STELUX
Holdings International Limited

寶光實業(國際)有限公司

Annual Report 2012

Stock Code: 84

40th Anniversary

web site

http://www.stelux.com

But they that wait upon the Lord shall renew their strength; they shall mount up with wings as eagles; they shall run, and not be weary; and they shall walk, and not faint.

Isaiah 40:31

CONTENTS

	2008 HK$'M	2009 HK$'M	2010 HK$'M	2011 HK$'M	**2012** **HK$'M**
Consolidated income statement for the year ended 31st March					
Revenues	2,261.8	2,443.5	2,370.2	2,705.6	**3,330.9**
Profit attributable to shareholders	129.3	33.7	25.2	131.5	**250.9**
Interim dividend paid	11.4	–	9.5	11.4	**33.3**
Final dividend proposed	28.5	9.5	9.5	22.8	**42.8**
Special dividend proposed	–	–	–	–	**9.5**
Consolidated balance sheet as at 31st March					
Assets	1,829.0	1,757.5	1,754.0	1,884.0	**2,330.5**
Less: Liabilities and non-controlling interests	986.2	968.1	906.2	902.5	**1,157.7**
Shareholders' funds	842.8	789.4	847.8	981.5	**1,172.8**
	HK$	HK$	HK$	HK$	**HK$**
Per share data					
Earnings	0.135	0.035	0.026	0.138	**0.263**
Interim dividend paid	0.012	–	0.010	0.012	**0.035**
Final dividend proposed	0.030	0.010	0.010	0.024	**0.045**
Special dividend proposed	–	–	–	–	**0.010**
Net assets	0.886	0.830	0.891	1.032	**1.233**

The Board of directors (the "Board") of Stelux Holdings International Limited (the "Company") present the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31st March 2012.

Joseph C. C. Wong
Chairman and Chief Executive Officer

BUSINESS REVIEW

The Group is principally engaged in the retailing of mid-range priced watch and optical products under the respective brand names: "CITY CHAIN" and "OPTICAL 88" in Hong Kong, Macau, Mainland China and Southeast Asia. With over 600 stores in our network, we are presently the largest watch and optical retail chain brand within the region and together with our watch wholesale business have the biggest exposure to the mass consumer market.

For the year ended 31st March 2012, the Group recorded a revenue growth of 23% to HK$3,330.9 million (2011: HK$2,705.6 million), with approximately 68% of sales being derived from our key operations in Greater China. Gross profit rose 24% to HK$2,055.3 million (2011: HK$1,658.8 million), whilst net profit attributable to equity holders of the Company surged 91% to HK$250.3 million (2011: HK$130.8 million). The exponential growth in net profit was mainly attributable to continuous growth in the Group's retail and wholesale businesses coupled with enhanced operating leverage.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.045 (2011: HK$0.024) per share. Together with the interim dividend of HK$0.035, this represents a payout of 30% for the year ended 31st March 2012 (2011: 26%).

SPECIAL DIVIDEND AND BONUS ISSUE OF SHARES

To celebrate our 40th anniversary as a listed company and in recognition of the continuous support of our shareholders, the Board recommends the payment of a one-off special dividend of HK$0.01 per share.

The Board further proposes a bonus issue on the basis of one share of HK$0.10 of the Company for every ten existing shares held by the Company's shareholders whose names are on the Register of Members on Friday, 31st August, 2012. The proposed bonus shares will not rank for the above recommended final dividend or special dividend. Details of this proposed bonus issue of shares and its expected timetable is set out in a separate announcement dated 27th June 2012.

"CITY CHAIN" – WATCH RETAIL BUSINESS

For the year ended 31st March 2012, revenue from our watch retail business increased by 27% to HK$1,803.5 million (2011: HK$1,416.2 million) and accounted for approximately 54% of the Group's overall sales. Earnings before interest and tax ("EBIT") amounted to HK$190.8 million, representing a growth of 91% from HK$99.7 million last year. The increase in revenue was mainly due to significant sales contributions from our key Hong Kong and Macau operations, which benefited from the rise in Mainland Chinese tourists.

As of 31st March 2012, “CITY CHAIN” has 400 stores (2011: 344 stores). Breakdown by geographical region is presented as follows:

	2012	2011	Change
Hong Kong & Macau	**98**	79	+19
Mainland China	**101**	80	+21
Southeast Asia	**201**	185	+16
Total	**400**	344	+56

Hong Kong and Macau

With a significant percentage of our Hong Kong and Macau retail sales derived from Mainland Chinese consumers, the Group’s sales revenue continued to benefit from the growth in Mainland Chinese travellers. Despite the reported slowdown in Hong Kong’s retail sales growth in recent months, the Group’s sales remained resilient due to our unique positioning as a mid-priced watch retailer. For the year ended 31st March 2012, Hong Kong and Macau watch retail sales reached HK$1,109.1 million, up 40% from last year (2011: HK$791.3 million). EBIT also increased by a robust 107% to HK$227.3 million from HK$109.6 million last year.

Rental pressure remains a key concern for many Hong Kong retailers. However, with a wide network of stores, the Group is able to employ a flexible rental strategy – where it will close and relocate stores to nearby locations if rental increases are overly aggressive. As such, overall rental costs were contained at a reasonable level throughout the year. Moreover, strong revenue growth has successfully lowered operating costs as a percentage of overall turnover.

The Group also recognises the importance of executing a sound marketing strategy for our popular house brands. Such initiatives have thus set our watch brands apart from its competitors and contributed to the success of our Hong Kong and Macau watch sales. The Group’s latest “SOLVIL ET TITUS – TIME IS LOVE” marketing campaign through television commercials, print ads, internet and social media platforms was well received further entrenching the “SOLVIL ET TITUS” brand in the minds of our consumers.

Mainland China

Sales revenue from our watch retail business in Mainland China continued to grow recording an increase of 14% to HK$159.4 million (2011: HK$140.3 million). This highlighted the positive effects of our store reconfiguration initiatives throughout the fiscal year. By revamping our store network to better meet local shopping preferences, the Group has strengthened the exposure of the “CITY CHAIN” brand amongst local consumers. However, a loss of HK$55.9 million (2011: HK$39.8 million) up by 40% was posted as accumulated one-off set-up costs of new and reconfigured stores impacted.

Since our entry into the watch retail market in Guangdong Province in 2005, we have focused on brand building and establishing a good network of stores. City Chain now operates close to 100 stores/counters, primarily, in certain first tier cities within Mainland China with offices strategically located in Beijing, Shanghai and Guangzhou. We have already seen some of the positive effects of this strategy as Mainland Chinese tourists visiting Hong Kong and Macau make “CITY CHAIN” their first choice destination for buying mid-priced fashionable watches.

Now, with a sufficiently established store network in these first tier cities, we believe it is time to move store expansion away from first tier cities and into the fast growing second tier cities. The immediate effect of this will be a levelling off of set up costs as setting up in second tier cities is comparatively cheaper.

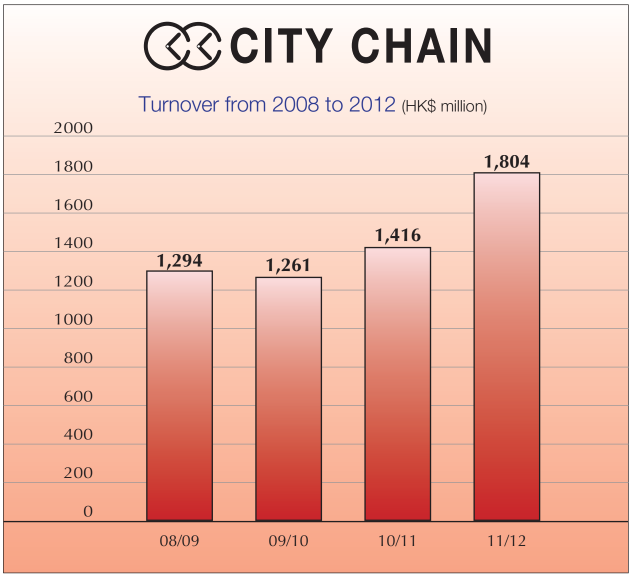
In the near term, we plan to focus on (i) fine tuning the store locations in our existing network, (ii) store expansion into neighbouring second tier cities logistically located sufficiently close to allow operation from our three offices, and, (iii) store expansion into second tier cities further away from our offices but identified by management as up and coming with strong purchasing power.

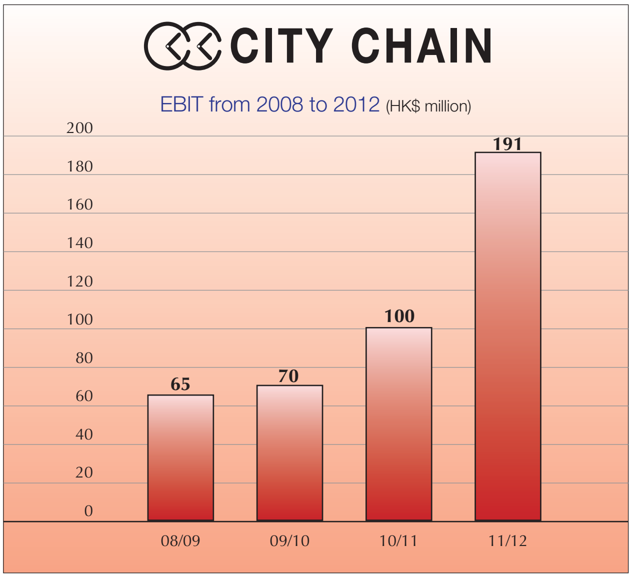
To complement our physical store retail network, plans are underway to develop a TV shopping platform under the "CITY CHAIN" brand covering Shanghai and nearby surrounding cities, and, a nationwide internet shopping platform under the "CITY CHAIN" and "SOLVIL ET TITUS" brands respectively, the latter following on from the very positive feedback to our "SOLVIL ET TITUS" internet commercial. These cost effective approaches will allow us to gain broader retail coverage in Mainland Chinese cities where we have yet to venture into.

Although there are recent signs of slowing in the Mainland Chinese economy, the medium to longer term outlook is positive. As we continue to grow turnover on the back of a sufficiently robust economy, and with anticipated lower setting up costs, we believe that this geographical segment, starting first with our more mature Guangzhou operations, will achieve breakeven results within the next 3 years as stores achieve operational scale.

Southeast Asia

Turnover from our Thailand, Singapore and Malaysia watch retail operations increased 10% to HK$535.1 million (2011: HK$484.5 million) whilst EBIT declined 35% to HK$19.4 million (2011: HK$29.9 million). This decline was due to factors earlier reported in the Group's interim report 2011/2012. However, specific cost control measures implemented during the fiscal year together with a return of consumer buying in Thailand in the second half saw a return to positive EBIT for our South East Asian business compared to a loss of HK$2.5 million in the first six months.





"OPTICAL 88" – OPTICAL RETAIL BUSINESS

For the year ended 31st March 2012, revenue from our optical retail business increased by 18% to HK$1,101.1 million (2011: HK$931.3 million) and accounted for approximately 33% of the Group's overall sales. EBIT amounted to HK$84.5 million, representing a growth of 53% from HK$55.3 million last year.

As of 31st March 2012, "OPTICAL 88" had 229 stores (2011: 215 stores). Breakdown by geographical region is presented as follows:

	2012	2011	Change
Hong Kong & Macau	**103**	93	+10
Mainland China	**35**	33	+2
Southeast Asia	**91**	89	+2
Total	**229**	215	+14

Hong Kong and Macau

For the year ended 31st March 2012, Hong Kong and Macau optical retail sales reached HK$722.2 million, up 22% from last year (2011: HK$594.2 million), with EBIT climbing 76% to HK$76.4 million from HK$43.4 million last year. This strong increase stems from the continuous support of our customers and increased sales from Mainland Chinese tourists.

Our first lens and frame single brand concept store, "EGG OPTICAL BOUTIQUE", launched in July 2011, has been very positively received. This new business concept offers products within our core mid-price range of HK$500 to HK$1,000 and targets young and fashionable consumers. In view of the favourable market response, we expect to open more "EGG OPTICAL BOUTIQUE" stores in Hong Kong, Mainland China and Southeast Asia in 2012/2013.

To expedite the development of our wholesale business, the Group acquired an optical wholesale distributor in late December 2011. The integration will effectively enhance the Group's optical brand portfolio and extend our distribution channels to other Asian territories, such as Singapore and Malaysia, bringing greater business opportunities.

Mainland China

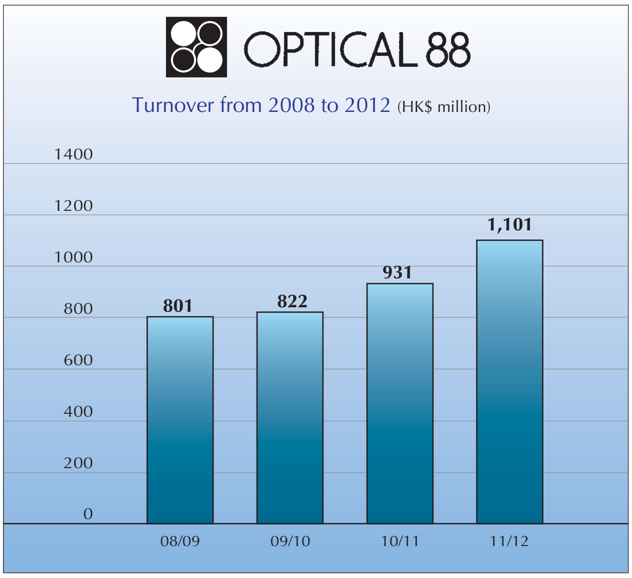
Our optical retail business in Mainland China (at this stage concentrated in Guangdong Province) recorded a turnover growth of 27% to HK$77.8 million (2011: HK$61.1 million), and a loss of HK$10.8 million which includes HK$2 million for the setting up of our Shanghai operations. This loss represents a 7% improvement from last year (2011: loss of HK$11.6 million).

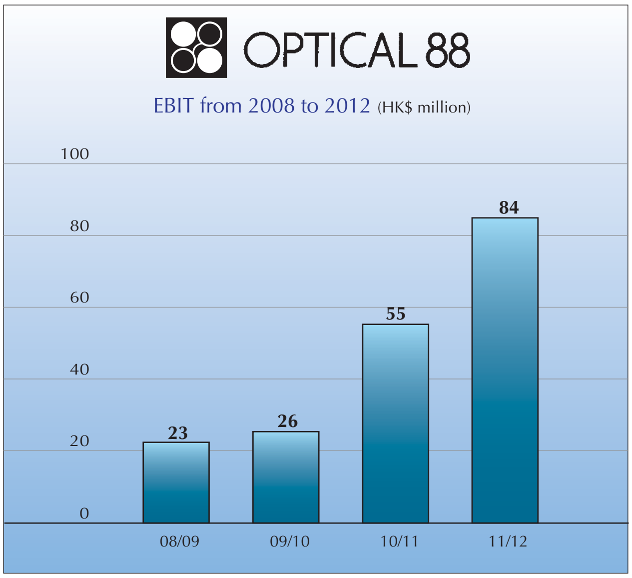
We have seen our business in Guangdong Province reporting overall positive contribution at shop level. This together with the narrowing of losses is evident that the "OPTICAL 88" business model (premised on quality and professional eyecare services, and, possessing a business nature requiring time to build a customer base) is well accepted and growing a customer base.

With these positive signs, the Group has started extending its network into other first tier cities. Our first "OPTICAL 88" store in Shanghai, which was opened in October 2011, has been favourably received and opening of new stores in Shanghai and nearby surrounding cities, like Hangzhou, Suzhou and Wuxi is expected to follow in the coming year to strengthen the exposure of "OPTICAL 88". Plans are also in the pipeline to open in Beijing, also, in 2012/2013.

Southeast Asia

The Group's optical retail operations in Thailand, Singapore and Malaysia continued to grow modestly, given the cautious consumer confidence amid the global economic slowdown, with turnover recording a growth of 9% to HK$301.1 million (2011: HK$276.0 million). EBIT was HK$18.9 million down by 20% (2011: HK$23.5 million). EBIT was particularly hit by the impact of the Thailand flooding, which was more severe than initially expected disrupting the Group's lens supply logistics during the third quarter, otherwise our Thailand business would have posted a much better performance. We anticipate an improved performance for this geographical segment next year.





WATCH ASSEMBLY AND WHOLESALE TRADING

For the year ended 31st March 2012, the watch assembly and wholesale trading business accounted for approximately 13% of the Group's overall sales. Revenue and EBIT of HK$424.7 million and HK$94.4 million respectively were posted (2011: HK$356.6 million and HK$75.9 million respectively).

Our watch assembly unit which produces for the Group recorded a positive EBIT as production was up due to increased demand.

Thong Sia Group, a wholly owned subsidiary of the Group, and the exclusive distributor of "SEIKO" watches and clocks in Hong Kong, Singapore and Malaysia returned a set of pleasing results. In celebration of "SEIKO"'s 130th anniversary, comprehensive marketing road shows in Asia were rolled-out to promote the brand and its legacy. Advertisements featuring Asian pop stars, Sammi Cheng (鄭秀文) and Lee Hom Wang (王力宏) were also well received.

Our wholesale unit in Mainland China which distributes the Group's "CYMA" and "PRONTO" brands has seen encouraging sales. Due to this positive response, we have strengthened the wholesale team by adding manpower and other resources to make inroads into this large market.

OUTLOOK

Despite some slowdown reported by our business units, we have nevertheless seen low double digit Group turnover growth in the first quarter of 2012/2013. This is certainly encouraging against the backdrop of the Eurozone crisis, the still poor US economy and the slowdown in Mainland China.

Baring these external factors do not significantly deteriorate in the coming months, and with our tested business strategies in place, we are cautiously optimistic the Group will return a positive performance for the fiscal year 2012/2013.

FINANCE

The Group's gearing ratio at balance sheet date was 25% (2011: 22%), which was calculated based on the Group's net debt of HK$287 million (2011: HK$212 million) and shareholders' funds of HK$1,173 million (2011: HK$982 million). The Group's net debt was calculated based on the Group's borrowings of HK$508 million (2011: HK$438 million) less the Group's bank balances and cash of HK$221 million (2011: HK$226 million). Of the Group's borrowings at balance sheet date, HK$423 million (2011: HK$370 million) were repayable within 12 months.

Of the Group's borrowings, 4% (2011: 8%) were denominated in foreign currencies. The Group's bank 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 2012, 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 2012, the Group had 3,512 (2011: 3,078) 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
Chairman and Chief Executive Officer

Hong Kong, 27th June 2012

The directors submit their report together with the audited financial statements for the year ended 31st March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 34 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 2012 are set out in the consolidated income statement on page 29.

Interim dividend of HK$0.035 (2011: HK$0.012) per ordinary share totalling HK$33,297,000 was paid during the year.

The directors recommend the payment of a final dividend of HK$0.045 (2011: HK$0.024) and a special dividend of HK$0.01 (2011: nil) per ordinary share totalling HK$42,810,000 and HK$9,513,000 respectively.

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$1,477,000.

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 2012, the distributable reserves of the Company available for distribution as dividends to shareholders amounted to HK$278,579,000 (2011: HK$334,708,000).

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	(resigned on 31st August 2011)
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)

The terms of office of all non-executive directors, including the independent non-executive directors, are 3 years, subject to retirement by rotation according to the Company's Bye-law 110(A), whichever is the earlier. In accordance with Bye-law 110(A), Mr. Sakorn Kanjanapas and Mr. Lau Tak Bui, Vincent 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).

All directors have formal letters of appointment setting out the key terms and conditions of their appointment.

During the year, 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 2012 amounted to HK$17,708,000 (2011: HK$11,417,000).

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 2012.

As at 31st March 2012, 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 2012, the interests and short positions of the directors, and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(a) The Company – Ordinary shares

Long position in shares and underlying shares of the Company

	Number of shares					Approximate percentage of
	Personal interest	**Family interest**	**Corporate/ trust interest**	**Other interest**	**Total**	**issued share capital**
Mr. Joseph C. C. Wong	455,388,013	10,000	4,391,000 *(Note 1)*	–	459,789,013	48.33
Mr. Chu Kai Wah, Anthony	2,000,000	–	–	–	2,000,000	0.21
Mr. Sakorn Kanjanapas	78,382,799	–	4,391,000 *(Note 1)*	–	82,773,799	8.70
Mr. Lau Tak Bui, Vincent	7,297,200	–	–	–	7,297,200	0.77

Notes:

(1) Yee Hing Company Limited, directly and indirectly through its subsidiaries, including Active Lights Company Limited, held 4,391,000 shares of the Company as at 31st March 2012. 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. Joseph C.C. Wong and Mr. Sakorn Kanjanapas are the beneficiaries of the Trust and were therefore deemed to be interested in 4,391,000 shares of the Company through the Trust's interest in Yee Hing Company Limited.

(b) Subsidiaries

	Number of shares Personal interests	Family interests	Corporate interests	Total	Approximate percentage of the total preference shares in issue as at 31st March 2012
(i) City Chain (Thailand) Company Limited – Preference shares[1]					
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. 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. Joseph C. C. Wong	5,000	–	225,000	230,000	90.20
Mr. Sakorn Kanjanapas	5,000	–	225,000	230,000	90.20
(iv) Stelux (Thailand) Limited – Preference shares[4]					
Mr. Joseph C. C. Wong	5,100	–	–	5,100	100

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. 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. Joseph C. C. Wong and Mr. Sakorn Kanjanapas in 225,000 preference shares duplicate with each other.

(4) Stelux (Thailand) Limited is a subsidiary of the Company. Mr. Joseph C. C. Wong is entitled to approximately 8.6% of the voting power of such subsidiary and an annual fixed dividend by virtue of the 5,100 preference shares held by him but not to any other profit sharing.

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 2012:

Name	Number of shares	Nature of interest	Approximate percentage of interests (%)
Mr. Chaiyasit Kanjanapas	49,045,606	Beneficial owner	5.16

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	23%
– five largest suppliers combined	45%
Sales	
– the largest customer	1%
– five largest customers combined	2%

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

MANAGEMENT CONTRACTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the directors of the Company, at least 25% of 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 2011 up to and including 31st March 2012. The Company considers its independent non-executive directors to be independent.

CONNECTED TRANSACTIONS

The following connected transaction and 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) Connected transaction relating to acquisition of Vision Pro Trading Company Limited ("Vision Pro") now known as Thong Sia Optics (Hong Kong) Company Limited

Date of the Sale and Purchase Agreement: 29th December 2011

Parties

(1) International Optical Manufacturing Company Limited ("IOM"), as the seller;

(2) Thong Sia Optical Group Limited, a wholly-owned subsidiary of the Company, as the purchaser; and

(3) Yee Hing Company Limited ("Yee Hing"), as guarantor of IOM's obligations under the Sale and Purchase Agreement.

Assets to be acquired ("Acquisition")

5,000 shares of Vision Pro ("Sale Shares") and the amount of HK$21,335,994 owed by Vision Pro to IOM at the date of the Sale and Purchase Agreement ("Amount Due"), representing the entire interest in Vision Pro.

Completion

Completion of the acquisition ("Completion") took place immediately after the signing of the Sale and Purchase Agreement on 29th December 2011. Upon Completion, Vision Pro became a wholly-owned subsidiary of the Company. The assignment of the Amount Due in the agreed form ("Assignment of Amount Due") was entered into between IOM and Thong Sia Optical Group Limited upon Completion.

Consideration

The Consideration was HK$12,033,270 ("Base Amount"), which was the sum of the Amount Due less the net current liabilities of Vision Pro as at 28th December 2011 as shown in the management accounts of Vision Pro, comprising a profit and loss account for the period of 8 months and 28 days ended on 28th December 2011 and a balance sheet as at 28th December 2011 ("Management Accounts") in the amount of HK$9,302,724, subject to the following adjustments:–

(a) by adding the amount by which, if applicable:

 (i) the amount of the net book value of the inventories of Vision Pro as at 31st December 2011 ("Inventories") as shown in the audited accounts of Vision Pro, comprising a profit and loss account for the period of 9 months ended on 31st December 2011 and a balance sheet as at 31st December 2011 to be jointly prepared and agreed by the purchaser and IOM after Completion in accordance with the Sale and Purchase Agreement, ("Completion Accounts") ("Inventories NBV") is more than HK$4,103,908;

 (ii) the amount of the trade accounts receivable of Vision Pro as shown in the Completion Accounts ("Accounts Receivable") is more than HK$12,336,212;

 (iii) the amount of the current assets of Vision Pro as shown in the Completion Accounts less the Inventories NBV and the Accounts Receivable ("Other Current Assets") is more than HK$508,383; and/or

 (iv) the amount of the current liabilities of Vision Pro as shown in the Completion Accounts less the Amount Due is less than HK$4,915,233.

 provided that the sum to be so added pursuant to this sub-paragraph (a) shall not exceed the difference between HK$13,000,000 and the Base Amount;

(b) by deducting the amount by which, if applicable:

 (i) the amount of the Inventories is less than HK$4,103,908;

 (ii) the amount of the Accounts Receivable is less than HK$12,336,212;

 (iii) the amount of the Other Current Assets is less than HK$508,383; and/or

 (iv) the amount of the current liabilities of Vision Pro as shown in the Completion Accounts less the Amount Due is more than HK$4,915,233;

 (the adjustments made pursuant to sub-paragraphs (a) and (b) referred to as the "Completion Accounts Adjustment")

(c) by further deducting:

(i) the amount (if any) of the Accounts Receivable that has not been received by Vision Pro on or before 31st December 2012; and/or

(ii) the aggregate amount of the net proceeds of the sale of the Inventories during the period from 1st January 2012 to and including 31st December 2012 and the net book value (as at 31st December 2012) of the Inventories which have not been sold on or before 31st December 2012 is less than the Inventories NBV.

The payment terms:

- 40% of the Base Amount (being HK$4,813,308) (the "First Instalment") was paid by the purchaser to IOM immediately after signing of the Sale and Purchase Agreement;
- 30% of the Base Amount (being HK$3,609,981) after the Completion Accounts Adjustment is made (the "Second Instalment") will be paid by the purchaser to IOM on 30th June 2012; and
- if the Consideration exceeds the aggregate amount of the First Instalment and the Second Instalment, the balance shall be paid by the purchaser to IOM on 31st December 2012, or in the event that the Consideration is less than the aggregate amount of the First Instalment and the Second Instalment, the excess amount shall be refunded by IOM to the purchaser on 31st December 2012.

All payments are funded by the internal resources of the Group.

Information of Vision Pro

Vision Pro was established by IOM in Hong Kong on 9th January 1996. It has an authorised share capital of HK$10,000,000 divided into 10,000 shares of HK$1,000 each and an issued share capital of HK$5,000,000 divided into 5,000 shares of HK$1,000 each.

Vision Pro is the exclusive wholesale distributor for, and licensee of, several brands of optical products in Hong Kong, the PRC, Singapore and Malaysia respectively.

The net asset value (excluding Amount Due) of Vision Pro as at 28th December 2011 based on the Management Accounts was approximately HK$12,136,974.

The audited net profits (both before and after taxation and extraordinary items) of Vision Pro for the financial year ended 31st March 2011 were approximately HK$417,636 and HK$342,929, respectively. The audited net profits (both before and after taxation and extraordinary items) of Vision Pro for the financial year ended 31st March 2010 were approximately HK$1,574,970 and HK$1,307,165, respectively.

The original cost of investment in respect of Vision Pro as stated in the financial statements of IOM was HK$5,000,000.

Information of IOM and Yee Hing

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 is a subsidiary of Yee Hing, which is an investment holding company.

Reasons for and Benefits of the Acquisition

The directors (including the independent non-executive directors) of the Company consider that the Acquisition is beneficial to the Group because it will enhance the optical wholesale business of the Group.

The directors (including the independent non-executive directors) of the Company are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms which were agreed after arm's length negotiations between the parties, and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Listing Rules Implications of the Acquisition

At the date of the announcement on 29th December 2011, it was disclosed that the Trust, of which Mr. Chumphol Kanjanapas (alias Mr. Joseph C.C. Wong) and Mr. Sakorn Kanjanapas, being directors of the Company, were beneficiaries, held 55% of the total issued ordinary shares of Yee Hing. IOM was a subsidiary of Yee Hing. IOM and Yee Hing were therefore associates of the aforesaid directors of the Company and hence connected persons of the Company.

Since members of the Yee Hing Group are connected persons of the Company, ongoing transactions between Vision Pro and the Yee Hing Group that continued upon completion of the acquisition on 29th December 2011 have become continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The continuing connected transactions between Vision Pro and the Yee Hing Group include: (a) the Manufacturing and Supply Agreement; and (b) the Tenancy Agreement, which are described below in note (ii) and in note (viii) respectively of the following section.

(2) Continuing Connected Transactions of the Group for the financial year ended 31st March 2012

The following continuing connected transactions under the heading above have been reviewed by the directors (including the independent non-executive directors) of the Company. 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 below 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 and Triple Top Optical Company Limited ("Triple Top") (before Triple Top was acquired by IOM in November 2011) ("Vision Pro Group") as Vendor	Purchase of optical products	(6,916)	Aggregated per note (ii) below	(i)
IOM and Triple Top (since Triple Top was acquired by IOM in November 2011) ("IOM Group") as Manufacturer and Vendor	Manufacture and supply of optical products and purchase of optical products	(3,862)	(13,052)	(ii)
Mengiwa Private Limited ("Mengiwa) as Landlord	Leasing of properties	(157)	Aggregated per note (viii) below	(iii)
Mengiwa Property Investment Limited ("MPIL") as Landlord	Leasing of properties	(5,651)	Aggregated per note (viii) below	(iv)
Active Lights Company Limited and Thong Sia Company Limited ("TSCL"), each of them as Landlord	Leasing of properties	(935)	Aggregated per note (viii) below	(v)
MPIL as Landlord	Leasing of properties	(870)	Aggregated per note (viii) below	(vi)
MPIL as Landlord	Leasing of properties	(298)	Aggregated per note (viii) below	(vii)
MPIL as Landlord	Leasing of properties	(80)	(7,995)	(viii)
MPIL as Principal	Provision of management and property agency liaison services	2,142	2,356	(ix)

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 was the exclusive wholesale distributor for, and licensee of, several brands of optical products in Hong Kong, the PRC, Singapore and Malaysia respectively. It had been one of the major optical products suppliers of the Group. The optical products supplied by the Vision Pro Group had been well received in the retail and wholesale markets and had 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 were 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 had been determined on an individual purchase order basis based on prevailing industry conditions and the purchases had been on terms no less favourable than those offered by the Vision Pro Group to other third parties. The optical products purchased by the Group from Vision Pro Group were not available from other suppliers. If the Group purchases optical products that were also available from suppliers other than Vision Pro Group, the terms of purchase under these agreements would 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 each of the two years ended 31st March 2012 and for the year ending 31st March 2013.

Triple Top had been a subsidiary of Vision Pro until it was acquired by IOM in November 2011. Vision Pro was acquired by a wholly-owned subsidiary of the Company and ceased to be a connected person of the Company on 29th December 2011. Therefore, the purchases of optical products by the Group from Vision Pro since the date of acquisition are no longer connected transactions. The changes are detailed in note (ii) below.

(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 the year ended 31st March 2012 and year ending 2013 is both HK$3 million and has been set based on the Group's past experience and best estimation of the maximum amount of future purchases.

On 29th December 2011, Vision Pro was acquired and became a wholly-owned subsidiary of the Company. Vision Pro has been engaging IOM to design, manufacture and supply optical products and has continued to do so after Completion. On 29th December 2011, Vision Pro entered into the Manufacturing and Supply Agreement with IOM to engage IOM to design, manufacture and supply Vision Pro's licensed brand optical products.

Date of the Manufacturing and Supply Agreement: 29th December 2011

Parties

(1) Vision Pro, as purchaser

(2) IOM, as supplier

Subject Matter

Vision Pro will engage IOM to design, manufacture and supply Vision Pro's licensed brand optical products subject to the terms and conditions contained in the Manufacturing and Supply Agreement.

Duration

From 1st January 2012 up to and including 31st March 2013

Terms of Purchase

The precise terms of purchases shall be set out in the purchase orders placed by Vision Pro with IOM from time to time. Payment for the optical products shall be made within 90 days from the date of delivery of the optical products.

Annual Caps of Purchases under the Manufacturing and Supply Agreement

The value of purchases of optical products by Vision Pro from IOM for each of the three years ended 31st March 2011 and the period from 1st April 2011 to and excluding 29th December 2011 amounted to approximately HK$322,230, HK$386,415, HK$702,921 and HK$1,047,845, respectively.

The Company estimated that the maximum aggregate annual value of purchases of optical products by Vision Pro from IOM under the Manufacturing and Supply Agreement for the period from 1st January 2012 to 31st March 2012 and the year ending 31st March 2013 would be HK$1,052,000 and HK$3,000,000, respectively, based on the amount of purchases of optical products by Vision Pro from IOM for the period from 1st April 2011 to and excluding 29th December 2011 and the confirmed purchase orders already placed by Vision Pro with IOM with delivery to take place on or after 1st January 2012.

Reasons for and Benefits of the Manufacturing and Supply Agreement

Both the Group and Vision Pro have been engaging IOM to manufacture and supply optical products. The directors (including all independent non-executive directors) of the Company are of the view that the Manufacturing and Supply Agreement was entered into in the usual and ordinary course of business of the Group on normal commercial terms which were agreed after arm's length negotiations between the parties, and that the terms of the Manufacturing and Supply Agreement and the maximum aggregate annual value of purchases of optical products by Vision Pro from IOM under the Manufacturing and Supply Agreement set out above are fair and reasonable and are in the interests of the Group and the shareholders of the Company as a whole.

As described in the above paragraph of this note (ii), the maximum aggregate annual value of purchases of optical products by the Group (not including Vision Pro) from IOM under the Existing Manufacturing and Supply Agreement was set at HK$3 million for each of the year ended 31st March 2012 and the year ending 31st March 2013.

It is further described in note (i) above that the maximum aggregate annual values of purchases of optical products by the Group from the Vision Pro Group under the Retail and Wholesale Purchase Agreements were set at HK$9 million and HK$9.25 million for the year ended 31st March 2012 and the year ending 31st March 2013 respectively. Since Vision Pro ceased to be a connected person of the Company on 29th December 2011, the purchases of optical products by the Group from Vision Pro since 29th December 2011 are no longer connected transactions. The Vision Pro Group included Triple Top, which was a subsidiary of Vision Pro at the time when the Company's announcement dated 31st March 2010 was made and was acquired by IOM from Vision Pro in November 2011. The aggregate value of purchases of optical products (i) by the Group from Vision Pro for the period from 1st April 2011 up to and excluding 29th December 2011 and (ii) by the Group from Triple Top under the Retail and Wholesale Purchase Agreements for the period from 1st April 2011 up to and excluding 29th December 2011 amounted to approximately HK$6,848,000. Therefore, the Company estimated that the maximum aggregate annual values of purchases of optical products by the Group (including Vision Pro from 29th December 2011) from the IOM Group (including Vision Pro from 1st April 2011 to and excluding 29th December 2011) under the Retail and Wholesale Purchase Agreements for the year ended 31st March 2012 and the year ending 31st March 2013 would be HK$9 million and HK$900,000 respectively.

Based on the above, the maximum aggregate annual values of purchases of optical products by the Group (including Vision Pro from 29th December 2011) from the IOM Group (including Vision Pro from 1st April 2011 to and excluding 29th December 2011) under the Manufacturing and Supply Agreement, the Existing Manufacturing and Supply Agreement and the Retail and Wholesale Purchase Agreements in aggregate for the year ended 31st March 2012 and for the year ending 31st March 2013 were set at HK$13,052,000 and HK$6,900,000 respectively.

(iii) Thong Sia Company (Singapore) Private Limited ("TSS") as tenant, entered into the 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 Meng ("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 was 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, which 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 that the Thongsia Building Tenancy Agreement 2010 was entered into 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 the financial year ended 31st March 2012 and the financial year 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. The total value of the transaction for the period from 1st April 2011 to 15th April 2011 amounted to S$25,202.11 (equivalent to approximately HK$157,000).

(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 that the Stelux House Tenancy Agreements 2010 were entered into on normal commercial terms and were fair and reasonable and in the interests of the Company and the 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 taking into account any relocation costs which might otherwise be incurred by the Group. Accordingly, the directors of the Company considered that the Warehouse Leasing and License Agreements 2010 were entered into on normal commercial terms and were 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 financial years ended 31st March 2011 and 31st March 2012 and is also HK$935,280 for the financial year ending 31st March 2013.

(vi) SHL, a wholly-owned subsidiary of the Company, as tenant, entered into a 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 financial year ended 31st March 2012 and the financial year 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.

(vii) On 11th July 2011, SHL, a wholly-owned subsidiary of the Company, as tenant, entered into a tenancy agreement with MPIL, as landlord, in respect of the lease of office unit numbers 1702 and 1703 on the 17th Floor of Stelux House for the period from 11th July 2011 up to and including 31st March 2013 at a monthly rental of HK$38,850 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 11th July 2011 up to and including 10th August 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 30th May 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 11th July 2011, it was disclosed that MPIL was a wholly-owned subsidiary of Yee Hing. The Trust, of which Mr. Wong Chong Po, Mr. Chumphol Kanjanapas (alias Mr. Joseph C.C. Wong) and Mr. Sakorn Kanjanapas, being directors of the Company, were beneficiaries, held 55% of the total issued ordinary shares of Yee Hing. MPIL was therefore an associate of the aforesaid directors of the Company and hence 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 11th July 2011 to 31st March 2012 and for the financial year ending 31st March 2013 were set at HK$298,268 and HK$466,200 respectively.

Due to overall expansion, the Group requires more office space. Since the Company and its major subsidiaries have their headquarters located at Stelux House, leasing additional office space at the same office building is more convenient than at other locations and will also help to improve operational efficiency and reduce overall rental costs.

(viii) Vision Pro has been leasing the same office premises from MPIL pursuant to the tenancy agreement signed on 1st December 2011.

On 1st December 2011, Vision Pro, as tenant, entered into a tenancy agreement with MPIL, as landlord, in respect of the lease of portion of office unit numbers 1905-1906 with one storeroom No. 6A on the 19th floor and one storeroom No. 6A on the 18th floor of Stelux House for the period from 1st December 2011 up to and including 31st March 2013 at a monthly rental of HK$25,993.60 exclusive of management fee, rates and government rent payable in advance in cash by Vision Pro on the first day of each and every calendar month.

Vision Pro has been occupying the Premises as its office. The directors (including the independent non-executive directors) of the Company consider that it is more convenient for Vision Pro to continue to use the Premises as its office. The directors (including all independent non-executive directors) of the Company are of the view that the tenancy agreement was entered into in the usual and ordinary course of business of the Group on normal commercial terms, and that the terms of the tenancy agreement (including the monthly rental, which the directors (including the independent non-executive directors) of the Company consider to be in line with the prevailing rentals of premises within Stelux House) are fair and reasonable and are in the interests of the Group and the shareholders of the Company as a whole.

On the date of the announcement on 29th December 2011, it was disclosed that MPIL was a wholly-owned subsidiary of Yee Hing and was therefore a connected person of the Company.

The maximum aggregate annual rentals payable by Vision Pro to MPIL for the period from 29th December 2011 to 31st March 2012 and the year ending 31st March 2013 under the tenancy agreement were estimated at approximately HK$80,497 and HK$311,924, respectively.

It was disclosed in the Company's announcement dated 11th July 2011, that the maximum aggregate annual rentals and licence fees payable by the Group to the Yee Hing Group and Mengiwa for the financial year ended 31st March 2012 and the financial year ending 31st March 2013 under the then subsisting agreements relating to the leasing or licencing of premises by the Group from the Yee Hing Group and Mengiwa amounted to approximately HK$7,914,501 and HK$7,922,400, respectively.

The continuing connected transactions as in (iii), (iv), (v), (vi), (vii) and (viii) 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 2012 was HK$7,994,998 and for the financial year ending 31st March 2013 was HK$8,234,324.

(ix) 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$2,356,000 and HK$2,591,820 respectively for the two financial years ended 31st March 2012 and for the financial year ending 31st March 2013.

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

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
Chairman and Chief Executive Officer

Hong Kong, 27th June 2012

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 29 to 90, which comprise the consolidated and company balance sheets as at 31st March 2012, 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 2012 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, 27th June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March 2012

	Note	**2012 HK$'000**	2011 HK$'000
Revenues	5	**3,330,887**	2,705,610
Cost of sales	9	**(1,275,561)**	(1,046,791)
Gross profit		**2,055,326**	1,658,819
Other gains, net	6	**18,472**	28,871
Other income	7	**19,471**	18,190
Selling expenses	9	**(1,413,751)**	(1,178,500)
General and administrative expenses	9	**(324,460)**	(274,269)
Other operating expenses	9	**(35,459)**	(60,956)
Operating profit		**319,599**	192,155
Finance costs	11	**(9,219)**	(9,305)
Profit before income tax		**310,380**	182,850
Income tax expense	12	**(59,434)**	(51,389)
Profit for the year		**250,946**	131,461
Attributable to:			
Equity holders of the Company		**250,325**	130,831
Non-controlling interests		**621**	630
		250,946	131,461
		HK cents	HK cents
Earnings per share for profit attributable to the equity holders of the Company – Basic and diluted	14	**26.31**	13.75

	Note	**2012 HK$'000**	2011 HK$'000
Dividends	15	**85,620**	34,248

The notes on pages 36 to 90 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Profit for the year		**250,946**	131,461
Other comprehensive income:			
Exchange differences		**(4,057)**	19,729
Revaluation of available-for-sale financial assets	21	**951**	3,335
Impairment of available-for-sale financial assets charged to income statement	26	**–**	1,120
Other comprehensive income for the year, net of tax		**(3,106)**	24,184
Total comprehensive income for the year		**247,840**	155,645
Attributable to:			
Equity holders of the Company		**247,377**	154,707
Non-controlling interests		**463**	938
Total comprehensive income for the year		**247,840**	155,645

The notes on pages 36 to 90 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March 2012

	Note	**2012 HK$'000**	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**376,728**	321,114
Investment property	17	**66,000**	52,000
Prepayment of lease premium	18	**64,477**	73,549
Intangible assets	20	**60,323**	26,387
Deferred tax assets	29	**61,997**	55,794
Available-for-sale financial assets	21	**15,590**	14,639
		645,115	543,483
Current assets			
Stocks	22	**1,008,902**	777,411
Debtors and prepayments	23	**455,634**	337,044
Bank balances and cash	24	**220,855**	226,080
		1,685,391	1,340,535
Total assets		**2,330,506**	1,884,018
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	**95,134**	95,134
Reserves	26	**1,077,651**	886,403
Shareholders' funds		**1,172,785**	981,537
Non-controlling interests		**8,656**	8,650
Total equity		**1,181,441**	990,187

The notes on pages 36 to 90 are an integral part of these financial statements.

	Note	**2012** HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	29	**2,752**	2,198
Borrowings	28	**85,688**	67,742
		88,440	69,940
Current liabilities			
Creditors and accruals	27	**593,570**	425,613
Income tax payable		**44,554**	28,482
Borrowings	28	**422,501**	369,796
		1,060,625	823,891
Total liabilities		**1,149,065**	893,831
Total equity and liabilities		**2,330,506**	1,884,018
Net current assets		**624,766**	516,644
Total assets less current liabilities		**1,269,881**	1,060,127

Joseph C.C. Wong
Chairman and
Chief Executive Officer

Lau Tak Bui, Vincent
Executive Director

The notes on pages 36 to 90 are an integral part of these financial statements.

BALANCE SHEET

As at 31st March 2012

	Note	**2012 HK$'000**	2011 HK$'000
ASSETS			
Non-current asset			
Investment in a subsidiary	19	**–**	–
Current assets			
Amount due from a subsidiary	19	**374,123**	430,271
Debtors and prepayments		**210**	463
Bank balances and cash	24	**29**	33
		374,362	430,767
Total assets		**374,362**	430,767
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	**95,134**	95,134
Reserves	26	**278,579**	334,708
Total equity		**373,713**	429,842
LIABILITIES			
Current liabilities			
Creditors and accruals	27	**649**	925
Total liabilities		**649**	925
Total equity and liabilities		**374,362**	430,767
Net current assets		**373,713**	429,842
Total assets less current liabilities		**373,713**	429,842

Joseph C.C. Wong
Chairman and
Chief Executive Officer

Lau Tak Bui, Vincent
Executive Director

The notes on pages 36 to 90 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2012

	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 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
At 1st April 2011	**95,134**	**63,453**	**822,950**	**981,537**	**8,650**	**990,187**
Profit for the year	**–**	**–**	**250,325**	**250,325**	**621**	**250,946**
Other comprehensive income:						
Exchange differences	**–**	**(3,899)**	**–**	**(3,899)**	**(158)**	**(4,057)**
Revaluation of available-for-sale financial assets	**–**	**951**	**–**	**951**	**–**	**951**
Total other comprehensive income	**–**	**(2,948)**	**–**	**(2,948)**	**(158)**	**(3,106)**
Total comprehensive income	**–**	**(2,948)**	**250,325**	**247,377**	**463**	**247,840**
Dividends paid	**–**	**–**	**(56,129)**	**(56,129)**	**(457)**	**(56,586)**
At 31st March 2012	**95,134**	**60,505**	**1,017,146**	**1,172,785**	**8,656**	**1,181,441**

The notes on pages 36 to 90 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash generated from operations	30	**224,031**	306,907
Interest paid		**(9,219)**	(9,305)
Hong Kong profits tax paid		**(32,111)**	(6,778)
Hong Kong profits tax refund		**201**	–
Overseas profits tax paid		**(27,657)**	(37,825)
Overseas profits tax refund		**9,702**	1,424
Net cash generated from operating activities		**164,947**	254,423
Cash flows from investing activities			
Purchase of property, plant and equipment		**(151,583)**	(92,404)
Proceeds from sale of an investment property		**–**	3,896
Proceeds from sale of property, plant and equipment		**1,622**	1,366
Acquisition of a subsidiary	33	**(4,670)**	–
Addition of prepayment of lease premium		**–**	(23,996)
Disposal of prepayment of lease premium		**–**	1,429
Acquisition of trademark		**(33,797)**	–
Interest received		**569**	200
Dividends received		**4,682**	4,482
Acquisition of additional interests in a subsidiary from non-controlling interests		**–**	(1,020)
Net cash used in investing activities		**(183,177)**	(106,047)
Cash flows from financing activities			
Drawdown of bank loans		**539,330**	367,279
Repayment of bank loans		**(468,187)**	(463,499)
Capital element of finance lease payments		**(255)**	(348)
Dividends paid to the Company's shareholders		**(56,129)**	(20,929)
Dividends paid to non-controlling interests		**(457)**	(269)
Capital contribution from non-controlling interests		**–**	4,033
Net cash from/(used in) financing activities		**14,302**	(113,733)
Net (decrease)/increase in cash and cash equivalents		**(3,928)**	34,643
Cash and cash equivalents at beginning of year		**226,080**	213,184
Effect of foreign exchange rate changes		**(1,297)**	(21,747)
Cash and cash equivalents at end of year		**220,855**	226,080
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		**220,855**	226,080

The notes on pages 36 to 90 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 34 to financial statements.

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

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

The consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements have been approved by the Board of Directors on 27th June 2012.

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.

Adoption of new standards and amendments to standards

The following new standards and amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st April 2011 but they are either not relevant or have no impact to the Group's operations:

HKAS 24 (Revised)	Related party disclosures
HKAS 32 Amendment	Classification of rights issue
HK(IFRIC) – Int 14	Prepayment of minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
Annual improvement project to HKFRS 2010	

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

The following new 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 2012 or later periods, but the Group has not early adopted them:

		Effective for financial year beginning on or after
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1st April 2012
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1st April 2012
HKFRS 9	Financial Instruments	1st April 2015
HKFRS 10	Consolidated financial statements	1st April 2013
HKFRS 11	Joint arrangements	1st April 2013
HKFRS 12	Disclosure of interests in other entities	1st April 2013
HKFRS 13	Fair value measurements	1st April 2013
HKAS 1 (Amendment)	Presentation of financial statements	1st April 2013
HKAS 19 (Amendment)	Employee benefits	1st April 2013
HKAS 27 (revised 2011)	Separate financial statements	1st April 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1st April 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1st April 2014
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1st April 2013

Except for the early adoption of HKAS 12 (Amendment) as discussed below, 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)*

(a) Basis of preparation *(Continued)*

Early adoption of HKAS 12 (Amendment) 'Income taxes – Deferred tax: recovery of underlying assets'

In December 2010, the Hong Kong Institute of Certified Public Accountants promulgated HKAS 12 (Amendment) 'Income taxes – Deferred tax: recovery of underlying assets', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to the accounting periods beginning on or after 1st April 2012 with early adoption permitted.

The Group has early adopted this amendment retrospectively for the financial year ended 31st March 2012. As required by the amendment, the Group has re-measured the deferred tax relating to the investment property according to the tax consequence on the presumption that it is recovered entirely by sale retrospectively. The early adoption of this amendment did not result in any significant financial impact to the Group for the years ended 31st March 2012 and before.

(b) Subsidiaries

(i) Consolidation

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. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets 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) Subsidiaries *(Continued)*

(i) Consolidation (Continued)

(1) Business combination

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries *(Continued)*

(i) Consolidation (Continued)

(2) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(3) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, 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.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. 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.

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

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

Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(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.

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. Exchange differences arising are recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss.

(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. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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 the end of each reporting period.

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 (note 2h).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Changes in fair values are recorded in the income statement.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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 non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use-are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

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 consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

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 includes 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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. The Group mainly has defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Profit-sharing and bonus plans

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 the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

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 is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) 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.

(ii) 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 product and collectability of the related receivables is reasonably assured.

(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) Leases

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 to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. 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. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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.

(u) 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 or directors, where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing 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 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 2012 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)

	2012		2011	
	Increase in foreign exchange rate	**Increase/ (decrease) in profit before income tax HK$'000**	Increase in foreign exchange rate	Increase/ (decrease) in profit before income tax HK$'000
Singapore dollar	**5%**	**5,047**	10%	6,502
Malaysian ringgit	**5%**	**2,002**	10%	1,578
Thai baht	**5%**	**780**	10%	891
Renminbi	**5%**	**3,564**	10%	7,007
British pound	**5%**	**(2,397)**	10%	(4,844)

Decrease in the above foreign exchange rates by 5% (2011: 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 2012, if interest rates on borrowings had been 50 basis points (2011: 100) higher/lower with all other variables held constant, profit for the year would have been HK$2,363,000 (2011: HK$4,844,000) 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 2012				
Bank borrowings	**432,330**	**20,310**	**14,890**	**55,946**
Finance lease	**98**	**46**	**–**	**–**
Creditors and accruals	**581,529**	**–**	**–**	**–**
At 31st March 2011				
Bank borrowings	377,760	15,625	15,398	40,561
Finance lease	279	98	46	–
Creditors and accruals	414,710	–	–	–
Company				
At 31st March 2012				
Creditors and accruals	**650**	**–**	**–**	**–**
At 31st March 2011				
Creditors and accruals	925	–	–	–

(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.

Consistent with others in the industry, 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 2012 and 2011 were as follows:

	2012	2011
	HK$'000	HK$'000
Total borrowings (Note 28)	**508,189**	437,538
Less: Bank balances and cash (Note 24)	**(220,855)**	(226,080)
Net debt	**287,334**	211,458
Shareholders' funds	**1,172,785**	981,537
Gearing ratio	**25%**	22%

(c) Fair value estimation

The Group's financial instruments carried at fair value is analysed as follows 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 2012 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 and debtors and financial liabilities including creditors and short-term borrowings, approximate their fair values due to their short maturities.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Net realisable value of stocks

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

(ii) Impairment of debtors

The Group's management determines the provision for impairment of debtors 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

	2012	2011
	HK$'000	HK$'000
Turnover		
Sales of goods	**3,329,327**	2,704,053
Gross rental income	**1,560**	1,557
	3,330,887	2,705,610

6 OTHER GAINS, NET

	2012	2011
	HK$'000	HK$'000
(Loss)/gain on disposal of property, plant and equipment, net	**(312)**	419
Gain on disposal of an investment property	**–**	1,296
Fair value gain of an investment property	**14,000**	13,400
Exchange gain, net	**4,784**	13,756
	18,472	28,871

7 OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Building management fee income	**3,671**	3,747
Dividend income from investments	**4,682**	4,482
Interest income	**569**	200
Sundries	**10,549**	9,761
	19,471	18,190

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.

Other segment primarily relates to rental income received from an investment property in Macau.

	For the year ended 31st March 2012						
	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	Wholesale trading HK$'000	Other segment HK$'000	Group Total HK$'000
Revenues							
Gross segment	1,268,441	535,073	800,005	301,071	896,970	15,512	3,817,072
Inter-segment	–	–	–	–	(472,233)	(13,952)	(486,185)
	1,268,441	535,073	800,005	301,071	424,737	1,560	3,330,887
Segment results	171,388	19,366	65,586	18,900	94,438	9,395	379,073
Unallocated income							4,773
Net corporate expenses							(64,247)
Operating profit							319,599
Finance costs							(9,219)
Profit before income tax							310,380
Income tax expense							(59,434)
Profit for the year							250,946

8 SEGMENT INFORMATION *(Continued)*

For the year ended 31st March 2012

	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**	**Wholesale trading HK$'000**	**Other segment HK$'000**	**Corporate HK$'000**	**Group Total HK$'000**
Capital expenditures	**(44,781)**	**(35,833)**	**(41,540)**	**(26,056)**	**(39,377)**	**–**	**(2,463)**	**(190,050)**
Depreciation	**(27,246)**	**(19,751)**	**(21,406)**	**(14,918)**	**(1,274)**	**(4,821)**	**(1,246)**	**(90,662)**
Amortisation of prepayment of lease premium	**–**	**(4,242)**	**–**	**(3,415)**	**–**	**–**	**–**	**(7,657)**
Fair value gain of an investment property	**–**	**–**	**–**	**–**	**–**	**14,000**	**–**	**14,000**
(Provision)/write back of provision for stocks	**(12,154)**	**(5,076)**	**(2,887)**	**(4,605)**	**868**	**–**	**–**	**(23,854)**
Impairment of property, plant and equipment	**(1,824)**	**–**	**–**	**(1,041)**	**–**	**–**	**–**	**(2,865)**
Provision for onerous contracts	**(2,833)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,833)**

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	Wholesale trading HK$'000	Other segment HK$'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	Wholesale trading HK$'000	Other segment HK$'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 an investment property	–	–	–	–	–	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

	As at 31st March 2012						
	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**	**Wholesale trading HK$'000**	**Other segment HK$'000**	**Group Total HK$'000**
Segment assets	**660,441**	**368,776**	**302,119**	**202,848**	**299,119**	**186,008**	**2,019,311**
Unallocated assets							**311,195**
Total assets							**2,330,506**
Segment liabilities	**205,049**	**52,057**	**162,231**	**39,103**	**95,962**	**1,024**	**555,426**
Unallocated liabilities							**593,639**
Total liabilities							**1,149,065**

8 SEGMENT INFORMATION *(Continued)*

	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	Wholesale trading HK$'000	Other segment HK$'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

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

	2012 HK$'000	2011 HK$'000
Hong Kong	**1,828,679**	1,442,044
Macau	**178,326**	98,737
Mainland China	**261,251**	215,885
Rest of Asia	**1,062,134**	947,978
Europe	**497**	642
Others	**–**	324
	3,330,887	2,705,610

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

	2012 HK$'000	2011 HK$'000
Hong Kong	**190,815**	170,901
Macau	**133,657**	116,178
Mainland China	**22,337**	15,505
Rest of Asia	**185,372**	168,942
Others	**35,347**	1,524
	567,528	473,050

9 EXPENSES BY NATURE

	2012 **HK$'000**	2011 HK$'000
Cost of stocks sold and raw materials consumed	**1,275,561**	1,046,791
Amortisation of prepayment of lease premium	**7,657**	7,519
Depreciation of property, plant and equipment		
– Owned	**90,234**	80,358
– Leased	**428**	468
Impairment of property, plant and equipment	**2,865**	6,119
Provision/(write back of provision) for onerous contracts	**2,833**	(96)
Auditor's remuneration		
– Audit services	**7,873**	6,334
– Non-audit services	**1,147**	1,645
Operating leases		
– Buildings	**528,875**	452,358
– Equipment	**–**	5
Provision for stocks	**23,854**	42,765
Impairment of debtors	**156**	197
Impairment of available-for-sale financial assets	**–**	2,403
Reversal of bad debts provision	**(191)**	(83)
Donations	**1,477**	1,117
Employee benefit expense (Note 10)	**568,092**	464,895
Others	**538,370**	447,721
Total cost of sales, selling expenses, general and administrative expenses and other operating expenses	**3,049,231**	2,560,516

10 EMPLOYEE BENEFIT EXPENSE

	2012	2011
	HK$'000	HK$'000
Salaries and allowances	**514,419**	427,842
Pension contributions less forfeiture utilised (Note a)	**36,097**	25,272
Unutilised annual leave	**(187)**	(618)
Social security costs	**11,681**	7,448
Other allowances	**6,082**	4,951
	568,092	464,895

(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$899,000 for the year ended 31st March 2012 (2011: HK$1,206,000) arising from employees leaving the ORSO scheme, were utilised to offset contributions during the year.

10 EMPLOYEE BENEFIT EXPENSE *(Continued)*

(b) Emoluments of directors

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

Name	Fees HK$'000	Basic salaries, allowances, and benefits in kind HK$'000	Contributions to pension plans HK$'000	Discretionary bonus[i] HK$'000	Total HK$'000
For the year ended 31st March 2012					
Wong Chong Po	**42**	**536**	**–**	**–**	**578**
Joseph C. C. Wong	**80**	**2,517**	**92**	**5,317**	**8,006**
Chu Kai Wah, Anthony	**80**	**1,833**	**71**	**2,421**	**4,405**
Sakorn Kanjanapas	**80**	**–**	**–**	**–**	**80**
Lau Tak Bui, Vincent	**80**	**1,842**	**71**	**2,423**	**4,416**
Kwong Yi Hang, Agnes	**135**	**–**	**–**	**–**	**135**
Wu Chun Sang	**135**	**–**	**–**	**–**	**135**
Wu Chi Man, Lawrence	**135**	**–**	**–**	**–**	**135**
	767	**6,728**	**234**	**10,161**	**17,890**
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

[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 three (2011: four) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining two (2011: one) individuals during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Basic salaries, allowance and benefits in kind	**2,181**	1,454
Performance bonus	**2,658**	430
Contributions to pension plans	**96**	56
	4,935	1,940

The emoluments fell within the following bands:

	2012	2011
HK$1,000,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$3,000,000	**2**	–
	2	1

11 FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**8,424**	8,330
Interest on bank loans and overdrafts not wholly repayable within five years	**684**	798
Interest on other financial liabilities	**91**	128
Interest on finance leases	**20**	49
	9,219	9,305

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 2012 (2011: 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:

	2012 **HK$'000**	2011 HK$'000
Current income tax		
– Hong Kong profits tax	**43,316**	26,292
– Overseas profits tax	**30,986**	30,773
– (Over)/under provisions in respect of prior years	**(9,157)**	2,259
	65,145	59,324
Deferred income tax (Note 29)	**(5,711)**	(7,935)
Income tax expense	**59,434**	51,389

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:

	2012 **HK$'000**	2011 HK$'000
Profit before income tax	**310,380**	182,850
Theoretical tax at weighted average rate of 15.76% (2011: 18.34%)	**48,920**	33,542
Income not subject to tax	**(4,178)**	(4,934)
Expenses not deductible for tax purpose	**13,010**	14,926
Recognition of temporary differences not previously recognised	**503**	(5,029)
Utilisation of previously unrecognised tax losses	**(11,905)**	(6,491)
Tax losses not recognised	**19,557**	14,552
(Over)/under provisions in respect of prior years	**(9,157)**	2,259
Others	**2,684**	2,564
Income tax expense	**59,434**	51,389

The weighted average applicable tax rate was 15.76% (2011: 18.34%). 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 2011 and 2012.

14 EARNINGS PER SHARE

Basic

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

	2012	2011
Weighted average number of ordinary shares in issue (thousands)	**951,340**	951,340
Profit attributable to equity holders of the Company (HK$'000)	**250,325**	130,831
Basic earnings per share (HK cents)	**26.31**	13.75

Diluted

There were no dilutive potential ordinary shares in existence during the years ended 31st March 2011 and 2012.

15 DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim, paid, of HK$0.035 (2011: HK$0.012) per ordinary share	**33,297**	11,416
Final, proposed, of HK$0.045 (2011: HK$0.024) per ordinary share	**42,810**	22,832
Special, proposed, of HK$0.010 (2011: nil) per ordinary share	**9,513**	–
	85,620	34,248

A bonus issue of shares has been proposed on the basis of one share of HK$0.10 of the Company for every ten existing shares. The proposed bonus shares will not rank for the above proposed final dividend or special dividend.

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings HK$'000	Equipment and others HK$'000	Total HK$'000
Year ended 31st March 2011			
Opening net book amount	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 (note c)	(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
Year ended 31st March 2012			
Opening net book amount	**207,073**	**114,041**	**321,114**
Additions	**9,100**	**142,483**	**151,583**
Acquisition of a subsidiary	**–**	**44**	**44**
Disposals/write-off	**–**	**(1,934)**	**(1,934)**
Depreciation	**(6,573)**	**(84,089)**	**(90,662)**
Impairment (note c)	**–**	**(2,865)**	**(2,865)**
Exchange differences	**(622)**	**70**	**(552)**
Closing net book amount	**208,978**	**167,750**	**376,728**
At 31st March 2012			
Cost	**331,141**	**651,277**	**982,418**
Accumulated depreciation and impairment	**(122,163)**	**(483,527)**	**(605,690)**
Net book amount	**208,978**	**167,750**	**376,728**

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

Notes:

(a) Certain property, plant and equipment of the Group have been pledged for bank borrowings. The carrying value of these property, plant and equipment as at 31st March 2012 were approximately HK$193,156,000 (2011: HK$199,194,000).

(b) At 31st March 2012, the net book value of motor vehicles held under finance leases amounted to HK$175,000 (2011: HK$605,000).

(c) An impairment provision of HK$2,865,000 (2011: HK$6,119,000) 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.

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

	2012 **HK$'000**	2011 HK$'000
Freehold land and buildings outside Hong Kong	**89,135**	82,415
Land and buildings in Hong Kong, held on:		
– Leases between 10 to 50 years	**119,843**	124,658
	208,978	207,073

17 INVESTMENT PROPERTY – GROUP

	2012	2011
	HK$'000	HK$'000
At 1st April	**52,000**	41,200
Disposal	**–**	(2,600)
Fair value gain	**14,000**	13,400
At 31st March	**66,000**	52,000

The investment property was revalued by independent professionally qualified valuer as at 31st March 2012. 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 2012 was HK$66,000,000 (2011: HK$52,000,000).

The Group's interest in investment property at its carrying value is analysed as follows:

	2012	2011
	HK$'000	HK$'000
Freehold investment property outside Hong Kong	**66,000**	52,000

18 PREPAYMENT OF LEASE PREMIUM – GROUP

	2012	2011
	HK$'000	HK$'000
At 1st April	**73,549**	54,215
Addition	**–**	23,996
Disposal	**–**	(1,429)
Amortisation (note b)	**(7,657)**	(7,519)
Exchange differences	**(1,415)**	4,286
At 31st March	**64,477**	73,549

18 PREPAYMENT OF LEASE PREMIUM – GROUP *(Continued)*

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

	2012	2011
	HK$'000	HK$'000
Prepayment of lease premium for premises outside Hong Kong, held on:		
– Leases between 10 to 50 years	**24,289**	38,920
– Leases under 10 years	**40,188**	34,629
	64,477	73,549

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 2012 was HK$20,634,000 (2011: HK$30,019,000).

(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

	2012	2011
	HK$'000	HK$'000
Investment in a subsidiary	**–**	–
Amount due from a subsidiary	**374,123**	430,271
	374,123	430,271

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

Details of principal subsidiaries are shown on Note 34.

20 INTANGIBLE ASSETS – GROUP

	Goodwill HK$'000	Trademarks HK$'000	Total HK$'000
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
Year ended 31st March 2012			
Opening net book amount	**9,593**	**16,794**	**26,387**
Additions	**–**	**33,797**	**33,797**
Exchange differences	**113**	**26**	**139**
Closing net book amount	**9,706**	**50,617**	**60,323**
At 31st March 2012			
Cost	**9,706**	**80,275**	**89,981**
Accumulated amortisation and impairment	**–**	**(29,658)**	**(29,658)**
Net book amount	**9,706**	**50,617**	**60,323**

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% (2011: 0%) which does not exceed historical growth rate.

2. Pre-tax discount rate applied to cash flows projections of 8% (2011: 5%). The discount rate used is pre-tax and reflects specific risks related to the Group.

20 INTANGIBLE ASSETS – GROUP *(Continued)*

Impairment test for goodwill *(Continued)*

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 2012, 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.

No impairment provision was made during the year ended 31st March 2012 (2011: nil).

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2012	2011
	HK$'000	HK$'000
At 1st April	**14,639**	12,587
Revaluation surplus transfer to equity (Note 26)	**951**	3,335
Impairment of available-for-sale financial assets	**–**	(1,283)
At 31st March	**15,590**	14,639

Available-for-sale financial asset as at 31st March 2012 represents unlisted equity investment in Switzerland and is denominated in Swiss Francs.

22 STOCKS – GROUP

	2012	2011
	HK$'000	HK$'000
Raw materials	**38,970**	30,901
Work-in-progress	**16,676**	13,070
Finished goods	**953,256**	733,440
	1,008,902	777,411

The cost of inventories recognised as expense and included in cost of sales amounted to HK$1,275,561,000 (2011: HK$1,046,791,000).

23 DEBTORS AND PREPAYMENTS – GROUP

	2012 HK$'000	2011 HK$'000
Trade debtors, gross	**191,151**	153,094
Less: provision for impairment of trade debtors	**(692)**	(24,943)
Trade debtors, net (note a)	**190,459**	128,151
Deposits, prepayments and other debtors (note c)	**265,175**	208,893
	455,634	337,044
Trade debtors analysed by invoice date:		
Below 60 days	**110,310**	54,098
Over 60 days	**80,841**	98,996
	191,151	153,094

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$90,126,000 (2011: HK$57,697,000).

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$21,687,000 (2011: HK$15,709,000) which were past due but not impaired. The ageing analysis of these trade debtors based on due dates is as follows:

	2012 HK$'000	2011 HK$'000
Overdue:		
Within 1 year	**21,512**	15,510
1-2 years	**74**	75
2-3 years	**24**	124
Over 3 years	**77**	–
	21,687	15,709

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 2012, debtors of HK$692,000 (2011: HK$24,943,000) aged over 3 years were fully impaired.

23 DEBTORS AND PREPAYMENTS – GROUP *(Continued)*

Notes:

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

	2012 HK$'000	2011 HK$'000
At 1st April	**24,943**	24,823
Provision for impairment	**156**	197
Receivables written off during the year as uncollectible	**(24,219)**	(59)
Provision written back	**(191)**	(83)
Exchange differences	**3**	65
At 31st March	**692**	24,943

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$2,394,000 (2011: HK$2,905,000).

The balances due from related companies as at 31st March 2012 are unsecured, interest free and repayable on demand.

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

	2012 HK$'000	2011 HK$'000
Hong Kong dollars	**252,356**	188,046
Renminbi	**50,950**	59,997
Singapore dollars	**53,874**	43,816
Malaysian ringgit	**54,639**	21,781
Thai bahts	**18,903**	14,708
Swiss Francs	**718**	1,563
Others	**24,194**	7,133
	455,634	337,044

24 BANK BALANCES AND CASH

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**75,382**	75,292	**29**	33
Renminbi	**31,328**	36,386	**–**	–
Singapore dollars	**35,260**	30,505	**–**	–
Malaysian ringgit	**31,265**	27,078	**–**	–
Thai bahts	**32,256**	41,009	**–**	–
Swiss Francs	**3,807**	1,395	**–**	–
Others	**11,557**	14,415	**–**	–
	220,855	226,080	**29**	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 0.26% (2011: 0.09%) per annum.

25 SHARE CAPITAL

	Number of shares of HK$0.1 Each	HK$'000
Authorised:		
At 31st March 2011 and 2012	1,600,000,000	160,000
Issued and fully paid:		
At 1st April 2010, 31st March 2011 and 31st March 2012	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 2011 and 2012.

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 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	
At 1st April 2011	**1,977**	**12,388**	**49,088**	**822,950**	**886,403**
Exchange differences	**–**	**–**	**(3,899)**	**–**	**(3,899)**
Revaluation of available-for-sale financial assets (Note 21)	**–**	**951**	**–**	**–**	**951**
Profit for the year	**–**	**–**	**–**	**250,325**	**250,325**
Dividends paid	**–**	**–**	**–**	**(56,129)**	**(56,129)**
At 31st March 2012	**1,977**	**13,339**	**45,189**	**1,017,146**	**1,077,651**
Representing:					
2012 proposed final dividend				**42,810**	
2012 proposed special dividend				**9,513**	
Reserves				**964,823**	
				1,017,146	

26 RESERVES *(Continued)*

Company

	Share premium HK$'000	Retained earnings HK$'000	Total HK$'000
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	
At 1st April 2011	**1,977**	**332,731**	**334,708**
Dividends paid	**–**	**(56,129)**	**(56,129)**
At 31st March 2012	**1,977**	**276,602**	**278,579**
Representing:			
2012 proposed final dividend		**42,810**	
2012 proposed special dividend		**9,513**	
Reserves		**224,279**	
		276,602	

27 CREDITORS AND ACCRUALS

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade creditors analysed by invoice date:				
Below 60 days	**270,482**	193,095	**–**	–
Over 60 days	**55,448**	65,270	**–**	–
	325,930	258,365	**–**	–
Other creditors and accruals (note a)	**267,640**	167,248	**649**	925
	593,570	425,613	**649**	925

27 CREDITORS AND ACCRUALS *(Continued)*

Notes:

(a) Included in other creditors and accruals are amounts due to related companies of HK$10,088,000 (2011: HK$5,005,000), which are unsecured and interest free. Except of a balance of HK$7,221,000 (2011: nil) which is repayable within one year, the remaining balance is repayable on demand.

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**398,235**	217,717	**649**	925
Renminbi	**41,114**	109,014	**–**	–
Singapore dollars	**28,627**	29,664	**–**	–
Malaysian ringgit	**21,284**	12,333	**–**	–
Thai bahts	**43,349**	35,985	**–**	–
Swiss Francs	**4,373**	6,281	**–**	–
US dollars	**36,809**	7,228	**–**	–
Others	**19,779**	7,391	**–**	
	593,570	425,613	**649**	925

28 BORROWINGS – GROUP

	2012	2011
	HK$'000	HK$'000
Bank borrowings (note a)	**508,064**	437,158
Obligations under finance leases (note b)	**125**	380
	508,189	437,538
Amount repayable within one year included in current liabilities	**(422,501)**	(369,796)
	85,688	67,742

28 BORROWINGS – GROUP *(Continued)*

(a) Bank borrowings

The Group's bank borrowings are repayable as follows:

	2012	2011
	HK$'000	HK$'000
Within 1 year	**422,421**	369,541
Between 1 and 2 years	**18,641**	14,354
Between 2 and 5 years	**33,026**	31,192
Over 5 years	**33,976**	22,071
	508,064	437,158

Included in bank borrowings as at 31st March 2012 are secured borrowings amounted to HK$308,847,000 (2011: HK$302,283,000), which are secured by land and buildings, an investment property 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:

	2012	2011
	HK$'000	HK$'000
Hong Kong dollars	**489,239**	403,646
Singapore dollars	**–**	4,657
Malaysia ringgit	**10,056**	13,183
Thai bahts	**8,769**	15,672
	508,064	437,158

The weighted average effective interest rate per annum for bank borrowings was 1.95% (2011: 1.88%).

As at 31st March 2012, the carrying amounts of bank borrowings approximate their fair values.

As at 31st March 2012, the Company had given guarantees to various banks to secure general banking facilities granted to certain subsidiaries amounting to HK$1,105,066,000 (2011: HK$866,935,000). As at 31st March 2012, the utilised amount of such facilities covered by the Company's guarantees was HK$508,064,000 (2011: HK$437,158,000).

28 BORROWINGS – GROUP *(Continued)*

(b) Obligations under finance leases

The obligations under finance leases are payable as follows:

	2012 HK$'000	2011 HK$'000
Within 1 year	**98**	279
Between 1 and 2 years	**46**	98
Between 2 and 5 years	**–**	46
	144	423
Future finance charges on finance leases	**(19)**	(43)
Present value of finance lease liabilities	**125**	380

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

	2012 HK$'000	2011 HK$'000
Within 1 year	**80**	255
Between 1 and 2 years	**45**	80
Between 2 and 5 years	**–**	45
	125	380

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

	2012 HK$'000	2011 HK$'000
Hong Kong dollars	**108**	165
Singapore dollars	**16**	66
Malaysian ringgit	**1**	149
	125	380

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:

	2012 **HK$'000**	2011 HK$'000
Deferred tax assets	**61,997**	55,794
Deferred tax liabilities	**(2,752)**	(2,198)
	59,245	53,596

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	Tax losses HK$'000	Other provision HK$'000	Other temporary differences HK$'000	Total HK$'000
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
At 1st April 2011	**3,304**	**26,784**	**–**	**16,215**	**7,293**	**53,596**
Transfer to income statement	**(34)**	**4,290**	**4,632**	**(1,233)**	**(2,001)**	**5,654**
Acquisition of a subsidiary	**–**	**–**	**–**	**57**	**–**	**57**
Exchange differences	**30**	**134**	**–**	**(118)**	**(108)**	**(62)**
At 31st March 2012	**3,300**	**31,208**	**4,632**	**14,921**	**5,184**	**59,245**

29 DEFERRED INCOME TAX-GROUP *(Continued)*

Out of the total unrecognised tax losses of HK$536,573,000 (2011: HK$567,752,000) carried forward, an amount of HK$178,497,000 (2011: HK$234,681,000) can be carried forward indefinitely. The remaining HK$358,076,000 (2011: HK$333,071,000) will expire in the following years:

	2012	2011
	HK$'000	HK$'000
In the first year	**41,996**	27,209
In the second year	**53,296**	43,414
In the third year	**71,844**	57,788
In the fourth year	**77,973**	70,898
In the fifth to tenth years inclusive	**112,967**	133,762
	358,076	333,071

30 CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to cash generated from operations

	2012	2011
	HK$'000	HK$'000
Profit before income tax	**310,380**	182,850
Depreciation	**90,662**	80,826
Amortisation of prepayment of lease premium	**7,657**	7,519
Loss/(gain) on disposal of property, plant and equipment	**312**	(419)
Gain on disposal of an investment property	**–**	(1,296)
Fair value gain of an investment property	**(14,000)**	(13,400)
Provision for stocks	**23,854**	42,765
Impairment of debtors	**156**	197
Reversal of bad debts provision	**(191)**	(83)
Impairment of property, plant and equipment	**2,865**	6,119
Impairment of available-for-sale financial asset	**–**	2,403
Interest income	**(569)**	(200)
Interest expense	**9,219**	9,305
Dividend income	**(4,682)**	(4,482)
Operating profit before working capital changes	**425,663**	312,104
Increase in stocks	**(250,295)**	(62,291)
Increase in debtors and prepayments	**(104,965)**	(3,049)
Increase in creditors and accruals	**153,628**	60,143
Cash generated from operations	**224,031**	306,907

31 COMMITMENTS

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

	2012	2011
	HK$'000	HK$'000
Contracted but not provided for	**2,575**	7,780
Authorised but not contracted for	**–**	–
	2,575	7,780

(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:

	2012	2011
	HK$'000	HK$'000
Buildings		
Not later than one year	**564,606**	445,236
Later than one year but not later than five years	**583,987**	422,587
Later than five years	**16,051**	18,689
	1,164,644	886,512

(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:

	2012	2011
	HK$'000	HK$'000
Investment property		
Not later than one year	**2,394**	2,343
Later than one year but not later than five years	**897**	1,132
	3,291	3,475

32 RELATED PARTY TRANSACTIONS

As at 31st March 2012, the Company is controlled by the Kanjanapas family. The remaining shares are widely held.

Yee Hing Company Limited ("Yee Hing"), directly and indirectly through its subsidiary held 4,391,000 shares of the Company as at 31st March 2012. 55% of the total issued ordinary shares of Yee Hing is held by Klayze Holdings Limited, which is the trustee of a discretionary trust (the "Trust"). Mr. Joseph C.C. Wong and Mr. Sakorn Kanjanapas, directors of the Company, are the beneficiaries of the Trust.

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

	2012	2011
	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

	2012	2011
	HK$'000	HK$'000
Purchase of goods (note a)	**10,778**	10,297
Rental expense to related companies (note b)	**7,991**	10,001
Purchase of freehold property (note c)	**–**	7,200
	18,769	27,498

Notes:

(a) During the year, certain subsidiaries of the Company purchased optical products from Thong Sia Optics (Hong Kong) Company Limited ("Thong Sia Optics") (formerly known as Vision PRO Trading Company Limited) and its subsidiary companies prior to acquiring Thong Sia Optics into the Group (Note 33), and International Optical Manufacturing Company Limited ("IOM"), 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)*

(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	
	2012	2011
	HK$'000	HK$'000
Mengiwa Property Investment Limited	**6,899**	5,723
Mengiwa Private Ltd	**157**	3,343
Other related parties	**935**	935
	7,991	10,001

(c) During the year ended 31st March 2011, 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

	2012	2011
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**25,204**	19,500
Other long-term benefits	**235**	229
	25,439	19,729

33 BUSINESS COMBINATION

On 29th December 2011, the Group has acquired 100% equity interest in Thong Sia Optics (Hong Kong) Company Limited (formerly known as Vision Pro Trading Company Limited) ("Thong Sia Optics") from IOM. Thong Sia Optics is principally engaged in wholesaling of optical goods.

The following table summarises the consideration paid for Thong Sia Optics, the fair value of assets acquired and liabilities assumed at the acquisition date:

	HK$'000
Purchase consideration	
– Cash paid	4,813
– Consideration payable	7,221
Total consideration	12,034
Recognised amounts of identifiable assets acquired and liabilities assumed	
Non-current assets	101
Inventories	4,104
Trade receivables	12,250
Other receivables	415
Other payable	(4,020)
Non-current liabilities	(816)
Total identifiable net assets	12,034
Goodwill	–
Purchase consideration settled in cash	(4,813)
Cash and cash equivalents acquired	143
Cash outflow on acquisition	(4,670)

Acquisition-related costs of HK$125,000 have been charged in administrative expenses in the consolidated income statements for the year ended 31st March 2012.

Thong Sia Optics contributed a revenue of approximately HK$4,165,000 and a loss of approximately HK$107,000 to the Group for the year ended 31st March 2012.

Had Thong Sia Optics been consolidated from 1st April 2011, the consolidated income statement would show revenue of approximately HK$16,133,000 and loss of approximately HK$520,000.

34 PRINCIPAL SUBSIDIARIES

	Place of incorporation/ operation	Principal activities	Share capital issued Number	Par value	Percentage of equity attributable to the Group 2012	2011
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						

34 PRINCIPAL SUBSIDIARIES *(Continued)*

	Place of incorporation/ operation	Principal activities	Share capital issued Number	Par value	Percentage of equity attributable to the Group 2012	2011
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**	100
City Chain (Macau) Company Limited	Macau	Watch retailing	2	MOP5,000	**100**	100
City Chain Stores (S) Pte Limited	Singapore	Watch retailing	1,800,000	S$1	**100**	100
City Chain (Thailand) Company Limited	Thailand	Watch retailing	200,000 210,000[b]	Baht100 Baht100	**100**	100
Optical 88 Limited	Hong Kong	Glasses and related optical gears retailing	30,700,000	HK$1	**100**	100
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**	100
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

Retailing and trading (Continued)

34 PRINCIPAL SUBSIDIARIES *(Continued)*

	Place of incorporation/ operation	Principal activities	Share capital issued Number	Par value	Percentage of equity attributable to the Group 2012	2011
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
Thong Sia (Thailand) Limited	Thailand	Watch retailing and distribution	20,000	Baht100	**100**	–
Thong Sia Optics (Hong Kong) Company Limited (formerly known as Vision Pro Trading Company Limited)	Hong Kong	Optical distribution	5,000	HK$1,000	**100**	–
Universal Geneve S.A.	Switzerland	Watch assembling and distribution	5,000	SFr1,000	**100**	100

34 PRINCIPAL SUBSIDIARIES *(Continued)*

	Place of incorporation/ operation	Principal activities	Paid-up capital	Percentage of equity attributable to the Group 2012	2011
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$90,890,000	**100**	100
Baoshi (Shanghai) Company Limited	People's Republic of China/Mainland China (foreign-invested commercial enterprise)	Retailing, trading and related optical services	RMB5,000,000	**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$9,900,000	**100**	100
Stelux-Thong Sia (Guangdong) Trading Limited	People's Republic of China/Mainland China (foreign-invested commercial enterprise)	Watch retailing, trading and related services	HK$116,400,000	**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$11,288,052	**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' interests 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 its 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") as it then was prior to the implementation of the revised code provisions effective from 1st April 2012. During the financial year ended 31st March 2012, 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 seven members. Among them, three are executive directors and four are non-executive Directors. Three out of the four non-executive directors are independent.

Mr. Joseph C.C. Wong was appointed Chairman of the Company on 4th October 2011, subsequent to the resignation of Mr. Wong Chong Po as Chairman of the Company on 31st August 2011.

Under Code Provision A.2.1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Under the current organisation structure of the Group, Mr. Joseph C.C. Wong is both CEO and Chairman of the Group. The Board is of the opinion that vesting the roles of both Chairman and CEO in Mr. Joseph C.C. Wong has the benefit of ensuring consistent leadership within the Group thus enabling more effective and efficient strategic planning for the Group. Under this new arrangement, the Board also believes that the balance of power and authority will not be compromised and is adequately ensured by the existing Board which comprises experienced and competent individuals with more than one-third of the Board being independent non-executive directors.

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 fifteen 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 2011 final results and the 2012 interim and final results of the Group; reviewing financial and operating performances of the Group; establishment of a Corporate Governance Committee and a Nomination Committee; adoption of terms of reference for the Corporate Governance Committee and Nomination Committee; approval of new and/or renewal of borrowing facilities; approval of a connected transaction relating to the acquisition of an optical wholesale business 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; and appointment of Mr. Joseph C.C. Wong as Chairman of the Company. The Executive Director responsible for finance & corporate affairs ("CFO") 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
29th April 2011	8	6
29th June 2011	8	6
11th July 2011	8	5
23th August 2011	8	6
29th August 2011	8	6
4th October 2011	7	4
12th October 2011	7	5
28th October 2011	7	6
29th November 2011	7	6
29th December 2011	7	5
31st January 2012	7	6
21st March 2012	7	6
15th May 2012	7	5
19th June 2012	7	5
27th June 2012	7	6

Director	No. of board meetings attended/held in FY2012 and up to the date of this Report
Executive Directors	
Mr. Wong Chong Po *(resigned as Chairman of the Company on 31st August 2011)*	0/5
Mr. Joseph C. C. Wong *(appointed as Chairman of the Company on 4th October 2011)*	11/15
Mr. Chu Kai Wah, Anthony	14/15
Mr. Lau Tak Bui, Vincent	15/15
Non-executive Directors	
Mr. Sakorn Kanjanapas	0/15
Mr. Wu Chun Sang *(independent)*	15/15
Professor Wu Chi Man, Lawrence *(independent)*	13/15
Dr. Kwong Yi Hang, Agnes *(independent)*	15/15

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/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 then Chairman of the Board, Mr. Wong Chong Po did not attend the annual general meeting of the Company held on 23rd August 2011 as he was not in Hong Kong, but all three independent non-executive directors including 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 CFO. The CFO 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 CFO 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 CFO 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 27.

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 2011 Annual General Meeting until the conclusion of the next Annual General Meeting. During the year, HK$5,599,000 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	375,000
Advisory and other services	143,000

The Group also engaged other auditors in Hong Kong and overseas for auditing and miscellaneous services and total fees paid amounted to HK$2,031,000.

6. BOARD COMMITTEES

To assist the Board in the discharge of its duties, the Board is supported by four 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 the Listing Rules 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 2011 up to and including 30th June 2012 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 2011 and 2012 and interim results for 2011/2012 before they were presented to the Board of directors for approval.

Attendance of directors at the Audit Committee Meetings held on:

22nd June 2011
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

23rd November 2011
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

21st March 2012
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

19th June 2012
Mr. Wu Chun Sang
Professor Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

(2) Remuneration Committee

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 (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.1.2 deals with the terms of reference of the remuneration committee. The Company has adopted the terms of reference under Code Provision B.1.2 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.

A committee meeting was held during the financial year and up to the date of this Report. At this meeting, the Committee determined annual bonus entitlement and conducted an annual review of the basic salaries of its executive directors.

Attendance of directors at the Remuneration Committee Meetings held on:

27th June 2012
Professor Wu Chi Man, Lawrence
Mr. Joseph C.C. Wong
Mr. Wu Chun Sang
Dr. Kwong Yi Hang, Agnes

(3) Nomination Committee

Under Code Provision A.5.2, issuers should establish a nomination committee with specific written terms of reference which deal clearly with its authority and duties. The Company established a Nomination Committee on 21st March 2012 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 (Chairman and CEO of the Company) were appointed as committee members. Mr. Joseph C.C. Wong is also the Chairman of the Nomination Committee.

Code Provision A.5.3 deals with the terms of reference of the nomination committee. The Company has adopted the terms of reference under Code Provision A.5.3. The Nomination Committee has not held any meetings since its establishment.

(4) Corporate Governance Committee

Under Code Provision D.3.2, the Board may delegate the responsibility of performing the corporate governance duties to a committee. As such, an issuer may establish a corporate governance committee with specific written terms of reference which deal clearly with its authority and duties. The Company established a Corporate Governance Committee on 21st March 2012 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. Lau Tak Bui, Vincent (Executive Director and CFO of the Company) were appointed as committee members. Mr. Lau Tak Bui, Vincent is also the Chairman of the Corporate Governance Committee.

Code Provision D.3.1 deals with the terms of reference of the corporate governance committee. The Company has adopted the terms of reference under Code Provision D.3.1. The Corporate Governance Committee has not held any meetings since its establishment.

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 four board committees are available on the Company's website at www.stelux.com.

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 internal controls system 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, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function.

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 19th June 2012 for such a review for the period from 19th March 2011 up to and including 19th June 2012. 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

Since October 2011, the Company has stepped up its investor relations activities with the purpose of increasing its exposure to the investment community. Initiatives undertaken so far have been well received as frequent dialogue with existing and prospective investors have increased the markets' understanding of the Group's business models and competitive strengths.

The Company will continue to promote and enhance investor relations with its investors and communications will be maintained with analysts and fund managers to keep them abreast of the Group'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.stelux.com

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 2011. Shareholders are given at least 20 clear business days or 21 days' notice of the AGM (whichever is the longer) and are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders participation.

Shareholders may send any enquiries they have by addressing them to the Group's Company Secretary in writing to the Company's head office at 27/F Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong; or by email to shareholdersenquiries@stelux.com.

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 and Chief Executive Officer

Joseph C. C. WONG, aged 52, undertook his tertiary studies in the United Kingdom. He holds a Masters in Science (Operational Research). He was appointed a director of the Group in 1986. He is currently Group Chairman and Chief Executive Officer. He is a brother of Mr. Sakorn Kanjanapas.

Directors

Anthony CHU Kai Wah, aged 53, was educated at the Chinese University of Hong Kong and graduated with a BBA. He joined the Group in 1987. He was appointed a director of City Chain Company Limited, a wholly owned subsidiary of the Group in 1992. He is currently an executive director of the Group.

Vincent LAU Tak Bui, aged 54, was appointed executive director and Group Chief Financial Officer in 2006. He is an associate member of the Hong Kong Institute of Certified Public Accountants.

Sakorn KANJANAPAS, aged 62, was appointed a non-executive director of the Group in 1987. He is a director of publicly listed Bangkok Land Public Company Limited (Thailand). He is a brother of the Chairman.

Nelson WU Chun Sang, aged 55, was appointed an independent non-executive 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.

Lawrence WU Chi Man, aged 54, graduated from Bristol University, England with a PhD in Aeronautical Engineering. He was appointed an independent non-executive 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 is an associate member of the Royal Aeronautical Society, U.K. and a fellow of the Hong Kong Institution of Engineers.

Agnes KWONG Yi Hang, aged 53, holds a PhD in Molecular Immunology from the University of Hong Kong. She was appointed an independent non-executive director of the Group in 2006. She is a director of Good Food Watch Limited and Health Wisdom Limited, both of these companies are health consultancies.

Group Legal Counsel and Company Secretary

Caroline CHONG, aged 50, BA (Law) (Hons), admitted as a Barrister in England and Wales, and, Hong Kong, joined the Group in 1997. She 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
Citibank, N. A.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Wing Hang Bank Limited

Principal Legal Advisers
Baker & Mckenzie
Hogan Lovells
Mayer Brown JSM

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

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

Corporate Governance Committee
Mr. Lau Tak Bui, Vincent *(Chairman of Committee)*
Mr. Wu Chun Sang
Prof. Wu Chi Man, Lawrence
Dr. Kwong Yi Hang, Agnes

STELUX HOLDINGS INTERNATIONAL LIMITED

Retail, Trading, Wholesale and Watch Assembly

- **City Chain***
  - Hong Kong (93)
  - Macau (9)
  - Mainland China (95)
  - Thailand (100)
  - Singapore (44)
  - Malaysia (62)
- **Optical 88***
  - Hong Kong (92)
  - Macau (10)
  - Mainland China (36)
  - Thailand (41)
  - Singapore (24)
  - Malaysia (29)
- **Watch Assembly**
  - Hong Kong
  - Switzerland
- **Watch Wholesale/ Export Trading**
  - Hong Kong
  - Mainland China
  - Taiwan
  - Thailand
  - Singapore
  - Malaysia
  - Switzerland
- **Optical Wholesale/ Export Trading**
  - Hong Kong
  - Singapore
  - Malaysia

* Number of shops as at 30th June 2012. Includes all concept shops.

40TH LISTING ANNIVERSARY ON THE HONG KONG STOCK EXCHANGE

Stelux was listed on the Hong Kong Stock Exchange in 1972 and this year we celebrate our 40th listing anniversary. From our modest beginnings as a watch component manufacturer, we now operate instantly recognisable brands that are well entrenched in the places where we have a presence.

Here at Stelux, we strive to be a part of the communities which we serve and we look for meaningful ways of giving back to society. In celebration of our 40th listing anniversary, Stelux was honoured with the opportunity to contribute to the University of Hong Kong's Endowed Professorships. On 20th April 2012, the Stelux Professorship in Marketing was established and Professor David Tse, a world class scholar in international marketing, China marketing and services marketing was named to the Chair.

Mr. Joseph C.C. Wong, Group Chairman and CEO of the Stelux Group, said of the Endowed Professorship, "It was the effective execution of a sound marketing strategy that engraved our brand image into the minds of consumers and set our brands apart from its competitors. In celebration of our 40th anniversary as a listed company, we hope that this Endowed Professorship can commemorate the development of Hong Kong brands while furthering the field of knowledge through the University and its outstanding professionals who share the same philosophy and research interests."

CORPORATE CITIZENSHIP AND SOCIAL RESPONSIBILITIES

Through the year, Stelux and its subsidiaries participated in and also partnered several social organisations to support giving in cash and kind to organisations and individuals in our communities.

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". This year was particularly memorable for Stelux as we have participated in the Caring Company Scheme for 10 consecutive years.

Stelux and its subsidiaries also participated in various initiatives to improve the quality of lives of those who are needlessly blind or vision impaired because of the lack of access to an eye examination or a pair of glasses.

Stelux and Optical 88 in Hong Kong and Singapore participated in "World Sight Day 2011" by raising cash and donations in kind 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.

Optical 88 Hong Kong played host to over a hundred kindergarten students and their teachers as they visited two of our stores and we shared with them the importance of good eyecare and the prevention of short-sightedness.

We continued to support the Hong Chi Association, an organisation helping those with intellectual disabilities, participating through volunteer work and also through donations of cash and benefits-in-kind. These activities included flag-selling.

During the year, Thong Sia Hong Kong, the exclusive distributor for "SEIKO" watches and clocks volunteered its services acting as the official time keeper in various charitable events organised by several sponsors, including, the "Sowers Action Challenging 12 Hours 2011" by Sowers Action, "Oxfam Trailwalker 2011" by Oxfam Hong Kong, "UNICEF Charity Run 2011" by UNICEF, "Ngong Ping Charity Walk 2012" by the HK Youth Hostel Association, "Diabetes HK Healthy Run 2012" by Diabetes Hong Kong and "Outward Bound Adventure Race 2012" by Outward Bound Hong Kong. Thong Sia Hong Kong further sponsored watches for three of the above and other charitable events including the "30 Hour Famine Camp 2011" by World Vision Hong Kong. Furthermore, Thong Sia Hong Kong supports WWF-Hong Kong and joined the WWF-Hong Kong Corporate Membership Programme as a Silver Member. Many of these events were held to raise funds for food, education and medicine for disadvantaged sections of the local and overseas communities.

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 dance classes were organised for our employees. In addition, training courses and seminars are organised to foster employee development.

AWARDS

時間廊 ("CITY CHAIN") and **眼鏡88** ("OPTICAL 88") were again both named **港澳優質誠信商號** ("Premium Quality and Trusted Brands") by Guangzhou Daily at **第7屆港澳優質誠信商號 2011-2012** ("The 7th Hong Kong-Macau Premium Quality and Trusted Brands 2011-2012"), an event that is strongly supported by the Tourism Administration of Guangzhou Municipality. Being presented with these awards mean that our **時間廊** ("CITY CHAIN") and **眼鏡88** ("OPTICAL 88") brands are widely recognised by the Mainland Chinese media and consumers.

At "The 2011 Service and Courtesy Awards" organised by the Hong Kong Retail Management Association, Optical 88 Hong Kong's assistant store manager, Ms. Abby Lam won first prize in the "Speciality Stores-Leisure and Lifestyle Category-Supervisory Level". This was a particularly momentous occasion as this was the first time Optical 88 Hong Kong had participated in the event. "The Service and Courtesy Awards 2011" has several objectives, including, awarding outstanding individuals engaged in the frontline retail profession for their outstanding service, to upgrade the overall customer service standard of frontline retail, to promote the importance of quality service among retail practitioners from frontline to management level and to increase the competitiveness of Hong Kong's retail industry.

Our "SOLVIL ET TITUS" television commercial, "These 3 Years" won Gold in the International Category of the Viewer's Choice 2011 award which was organised by Media Corp in Singapore where close to 5,700 television commercials were entered for the competition.

"SEIKO" was named Gold Trusted Brand for the category of watches in Hong Kong in the Reader's Digest Asia's Trusted Brands 2011 survey. The Reader's Digest Trusted Brands Survey has a well-established reputation as the premier consumer based and international measure of brand preference. Thong Sia Hong Kong has been presented with this award consecutively for many years.

Other awards garnered by Thong Sia Hong Kong for the "SEIKO" brand include the "Touch Brand 2011" presented by East Touch magazine, a popular lifestyle magazine for the young, the "Supreme Brands Award 2011 presented by Capital CEO, a financial information and lifestyle magazine.

It has been an eventful year for us here at Stelux and in the forthcoming year, we look forward to connecting once again with sections of the communities which we serve.

MAINLAND CHINA AND HONG KONG

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

- 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 Optics (Hong Kong) Company Limited
  Unit 1905-06, Stelux House,
  698 Prince Edward Road East,
  San Po Kong, 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 2611-2613, 2615-2618 Enterprise Square
  228 Mei Yuan Road
  Shanghai, PRC

- Baoshi (Shanghai) Company Limited
  Rm 2610, Enterprise Square
  228 Mei Yuan Road
  Shanghai, PRC

- Stelux-Thong Sia (Guangdong) Trading Limited
  Room 607A, Ronghui Building
  302 Zhicheng Road
  Guangzhou Economic & Technological
  Development District, Guangzhou, PRC

  Rooms 1801, 1805-1813, 1815-1816
  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
- Thong Sia (Thailand) 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