31st March 2011, and S$554,446.42 (equivalent to approximately HK$3,104,900) after taking into account the one month rent-free period for each of the two financial years ending 31st March 2013 respectively.

The Thongsia Building Tenancy Agreement 2010 has ceased to be a connected transaction for the Company as from 15th April 2011 on which Mengiwa completed the sale of Thongsia Building to an independent third party.

(iv) Stelux Holdings Limited ("SHL") and Thong Sia Watch Company Limited ("Thong Sia Watch"), wholly-owned subsidiaries of the Company, each individually as tenant, entered into the Stelux House Tenancy Agreements 2010 in respect of the whole of 27th floor and portion of 28th floor (including 12 car parking spaces), and office units numbers 502, 503, 505 and 506 on the 5th floor at Stelux House; and the whole of 21st floor (including 3 car parking spaces) at Stelux House for a term of three years from 1st April 2010 up to and including 31st March 2013 with no rent-free period.

At the date of the announcement on 16th December 2009, it was disclosed that 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, MPIL was a subsidiary of Yee Hing. In this connection, MPIL was an associate of the Estate and thus was a connected person of the Company.

The total monthly rental is HK$470,880 per calendar month comprising HK$424,180 per calendar month for the office premises (exclusive of rates, government rent and management charges) and HK$46,700 for the 15 car parking spaces per calendar month (inclusive of rates, government rent and management charges), both payable monthly in advance in cash by the tenant on the first day of each and every calendar month.

SHL, as tenant, has been granted the naming right of Stelux House and each of SHL and Thong Sia Watch has been granted an option, but not an obligation, to renew the relevant tenancy agreement with the landlord every three years for three more years for a maximum of 18 years commencing from 1st April 2013 at the then prevailing open market rent.

Pursuant to the Stelux House Tenancy Agreements 2010, the monthly rental was revised downward from HK$542,437.82 to HK$470,880.00. The monthly rental was determined on an arm's length basis having taken into account the valuations on the office premises conducted by an independent property valuer dated 16th November 2009, which indicated that the renewal rental rates under the Stelux House Tenancy Agreements 2010 were favourable to the Group as compared with the prevailing market rental values of the subject premises, while the rental rates for car parking spaces were determined with reference to the prevailing market rental rates. Accordingly, the directors of the Company considered the Stelux House Tenancy Agreements 2010 was on normal commercial terms and was fair and reasonable and in the interests of the Company and its shareholders as a whole.

(v) Certain wholly-owned subsidiaries of the Company, as tenants, entered into tenancy agreements relating to the leasing or licensing of certain properties from the landlords at different locations in Hong Kong ("Warehouse Leases and License"). The Warehouse Leases and Licence were renewed on 16th December 2009 for further three years to 31st March 2013 with no rent free period ("Warehouse Leasing and Licence Agreements 2010").

At the date of the announcement on 16th December 2009 for renewal of the leases, it was disclosed that 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, each of Active Lights Company Limited and TSCL was a subsidiary 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.

All monthly rental/license fee under the Warehouse Leasing and License Agreements 2010 remain unchanged and are the same as the monthly rental/license fee under the Warehouse Leases and License. The monthly rental/license fee were determined on an arm's length basis after having taken into account the then prevailing market rates for properties in the vicinity of the different relevant locations of the warehouse spaces and also taken into account any relocation costs which might otherwise be incurred by the Group. Accordingly, the directors of the Company considered the Warehouse Leasing and License Agreements 2010 was on normal commercial terms and was fair and reasonable and in the interests of the Company and its shareholders as a whole. Based on the monthly rental/license fee mentioned above, the total annual rental/license fee (and also the annual cap) was HK$935,280 for the year ended 31st March 2011 and is also HK$935,280 for each of the two financial years ending 31st March 2013.

(vi) SHL, a wholly-owned subsidiary of the Company, as tenant, entered into tenancy agreement in respect of the lease of office unit numbers 1901,1902 and 1903 with storeroom numbers 1A and 1B on the 19th Floor at Stelux House for the period from 1st February 2011 up to and including 31st March 2013 at a monthly rental of HK$72,530 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 February 2011 up to and including 28th February 2011. The monthly rental was determined on an arm's length basis taking into account the valuation conducted on the office premises as described above by an independent property valuer dated 4th January 2011, which indicated that the monthly rental under the tenancy agreement was based on the prevailing market rental value of the subject premises.

At the date of the announcement on 1st February 2011, it was disclosed that MPIL was controlled by Yee Hing, a controlling shareholder of the Company. Therefore, MPIL was a connected person of the Company.

Based on the monthly rent payable by SHL during the term of the tenancy agreement, the caps for the period from 1st February 2011 to 31st March 2011 and each of the two financial years ending 31st March 2013 were set at HK$72,530 and HK$870,360 respectively.

The Company, including its major subsidiaries, has its headquarters located at Stelux House. To improve the overall operating efficiency of the Group, certain back office functions of the Group have been relocated to Stelux House. The Group has been using the subject premises (including the car parking spaces), as mentioned above, primarily for office, administrative and storage purposes over a long period of time. In order to avoid possible disruption to its business due to relocation, the Group continues to lease/license the subject premises (including the car parking spaces) following the expiration of the relevant leases/license. The directors of the Company consider it to be in the interests of the Company and its shareholders as a whole for the Group to continue to use the subject premises as long as the relevant rental/license fee and other terms are in line with the market rates so as to avoid relocation and refurbishment costs which otherwise the Group will have to incur.

The continuing connected transactions as in (iii), (iv), (v) and (vi) mentioned above, in relation to the leasing of properties from connected parties, have been aggregated for the purpose of classification in accordance with Rule 14A.25 of the Listing Rules, and, the aggregate annual caps for the financial year ended 31st March 2011 was HK$10,105,000 and HK$10,900,000 for each of the two financial years ending 31st March 2013.

(vii) On 16th December 2009, Stelux Properties Agency Limited ("SPAL"), a wholly-owned subsidiary of the Company, as agent, entered into the renewal management and property agency liaison services agreement ("Service Agreement 2010") with MPIL for a term of three years up to and including 31st March 2013 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 has been providing the Services with respect to Stelux House since 1998 and has accumulated relevant knowledge and experience. MPIL is satisfied so far with the services provided by the Group under the Service Agreement 2010, whilst the remuneration received by the Group under the Service Agreement is more than enough to cover the relevant costs incurred by the Group in providing the Services.

At the date of the announcement on 16th December 2009 for the Service Agreement 2010, it was disclosed that 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, MPIL was a subsidiary of Yee Hing. In this connection, MPIL was an associate of the Estate and thus was a connected person of the Company.

Monthly remuneration was set at HK$178,500 per calendar month (in the first year up to and including 31st March 2011) payable in advance in cash on the first day of each and every calendar month. Parties to the Service Agreement 2010 shall negotiate and agree in good faith to increase the remuneration on an annual basis for the second year and the third year by not more than 10% over that in the preceding year with reference to the actual increase in costs (including but not limited to the related staff salaries) incurred by the Group with respect to the provision of the Services. In the event that no agreement is reached between the parties in negotiating the remuneration for the next year, the remuneration shall remain unchanged.

With reference to the monthly remuneration under the Service Agreement 2010, the Annual Cap Amounts for this continuing connected transaction have been set at HK$2,142,000, HK$2,356,200 and HK$2,591,820 for the financial year ended 31st March 2011 and for each of the two financial years ending 31st March 2013.

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

(2) Connected transaction of the Group in connection with acquisition of property from a connected person

Date of transaction:	6th May 2010
Subject Matter:	The property acquisition agreement sets out the principal terms and conditions of the transfer of the Property between the Group and the Connected Person.
Property:	Freehold land and two office buildings with total floor area of approximately 2,730 SQM located at Nos. 347 and 349, Muangthong Thani, Soi Chaengwattana-Pakkred 33, Chaengwattana Road, Bangpud Sub-district, Pakkred District, Nonthaburi Province, Thailand

Parties and their connected relationship:

Vendor:	Chumphol Kanjanapas (alias Joseph C. C. Wong) ("Connected Person")
Purchaser:	Optical 88 (Thailand) Limited (the "Purchaser"), an indirect subsidiary of the Company, which is principally engaged in optical products retailing in Thailand. The Purchaser may designate any subsidiary within the Group as transferee by giving notice in writing to the Connected Person.

At the date of the announcement on 6th May 2010, its was disclosed that the Connected Person was the executive director, Vice Chairman and Chief Executive Officer of the Company and had 60.82% interests in the Company through his personal interest of 29.24% or 278,240,091 shares of the Company, family interest of 0.01% or 10,000 shares of the Company and a trust interest of 31.57% or 300,378,959 shares of the Company in which he was deemed to have a full interest as he was one of the beneficiaries, he was a connected person of the Company as defined in the Listing Rules.

Description and purpose of the transaction:

The Company's subsidiaries in Thailand have been in business for over 15 years and occupying office premises in the same district of the Property under operating leases. As the office premises will not be available for extension and in line with the Company's business strategy in Thailand, the directors of the Company are of the view that the Group should acquire a property for its own use. The transaction provides an opportunity for the Company to establish permanent office premises for its subsidiaries in Thailand in the same district as the existing office premises occupied and will minimise any disruption to existing employees and business operations. Furthermore, the Property provides sufficient floor area for current operations in Thailand with room for further business expansion. The directors of the Company are of the view that the transaction has been entered into under normal commercial terms agreed after arm's length negotiations between the relevant parties, and is fair and reasonable. Furthermore, the directors of the Company consider that the transaction is entered into in the usual and ordinary course of business of the Group and is in the interests of the Group and its shareholders as a whole.

Terms of the transaction:

On 6th May 2010, the Company, through its indirect subsidiary, entered into an agreement with the Connected Person in which the Group agreed to acquire the Property from the Connected Person ("Property Acquisition Agreement"). Apart from the above, the other principal terms of the Property Acquisition Agreement are as follows:

Other fees: The registration fees and the stamp duty shall be borne by the Purchaser and the Connected Person in equal shares.

Payment terms: The consideration payable by the Purchaser shall be payable in the following manner:

(a) an initial deposit and part payment of THB27,000,000 representing 90% of the consideration will be payable upon the signing of the Property Acquisition Agreement;

(b) a balance payment of THB3,000,000 representing the remaining 10% of the consideration will be payable upon the completion of the registration of the sale and purchase of the Property at the competent Thai registry office from the Connected Person to the Purchaser or any subsidiary within the Group designated by the Purchaser as transferee.

Completion: Upon the registration of the sale and purchase of the Property at the competent Thai registry office on or before 30th June 2010 or such other date as the Purchaser and the Connected Person may mutually agree on in writing.

The consideration was THB30,000,000 in cash or equivalent to approximately HK$7,200,000.

Nature and extent of the connected person's interest in the transaction:

The transaction relates to the acquisition of office property for the Group's own use.

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, 29th June 2011

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 22 to 83, which comprise the consolidated and company balance sheets as at 31st March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2011 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, 29th June 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Revenues	5	**2,705,610**	2,370,169
Cost of sales	9	**(1,046,791)**	(947,447)
Gross profit		**1,658,819**	1,422,722
Other gains, net	6	**28,871**	16,041
Other income	7	**18,190**	18,821
Selling expenses	9	**(1,178,500)**	(1,089,377)
General and administrative expenses	9	**(274,269)**	(234,303)
Other operating expenses	9	**(60,956)**	(58,789)
Operating profit		**192,155**	75,115
Finance costs	11	**(9,305)**	(11,749)
Profit before income tax		**182,850**	63,366
Income tax expense	12	**(51,389)**	(38,189)
Profit for the year		**131,461**	25,177
Attributable to:			
Equity holders of the Company		**130,831**	24,630
Non-controlling interests		**630**	547
		131,461	25,177
		HK cents	HK cents
Earnings per share for profit attributable to the equity holders of the Company – Basic and diluted	14	**13.75**	2.59

	Note	**2011** **HK$'000**	2010 HK$'000
Dividends	15	**34,248**	19,026

The notes on pages 29 to 83 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Profit for the year		**131,461**	25,177
Other comprehensive income:			
Exchange differences		**19,729**	58,810
Revaluation of available-for-sale financial assets	21	**3,335**	(5,536)
Impairment of available-for-sale financial assets charged to income statement	26	**1,120**	–
Other comprehensive income for the year, net of tax		**24,184**	53,274
Total comprehensive income for the year		**155,645**	78,451
Attributable to:			
Equity holders of the Company		**154,707**	77,412
Non-controlling interests		**938**	1,039
Total comprehensive income for the year		**155,645**	78,451

The notes on pages 29 to 83 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March 2011

	Note	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000 (Restated)	As at 1st April 2009 HK$'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	**321,114**	310,464	335,894
Investment properties	17	**52,000**	41,200	35,000
Prepayment of lease premium	18	**73,549**	54,215	55,599
Intangible assets	20	**26,387**	24,178	23,451
Deferred tax assets	29	**55,794**	46,244	45,548
Available-for-sale financial assets	21	**14,639**	12,587	18,123
		543,483	488,888	513,615
Current assets				
Stocks	22	**777,411**	728,385	790,719
Debtors and prepayments	23	**337,044**	323,542	335,800
Bank balances and cash	24	**226,080**	213,184	117,386
		1,340,535	1,265,111	1,243,905
Total assets		**1,884,018**	1,753,999	1,757,520
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	25	**95,134**	95,134	95,134
Reserves	26	**886,403**	752,625	694,239
Shareholders' funds		**981,537**	847,759	789,373
Non-controlling interests		**8,650**	4,968	4,253
Total equity		**990,187**	852,727	793,626

The notes on pages 29 to 83 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March 2011

	Note	**As at 31st March 2011 HK$'000**	As at 31st March 2010 HK$'000 (Restated)	As at 1st April 2009 HK$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	29	**2,198**	2,483	1,312
Borrowings	28	**67,742**	82,206	87,768
		69,940	84,689	89,080
Current liabilities				
Creditors and accruals	27	**425,613**	354,714	422,078
Income tax payable		**28,482**	11,741	16,704
Borrowings	28	**369,796**	450,128	436,032
		823,891	816,583	874,814
Total liabilities		**893,831**	901,272	963,894
Total equity and liabilities		**1,884,018**	1,753,999	1,757,520
Net current assets		**516,644**	448,528	369,091
Total assets less current liabilities		**1,060,127**	937,416	882,706

Wong Chong Po
Chairman

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

The notes on pages 29 to 83 are an integral part of these financial statements.

BALANCE SHEET

As at 31st March 2011

	Note	**2011 HK$'000**	2010 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary	19	**–**	–
Current assets			
Amount due from a subsidiary	19	**430,271**	451,300
Debtors and prepayments		**463**	463
Bank balances and cash	24	**33**	33
		430,767	451,796
Total assets		**430,767**	451,796
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	**95,134**	95,134
Reserves	26	**334,708**	355,637
Total equity		**429,842**	450,771
LIABILITIES			
Current liabilities			
Creditors and accruals	27	**925**	1,025
Total liabilities		**925**	1,025
Total equity and liabilities		**430,767**	451,796
Net current assets		**429,842**	450,771
Total assets less current liabilities		**429,842**	450,771

Wong Chong Po
Chairman

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

The notes on pages 29 to 83 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2011

	Attributable to the equity holders of the Company					
	Share capital (Note 25) HK$'000	**Other reserves** (Note 26) HK$'000	**Retained earnings** (Note 26) HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1st April 2009	95,134	(13,205)	707,444	789,373	4,253	793,626
Profit for the year	–	–	24,630	24,630	547	25,177
Other comprehensive income:						
Exchange differences	–	58,318	–	58,318	492	58,810
Revaluation of available-for-sale financial assets	–	(5,536)	–	(5,536)	–	(5,536)
Total other comprehensive income	–	52,782	–	52,782	492	53,274
Total comprehensive income	–	52,782	24,630	77,412	1,039	78,451
Dividends paid	–	–	(19,026)	(19,026)	(324)	(19,350)
At 31st March 2010	95,134	39,577	713,048	847,759	4,968	852,727
At 1st April 2010	**95,134**	**39,577**	**713,048**	**847,759**	**4,968**	**852,727**
Profit for the year	**–**	**–**	**130,831**	**130,831**	**630**	**131,461**
Other comprehensive income:						
Exchange differences	**–**	**19,421**	**–**	**19,421**	**308**	**19,729**
Revaluation of available-for-sale financial assets	**–**	**3,335**	**–**	**3,335**	**–**	**3,335**
Impairment of available-for-sale financial assets charged to income statement	**–**	**1,120**	**–**	**1,120**	**–**	**1,120**
Total other comprehensive income	**–**	**23,876**	**–**	**23,876**	**308**	**24,184**
Total comprehensive income	**–**	**23,876**	**130,831**	**154,707**	**938**	**155,645**
Dividends paid	**–**	**–**	**(20,929)**	**(20,929)**	**(269)**	**(21,198)**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**4,033**	**4,033**
Acquisition of additional interests in a subsidiary from non-controlling interests	**–**	**–**	**–**	**–**	**(1,020)**	**(1,020)**
At 31st March 2011	**95,134**	**63,453**	**822,950**	**981,537**	**8,650**	**990,187**

The notes on pages 29 to 83 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**306,907**	210,646
Interest paid		**(9,305)**	(11,803)
Hong Kong profits tax paid		**(6,778)**	(14,462)
Hong Kong profits tax refund		**–**	203
Overseas profits tax paid		**(37,825)**	(28,041)
Overseas profits tax refund		**1,424**	938
Net cash generated from operating activities		**254,423**	157,481
Cash flows from investing activities			
Purchase of property, plant and equipment		**(92,404)**	(64,300)
Proceeds from sale of an investment property		**3,896**	–
Proceeds from sale of property, plant and equipment		**1,366**	852
Addition of prepayment of lease premium		**(23,996)**	–
Disposal of prepayment of lease premium		**1,429**	–
Interest received		**200**	139
Dividends received		**4,482**	2,526
Acquisition of additional interests in a subsidiary from non-controlling interests		**(1,020)**	–
Net cash used in investing activities		**(106,047)**	(60,783)
Cash flows from financing activities			
Drawdown of bank loans		**367,279**	511,899
Repayment of bank loans		**(463,499)**	(505,125)
Capital element of finance lease payments		**(348)**	(889)
Dividends paid to the Company's shareholders		**(20,929)**	(19,026)
Dividends paid to non-controlling interests		**(269)**	(324)
Capital contribution from non-controlling interests		**4,033**	–
Net cash used in financing activities		**(113,733)**	(13,465)
Net increase in cash and cash equivalents		**34,643**	83,233
Cash and cash equivalents at beginning of year		**213,184**	117,386
Effect of foreign exchange rate changes		**(21,747)**	12,565
Cash and cash equivalents at end of year		**226,080**	213,184
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		**226,080**	213,184

The notes on pages 29 to 83 are an integral part of these financial statements.

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are shown in Note 33 to the 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 29th June 2011.

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 properties.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Adoption of new and revised standards and amendments to standards

The following new standards and amendments to standards are relevant and mandatory for the first time for the financial year beginning 1st April 2010:

- HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepayment of lease premium", and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st April 2009 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st April 2009 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

  The effect of the adoption of this amendment is as below:

	31st March 2011 HK$'000	31st March 2010 HK$'000	1st April 2009 HK$'000
Decrease in prepayment of lease premium	**(121,277)**	(125,988)	(130,699)
Increase in property, plant and equipment	**121,277**	125,988	130,699

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Adoption of new and revised standards and amendments to standards (Continued)

- HK-Int 5, 'Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause' has been applied retrospectively for annual periods beginning 1st April 2010. According to HK — Int 5, if a term loan agreement includes an overriding repayment on demand clause ("callable feature"), which gives the lender a clear and unambiguous unconditional right to demand repayment at any time at its sole discretion, a borrower shall classify the term loan as a current liability in its balance sheet, as the borrower does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

  The effect of the adoption of this amendment is as below:

	31st March 2011 HK$'000	31st March 2010 HK$'000	1st April 2009 HK$'000
Decrease in non-current borrowings	**(52,069)**	(45,203)	(28,544)
Increase in current borrowings	**52,069**	45,203	28,544

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st April 2011 or later periods, but the Group has not early adopted them:

		Effective for financial year beginning on or after
HKAS 12 (Revised)	Income Taxes	1st April 2012
HKAS 24 (Revised)	Related Party Disclosures	1st April 2011
HKAS 32 (Amendment)	Classification of Rights Issues	1st April 2011
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations	1st April 2013
HKFRS 7 (Revised)	Financial Instruments: Disclosures	1st April 2012
HKFRS 9	Financial Instruments	1st April 2013
HK(IFRIC) – Int 14 (Amendment)	Prepayments of A Minimum Funding Requirement	1st April 2011
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st April 2011

The expected impacts from the adoption of the above standards, amendments and interpretations to existing standards are still being assessed in details by management but it is expected that the adoption should not have significant impacts to the Group.

In addition, Hong Kong Institute of Certified Public Accountants also published a number of amendments for the existing standards under its improvement projects. These amendments are also not expected to have a significant financial impact to the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose 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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(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 or valuations where items are remeasured. 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 consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(ii) Transactions and balances (Continued)

Translation difference on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the revaluation 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 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 consolidated 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.

(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 consolidated income statement during the financial year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	Lesser of the unexpired lease term or 20 to 50 years
Equipment (including leasehold improvements)	3 to 10 years or over the lease term
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 the proceeds with the carrying amount and are included in the consolidated 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 have an indefinite useful life and the carrying amount brought forward are not amortised but tested annually for impairment. Trademarks are carried at cost less accumulated amortisation up to 31st March 2005 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. Assets are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. 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.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Available-for-sale financial assets

The Group classifies its financial assets as available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 way 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 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 are subsequently carried at fair value.

The translation differences on non-monetary securities are recognised in equity. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The Group assesses at the end of each reporting 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 an evidence that the assets 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 profit or loss-is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. Impairment testing of debtors and prepayments is described in Note 2(k) to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 in the ordinary course of business.

(k) Debtors

If collection of debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 consolidated 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 consolidated income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(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 classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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 tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and law) 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)*

(p) Current and deferred income tax *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

(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 collectability 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Recognition of revenue *(Continued)*

(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.

(vi) Dividend income

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

(t) Finance costs

Finance costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other finance costs are expensed as incurred.

(u) 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 consolidated 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 consolidated 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. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Dividend distribution

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

(w) 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 the 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 consolidated 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 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, Renminbi and British pound 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 financial statements. 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 2011 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Foreign exchange risk (Continued)

	2011		2010	
	Increase in foreign exchange rate	**Increase in profit before income tax HK$'000**	Increase in foreign exchange rate	Increase in profit before income tax HK$'000
Singapore dollars	**10%**	**6,502**	10%	3,090
Malaysian ringgit	**10%**	**1,578**	10%	752
Thai bahts	**10%**	**891**	10%	804
Renminbi	**10%**	**7,007**	10%	4,970
British pound	**10%**	**(4,844)**	10%	(4,538)

Decrease in the above foreign exchange rates by 10% (2010: 10%) would affect the profit before income tax by the same amount but in the opposite direction.

(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. The Group's exposure to changes in interest rates is mainly attributable to its bank loans. Bank loans at variable rates expose the Group to cash flow interest-rate risk. Details of the Group's bank borrowings are disclosed in Note 28(a) to the financial statements.

The Group has not used any interest rate swaps to hedge its exposure to cash flow interest rate risk.

At 31st March 2011, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, profit for the year would have been HK$4,844,000 (2010: HK$5,269,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(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) 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.

(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 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Liquidity risk (Continued)

	Within 1 year	Between 1 and 2 Years	Between 2 and 3 years	Over 3 years
Group				
At 31st March 2011				
Bank borrowings	377,760	15,625	15,398	40,561
Finance lease	279	98	46	–
Creditors and accruals	414,710			
At 31st March 2010				
Bank borrowings	461,251	16,062	15,791	56,000
Finance lease	507	286	19	–
Creditors and accruals	341,037	–	–	–
Company				
At 31st March 2011				
Creditors and accruals	925	–	–	–
At 31st March 2010				
Creditors and accruals	1,025	–	–	–

(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 total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less bank balances and cash. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratios at 31st March 2010 and 2011 were as follows:

	2011	2010
	HK$'000	HK$'000
Total borrowings (Note 28)	**437,538**	532,334
Less: Bank balances and cash (Note 24)	**(226,080)**	(213,184)
Net debt	**211,458**	319,150
Shareholders' funds	**981,537**	847,759
Gearing ratio	**22%**	38%

(c) Fair value estimation

The Group's financial instruments carried at fair value is analysed by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's available-for-sale financial assets are measured at fair value by discounting the estimated future cash flows. Their fair value measurement is classified as level 3. Changes in level 3 instruments for the year ended 31st March 2011 are set out in Note 21.

There was no transfer of financial instruments into or out of level 3 during the year.

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 cost 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 receivable. 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 property, plant and equipment

The Group assesses annually whether property, plant and equipment exhibit any indications of impairment. The recoverable amounts are determined based on value-in-use calculation. The value-in-use calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and applying the appropriate discount rate to those future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgements and estimates. Management believes that any reasonably foreseeable change in any of the above key elements in the value-in-use calculation would not result in material additional impairment charges.

(iv) 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).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(v) 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

	2011	2010
	HK$'000	HK$'000
Turnover		
Sales of goods	**2,704,053**	2,368,729
Gross rental income	**1,557**	1,440
	2,705,610	2,370,169

6 OTHER GAINS, NET

	2011	2010
	HK$'000	HK$'000
Gain/(loss) on disposal of property, plant and equipment, net	**419**	(821)
Gain on disposal of an investment property	**1,296**	–
Fair value gains of investment properties	**13,400**	6,200
Exchange gain, net	**13,756**	10,662
	28,871	16,041

7 OTHER INCOME

	2011	2010
	HK$'000	HK$'000
Building management fee income	**3,747**	3,980
Dividend income from investments	**4,482**	2,526
Interest income	**200**	139
Sundries	**9,761**	12,176
	18,190	18,821

8 SEGMENT INFORMATION

The chief operating decision-makers have been identified as the executive directors. The executive directors review the Group's financial information mainly from product and geographical perspective. From a geographical perspective, management assesses the performance of watch and optical operations in Hong Kong, Macau and Mainland China and rest of Asia.

Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive directors assess the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). This measurement basis excludes unallocated income and net corporate expenses.

Net corporate expenses mainly represent staff costs and provision for senior management bonus. Unallocated assets represent equipment and debtors at corporate level, available-for-sale financial assets, deferred tax assets and bank balances and cash. Unallocated liabilities represent creditors and accruals at corporate level, borrowings, deferred tax liabilities and income tax payable.

For the year ended 31st March 2011

	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China HK$'000	**Rest of Asia HK$'000**	**Hong Kong, Macau and Mainland China HK$'000**	**Rest of Asia HK$'000**	**Watch wholesale trading HK$'000**	**Property HK$'000**	**Group Total HK$'000**
Revenues							
Gross segment	**931,620**	**484,549**	**655,298**	**276,010**	**632,981**	**14,135**	**2,994,593**
Inter-segment	**–**	**–**	**–**	**–**	**(276,405)**	**(12,578)**	**(288,983)**
	931,620	**484,549**	**655,298**	**276,010**	**356,576**	**1,557**	**2,705,610**
Segment results	**69,800**	**29,925**	**31,768**	**23,515**	**75,898**	**9,268**	**240,174**
Unallocated income							**4,308**
Net corporate expenses							**(52,327)**
Operating profit							**192,155**
Finance costs							**(9,305)**
Profit before income tax							**182,850**
Income tax expense							**(51,389)**
Profit for the year							**131,461**

8 SEGMENT INFORMATION *(Continued)*

For the year ended 31st March 2011

	Watch retail		**Optical retail**					
	Hong Kong, Macau and Mainland China HK$'000	**Rest of Asia HK$'000**	**Hong Kong, Macau and Mainland China HK$'000**	**Rest of Asia HK$'000**	**Watch wholesale trading HK$'000**	**Property HK$'000**	**Corporate HK$'000**	**Group Total HK$'000**
Capital expenditures	**(23,942)**	**(27,613)**	**(19,930)**	**(41,913)**	**(556)**	**(603)**	**(1,843)**	**(116,400)**
Depreciation	**(23,269)**	**(18,716)**	**(18,078)**	**(13,580)**	**(1,430)**	**(4,823)**	**(930)**	**(80,826)**
Amortisation of prepayment of lease premium	**–**	**(4,148)**	**–**	**(3,371)**	**–**	**–**	**–**	**(7,519)**
Fair value gain of investment properties	**–**	**–**	**–**	**–**	**–**	**13,400**	**–**	**13,400**
(Provision)/write back of provision for stocks	**(29,842)**	**(6,678)**	**(4,400)**	**(3,251)**	**1,406**	**–**	**–**	**(42,765)**
Impairment of property, plant and equipment	**(1,379)**	**(3,332)**	**(878)**	**(530)**	**–**	**–**	**–**	**(6,119)**
Write back of provision for onerous contracts	**–**	**–**	**96**	**–**	**–**	**–**	**–**	**96**

For the year ended 31st March 2010

	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Watch wholesale trading HK$'000	Property HK$'000	Group Total HK$'000
Revenues							
Gross segment	794,268	466,819	574,836	247,150	489,835	13,929	2,586,837
Inter-segment	–	–	–	–	(204,179)	(12,489)	(216,668)
	794,268	466,819	574,836	247,150	285,656	1,440	2,370,169
Segment results	22,147	47,733	9,334	16,797	7,365	1,617	104,993
Unallocated income							2,575
Net corporate expenses							(32,453)
Operating profit							75,115
Finance costs							(11,749)
Profit before income tax							63,366
Income tax expense							(38,189)
Profit for the year							25,177

8 SEGMENT INFORMATION *(Continued)*

	For the year ended 31st March 2010							
	Watch retail		Optical retail					
	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Watch wholesale trading HK$'000	Property HK$'000	Corporate HK$'000	Group Total HK$'000
Capital expenditures	(25,306)	(10,730)	(19,756)	(6,335)	(989)	–	(1,184)	(64,300)
Depreciation	(26,628)	(18,613)	(19,186)	(14,285)	(6,252)	(4,803)	(946)	(90,713)
Amortisation of prepayment of lease premium	–	(3,573)	–	(3,097)	–	–	–	(6,670)
Fair value gain of investment properties	–	–	–	–	–	6,200	–	6,200
Provision for stocks	(2,258)	(4,382)	(2,106)	(2,274)	(32,828)	–	–	(43,848)
Impairment of property, plant and equipment	(2,591)	–	(1,034)	(1,266)	–	–	–	(4,891)
Write back of provision for onerous contracts	23	–	613	–	–	–	–	636

	As at 31st March 2011						
	Watch retail		**Optical retail**				
	Hong Kong, Macau and Mainland China HK$'000	**Rest of Asia HK$'000**	**Hong Kong, Macau and Mainland China HK$'000**	**Rest of Asia HK$'000**	**Watch wholesale trading HK$'000**	**Property HK$'000**	**Group Total HK$'000**
Segment assets	**479,392**	**291,145**	**226,726**	**176,932**	**224,241**	**176,819**	**1,575,255**
Unallocated assets							**308,763**
Total assets							**1,884,018**
Segment liabilities	**169,227**	**40,794**	**116,023**	**33,372**	**46,127**	**1,003**	**406,546**
Unallocated liabilities							**487,285**
Total liabilities							**893,831**

8 SEGMENT INFORMATION *(Continued)*

	As at 31st March 2010						
	Watch retail		Optical retail				
	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Hong Kong, Macau and Mainland China HK$'000	Rest of Asia HK$'000	Watch wholesale trading HK$'000	Property HK$'000	Group Total HK$'000
Segment assets	485,024	277,950	195,267	137,260	204,086	170,311	1,469,898
Unallocated assets							284,101
Total assets							1,753,999
Segment liabilities	118,526	39,399	110,086	23,563	53,543	722	345,839
Unallocated liabilities							555,433
Total liabilities							901,272

An analysis of the Group's revenue by geographical area is as follows:

	2011 HK$'000	2010 HK$'000
Hong Kong	**1,443,601**	1,229,410
Mainland China	**215,885**	176,266
Rest of Asia	**1,045,158**	959,927
Europe	**642**	3,983
Others	**324**	583
	2,705,610	2,370,169

An analysis of the Group's non-current assets (other than financial instruments and deferred tax assets) by geographical area is as follows:

	2011 HK$'000	2010 HK$'000
Hong Kong	**170,901**	178,052
Mainland China	**15,505**	14,311
Rest of Asia	**285,120**	236,378
Europe	**1,524**	1,316
	473,050	430,057

9 EXPENSES BY NATURE

	2011 **HK$'000**	2010 HK$'000 (Restated)
Cost of stocks sold and raw materials consumed	**1,046,791**	947,447
Amortisation of prepayment of lease premium	**7,519**	6,670
Depreciation of property, plant and equipment		
– Owned	**80,358**	89,996
– Leased	**468**	717
Impairment of property, plant and equipment	**6,119**	4,891
Write back of provision for onerous contracts	**(96)**	(636)
Auditor's remuneration	**6,334**	6,030
Operating leases		
– Buildings	**452,358**	424,052
– Equipment	**5**	36
Provision for stocks	**42,765**	43,848
Impairment of debtors	**197**	782
Impairment of available-for-sale financial assets	**2,403**	–
Reversal of bad debts provision	**(83)**	(1,548)
Donations	**1,117**	689
Employee benefit expense (Note 10)	**464,895**	419,820
Others	**449,366**	387,122
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	**2,560,516**	2,329,916

10 EMPLOYEE BENEFIT EXPENSE

	2011	2010
	HK$'000	HK$'000
Salaries and allowances	**427,842**	392,054
Pension contributions less forfeiture utilised (Note a)	**25,272**	17,285
Unutilised annual leave	**(618)**	537
Social security costs	**7,448**	6,598
Other allowances	**4,951**	3,346
	464,895	419,820

(a) Pensions-defined contribution plans

The Group operated a retirement scheme under Occupation Retirement Scheme Ordinance ("ORSO scheme") up to 30th November 2000 for employees in Hong Kong. With effect from 1st December 2000, a mandatory provident fund ("MPF") scheme is set up 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 employee, 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$1,206,000 for the year ended 31st March 2011 (2010: HK$4,701,000) arising from employees leaving the ORSO scheme, were utilised to offset contributions during the year.

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	Basic salaries, allowances, and benefits in kind	Contributions to pension plans	Discretionary bonus[i]	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31st March 2011					
Wong Chong Po	**100**	**1,395**	**–**	**582**	**2,077**
Joseph C. C. Wong	**80**	**2,642**	**90**	**1,745**	**4,557**
Chu Kai Wah, Anthony	**80**	**1,925**	**70**	**775**	**2,850**
Sakorn Kanjanapas	**80**	**–**	**–**	**–**	**80**
Lau Tak Bui, Vincent	**80**	**1,935**	**69**	**775**	**2,859**
Kwong Yi Hang, Agnes	**120**	**–**	**–**	**–**	**120**
Wu Chun Sang	**120**	**–**	**–**	**–**	**120**
Wu Chi Man, Lawrence	**120**	**–**	**–**	**–**	**120**
	780	**7,897**	**229**	**3,877**	**12,783**
For the year ended 31st March 2010					
Wong Chong Po	100	1,296	–	352	1,748
Joseph C. C. Wong	80	2,440	83	1,057	3,660
Chu Kai Wah, Anthony	80	1,775	65	470	2,390
Sakorn Kanjanapas	80	–	–	–	80
Lau Tak Bui, Vincent	80	1,820	66	470	2,436
Kwong Yi Hang, Agnes	120	–	–	–	120
Wu Chun Sang	120	–	–	–	120
Wu Chi Man, Lawrence	120	–	–	–	120
	780	7,331	214	2,349	10,674

[i] *Discretionary bonus represents the amount paid during the year.*

During the year, none of the directors 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 (2010: four) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining one (2010: one) individual during the year are as follows:

	2011	2010
	HK$'000	HK$'000
Basic salaries, allowance and benefits in kind	**1,454**	1,817
Performance bonus	**430**	430
Contributions to pension plans	**56**	67
	1,940	2,314

11 FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**8,330**	10,591
Interest on bank loans and overdrafts not wholly repayable within five years	**798**	913
Interest on other financial liabilities	**128**	184
Interest on finance leases	**49**	61
	9,305	11,749

12 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ended 31st March 2011 (2010: 16.5%) 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:

	2011	2010
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**26,292**	9,402
– Overseas profits tax	**30,773**	27,234
– Under/(over) provisions in respect of prior years	**2,259**	(850)
	59,324	35,786
Deferred income tax (Note 29)	**(7,935)**	2,403
Income tax expense	**51,389**	38,189

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:

	2011	2010
	HK$'000	HK$'000
Profit before income tax	**182,850**	63,366
Theoretical tax at weighted average rate of 18.34% (2010: 24.14%)	**33,542**	15,299
Income not subject to tax	**(4,934)**	(4,961)
Expenses not deductible for tax purpose	**14,926**	16,924
Recognition of temporary differences not previously recognised	**(5,029)**	(1,312)
Utilisation of previously unrecognised tax losses	**(6,491)**	(3,850)
Tax losses not recognised	**14,552**	15,225
Under/(over) provisions in respect of prior years	**2,259**	(850)
Others	**2,564**	1,714
Income tax expense	**51,389**	38,189

The weighted average applicable tax rate was 18.34% (2010: 24.14%). The decrease is caused by a change in the distribution of profitability of the Group's subsidiaries in the respective countries.

13 RESULTS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

All expenses of the Company were borne by a subsidiary. Accordingly, no profit or loss attributable to shareholders is dealt with in the financial statements of the Company for the years ended 31st March 2010 and 2011.

14 EARNINGS PER SHARE

Basic

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

	2011	2010
Weighted average number of ordinary shares in issue (thousands)	**951,340**	951,340
Profit attributable to equity holders of the Company (HK$'000)	**130,831**	24,630
Basic earnings per share (HK cents)	**13.75**	2.59

Diluted

There were no dilutive potential ordinary shares in existence during the years ended 31st March 2010 and 2011.

15 DIVIDENDS

	2011 **HK$'000**	2010 HK$'000
Interim, paid of HK$0.012 (2010: HK$0.01) per ordinary share	**11,416**	9,513
Final, proposed, of HK$0.024 (2010: HK$0.01) per ordinary share	**22,832**	9,513
	34,248	19,026

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings HK$'000	Equipment and others HK$'000	Total HK$'000
At 1st April 2009			
Cost as previously reported	113,300	471,718	585,018
Effect of adoption of HKAS17 (Amendment)	196,908	–	196,908
Cost, as restated	310,208	471,718	781,926
Accumulated depreciation and impairment as previously reported	(35,072)	(344,751)	(379,823)
Effect of adoption of HKAS17 (Amendment)	(66,209)	–	(66,209)
Accumulated depreciation and impairment, restated	(101,281)	(344,751)	(446,032)
Net book amount, as restated	208,927	126,967	335,894
Year ended 31st March 2010			
Opening net book amount, as previously reported	78,228	126,967	205,195
Effect of adoption of HKAS 17 (Amendment)	130,699	–	130,699
Opening net book amount, as restated	208,927	126,967	335,894
Additions	–	64,300	64,300
Disposals/write-off	–	(1,673)	(1,673)
Depreciation	(5,574)	(85,139)	(90,713)
Impairment	–	(4,891)	(4,891)
Exchange differences	1,942	5,605	7,547
Closing net book amount	205,295	105,169	310,464
At 31st March 2010			
Cost as previously reported	115,244	522,734	637,978
Effect of adoption of HKAS17 (Amendment)	196,908	–	196,908
Cost, as restated	312,152	522,734	834,886
Accumulated depreciation and impairment as previously reported	(35,937)	(417,565)	(453,502)
Effect of adoption of HKAS17 (Amendment)	(70,920)	–	(70,920)
Accumulated depreciation and impairment, restated	(106,857)	(417,565)	(524,422)
Net book amount, as restated	205,295	105,169	310,464

16 PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

	Land and buildings HK$'000	Equipment and others HK$'000	Total HK$'000
Year ended 31st March 2011			
Opening net book amount, as previously reported	**79,307**	**105,169**	**184,476**
Effect of adoption of HKAS 17 (Amendment)	**125,988**	**–**	**125,988**
Opening net book amount, as restated	**205,295**	**105,169**	**310,464**
Additions	**8,553**	**83,851**	**92,404**
Disposals/write-off	**–**	**(947)**	**(947)**
Depreciation	**(5,643)**	**(75,183)**	**(80,826)**
Impairment	**(2,715)**	**(3,404)**	**(6,119)**
Exchange differences	**1,583**	**4,555**	**6,138**
Closing net book amount	**207,073**	**114,041**	**321,114**
At 31st March 2011			
Cost	**322,289**	**558,914**	**881,203**
Accumulated depreciation and impairment	**(115,216)**	**(444,873)**	**(560,089)**
Net book amount	**207,073**	**114,041**	**321,114**

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 2011 were approximately HK$199,194,000 (2010: HK$184,091,000).

(b) At 31st March 2011, the net book value of motor vehicles held under finance leases amounted to HK$605,000 (2010: HK$928,000).

(c) An impairment provision of HK$6,119,000 (2010: HK$4,891,000) was made for certain properties and equipment with reference to their fair value less costs to sell since their carrying values are not expected to be fully recoverable by this amount. Impairment loss was included in other operating expenses in the consolidated income statement.

16 PROPERTY, PLANT AND EQUIPMENT – GROUP *(Continued)*

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

	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000 (Restated)	As at 1st April 2009 HK$'000 (Restated)
Freehold land and buildings outside Hong Kong	**82,415**	76,417	75,244
Land and buildings in Hong Kong, held on:			
– Leases between 10 to 50 years	**124,658**	128,878	133,683
	207,073	205,295	208,927

17 INVESTMENT PROPERTIES – GROUP

	2011 HK$'000	2010 HK$'000
At 1st April	**41,200**	35,000
Disposal	**(2,600)**	–
Fair value gains	**13,400**	6,200
At 31st March	**52,000**	41,200

The investment property was revalued by independent professionally qualified valuer as at 31st March 2011. Valuation was based on open market values of the property.

The investment property of the Group has been pledged for bank borrowings. The carrying value of this investment property as at 31st March 2011 was HK$52,000,000 (2010: HK$38,600,000).

The Group's interest in investment properties at their carrying values are analysed as follows:

	2011 HK$'000	2010 HK$'000
Freehold investment property outside Hong Kong	**52,000**	38,600
Investment property in Hong Kong, held on:		
– Leases between 10 to 50 years	**–**	2,600
	52,000	41,200

18 PREPAYMENT OF LEASE PREMIUM – GROUP

	2011	2010
	HK$'000	HK$'000
		(Restated)
At 1st April, as previously reported	**180,203**	186,298
Effect of adoption of HKAS 17 (Amendment)	**(125,988)**	(130,699)
At 1st April, as restated	**54,215**	55,599
Addition	**23,996**	–
Disposal	**(1,429)**	–
Amortisation (note b)	**(7,519)**	(6,670)
Exchange differences	**4,286**	5,286
At 31st March	**73,549**	54,215

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

	As at 31st March 2011	As at 31st March 2010	As at 1st April 2009
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Prepayment of lease premium for premises outside Hong Kong, held on:			
– Leases between 10 to 50 years	**38,920**	40,799	46,829
– Leases under 10 years	**34,629**	13,416	8,770
	73,549	54,215	55,599

Notes:

(a) Certain prepayment of lease premium for premises of the Group have been pledged for bank borrowings. The carrying amount of these prepayment of lease premium as at 31st March 2011 was HK$30,019,000 (2010: HK$15,386,000).

(b) Amortisation of prepayment of lease premium for premises was included in selling expenses in the consolidated income statement.

19 SUBSIDIARIES AND AMOUNT DUE FROM A SUBSIDIARY – COMPANY

	2011	2010
	HK$'000	HK$'000
Investment in a subsidiary	**–**	–
Amount due from a subsidiary	**430,271**	451,300
	430,271	451,300

The amount due from a subsidiary is unsecured, interest free and repayable on demand.

Details of principal subsidiaries are shown on Note 33.

20 INTANGIBLE ASSETS – GROUP

	Goodwill	**Trademarks**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Year ended 31st March 2010			
Opening net book amount	6,400	17,051	23,451
Provision for impairment	–	(678)	(678)
Exchange differences	1,192	213	1,405
Closing net book amount	7,592	16,586	24,178
At 31st March 2010			
Cost	7,592	46,443	54,035
Accumulated amortisation and impairment	–	(29,857)	(29,857)
Net book amount	7,592	16,586	24,178
Year ended 31st March 2011			
Opening net book amount	7,592	16,586	24,178
Exchange differences	2,001	208	2,209
Closing net book amount	9,593	16,794	26,387
At 31st March 2011			
Cost	9,593	46,478	56,071
Accumulated amortisation and impairment	–	(29,684)	(29,684)
Net book amount	9,593	16,794	26,387

20 INTANGIBLE ASSETS – GROUP *(Continued)*

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 0% (2010: 0%) which does not exceed historical growth rate.

2. Pre-tax discount rate applied to cash flows projections of 5% (2010: 5%). The discount rate used is pre-tax and reflects specific risks related to the Group.

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount significantly.

During the year ended 31st March 2011, there was no impairment on the CGUs containing goodwill with indefinite useful lives.

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 operates.

During the year ended 31st March 2010, an impairment provision of HK$678,000 was recognised on the trademarks as the carrying value is not expected to be fully recoverable. No impairment provision was made during the year ended 31st March 2011.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2011	2010
	HK$'000	HK$'000
At 1st April	**12,587**	18,123
Revaluation surplus/(loss) transfer to equity (Note 26)	**3,335**	(5,536)
Impairment	**(1,283)**	–
At 31st March	**14,639**	12,587

Available-for-sale financial assets as at 31st March 2011 represent unlisted equity investments in Switzerland and are denominated in Swiss Francs.

22 STOCKS – GROUP

	2011	2010
	HK$'000	HK$'000
Raw materials	**30,901**	36,273
Work-in-progress	**13,070**	2,065
Finished goods	**733,440**	690,047
	777,411	728,385

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,046,791,000 (2010: HK$947,447,000).

23 DEBTORS AND PREPAYMENTS – GROUP

	2011	2010
	HK$'000	HK$'000
Trade debtors, gross	**153,094**	146,195
Provision for impairment of trade debtors	**(24,943)**	(24,823)
Trade debtors, net (Note a)	**128,151**	121,372
Deposits, prepayments and other debtors (Note c)	**208,893**	202,170
	337,044	323,542
Trade debtors analysed by invoice date:		
Below 60 days	**54,098**	55,950
Over 60 days	**98,996**	90,245
	153,094	146,195

23 DEBTORS AND PREPAYMENTS – GROUP *(Continued)*

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 China. 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$57,697,000 (2010: HK$60,090,000).

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.

Balances that are neither past due nor impaired relate to a number of independent customers whom there was no relevant history of default.

Included in the Group's trade debtors were debtors with a carrying amount of HK$15,709,000 (2010: HK$15,497,000) which were past due but not impaired. The ageing analysis of these trade debtors based on due dates is as follows:

	2011 **HK$'000**	2010 HK$'000
Overdue:		
Within 1 year	**15,510**	13,515
1-2 years	**75**	1,340
2-3 years	**124**	617
Over 3 years	**–**	25
	15,709	15,497

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 2011, debtors of HK$24,943,000 (2010: HK$24,823,000) aged over 3 years were fully impaired.

23 DEBTORS AND PREPAYMENTS – GROUP *(Continued)*

(b) Movements on the provision for impairment of trade debtors are as follows:

	2011	2010
	HK$'000	HK$'000
At 1st April	**24,823**	29,313
Provision for impairment	**197**	782
Receivables written off during the year as uncollectible	**(59)**	(4,125)
Provision written back	**(83)**	(1,548)
Exchange differences	**65**	401
At 31st March	**24,943**	24,823

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the consolidated 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$2,905,000 (2010: HK$3,150,000).

The balances due from related companies as at 31st March 2011 are unsecured, interest free and repayable on demand.

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

	2011	2010
	HK$'000	HK$'000
Hong Kong dollars	**188,046**	170,586
Renminbi	**59,997**	37,453
Singapore dollars	**43,816**	36,925
Malaysian ringgit	**21,781**	36,573
Thai bahts	**14,708**	33,165
Swiss Francs	**1,563**	2,562
Others	**7,133**	6,278
	337,044	323,542

24 BANK BALANCES AND CASH

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**75,292**	55,880	**33**	33
Renminbi	**36,386**	50,589	**–**	–
Singapore dollars	**30,505**	26,256	**–**	–
Malaysian ringgit	**27,078**	27,644	**–**	–
Thai bahts	**41,009**	32,955	**–**	–
Swiss Francs	**1,395**	2,123	**–**	–
Others	**14,415**	17,737	**–**	–
	226,080	213,184	**33**	33

The conversion of Renminbi into foreign currencies and remittance of Renminbi out of the PRC is subject to the rules and regulations of exchange controls promulgated by the PRC government.

The effective interest rate on short-term deposits was 0.09% (2010: 0.08%) per annum.

25 SHARE CAPITAL

	Number of shares of HK$0.1 Each	HK$'000
Authorised:		
At 31st March 2010 and 2011	1,600,000,000	160,000
Issued and fully paid:		
At 1st April 2009, 31st March 2010 and 31st March 2011	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 was granted during the year and no share options were outstanding as at 31st March 2010 and 2011.

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 2009	1,977	13,824	(29,006)	707,444	694,239
Exchange differences	–	–	58,318	–	58,318
Revaluation of available-for-sale financial assets (Note 21)	–	(5,536)	–	–	(5,536)
Profit for the year	–	–	–	24,630	24,630
Dividends paid	–	–	–	(19,026)	(19,026)
At 31st March 2010	1,977	8,288	29,312	713,048	752,625
Representing:					
2010 proposed final dividend				9,513	
Reserves				703,535	
				713,048	
At 1st April 2010	**1,977**	**8,288**	**29,312**	**713,048**	**752,625**
Exchange differences	**–**	**(355)**	**19,776**	**–**	**19,421**
Revaluation of available-for-sale financial assets (Note 21)	**–**	**3,335**	**–**	**–**	**3,335**
Impairment of available-for-sale financial assets charged to income statement	**–**	**1,120**	**–**	**–**	**1,120**
Profit for the year	**–**	**–**	**–**	**130,831**	**130,831**
Dividends paid	**–**	**–**	**–**	**(20,929)**	**(20,929)**
At 31st March 2011	**1,977**	**12,388**	**49,088**	**822,950**	**886,403**
Representing:					
2011 proposed final dividend				**22,832**	
Reserves				**800,118**	
				822,950	

26 RESERVES *(Continued)*

Company

	Share premium HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st April 2009	1,977	372,686	374,663
Dividends paid	–	(19,026)	(19,026)
At 31st March 2010	1,977	353,660	355,637
Representing:			
2010 proposed final dividend		9,513	
Reserves		344,147	
		353,660	
At 1st April 2010	**1,977**	**353,660**	**355,637**
Dividends paid	**–**	**(20,929)**	**(20,929)**
At 31st March 2011	**1,977**	**332,731**	**334,708**
Representing:			
2011 proposed final dividend		**22,832**	
Reserves		**309,899**	
		332,731	

27 CREDITORS AND ACCRUALS

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Trade creditors analysed by invoice date:				
Below 60 days	**193,095**	131,932	**–**	–
Over 60 days	**65,270**	69,770	**–**	–
	258,365	201,702	**–**	–
Other creditors and accruals (note a)	**167,248**	153,012	**925**	1,025
	425,613	354,714	**925**	1,025

27 CREDITORS AND ACCRUALS *(Continued)*

Notes:

(a) Included in other creditors and accruals are amounts due to related companies of HK$5,005,000 (2010: HK$6,315,000), which are unsecured, interest free and repayable on demand.

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**217,717**	185,764	**925**	1,025
Renminbi	**109,014**	79,296	**–**	–
Singapore dollars	**29,664**	21,471	**–**	–
Malaysian ringgit	**12,333**	8,788	**–**	–
Thai bahts	**35,985**	32,138	**–**	–
Swiss Francs	**6,281**	9,357	**–**	–
US dollars	**7,228**	13,621	**–**	–
Others	**7,391**	4,279	**–**	–
	425,613	354,714	**925**	1,025

28 BORROWINGS – GROUP

	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000 (Restated)	As at 1st April 2009 HK$'000 (Restated)
Bank borrowings (note a)	**437,158**	531,606	522,183
Obligations under finance leases (note b)	**380**	728	1,617
	437,538	532,334	523,800
Amount repayable within one year included in current liabilities, as previously reported	**(317,727)**	(404,925)	(407,488)
Effect of adoption of HK-Int 5	**(52,069)**	(45,203)	(28,544)
Amount repayable within one year included in current liabilities, as restated	**(369,796)**	(450,128)	(436,032)
	67,742	82,206	87,768

28 BORROWINGS – GROUP *(Continued)*

(a) Bank borrowings

The Group's bank borrowings are repayable as follows:

	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000 (Restated)	As at 1st April 2009 HK$'000 (Restated)
Within 1 year	**369,541**	449,662	435,383
Between 1 and 2 years	**14,354**	14,276	12,381
Between 2 and 5 years	**31,192**	38,547	37,950
Over 5 years	**22,071**	29,121	36,469
	437,158	531,606	522,183

Included in bank borrowings as at 31st March 2011 are secured borrowings amounted to HK$302,283,000 (2010: HK$203,512,000), which are secured by land and buildings, investment properties and prepayment of lease premium of the Group (Notes 16, 17 and 18).

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

	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000	As at 1st April 2009 HK$'000
Hong Kong dollars	**403,646**	483,749	494,508
Renminbi	**–**	6,840	12,995
Singapore dollars	**4,657**	4,011	2,669
Malaysia ringgit	**13,183**	6,728	6,046
Thai bahts	**15,672**	30,278	5,965
	437,158	531,606	522,183

The weighted average effective interest rate per annum for bank borrowings was 1.88% (2010: 2.18%).

As at 31st March 2011, the carrying amounts of bank borrowings approximate their fair values.

As at 31st March 2011, the Company had given guarantees to various banks to secure general banking facilities granted to certain subsidiaries amounting to HK$866,935,000 (2010: HK$850,298,000). As at 31st March 2011, the utilised amount of such facilities covered by the Company's guarantees was HK$437,158,000 (2010: HK$531,606,000).

28 BORROWINGS – GROUP *(Continued)*

(b) Obligations under finance leases

The obligations under finance leases are payable as follows:

	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000	As at 1st April 2009 HK$'000
Within 1 year	**279**	507	739
Between 1 and 2 years	**98**	286	794
Between 2 and 5 years	**46**	19	264
	423	812	1,797
Future finance charges on finance leases	**(43)**	(84)	(180)
Present value of finance lease liabilities	**380**	728	1,617

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

	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000	As at 1st April 2009 HK$'000
Within 1 year	**255**	466	649
Between 1 and 2 years	**80**	256	737
Between 2 and 5 years	**45**	6	231
	380	728	1,617

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

	As at 31st March 2011 HK$'000	As at 31st March 2010 HK$'000	As at 1st April 2009 HK$'000
Hong Kong dollars	**165**	109	228
Singapore dollars	**66**	243	335
Malaysian ringgit	**149**	376	563
Thai Bahts	**–**	–	491
	380	728	1,617

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:

	2011 **HK$'000**	2010 HK$'000
Deferred tax assets	**55,794**	46,244
Deferred tax liabilities	**(2,198)**	(2,483)
	53,596	43,761

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Accelerated accounting/ (tax) depreciation allowances HK$'000	**Provision for unrealised profit in stock** HK$'000	**Other provision** HK$'000	**Other temporary differences** HK$'000	**Total** HK$'000
At 1st April 2009	1,954	20,726	10,321	11,235	44,236
Transfer to income statement	1,820	1,163	272	(5,658)	(2,403)
Exchange differences	(169)	974	415	708	1,928
At 31st March 2010	3,605	22,863	11,008	6,285	43,761
At 1st April 2010	**3,605**	**22,863**	**11,008**	**6,285**	**43,761**
Transfer to income statement	**(156)**	**2,835**	**4,691**	**565**	**7,935**
Exchange differences	**(145)**	**1,086**	**516**	**443**	**1,900**
At 31st March 2011	**3,304**	**26,784**	**16,215**	**7,293**	**53,596**

29 DEFERRED INCOME TAX – GROUP *(Continued)*

Out of the total unrecognised tax losses of HK$567,752,000 (2010: HK$525,939,000) carried forward, an amount of HK$234,681,000 (2010: HK$265,771,000) can be carried forward indefinitely. The remaining HK$333,071,000 (2010: HK$260,168,000) will expire in the following years:

	2011	2010
	HK$'000	HK$'000
In the first year	**27,209**	28,432
In the second year	**43,414**	39,001
In the third year	**57,788**	51,586
In the fourth year	**70,898**	61,302
In the fifth to tenth years inclusive	**133,762**	79,847
	333,071	260,168

30 CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash generated from operations

	2011	2010
	HK$'000	HK$'000
		(restated)
Profit before income tax	**182,850**	63,366
Depreciation	**80,826**	90,713
Amortisation of prepayment of lease premium	**7,519**	6,670
(Gain)/loss on disposal of property, plant and equipment	**(419)**	821
Gain on disposal of an investment property	**(1,296)**	–
Fair value gains of investment properties	**(13,400)**	(6,200)
Provision for intangible assets	**–**	678
Provision for stocks	**42,765**	43,848
Impairment of debtors	**(197)**	(782)
Reversal of bad debts provision	**83**	1,548
Impairment of property, plant and equipment	**6,119**	4,891
Impairment of available-for-sale financial asset	**2,403**	–
Write back of provision for onerous contracts	**–**	(636)
Interest income	**(200)**	(139)
Interest expense	**9,305**	11,749
Dividend income	**(4,482)**	(2,526)
Operating profit before working capital changes	**311,876**	214,001
(Increase)/decrease in stocks	**(62,291)**	49,718
(Increase)/decrease in debtors and prepayments	**(2,821)**	21,461
Increase/(decrease) in creditors and accruals	**60,143**	(74,534)
Cash generated from operations	**306,907**	210,646

31 COMMITMENTS

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

	2011	2010
	HK$'000	HK$'000
Contracted but not provided for	**7,780**	8,030
Authorised but not contracted for	**–**	–
	7,780	8,030

(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:

	2011	2010
	HK$'000	HK$'000
Buildings		
Not later than one year	**445,236**	399,428
Later than one year but not later than five years	**422,587**	357,274
Later than five years	**18,689**	17,450
	886,512	774,152

(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:

	2011	2010
	HK$'000	HK$'000
Investment properties		
Not later than one year	**2,343**	2,586
Later than one year but not later than five years	**1,132**	3,426
	3,475	6,012

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 to related companies

	2011	2010
	HK$'000	HK$'000
Service income from a related company	**2,142**	2,142

A wholly-owned subsidiary of the Group entered into agreement with Mengiwa Property Investment Limited ("MPIL"), a wholly-owned subsidiary of Yee Hing, for the provision of the following services for the period from 1st April 2010 to 31st March 2013:

(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.

The fee for the provision of the above services was agreed at HK$178,500 per calendar month during the duration of the agreement.

(ii) Purchases of goods and services from related companies

	2011	2010
	HK$'000	HK$'000
Purchase of goods (note a)	**10,297**	11,071
Rental expense to related companies (note b)	**10,001**	12,573
Purchase of freehold property (note c)	**7,200**	–
	27,498	23,644

Notes:

(a) During the year, certain subsidiaries of the Company purchased optical products from Vision PRO Trading Company Limited and its subsidiary companies, and International Optical Manufacturing Company Limited, indirectly owned subsidiaries of Yee Hing, in accordance with the terms of written agreements for the Group's retail and trading operations.

32 RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Purchases of goods and services from related companies *(Continued)*

Notes: *(Continued)*

(b) During the year, certain subsidiaries of the Company have entered into tenancy agreements with the following related parties for office premises, warehouses, showroom and car-parking spaces:

	Rental paid for the year	
	2011	2010
	HK$'000	HK$'000
Mengiwa Property Investment Limited	**5,723**	6,683
Mengiwa Private Ltd	**3,343**	4,955
Other related parties	**935**	935
	10,001	12,573

(c) During the year, a subsidiary in Thailand purchased a freehold property in Thailand from one of the Group's director for the Group's own use.

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

(iv) Key management compensation

	2011	2010
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**19,500**	11,944
Other long-term benefits	**229**	214
	19,729	12,158

33 PRINCIPAL SUBSIDIARIES

	Place of incorporation/ operation	Principal activities	Share capital issued Number	Par value	Percentage of equity attributable to the Group 2011	2010
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
Oswald Property Management Limited	Hong Kong	Property investment	2	HK$100	**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	**100**	70
City Chain (Macau) Company Limited	Macau	Watch retailing	2	MOP5,000	**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 2011	2010
Retailing and trading (Continued)						
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
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	**100**	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 Watch Limited	Hong Kong	Watch assembling	1,000,000	HK$1	**100**	100
Thong Sia Watch Company Limited	Hong Kong	Watch distribution	80,000	HK$10	**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 2011	2010
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$85,890,000	**100**	100
Stelux-Thong Sia (Beijing) Trading Limited	People's Republic of China/Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	US$8,180,000	**100**	100
City Chain (Guangdong) Company Limited	People's Republic of China/Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	HK$106,400,000	**100**	100
Stelux-Thong Sia (Shanghai) Trading Limited	People's Republic of China/Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	US$10,000,000	**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 2011, 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.

In addition, the Board has 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. The positions of 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 coordinating 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 ten 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 2010 final results and the 2011 interim and final results of the Group; reviewing financial and operating performances of the Group; approval and/or renewal of borrowing facilities; approval of a connected transaction relating to the acquisition of property and approval of new and/or renewals of continuing connected transactions; 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 and C.2.2; removal of shares from the company's Hong Kong Branch Register to the Company's Bermuda Principal Register and vice versa; and approval of the Company's subsidiary's acquisition of property. The Executive Director for Finance & Corporate Affairs and the Company Secretary attended most 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**
6th May 2010	8	6
21st July 2010	8	6
22nd October 2010	8	6
29th November 2010	8	6
21st January 2011	8	5
18th March 2011	8	6
25th March 2011	8	4
29th April 2011	8	6
29th June 2011	8	6
11th July 2011	8	5

Director	**No. of board meetings attended/held in FY2011 and up to the date of this Report**
Executive Directors	
Mr. Wong Chong Po *(Chairman)*	0/10
Mr. Joseph C. C. Wong *(Vice Chairman and CEO)*	8/10
Mr. Chu Kai Wah, Anthony	9/10
Mr. Lau Tak Bui, Vincent	10/10
Non-executive Directors	
Mr. Sakorn Kanjanapas	0/10
Mr. Wu Chun Sang *(independent)*	10/10
Professor Wu Chi Man, Lawrence *(independent)*	10/10
Dr. Kwong Yi Hang, Agnes *(independent)*	9/10

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 8th September 2010 as he was not in Hong Kong, but the respective chairmen of the Audit Committee and Remuneration Committee were present.

4. 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 are set out in the Independent Auditor's Report on page 20.

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.

5. AUDITORS' REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditor of the Company at the 2010 Annual General Meeting until the conclusion of the next Annual General Meeting. During the year, HK$5,714,000 was paid or payable to PricewaterhouseCoopers for the provision of audit services. Details of nature for non-audit related services provided by and the fee paid or payable to PricewaterhouseCoopers are set out as below:

Description	HK$
Taxation compliance	426,000
Advisory and other services	641,000

The Group also engaged other auditors in Hong Kong and overseas for auditing and miscellaneous services and total fees paid amounted to HK$1,198,000.

6. 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 four times for the period from 1st April 2010 up to and including 30th June 2011 together with the external auditors in three 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 including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; 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 years ended 31st March 2010 and 2011 before they were presented to the Board of Directors for approval.

Attendance of directors at the Audit Committee Meetings held on:

14th July 2010
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

23rd November 2010
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

18th March 2011
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

22nd June 2011
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 Committee decided that the basic salary of one of the Company's executive directors would remain unchanged whilst the basic salaries of three executive directors be increased by 4% respectively.

Attendance of directors at the Remuneration Committee Meetings held on:

6th May 2010	**18th March 2011**
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.

7. INTERNAL CONTROLS

The internal controls 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 Controls 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 controls 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 controls 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.

Under Code Provision C.2.2, the board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.

The Board has conducted a review of the effectiveness of the system of internal controls and accounting systems of the Company and its subsidiaries and a board meeting was held on 18th March 2011 for such a review for the period from 13th March 2010 up to and including 18th March 2011. The Board reported that there were no changes in the nature and extent of significant risks and there were no material changes in the control environment during the period under review. According to the opinion of the Board, the Company and its subsidiaries have established sound internal controls systems so that the shareholders' investment and the Company's assets are safeguarded. Moreover, in the opinion of the Board, the Company's accounting and financial reporting function was adequately resourced with staff holding appropriate qualifications and experience and with sufficient training and budget provided by the Company.

The effectiveness of the system of internal controls and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget will be reviewed annually.

8. 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.

9. 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. The respective chairmen of the Audit Committee and Remuneration Committee were present at the Company's AGM held in 2010. Shareholders are given at least 21 days' notice of the AGM and are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders participation.

10. CODE OF CONDUCT

To enhance the ethical standards of employees, the Company has an employee handbook, setting out the Group's requisite standards 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.

11. 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 69, 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 51, 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 52, 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 53, 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 61, was appointed a director of the Group in 1987. He is a 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 54, 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 53, 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. He is an associate member of the Royal Aeronautical Society, U.K. and a fellow of the Hong Kong Institution of Engineers. He is an independent non-executive director.

KWONG Yi Hang, Agnes, aged 52, was appointed a director of the Group in 2006 and is a director of Pallavi International Limited (Hong Kong), and Health Wisdom Limited, both of these companies are health consultancies. 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

Caroline CHONG, BA (Law) (Hons), admitted as a Barrister in England and Wales, and, Hong Kong, aged 49, 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
Hang Seng Bank Limited
Wing Hang Bank Limited

Legal Advisers
Baker & Mckenzie
Hogan Lovells

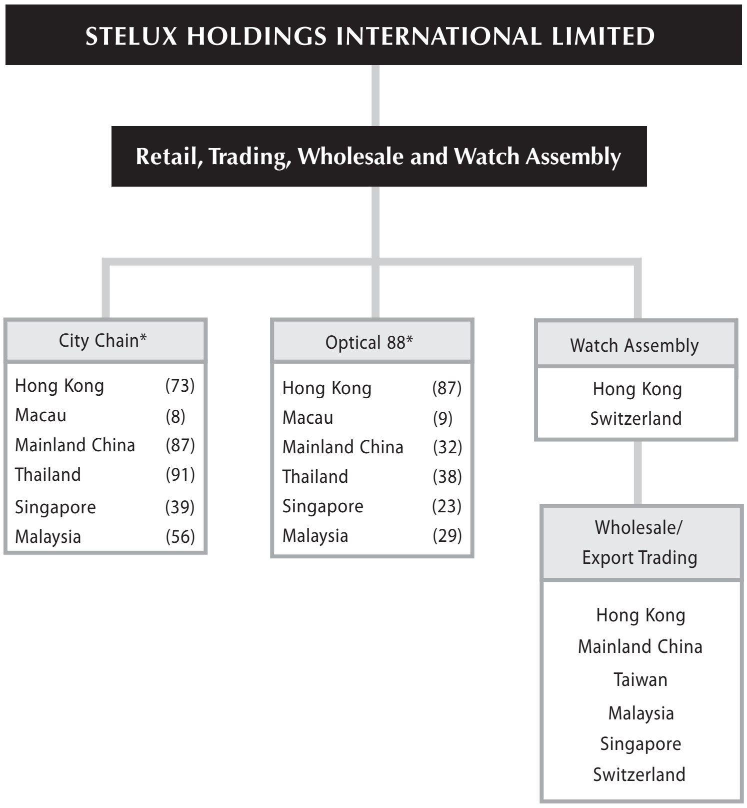
Auditor
PricewaterhouseCoopers

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



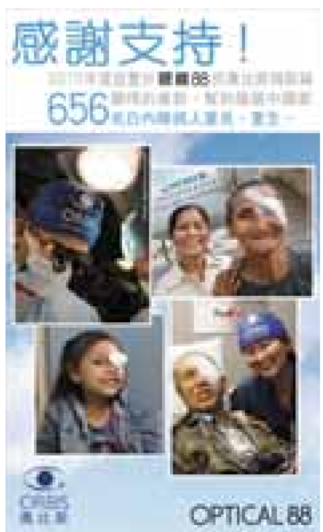
* Number of shops as at 30th June 2011. Includes all concept shops.

CORPORATE CITIZENSHIP AND SOCIAL RESPONSIBILITIES

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

During the year, Stelux and several of its key subsidiaries, namely, City Chain Company Limited, Hong Kong ("City Chain Hong Kong"), Optical 88 Limited, Hong Kong ("Optical 88 Hong Kong"), and Thong Sia Watch Company Limited, the Hong Kong distributor for Seiko watches ("Thong Sia Hong Kong"), were respectively presented with Caring Company Awards. The Caring Company Scheme is organised 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 services sectors". Stelux has participated in the Caring Company Scheme for 8 consecutive years whilst its subsidiaries started participating in the Scheme several years ago.

Through participation in several activities, including the "ORBIS Pin Campaign – Sight for all 2010", Stelux and its employees raised approximately HK$60,000 to support the work at ORBIS. Optical 88 Hong Kong and City Chain Hong Kong also helped to raise money by putting donation boxes in their stores to encourage public donations to ORBIS. Stelux and its subsidiaries were also invited to tour the ORBIS Flying Eye Hospital in October 2010.



Stelux and its subsidiaries have continued to support the Hong Chi Association, an organization helping those with intellectual disabilities, participating through volunteer work and also through donations of cash and benefits-in-kind. These activities included, flag-selling where Stelux and its employees raised over HK$10,000 and also through a charity redemption programme organized by City Chain Hong Kong, the "Santa Claus Cushion (25th Anniversary Limited Edition)" where HK$136,000 was raised. Some Stelux employees also took part in an event "Carnival for Person with Disabilities 2010", jointly organized by Hong Chi Association, the Leisure and Cultural Services Department and Tuen Mun District Council which involved participating in activities with the disabled to foster better communication and understanding.

During the year, Stelux also donated 15 boxes of clothes to the Salvation Army.

City Chain Hong Kong and Thong Sia Hong Kong helped raise HK$150,000 for the Children Cancer Foundation from the redemption of "SEIKO" jerseys through the charity redemption programme "40th Anniversary Memorial Edition SEIKO Jersey". These subsidiaries contributed the cost of the jerseys to the Foundation.

During the year, Thong Sia Hong Kong volunteered its services acting as the official time keeper in various charitable events organized by several sponsors, including, the "Sowers Action Challenging 12 Hours 2010" by Sowers Action, "Oxfam Trailwalker 2010" by Oxfam HK, "UNICEF Charity Run 2010" by UNICEF, "Ngong Ping Charity Walk 2011" by the HK Youth Hostel Association, "Diabetes HK Healthy Run 2011" by Diabetes Hong Kong and "Outward Bound Adventure Race 2011" by Outward Bound HK. Thong Sia Hong Kong further sponsored watches for four of the above and other charitable events.

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.

Here at Stelux, we value our employees' career, personal development and their contributions to the Group. During the year, social activities such as family outings and various lifestyle classes like yoga training classes were organised for our employees. In addition, training courses and seminars are organised to foster employee development.

MAINLAND CHINA AND HONG KONG

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

- Stelux Holdings International Ltd
- Stelux Holdings Ltd
- Stelux Properties Ltd
- Optical 88 Ltd
- City Chain Co Ltd
- Stelux Watch 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

- Stelux-Thong Sia (Shanghai) Trading Limited
  Rm 26-10S, No. 93 Huaihai Middle Road,
  Shanghai, PRC

  Rm 2611-2618, Enterprise Square
  228 Mei Yuan Road
  Shanghai, PRC

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

  Rm 1808-1816, Guangbai Xin Yi Building
  18-28 Xihu Road, Yue Xiu District
  Guangzhou, PRC

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

  17/F West, Zhong Yue Building
  No. 22 Ma Peng Gang
  Zhong Shan Er Road, Yue Xiu District
  Guangzhou, PRC

- Stelux-Thong Sia (Beijing) Trading Limited
  Rooms 411 and 426, 4/F, Wang Fu Shi Ji Building
  No. 55 Dong Anmen Street, Beijing, PRC

TAIWAN

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

MACAU

Retail and Trading
- City Chain (Macau) Co Ltd
- Optical 88 (Macau) Ltd
  Rua de S. Domingos,
  n° 21-A, em Macau

MALAYSIA

Retail and Wholesale 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
  CP 27, Suite 2601-04, 26th Floor, Central Plaza
  34, Jalan Sultan Ismail
  50250 Kuala Lumpur
  MALAYSIA

THAILAND

Retail and Trading
- City Chain (Thailand) Co Ltd
- Optical 88 (Thailand) Co Ltd
  347, 349 Muang Thong Thani
  Bondstreet Road,
  Bangpood Subdistrict
  Pakkred District
  Nonthaburi 11120
  THAILAND

SINGAPORE

Equity Investment, Retail and Wholesale 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
  SINGAPORE

SWITZERLAND

Watch Assembling and Trading
- Universal Geneve S.A.
- Solvil et Titus S.A.
- Pronto Watch S.A.
  38, chemin du Grand Puits
  Case Postale 128
  1217 Meyrin 2
  SWITZERLAND