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If you have sold or transferred all your shares in National Electronics Holdings Limited, you should at once hand this circular to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

**DISCLOSEABLE AND MAJOR TRANSACTIONS
ACQUISITION OF PROPERTIES**

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DEFINITIONS

In this circular, the following expressions have the following meaning unless the context requires otherwise:

“Acquisitions”	the First Acquisition, the Second Acquisition, the Third Acquisition and the Fourth Acquisition
“Agreements”	the First Agreement, the Second Agreement, the Third Agreement and the Fourth Agreement
“Company”	National Electronics Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Deloitte”	Deloitte Touche Tohmatsu, certified public accountants
“Directors”	the directors of the Company
“DTZ”	DTZ Debenham Tie Leung Limited, an independent valuer
“First Acquisition”	the acquisition of the First Property by the First Purchaser pursuant to the First Agreement
“First Agreement”	the preliminary agreement dated 9 May 2007 entered into between the First Vendor and the First Purchaser for the sale and purchase of the First Property
“First Property”	No. 101 & 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong
“First Purchaser”	Asiatic Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“First Vendor”	Eternal Supreme Limited, a company incorporated in Hong Kong and the ultimate beneficial owners of which are Independent Third Parties
“Fourth Acquisition”	the acquisition of the Fourth Property by the Fourth Purchaser pursuant to the Fourth Agreement
“Fourth Agreement”	the preliminary agreement dated 10 September 2007 entered into between the Fourth Vendor and the Fourth Purchaser for the sale and purchase of the Fourth Property
“Fourth Property”	No. 461 Lockhart Road, Hong Kong
“Fourth Purchaser”	Cinic Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Fourth Vendor”	Wai Young de Wong, the Fourth Vendor and the associates of whom are Independent Third Parties

DEFINITIONS

“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	(an) independent third party(ies) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules
“Latest Practicable Date”	2 November 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contain in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	The First Property, the Second Property, the Third Property and Fourth Property
“Second Acquisition”	the acquisition of the Second Property by the Second Purchaser pursuant to the Second Agreement
“Second Agreement”	the preliminary agreement dated 11 September 2007 entered into between the Second Vendor and the Second Purchaser for the sale and purchase of the Second Property
“Second Property”	No. 99 Bonham Strand, Hong Kong
“Second Purchaser”	Lens Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Second Vendor”	Tam Woon Ying, the Second Vendor and the associates of whom are Independent Third Parties
“SFO”	Securities and Future Ordinance (Chapter 571) of the Laws of Hong Kong
“Shareholder(s)”	the shareholders of the Company
“Shares”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Acquisition”	the acquisition of the Third Property by the Third Purchaser pursuant to the Third Agreement
“Third Agreement”	the preliminary agreement dated 10 September 2007 entered into between the Third Vendor and the Third Purchaser for the sale and purchase of the Third Property

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“Third Property”	Ground, 1st, 2nd and 3rd Floors and The Roof, No. 459 Lockhart Road, Causeway Bay, Hong Kong.
“Third Purchaser”	Cinic Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Third Vendor”	Centraland Investment Limited, a company incorporated in Hong Kong and the ultimate beneficial owners of which are Independent Third Parties

LETTER FROM THE BOARD

NATIONAL ELECTRONICS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 213)

Executive Directors

Mr. Lee Yuen Ching, Jimmy (*Chairman*)
Mr. Lee Yuen Kui, James (*Managing Director*)
Mr. Lee Bon Chi, Loewe
Mr. Lee Yuen Cheor, Edward
Mr. Wai Kwong Yuen, Ricky

Non-executive Director

Miss Lee Yuen Yu, Dorathy

Independent Non-executive Directors

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

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head Office and Principal

Place of Business:

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

7 November 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND MAJOR TRANSACTIONS ACQUISITION OF PROPERTIES

INTRODUCTION

On 9 May 2007, the First Purchaser, a wholly-owned subsidiary of the Company, entered into the First Agreement with the First Vendor to acquire the First Property at a consideration of HK\$88,000,000. The First Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

On 11 September 2007, the Second Purchaser, a wholly-owned subsidiary of the Company, entered into the Second Agreement with the Second Vendor to acquire the Second Property at a consideration of HK\$28,800,000.

On 10 September 2007, the Third Purchaser, a wholly-owned subsidiary of the Company, entered into the Third Agreement with the Third Vendor to acquire the Third Property at a consideration of HK\$80,000,000.

On 10 September 2007, the Fourth Purchaser, a wholly-owned subsidiary of the Company, entered into the Fourth Agreement with the Fourth Vendor to acquire the Fourth Property at a consideration of HK\$80,000,000.

LETTER FROM THE BOARD

The First Vendor, the Second Vendor, the Third Vendor and the Fourth Vendor are independent from each other. The Third Agreement and the Fourth Agreement are inter-conditional to each other.

The First Acquisition and the Second Acquisition when aggregated constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Third Acquisition and the Fourth Acquisition when aggregated constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are conditional on approval by the Shareholders. The Company has obtained a written approval for the Third Acquisition and the Fourth Acquisition from a closely allied group of Shareholders who together hold approximately 53.54% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, no general meeting for the Shareholders' approval of the Third Acquisition and Fourth Acquisition will be held. The purpose of this circular is to provide you with further information on the Acquisitions.

FIRST AGREEMENT DATED 9 MAY 2007

Parties

First Vendor: Eternal Supreme Limited, it and its ultimate beneficial owners are Independent Third Parties

First Purchaser: Asiatic Limited

Information of the First Property

The First Property is located at No. 101 & 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong. The First Property has been delivered to the First Purchaser upon completion of the First Agreement. The First Property is a commercial development site with a site area of about 2,063 square feet which is a vacant land and currently not in use.

Consideration and payment terms for the First Acquisition

The consideration for the First Acquisition of HK\$88,000,000 has been determined after arm's length negotiations between the parties by reference to the market value of the First Property of HK\$95,000,000 as at 9 May 2007, provided by an independent valuer, DTZ. The Group has financed the consideration of the First Acquisition by a combination of internal resources of the Group of HK\$44,000,000 and bank financing of HK\$44,000,000.

The consideration for the First Acquisition has been paid to the First Vendor in cash in the following manner:

- (a) an initial deposit in the sum of HK\$4,400,000 has been paid by the First Purchaser upon signing of the First Agreement;
- (b) a further deposit of HK\$4,400,000 has been paid by the First Purchaser on 22 May 2007; and;

LETTER FROM THE BOARD

- (c) the remaining balance of HK\$79,200,000 has been paid by the First Purchaser upon completion on 10 July 2007.

Completion for the First Acquisition

Completion of the sale and purchase of the First Property has been taken place on 10 July 2007 and the First Vendor has delivered vacant possession of the First Property to the First Purchaser.

SECOND AGREEMENT DATED 11 SEPTEMBER 2007

Parties

Second Vendor: Tam Woon Ying, the Second Vendor and the associates of whom are Independent Third Parties

Second Purchaser: Lens Limited

Information of the Second Property

The Second Property is located at No. 99 Bonham Strand, Hong Kong. The Second Property will be delivered to the Second Purchaser upon completion of the Second Agreement. The Second Property is a residential property with a gross floor area of about 2,100 square feet which is currently self-used by the Second Vendor.

Consideration and payment terms for the Second Acquisition

The consideration for the Second Acquisition of HK\$28,800,000 has been determined after arm's length negotiations between the parties by reference to the market value of the Second Property of HK\$30,000,000 as at 7 September 2007, provided by an independent valuer, DTZ. Subject to obtaining the relevant banking facilities, the Group currently intends to finance the consideration of the Second Acquisition by a combination of internal resources of the Group and bank financing in a ratio to be determined by the Company.

The consideration for the Second Acquisition shall be payable to the Second Vendor in cash in the following manner:

- (a) an initial deposit in the sum of HK\$1,400,000 has been paid by the Second Purchaser upon signing of the Second Agreement;
- (b) a further deposit of HK\$1,480,000 has been paid by the Second Purchaser on 21 September 2007; and
- (c) the remaining balance of HK\$25,920,000 shall be paid by the Second Purchaser upon completion on or before 12 December 2007.

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Completion for the Second Acquisition

Completion of the sale and purchase of the Second Property shall take place on or before 12 December 2007. Upon completion, the Second Vendor shall deliver vacant possession of the Second Property to the Second Purchaser.

THIRD AGREEMENT DATED 10 SEPTEMBER 2007

Parties

Third Vendor: Centraland Investment Limited, it and its ultimate beneficial owners are Independent Third Parties

Third Purchaser: Cinic Limited

Information of the Third Property

The Third Property is located at Ground, 1st, 2nd and 3rd Floors and The Roof, No. 459 Lockhart Road, Causeway Bay, Hong Kong. The Third Property will be delivered to the Third Purchaser upon completion of the Third Agreement. The Third Property is a commercial property which consists of three floors with a gross floor area of about 4,700 square feet which is currently subject to tenancy. The term of the tenancy agreement of the Third Property is three years from 1 September 2007 to 31 August 2010 and the monthly rental is HK\$209,000 from 1 September 2007 to 31 August 2009 and HK\$218,000 from 1 September 2009 to 31 August 2010. The Company currently does not intend to terminate the tenancy agreements which will remain unchanged after the completion of the acquisition. The existing tenant is an Independent Third Party.

Consideration and payment terms for the Third Acquisition

The consideration for the Third Acquisition of HK\$80,000,000 has been determined after arm's length negotiations between the parties by reference to the market value of the Third Property of HK\$85,000,000 as at 7 September 2007, provided by an independent valuer, DTZ. Subject to obtaining the relevant banking facilities, the Group currently intends to finance the consideration of the Third Acquisition by a combination of internal resources of the Group and bank financing in a ratio to be determined by the Company. If the Group fails to obtain the relevant banking facilities, the Group will finance the Third Acquisition by its internal resources.

The consideration for the Third Acquisition shall be payable to the Third Vendor in cash in the following manner:

- (a) an initial deposit in the sum of HK\$4,000,000 has been paid by the Third Purchaser upon signing of the Third Agreement;
- (b) a further deposit of HK\$4,000,000 has been paid by the Third Purchaser on 28 September 2007; and

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- (c) the remaining balance of HK\$72,000,000 shall be paid by the Third Purchaser upon completion on or before 7 January 2008.

Completion for the Third Acquisition

Completion of the sale and purchase of the Third Property shall take place on or before 7 January 2008.

FOURTH AGREEMENT DATED 10 SEPTEMBER 2007

Parties

Fourth Vendor: Wai Young De Wong, the Fourth Vendor and the associates of whom are Independent Third Parties

Fourth Purchaser: Cinic Limited

Information of the Fourth Property

The Fourth Property is located at No. 461 Lockhart Road, Hong Kong. The Fourth Property will be delivered to the Fourth Purchaser upon completion of the Fourth Agreement. The Fourth Property is a commercial property which consists of three floors with a gross floor area of about 4,700 square feet which is currently subject to two tenancy agreements and two licence agreements. The term of one tenancy agreement of the Fourth Property is two years from 18 October 2005 to 17 October 2008 and the monthly rental is HK\$95,000. The term of the other tenancy agreement of the Fourth Property is one year from 15 May 2007 to 14 May 2008 and the monthly rental is HK\$13,500. The terms of the licence agreements of the Fourth Property are on monthly basis and the existing licence fees are HK\$2,000 per month. One is for licensing the roof of the Fourth Property and the other is for granting the right to install a neon-light signage for advertising. The Company currently does not intend to terminate the tenancy and licence agreements which will remain unchanged after the completion of the acquisition. The existing tenants and licencees are Independent Third Parties.

Consideration and payment terms for the Fourth Acquisition

The consideration for the Fourth Acquisition of HK\$80,000,000 has been determined after arm's length negotiations between the parties by reference to the market value of the Fourth Property of HK\$85,000,000 as at 7 September 2007, provided by an independent valuer, DTZ. Subject to obtaining the relevant banking facilities, the Group currently intends to finance the consideration of the Fourth Acquisition by a combination of internal resources of the Group and bank financing in a ratio to be determined by the Company. If the Group fails to obtain the relevant banking facilities, the Group will finance the Fourth Acquisition by its internal resources.

The consideration for the Fourth Acquisition shall be payable to the Fourth Vendor in cash in the following manner:

- (a) an initial deposit in the sum of HK\$4,000,000 has been paid by the Fourth Purchaser upon signing of the Fourth Agreement;

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- (b) a further deposit of HK\$4,000,000 has been paid by the Fourth Purchaser on 28 September 2007; and
- (c) the remaining balance of HK\$72,000,000 shall be paid by the Fourth Purchaser upon completion on or before 7 January 2008.

Completion for the Fourth Acquisition

Completion of the sale and purchase of the Fourth Property shall take place on or before 7 January 2008.

REASON FOR THE ACQUISITIONS

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development and investment. The Acquisitions allow the Group to enlarge its properties portfolio with high quality assets. The Company intends to demolish the Second Property and re-develops the First Property and the Second Property into a hotel subject to the approval of the relevant authority while the Third Property and the Fourth Property will continue to be used as investment properties for rental purpose. The re-development plan of the First Property and the Second Property is still at a preliminary stage and no detail plan has been formulated. The Directors consider that the Acquisitions are in the interest of the Company and the terms of the Agreements are fair and reasonable as far as the Shareholders are concerned.

FINANCIAL EFFECT OF THE ACQUISITIONS

There will not be any impact on the net assets of the Group following the Acquisitions. Subject to obtaining the relevant banking facilities, the total assets of the Group is expected to increase by approximately HK\$64,160,000 (being the total consideration of the Acquisitions of HK\$276,800,000 less the bank balances of HK\$212,640,000 assumed to be used to settle such consideration) which will be offset by an increase in bank loan of the same amount following the Acquisitions. The Properties currently generate a total rental income of approximately HK\$3,858,000 per year. The Directors consider that the Acquisitions will have a positive effect on the Group's earnings by providing a steady income source.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As stated in the Company's annual report for the year ended 31 March 2007, the Group's turnover for the year ended 31 March 2007 was HK\$1,066,224,323 which was increased by 1.98% comparing to last year while the Group's net profit for the year ended 31 March 2007 was HK\$113,266,470 which was increased by 88.45% comparing to last year. The substantial increase in the Group's net profit was mainly due to the disposal of the Group's 80% interest in its subsidiary, which held the site at 202-206 Queen's Road Central, Hong Kong and two commercial units in Lippo Centre, Queensway, Hong Kong.

LETTER FROM THE BOARD

The Group intends to continue its strategy of expanding its land bank for development as well as investment properties at desirable location in Hong Kong.

GENERAL

As the relevant percentages under the size tests (as defined in the Listing Rules) with respect to the First Acquisition and the Second Acquisition exceed 5% but not exceed 25%, the First Acquisition and the Second Acquisition when aggregated constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As the relevant percentages under the size tests (as defined in the Listing Rules) with respect to the Third Acquisition and the Fourth Acquisition exceed 25% but not exceed 100%, the Third Acquisition and the Fourth Acquisition when aggregated constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval for the Third Acquisition and the Fourth Acquisition may be obtained by written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Third Acquisition and the Fourth Acquisition; and (b) written Shareholders' approval has been obtained from a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Third Acquisition and the Fourth Acquisition. So far as the Directors are aware after making reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Third Acquisition and the Fourth Acquisition. The Company has obtained a written approval dated 10 September 2007 for the Third Acquisition and the Fourth Acquisition from the following closely allied group of Shareholders who together hold approximately 53.54% of the issued share capital of the Company as at the Latest Practicable Date:

- (1) Brentford Investments Limited, holding 252,102,979 Shares (representing approximately 24.88% of the issued share capital of the Company), which is wholly owned by a discretionary trust of which each of Messrs James Lee Yuen Kui and Edward Lee Yuen Cheor, the executive directors of the Company, and Mr. Peter Lee Yuen Wong, their brother, are named beneficiaries. Mr. Jimmy Lee Yuen Ching is the cousin of Messrs James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor and Mr. Loewe Lee Bon Chi is the son of Mr. Jimmy Lee Yuen Ching and the nephew of Messrs James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor;
- (2) Fenmore Investments Limited, holding 253,106,873 Shares (representing approximately 24.98% of the issued share capital of the Company), which is wholly owned by a discretionary trust of which Mr. Jimmy Lee Yuen Ching, an executive director of the Company, and his family members including Mr. Loewe Lee Bon Chi, an executive director of the Company are named beneficiaries. Mr. Jimmy Lee Yuen Ching is the cousin of Messrs James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor and Mr. Loewe Lee Bon Chi is the son of Mr. Jimmy Lee Yuen Ching and the nephew of Messrs James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor; and

LETTER FROM THE BOARD

- (3) Bursa Investment Limited, holding 32,646,150 Shares (representing approximately 3.22% of the issued share capital of the Company), and Valera Investment Limited, holding 4,621,617 Shares (representing approximately 0.46% of the issued share capital of the Company), which are wholly owned by Mr. Ricky Wai Kwong Yuen, an executive director of the Company.

The above closely allied group of Shareholders has been voting in the same way in all resolutions since they were Shareholders. They have been Shareholders for over 6 years. The most recent major transaction that was approved by these Shareholders by way of written resolution is the acquisition of a property announced by the Company on 26 April 2007.

Accordingly, no general meeting for the Shareholders' approval of the Third Acquisition and the Fourth Acquisition will be held.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

By Order of the Board
National Electronics Holdings Limited
Lee Yuen Ching Jimmy
Chairman

1. INDEBTEDNESS

At the close of business on 31 August 2007, being the latest practicable date prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$1,508 million (of which HK\$1,249 million was secured by fixed charges on the Group's properties with a net book value of approximately HK\$1,751 million as at 31 August 2007) representing short and long term loans and trust receipt loans. In addition, the Group had outstanding at that date obligations under hire purchase contracts and finance leases of approximately HK\$7.1 million which are secured by the Group's motor vehicles with a net book value of approximately HK\$4.8 million as at 31 August 2007 and machineries with a net book value of approximately HK\$2.7 million as at 31 August 2007 and contingent liabilities in respect of guarantees given to third parties of approximately HK\$0.2 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 August 2007 any loan capital issued and outstanding or agreed to be issued, bank overdrafts loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internally generated funds, banking facilities currently available to the Group assuming that the existing banking facilities of the Group will not be withdrawn as well as the additional banking facilities which are currently under negotiations and are expected to be secured, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. SUMMARY OF FINANCIAL INFORMATION

(a) The following summary of financial information is extracted from the 2007 annual report of the Company:

Results

	Year ended 31st March,				
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(restated)</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Revenue	1,066,224	1,045,506	1,026,973	934,119	693,296
Cost of sales	<u>(949,730)</u>	<u>(950,112)</u>	<u>(919,974)</u>	<u>(846,059)</u>	<u>(619,833)</u>
Gross profit	116,494	95,394	106,999	88,060	73,463
Other income	10,165	3,134	2,844	13,620	23,531
Increase in fair value/revaluation increase (decrease) in investment properties	35,508	16,000	27,412	22,500	(22,000)
Distribution costs	(8,049)	(8,446)	(8,562)	(15,373)	(14,081)
Administrative expenses	(92,820)	(67,073)	(63,231)	(61,316)	(60,005)
Other expenses	(20,583)	—	—	—	—
Finance costs	(22,880)	(14,987)	(6,075)	(5,830)	(6,939)
Gain on disposal of subsidiaries	89,298	37,913	—	—	—
Loss on dissolution of an associates	(5)	—	—	—	—
Share of results of associates	13,428	(8)	1,316	—	—
Share of results of jointly controlled entities	<u>—</u>	<u>(2)</u>	<u>(71)</u>	<u>10,100</u>	<u>8,728</u>
Profit before taxation	120,556	61,925	60,632	51,761	2,697
Income tax expenses	<u>(7,289)</u>	<u>(1,820)</u>	<u>(2,959)</u>	<u>(568)</u>	<u>56</u>
Net profit for the year	<u>113,267</u>	<u>60,105</u>	<u>57,673</u>	<u>51,193</u>	<u>2,753</u>
Earnings per share	<u>10.7 HK cents</u>	<u>5.5 HK cents</u>	<u>5.2 HK cents</u>	<u>4.5 HK cents</u>	<u>0.2 HK cent</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Assets and liabilities**

	At 31st March,				
	2007	2006	2005	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	1,925,826	1,566,661	1,178,983	908,894	775,197
Total liabilities	<u>1,420,210</u>	<u>1,140,923</u>	<u>806,463</u>	<u>576,265</u>	<u>483,425</u>
Total net assets	<u>505,616</u>	<u>425,738</u>	<u>372,520</u>	<u>332,629</u>	<u>291,772</u>

Note:

The above financial summary prior to 2005 has not been adjusted to take into account the effect on the adoption of certain HKFRSs that are effective for accounting periods beginning on or after 1st April, 2005 and 1st April, 2006.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

(b) The following summary of financial information is extracted from the 2006 and 2007 annual reports of the Company:

Consolidated Balance Sheet

	At 31st March,		
	2007	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Investment properties	345,000,000	166,000,000	150,000,000
Property, plant and equipment	72,073,736	68,951,429	55,262,594
Prepaid lease payments	42,457,834	42,411,871	43,036,497
Deposits held in trust for property under development for sale	—	69,658,709	33,978,471
Deposit paid for acquisition of a property	18,000,000	—	—
Interests in associates	13,427,803	31,564	1,316,543
Interests in jointly controlled entities	—	—	440,024
Available-for-sale investments	17,820,000	13,615,000	—
Other non-current assets	—	—	18,261,881
	<u>508,779,373</u>	<u>360,668,573</u>	<u>302,296,010</u>
Current assets			
Inventories	155,891,724	185,317,344	158,691,465
Prepaid lease payments	639,204	624,626	624,626
Investment held for trading	3,936,786	3,827,671	—
Investments in securities	—	—	8,018,823
Inventory of unsold properties	100,739,388	126,282,153	119,418,851
Properties under development for sale	830,940,024	635,083,626	450,962,653
Deposits held in trust for property under development for sale	5,703,533	—	—
Bills receivables	11,000,000	10,422,991	6,000,000
Trade receivables, deposits and prepayments	100,816,895	123,364,878	103,990,425
Amounts due from associates	17,464,354	1,144,399	—
Amount due from a jointly controlled entity	—	—	50
Tax recoverable	1,272,990	767,333	39,249
Bank balances and cash	188,641,735	119,157,381	28,940,736
	<u>1,417,046,633</u>	<u>1,205,992,402</u>	<u>876,686,878</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	At 31st March,		
	2007 HK\$	2006 HK\$	2005 HK\$
Current liabilities			
Trade payables and accrued expenses	164,309,200	147,900,811	94,205,582
Bills payables	88,401,894	75,904,757	63,788,574
Amount due to an associate	—	16,987	1,576,898
Amount due to a related party	2,216,099	7,556,135	—
Taxation payable	780	470	2,073,593
Derivative financial instruments	840,864	1,320,498	—
Obligations under finance leases	2,548,094	2,882,947	2,115,047
Deposits received from sale of properties under development	162,636,657	—	—
Bank loans	660,303,841	217,020,225	187,324,534
Bank overdrafts	—	262,792	—
	<u>1,081,257,429</u>	<u>452,865,622</u>	<u>351,084,228</u>
Net current assets	<u>335,789,204</u>	<u>753,126,780</u>	<u>525,602,650</u>
Total assets less current liabilities	<u>844,568,577</u>	<u>1,113,795,353</u>	<u>827,898,660</u>
Capital and reserves			
Share capital	103,351,393	107,590,393	109,790,393
Reserves	<u>402,264,366</u>	<u>318,147,906</u>	<u>262,729,691</u>
	<u>505,615,759</u>	<u>425,738,299</u>	<u>372,520,084</u>
Non-current liabilities			
Provision for long service payments	3,779,297	4,361,984	4,132,056
Obligations under finance leases	3,040,796	4,790,361	2,123,257
Bank loans	325,655,517	546,380,630	382,646,741
Deposits received from sale of properties under development	—	131,130,989	65,439,234
Deferred tax liabilities	<u>6,477,208</u>	<u>1,393,090</u>	<u>1,037,288</u>
	<u>338,952,818</u>	<u>688,057,054</u>	<u>455,378,576</u>
	<u>844,568,577</u>	<u>1,113,795,353</u>	<u>827,898,660</u>

5. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2007

The following audited financial statements of the Group are extracted from the 2007 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	NOTES	2007 HK\$	2006 HK\$
Revenue	6	1,066,224,323	1,045,505,970
Cost of sales		<u>(949,730,533)</u>	<u>(950,112,380)</u>
Gross profit		116,493,790	95,393,590
Other income	7	10,165,112	3,134,439
Increase in fair value of investment properties		35,508,189	16,000,000
Distribution costs		(8,049,545)	(8,446,224)
Administrative expenses		(92,819,771)	(67,072,947)
Other expenses	9	(20,583,279)	—
Finance costs	8	(22,879,746)	(14,986,831)
Gain on disposal of subsidiaries	32	89,298,098	37,912,580
Loss on dissolution of an associate		(5,364)	—
Share of results of associates		13,427,803	(8,179)
Share of results of jointly controlled entities		<u>—</u>	<u>(1,410)</u>
Profit before taxation	9	120,555,287	61,925,018
Income tax expenses	11	<u>(7,288,817)</u>	<u>(1,820,256)</u>
Profit for the year		<u>113,266,470</u>	<u>60,104,762</u>
Dividend:	12		
2006 final dividend paid of 1.5 HK cents (2005: 0.5 HK cent) per ordinary share		<u>21,200,734</u>	<u>5,427,937</u>
Earnings per share — Basic	13	<u>10.7 HK cents</u>	<u>5.5 HK cents</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
CONSOLIDATED BALANCE SHEET
At 31st March, 2007

	<i>NOTES</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Non-current assets			
Investment properties	14	345,000,000	166,000,000
Property, plant and equipment	15	72,073,736	68,951,429
Prepaid lease payments	16	42,457,834	42,411,871
Deposits held in trust for property under development for sale		—	69,658,709
Deposit paid for acquisition of a property		18,000,000	—
Interests in associates	17	13,427,803	31,564
Available-for-sale investments	18	<u>17,820,000</u>	<u>13,615,000</u>
		<u>508,779,373</u>	<u>360,668,573</u>
Current assets			
Inventories	19	155,891,724	185,317,344
Prepaid lease payments	16	639,204	624,626
Investment held for trading	20	3,936,786	3,827,671
Inventory of unsold properties		100,739,388	126,282,153
Properties under development for sale	21	830,940,024	635,083,626
Deposits held in trust for property under development for sale		5,703,533	—
Bills receivables	22	11,000,000	10,422,991
Trade receivables, deposits and prepayments	22	100,816,895	123,364,878
Amounts due from associates	17	17,464,354	1,144,399
Tax recoverable		1,272,990	767,333
Bank balances and cash	23	<u>188,641,735</u>	<u>119,157,381</u>
		<u>1,417,046,633</u>	<u>1,205,992,402</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2007	2006
	<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
Current liabilities			
Trade payables and accrued expenses	24	164,309,200	147,900,811
Bills payables	24	88,401,894	75,904,757
Amount due to an associate	17	—	16,987
Amount due to a related party	25	2,216,099	7,556,135
Taxation payable		780	470
Derivative financial instruments	26	840,864	1,320,498
Obligations under finance leases	27	2,548,094	2,882,947
Deposits received from sale of properties under development		162,636,657	—
Bank loans	28	660,303,841	217,020,225
Bank overdrafts	28	—	262,792
		<u>1,081,257,429</u>	<u>452,865,622</u>
Net current assets		<u>335,789,204</u>	<u>753,126,780</u>
Total assets less current liabilities		<u>844,568,577</u>	<u>1,113,795,353</u>
Capital and reserves			
Share capital	29	103,351,393	107,590,393
Reserves		<u>402,264,366</u>	<u>318,147,906</u>
		<u>505,615,759</u>	<u>425,738,299</u>
Non-current liabilities			
Provision for long service payments	30	3,779,297	4,361,984
Obligations under finance leases	27	3,040,796	4,790,361
Bank loans	28	325,655,517	546,380,630
Deposits received from sale of properties under development		—	131,130,989
Deferred tax liabilities	31	<u>6,477,208</u>	<u>1,393,090</u>
		<u>338,952,818</u>	<u>688,057,054</u>
		<u>844,568,577</u>	<u>1,113,795,353</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March, 2007

	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	Contributed surplus	Capital redemption reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st April, 2005	109,790,393	22,785,730	(2,229,446)	2,947,500	66,141,751	19,530,440	157,146,662	376,113,030
Exchange difference not recognised in the consolidated income statement	—	—	(1,866,409)	—	—	—	—	(1,866,409)
Gain on fair value changes of available-for-sale investments	—	—	—	2,080,000	—	—	—	2,080,000
Net income (expense) recognised directly in equity	—	—	(1,866,409)	2,080,000	—	—	—	213,591
Profit for the year	—	—	—	—	—	—	60,104,762	60,104,762
Total recognised income and expense for the year	—	—	(1,866,409)	2,080,000	—	—	60,104,762	60,318,353
Dividend paid	—	—	—	—	—	—	(5,427,937)	(5,427,937)
Repurchase of own shares	(2,200,000)	—	—	—	—	2,200,000	(5,265,147)	(5,265,147)
At 31st March, 2006	<u>107,590,393</u>	<u>22,785,730</u>	<u>(4,095,855)</u>	<u>5,027,500</u>	<u>66,141,751</u>	<u>21,730,440</u>	<u>206,558,340</u>	<u>425,738,299</u>
Exchange difference not recognised in the consolidated income statement	—	—	157,809	—	—	—	—	157,809
Gain on fair value changes of available-for-sale investments	—	—	—	1,650,000	—	—	—	1,650,000
Net income recognised directly in equity	—	—	157,809	1,650,000	—	—	—	1,807,809
Profit for the year	—	—	—	—	—	—	113,266,470	113,266,470
Total recognised income for the year	—	—	157,809	1,650,000	—	—	113,266,470	115,074,279
Dividend paid	—	—	—	—	—	—	(21,200,734)	(21,200,734)
Repurchase of own shares	(4,239,000)	—	—	—	—	4,239,000	(13,996,085)	(13,996,085)
At 31st March, 2007	<u>103,351,393</u>	<u>22,785,730</u>	<u>(3,938,046)</u>	<u>6,677,500</u>	<u>66,141,751</u>	<u>25,969,440</u>	<u>284,627,991</u>	<u>505,615,759</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

	2007 HK\$	2006 HK\$
OPERATING ACTIVITIES		
Profit before taxation	120,555,287	61,925,018
Adjustments for:		
Finance costs	22,879,746	14,986,831
Share of results of associates	(13,427,803)	8,179
Share of results of jointly controlled entities	—	1,410
Allowance for doubtful debts	—	2,214,382
Allowance for inventories	16,620,837	6,255,594
Provision for long service payments	497,457	542,426
Amortisation of prepaid lease payments	635,039	624,626
Depreciation	16,608,037	13,723,392
Interest income	(5,408,453)	(643,523)
Dividend income from unlisted investment	(271,544)	—
Reversal of impairment loss recognised in respect of other non-current assets	—	(561,605)
Reversal of allowance for amount due from associates	(7,529,220)	—
Increase in fair value of investment properties	(35,508,189)	(16,000,000)
Gain on disposal of property, plant and equipment	(267,372)	(170,211)
Loss on disposal of available-for-sale investments	—	4,453
Discount on acquisition of subsidiaries	—	(681,524)
Gain on disposal of subsidiaries	(89,298,098)	(37,912,580)
Loss on dissolution of an associate	5,364	—
Loss (gain) on fair value changes of investment held for trading	288,987	(169,289)
Loss on fair value changes of derivative financial instruments	840,864	1,320,498
Loss on derecognition of derivative financial instruments	—	645,446

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Operating cash flows before movements in working capital	27,220,939	46,113,523
Decrease (increase) in inventories	12,804,783	(32,881,473)
Decrease (increase) in inventory of unsold properties	25,785,959	(6,193,697)
Increase in properties under development for sale	(234,374,245)	(225,136,452)
Increase in bills receivables	(577,009)	(4,422,991)
Decrease (increase) in trade receivables, deposits and prepayments	21,802,220	(48,647,240)
Increase in trade payables and accrued expenses	16,493,312	56,183,650
Decrease in derivative financial instruments	(1,320,498)	(3,387,250)
Increase in bills payables	12,497,137	12,116,183
Decrease (increase) in deposits held in trust for sale of property under development	64,931,007	(34,331,050)
Decrease in amount due from a jointly controlled entity	—	50
Utilisation of provision for long service payments	(1,080,144)	(312,498)
Increase in deposit received from sale of properties under development	<u>29,668,687</u>	<u>63,093,350</u>
Cash used in operations	(26,147,852)	(177,805,895)
Hong Kong Profits Tax paid	(2,655,463)	(4,196,595)
Overseas tax paid	<u>(54,583)</u>	<u>(51,950)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(28,857,898)</u>	<u>(182,054,440)</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>NOTES</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
INVESTING ACTIVITIES			
Additions to investment properties		(143,491,811)	—
Deposit paid for acquisition of a property		(18,000,000)	—
Purchase of property, plant and equipment		(19,001,147)	(11,254,811)
Advance to associates		(8,790,735)	(8,673,619)
Additions to available-for-sale investments		(2,550,000)	—
Repayment from an associate		82,683,967	69,747,543
Net cash inflow arising from disposal of subsidiaries	32	30,605,119	7,800,332
Proceeds from disposal of available-for-sale investments		—	4,085,107
Net cash inflow arising on acquisition of subsidiaries	33	—	1,316,424
Dividend received from an associate		26,200	1,280,000
Dividend received from unlisted investment		271,544	—
Proceeds from disposal of property, plant and equipment		419,000	1,259,152
Interest received		<u>5,408,453</u>	<u>643,523</u>
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		<u>(72,419,410)</u>	<u>66,203,651</u>
FINANCING ACTIVITIES			
(Repayment to) advance from a related party		(5,340,036)	7,556,135
New bank loans raised		319,582,421	316,682,177
Interest paid		(49,929,520)	(26,532,145)
Dividend paid		(21,200,734)	(5,427,937)
Repayment of bank loans		(55,350,584)	(75,915,024)
Repayment of obligations under finance leases		(2,822,418)	(3,721,954)
Repurchase of own shares		(13,996,085)	(5,265,147)
Repayment to an associate		<u>(16,987)</u>	<u>(1,559,911)</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES		<u>170,926,057</u>	<u>205,816,194</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		69,648,749	89,965,405
CASH AND CASH EQUIVALENTS AT 1ST APRIL		118,894,589	28,940,736
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>98,397</u>	<u>(11,552)</u>
CASH AND CASH EQUIVALENTS AT 31ST MARCH		<u>188,641,735</u>	<u>118,894,589</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		188,641,735	119,157,381
Bank overdrafts		<u>—</u>	<u>(262,792)</u>
		<u>188,641,735</u>	<u>118,894,589</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st March, 2007

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information to the annual report.

The principal activities of the Company and its subsidiaries (the “Group”) are the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development and property investment.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs had no material effect on how the Group’s results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ²
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions ⁶
HK(IFRIC)-Int 12	Service Concession Arrangements ⁷

1 Effective for annual periods beginning on or after 1st January, 2007

2 Effective for annual periods beginning on or after 1st January, 2009

3 Effective for annual periods beginning on or after 1st May, 2006

4 Effective for annual periods beginning on or after 1st June, 2006

5 Effective for annual periods beginning on or after 1st November, 2006

6 Effective for annual periods beginning on or after 1st March, 2007

7 Effective for annual periods beginning on or after 1st January, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities, and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of subsidiaries represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an investment in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents the amounts received and receivable for goods sold and services provided net of discounts during the year.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue arising from the sale of completed properties are recognised upon the execution of the sale and purchase agreement.

When a development property is sold in advance of completion, revenue is only recognised upon completion of development. Deposits and installments received from purchasers prior to this stage are included in liabilities.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Management fee income is recognised when services are rendered.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gain or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less accumulated impairment losses. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the terms of the relevant lease, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and buildings

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments under operating leases, which are carried at cost and released to income statement over the lease term on a straight-line basis.

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development for sale includes land cost, construction cost, borrowing costs capitalised and other direct development expenditure.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument consolidated. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into one of the following categories, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The Group's financial assets comprise of investment held for trading, available-for-sale financial assets and loans and receivables. The accounting policies adopted in respect of the Group's financial assets are set out below.

Investment held for trading

At each balance sheet date subsequent to initial recognition, investment held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables (including bills receivables, trade receivables, amounts due from associates and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

The Group's financial liabilities mainly include trade payables, bills payables, bank borrowings and overdrafts, amount due to an associate and amount due to a related party. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group's derivative financial instrument does not qualify for hedge accounting. Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair value of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Unsold completed properties are stated at the lower of cost and net realisable value.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in the profit or loss immediately.

Foreign currencies

The individual financial statements of group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and

deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

The contributions payable to the retirement benefits schemes are charged as an expense when employees have rendered service entitling them to the contributions.

For provision for long service payments, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations carried out at each balance sheet date. Actuarial gains and losses are recognised by amortising the amount by which cumulative unrecognised gains and losses exceed 10% of the defined benefit obligation over the average future working life of the participating employees. The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described in note 3, management has made the following estimations that have effect on the amounts recognised in the consolidated financial statements.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of giving a rise to a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance of doubtful debts

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st March, 2007, the carrying amount of trade receivables is approximately HK\$67,367,000.

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, investment held for trading, bills receivables, trade receivables, amounts due from associates, bank balances, trade payables, bills payables, bank borrowings and amount due to a related party. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparts' failure to perform their obligations as at 31st March, 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, management considers that the Group's credit risk is significantly reduced.

The credit risk on the Group's bank balances and cash is limited because the majority of the counterparties are banks or corporations with high credit standing.

The Group's concentration of credit risk is on a major customer whose base is in North America mentioned in note 22 to the consolidated financial statements and the exposure of the remaining receivables spread over a number of counterparties and customers.

Market risk*(i) Foreign exchange risk*

The Group has foreign currency sales and purchases and certain trade receivables, trade payables and bank loans of the Group are denominated in foreign currencies which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contracts are entered into in accordance with the Group's risk management policies.

(ii) Fair value interest rate risk

The Group's fair value interest rate risk relates to fixed-rate short term bank fixed deposits and fixed-rate debt securities. The Group will take action to hedge against any foreseeable interest rate exposure, if necessary.

(iii) Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk through the changes in interest rates relates mainly to the Group's variable-rates bank borrowings and bank deposits and balances. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in interest rates.

(iv) Price risk

The Group's available-for-sale investments and investment held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to price risk. The management will monitor the risks of the price movements and take appropriate actions when it is required.

b. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their corresponding fair values.

6. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four divisions - manufacture of watches, trading of watch movements, property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Manufacture of watches	—	manufacture, assembly and sale of electronic watches and watch parts.
Trading of watch movements	—	trading of watch movements and watch parts.
Property development	—	development and sale of properties.
Property investment	—	holding of properties for investment and leasing purposes.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

Segment information about these businesses is presented below.

2007

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Eliminations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
REVENUE						
External sales	365,665,479	653,115,394	430,438	47,013,012	—	1,066,224,323
Inter-segment sales	<u>—</u>	<u>4,386,619</u>	<u>—</u>	<u>—</u>	<u>(4,386,619)</u>	<u>—</u>
Total revenue	<u>365,665,479</u>	<u>657,502,013</u>	<u>430,438</u>	<u>47,013,012</u>	<u>(4,386,619)</u>	<u>1,066,224,323</u>
Inter-segment sales are charged at cost.						
RESULT						
Segment result	<u>(8,378,871)</u>	<u>14,342,749</u>	<u>(2,565,102)</u>	<u>51,778,974</u>	<u>—</u>	55,177,750
Interest income						5,408,453
Unallocated other income						4,872,405
Unallocated corporate expenses						(4,166,197)
Other expenses						(20,583,279)
Finance costs						(22,879,746)
Gain on disposal of subsidiaries	—	—	89,298,098	—	—	89,298,098
Share of result of associates	—	—	—	13,427,803	—	<u>13,427,803</u>
Profit before taxation						120,555,287
Income tax expenses						<u>(7,288,817)</u>
Profit for the year						<u>113,266,470</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****BALANCE SHEET**

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Eliminations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS						
Segment assets	171,199,739	126,119,023	863,374,120	450,668,471	—	1,611,361,353
Interests in associates						13,427,803
Amount due from associates						17,464,354
Unallocated corporate assets						<u>283,572,496</u>
Consolidated total assets						<u><u>1,925,826,006</u></u>
LIABILITIES						
Segment liabilities	61,622,017	90,428,197	252,004,290	6,330,853	—	410,385,357
Amount due to a related party						2,216,099
Unallocated corporate liabilities						<u>1,007,608,791</u>
Consolidated total liabilities						<u><u>1,420,210,247</u></u>

OTHER INFORMATION

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Unallocated	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Capital additions	13,418,036	4,986,700	634,472	699,939	—	19,739,147
Depreciation of property, plant and equipment	10,427,149	4,166,117	476,090	1,650,292	21,027	16,740,675
Amortisation of prepaid lease payments	323,638	—	—	311,401	—	635,039
Increase in fair value in investment properties	—	—	—	35,508,190	—	35,508,190
Gain on disposal of property, plant and equipment	<u>—</u>	<u>137,372</u>	<u>130,000</u>	<u>—</u>	<u>—</u>	<u>267,372</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
2006

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Eliminations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
REVENUE						
External sales	439,745,203	600,890,070	424,492	4,446,205	—	1,045,505,970
Inter-segment sales	—	11,462,014	—	—	(11,462,014)	—
Total revenue	<u>439,745,203</u>	<u>612,352,084</u>	<u>424,492</u>	<u>4,446,205</u>	<u>(11,462,014)</u>	<u>1,045,505,970</u>
Inter-segment sales are charged at cost.						
RESULT						
Segment result	<u>22,689,415</u>	<u>991,303</u>	<u>(6,123,179)</u>	<u>20,196,720</u>	<u>—</u>	37,754,259
Interest income						643,523
Unallocated other income						6,915,750
Unallocated corporate expenses						(6,304,674)
Finance costs						(14,986,831)
Gain on disposal of subsidiaries	—	—	37,912,580	—	—	37,912,580
Share of results of associates	—	—	(3,200)	(4,979)	—	(8,179)
Share of results of jointly controlled entities	—	—	(1,410)	—	—	<u>(1,410)</u>
Profit before taxation						61,925,018
Income tax expenses						<u>(1,820,256)</u>
Profit for the year						<u>60,104,762</u>

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
BALANCE SHEET

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Eliminations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS						
Segment assets	234,327,016	126,378,321	723,339,159	297,953,002	—	1,381,997,498
Interest in an associate						31,564
Amount due from an associate						1,144,399
Unallocated corporate assets						<u>183,487,514</u>
Consolidated total assets						<u><u>1,566,660,975</u></u>
LIABILITIES						
Segment liabilities	83,959,174	80,741,193	182,114,942	4,035,614	—	350,850,923
Amount due to an associate						16,987
Amount due to a related party						7,556,135
Unallocated corporate liabilities						<u>782,498,631</u>
Consolidated total liabilities						<u><u>1,140,922,676</u></u>

OTHER INFORMATION

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Unallocated	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Capital additions	13,472,034	4,934,698	—	5,037	—	18,411,769
Depreciation of property, plant and equipment	7,893,463	3,982,498	406,081	1,667,693	16,027	13,965,762
Amortisation of prepaid lease payments	313,225	—	—	311,401	—	624,626
Increase in fair value in investment properties	—	—	—	16,000,000	—	16,000,000
(Gain) loss on disposal of property, plant and equipment	<u>(29,630)</u>	<u>(144,032)</u>	<u>—</u>	<u>3,451</u>	<u>—</u>	<u>(170,211)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Geographical segments**

The Group's operations are located in Hong Kong, North America and Europe.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong and other regions in the People's Republic of China (the "PRC")	712,362,173	607,810,043
North America	218,444,471	264,956,291
Europe	131,245,326	168,123,957
Others	<u>4,172,353</u>	<u>4,615,679</u>
	<u>1,066,224,323</u>	<u>1,045,505,970</u>

The following is an analysis of the carrying amount of segment assets, additions to investment properties and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

2007

	Carrying amount of segment assets	Additions to investment properties	Additions to property, plant and equipment
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong and other regions in the PRC	730,880,143	143,491,811	19,722,525
North America	<u>880,481,210</u>	—	<u>16,622</u>
Total segment assets	<u>1,611,361,353</u>	<u>143,491,811</u>	<u>19,739,147</u>

2006

	Carrying amount of segment assets	Additions to investment properties	Additions to property, plant and equipment
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong and other regions in the PRC	709,063,611	—	18,370,161
North America	<u>672,933,887</u>	—	<u>41,608</u>
Total segment assets	<u>1,381,997,498</u>	<u>—</u>	<u>18,411,769</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****7. OTHER INCOME**

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Bank interest income	5,408,453	643,523
Discount on acquisition of subsidiaries	—	681,524
Dividend income from unlisted investments	271,544	—
Gain on disposal of property, plant and equipment	267,372	170,211
Gain on fair value changes of investment held for trading	—	169,289
Management fee income received from an associate	1,272,960	—
Sundry income	2,944,783	1,469,892
	<u>10,165,112</u>	<u>3,134,439</u>

8. FINANCE COSTS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Interest on:		
Amount due to a related party	266,331	—
Bank loans and overdrafts		
— wholly repayable within five years	39,928,293	21,668,460
— not wholly repayable within five years	9,357,166	4,346,759
Obligations under finance leases	<u>377,730</u>	<u>516,926</u>
Total borrowing costs	49,929,520	26,532,145
Less: Amount capitalised to properties under development for sale	<u>(27,049,774)</u>	<u>(11,545,314)</u>
	<u>22,879,746</u>	<u>14,986,831</u>

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6% (2006: 5%) to expenditure on properties under development for sale.

9. PROFIT BEFORE TAXATION

	2007 HK\$	2006 HK\$
Profit before taxation has been arrived at after charging:		
Allowance for doubtful debts	—	2,214,382
Allowance for inventories	16,620,837	6,255,594
Auditors' remuneration	1,649,614	1,600,522
Depreciation of property, plant and equipment	16,740,675	13,965,762
Less: Amount capitalised to properties under development for sale	<u>(132,638)</u>	<u>(242,370)</u>
	<u>16,608,037</u>	<u>13,723,392</u>
Amortisation of prepaid lease payments	635,039	624,626
Loss on disposal of available-for-sale investments	—	4,453
Loss on fair value changes of investment held for trading	288,987	—
Loss on fair value changes of derivative financial instruments	840,864	1,320,498
Loss on derecognition of derivative financial instruments	—	645,446
Minimum lease payments for operating leases in respect of land and buildings	2,731,575	2,072,918
Share of taxation of an associate	3,828,263	—
Staff costs including directors' emoluments	114,786,782	105,504,042
Less: Amount capitalised to properties under development for sale	<u>(578,655)</u>	<u>(11,152,543)</u>
	<u>114,208,127</u>	<u>94,351,499</u>
Exchange loss, net	2,372,467	997,015
Cost of inventories recognised as an expense	933,109,696	943,856,786
and after crediting:		
Reversal of allowance for amounts due from associates	7,529,220	—
Gain on fair value changes of investment held for trading	—	169,289
Gross rental income from properties	7,483,452	4,870,697
Less: Outgoings	<u>(1,742,950)</u>	<u>(51,488)</u>
Net rental income from properties	<u><u>5,740,502</u></u>	<u><u>4,819,209</u></u>

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$5,216,833 (2006: HK\$4,615,520) are included in staff costs.

Other expenses represent the construction costs on property under development of an associate incurred by the Group.

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	Mr. Jimmy Lee Yuen Ching	Mr. James Lee Yuen Kui	Mr. Peter Lee Yuen Wong	Mr. Edward Lee Yuen Cheor	Dr. Samson Sun, M.B.E., J.P.	Mr. William Chan Chak Cheung	Mr. Dorothy Lee Yuen Yu	Mr. Chan Kwok Wai	Mr. Ricky Wai Kwong Yuen	Mr. Tommy Tam Hok Lam	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
2007											
Fees	50,000	50,000	50,000	50,000	200,000	150,000	50,000	150,000	50,000	—	800,000
Other emoluments											
Salaries and other benefits	5,620,000	2,700,000	578,655	1,097,486	—	—	—	—	3,060,000	—	13,056,141
Retirement benefit scheme contributions	12,000	12,000	—	12,000	—	—	—	—	12,000	—	48,000
	<u>5,682,000</u>	<u>2,762,000</u>	<u>628,655</u>	<u>1,159,486</u>	<u>200,000</u>	<u>150,000</u>	<u>50,000</u>	<u>150,000</u>	<u>3,122,000</u>	<u>—</u>	<u>13,904,141</u>
2006											
Fees	50,000	50,000	50,000	50,000	200,000	150,000	50,000	150,000	—	50,000	800,000
Other emoluments											
Salaries and other benefits	5,620,000	2,700,000	570,661	1,020,000	—	—	—	—	—	1,728,000	11,638,661
Retirement benefit scheme contributions	12,000	12,000	—	12,000	—	—	—	—	—	12,000	48,000
	<u>5,682,000</u>	<u>2,762,000</u>	<u>620,661</u>	<u>1,082,000</u>	<u>200,000</u>	<u>150,000</u>	<u>50,000</u>	<u>150,000</u>	<u>—</u>	<u>1,790,000</u>	<u>12,486,661</u>

Notes:

1. Mr. Tommy Tam Hok Lam resigned as an executive director on 31st March, 2006 and Mr. Ricky Wai Kwong Yuen was appointed as an executive director on 26th May, 2006.
2. The performance related incentive payment is determined as a percentage of the revenue of the Group for the two years ended 31st March, 2007.

Included in salaries and other benefits is an amount of HK\$2,937,486 (2006: HK\$3,628,000) in respect of accommodation provided to the directors of the Company.

Besides above remuneration, two of the Group's properties are provided to the directors as an accommodation. The rateable value of the property is amounting to HK\$583,740 (2006: HK\$507,480).

(b) **Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, three (2006: four) are directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2006: one) individuals are as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Salaries and other benefits	<u>6,763,613</u>	<u>5,170,000</u>

The emoluments were within the following band:

	No. of employees	
	2007	2006
HK\$3,000,001 to HK\$3,500,000	2	—
HK\$5,000,001 to HK\$5,500,000	<u>—</u>	<u>1</u>

11. INCOME TAX EXPENSES

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	2,347,643	1,412,504
Overprovision in prior years	<u>(146,394)</u>	<u>—</u>
	2,201,249	1,412,504
Other jurisdictions — current year	<u>3,450</u>	<u>51,950</u>
	2,204,699	1,464,454
Deferred tax liabilities (note 31)	<u>5,084,118</u>	<u>355,802</u>
Taxation attributable to the Company and its subsidiaries	<u>7,288,817</u>	<u>1,820,256</u>

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for both years.

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

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

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	<u>120,555,287</u>	<u>61,925,018</u>
Tax at Hong Kong Profits Tax rate of 17.5%	21,097,175	10,836,878
Tax effect of share of results of associates	(2,349,866)	1,432
Tax effect of share of results of jointly controlled entities	—	247
Tax effect of expenses not deductible for tax purpose	6,162,360	1,252,378
Tax effect of income not taxable for tax purpose	(19,146,046)	(9,548,111)
Tax effect of deductible temporary differences not recognised	(113,795)	(770,151)
Tax effect of tax losses not recognised	4,476,256	4,289,952
Tax effect on different tax rate of operations in other jurisdictions	(204,769)	(161,019)
Utilisation of tax losses previously not recognised	(2,675,649)	(3,455,468)
Overprovision in prior years	(146,394)	—
Effect of tax exemption (note)	(667,873)	(776,647)
Others	<u>857,418</u>	<u>150,765</u>
Taxation charge for the year	<u>7,288,817</u>	<u>1,820,256</u>

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

12. DIVIDEND

The final dividend of 2.0 HK cents for the year ended 31st March, 2007 (2006: 1.5 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Earnings for the purpose of basic earnings per share	<u>113,266,470</u>	<u>60,104,762</u>
	Number of shares	
	2007	2006
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,053,941,605</u>	<u>1,083,381,512</u>

No diluted earnings per share has been presented as there were no potential ordinary shares in both years.

14. INVESTMENT PROPERTIES

HK\$

FAIR VALUE

At 1st April, 2005	150,000,000
Increase in fair value recognised in the consolidated income statement	<u>16,000,000</u>
At 31st March, 2006 and 1st April, 2006	166,000,000
Additions	143,491,811
Increase in fair value recognised in the consolidated income statement	<u>35,508,189</u>
At 31st March, 2007	<u><u>345,000,000</u></u>

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

The investment properties are situated in Hong Kong under medium-term leases and are rented under operating leases.

The fair value of the Group's investment properties at 31st March, 2007 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation, which conforms to Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties.

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FINANCIAL INFORMATION OF THE GROUP
15. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Construction in progress	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Antiques and pictures	Tools and moulds	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP											
COST											
At 1st April, 2005	19,206,209	5,164,099	6,367,821	587,730	25,684,407	69,690,874	22,516,644	59,845,858	—	45,133,019	254,196,661
Exchange realignment	—	(26,680)	—	—	23,205	—	—	153,023	—	—	149,548
Additions	—	—	—	266,692	2,567,818	8,742,569	3,982,953	2,678,597	153,140	20,000	18,411,769
Transfer from other non-current assets	—	—	—	—	—	—	—	—	10,235,986	—	10,235,986
Disposals	—	—	—	—	—	—	(2,400,314)	(27,520)	—	—	(2,427,834)
At 31st March, 2006	19,206,209	5,137,419	6,367,821	854,422	28,275,430	78,433,443	24,099,283	62,649,958	10,389,126	45,153,019	280,566,130
Exchange realignment	—	36,083	—	52,549	77,189	30,127	32,919	74,168	—	—	303,035
Additions	—	—	1,200,000	2,038	854,218	2,661,637	4,715,505	2,033,478	344,600	7,927,671	19,739,147
Reclassification	—	—	—	—	—	110,864	—	(110,864)	—	—	—
Disposals	—	—	—	—	—	—	(778,120)	(77,718)	—	—	(855,838)
At 31st March, 2007	<u>19,206,209</u>	<u>5,173,502</u>	<u>7,567,821</u>	<u>909,009</u>	<u>29,206,837</u>	<u>81,236,071</u>	<u>28,069,587</u>	<u>64,569,022</u>	<u>10,733,726</u>	<u>53,080,690</u>	<u>299,752,474</u>
DEPRECIATION											
At 1st April, 2005	6,618,745	1,042,844	1,508,627	—	22,700,582	60,226,442	18,407,954	43,981,313	—	44,447,560	198,934,067
Exchange realignment	—	(5,388)	—	—	8,424	—	—	50,729	—	—	53,765
Provided for the year	458,498	131,729	218,513	—	2,069,526	4,632,519	1,464,025	4,140,616	831,130	19,206	13,965,762
Eliminated on disposals	—	—	—	—	—	—	(1,335,293)	(3,600)	—	—	(1,338,893)
At 31st March, 2006	7,077,243	1,169,185	1,727,140	—	24,778,532	64,858,961	18,536,686	48,169,058	831,130	44,466,766	211,614,701
Exchange realignment	—	8,196	—	—	(1,813)	636	1,507	19,046	—	—	27,572
Provided for the year	458,807	132,654	186,746	—	2,057,389	4,870,943	1,937,681	4,073,090	836,866	2,186,499	16,740,675
Reclassification	—	—	—	—	—	20,137	—	(20,137)	—	—	—
Eliminated on disposals	—	—	—	—	—	—	(646,870)	(57,340)	—	—	(704,210)
At 31st March, 2007	<u>7,536,050</u>	<u>1,310,035</u>	<u>1,913,886</u>	<u>—</u>	<u>26,834,108</u>	<u>69,750,677</u>	<u>19,829,004</u>	<u>52,183,717</u>	<u>1,667,996</u>	<u>46,653,265</u>	<u>227,678,738</u>
CARRYING VALUES											
At 31st March, 2007	<u>11,670,159</u>	<u>3,863,467</u>	<u>5,653,935</u>	<u>909,009</u>	<u>2,372,729</u>	<u>11,485,394</u>	<u>8,240,583</u>	<u>12,385,305</u>	<u>9,065,730</u>	<u>6,427,425</u>	<u>72,073,736</u>
At 31st March, 2006	<u>12,128,966</u>	<u>3,968,234</u>	<u>4,640,681</u>	<u>854,422</u>	<u>3,496,898</u>	<u>13,574,482</u>	<u>5,562,597</u>	<u>14,480,900</u>	<u>9,557,996</u>	<u>686,253</u>	<u>68,951,429</u>

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The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis after taking into account of their estimated residual values at the following rates per annum:

Category of assets	Estimated useful lives
Freehold land	Nil
Buildings	Over the shorter of the terms of leases, or 50 years
Leasehold improvements	14 $\frac{1}{3}$ % - 33 $\frac{1}{3}$ %
Plant and machinery	25%
Motor vehicles	25%
Furniture, fixtures and office equipment	14 $\frac{1}{3}$ % - 25%
Antiques and pictures	10%
Tools and moulds	15% - 33 $\frac{1}{3}$ %

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

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Plant and machinery	2,543,709	2,919,291
Motor vehicles	<u>1,974,089</u>	<u>2,850,125</u>
	<u><u>4,517,798</u></u>	<u><u>5,769,416</u></u>

16. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Leasehold land in PRC held under		
— medium-term leases	9,788,112	9,296,623
Leasehold land in Hong Kong held under		
— long leases	24,082,770	24,284,497
— medium-term leases	<u>9,226,156</u>	<u>9,455,377</u>
	<u><u>43,097,038</u></u>	<u><u>43,036,497</u></u>
Analysed for reporting purposes as:		
— Non-current asset	42,457,834	42,411,871
— Current asset	<u>639,204</u>	<u>624,626</u>
	<u><u>43,097,038</u></u>	<u><u>43,036,497</u></u>

17. INTERESTS IN ASSOCIATES

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Cost of investment in unlisted associates	312	160
Share of post-acquisition reserves	<u>13,427,491</u>	<u>31,404</u>
	<u><u>13,427,803</u></u>	<u><u>31,564</u></u>

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

Particulars of the associates at 31st March, 2007 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued share capital indirectly held by the Company	Principal activity
Forthright Investment Limited	Incorporated	Hong Kong	20%	Property development
Gilligan Development Limited	Incorporated	British Virgin Island	20%	Investment holding
Roebuck Investments Limited	Incorporated	British Virgin Island	20%	Investment holding
Roebuck II Investments Limited	Incorporated	British Virgin Island/ Hong Kong	20%	Investment holding
Schofield Development Limited	Incorporated	British Virgin Island/ Hong Kong	20%	Investment holding
Super Plus Limited	Incorporated	Hong Kong	20%	Property development
The Putman Management Limited	Incorporated	Hong Kong	20%	Hotel management

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The summarised financial information in respect of the Group's associates is set out below:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Total assets	335,510,199	106,276,201
Total liabilities	<u>(306,102,242)</u>	<u>(143,831,394)</u>
Net assets (liabilities)	<u>29,407,957</u>	<u>(37,555,193)</u>
Group's share of net assets of associates	<u>13,427,803</u>	<u>31,564</u>
Revenue	<u>—</u>	<u>—</u>
Profit (loss) for the year	<u>121,262,167</u>	<u>(24,806)</u>
Group's share of results of associates for the year	<u>13,427,803</u>	<u>(8,179)</u>

18. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Club debentures, unlisted	<u>17,820,000</u>	<u>13,615,000</u>
Unlisted equity securities, at cost	1,000,000	1,000,000
Less: impairment loss recognised	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	<u>—</u>	<u>—</u>
	<u>17,820,000</u>	<u>13,615,000</u>

As at the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which their fair values cannot be measured reliably. Fair values of those investments have been determined by reference to market prices in secondary markets.

The unlisted equity securities issued by private entities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of opinion that their fair values cannot be measured reliably.

19. INVENTORIES

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Raw materials and consumables	54,596,537	73,036,778
Work in progress	12,678,748	18,793,669
Finished goods	<u>88,616,439</u>	<u>93,486,897</u>
	<u>155,891,724</u>	<u>185,317,344</u>

20. INVESTMENT HELD FOR TRADING

The amount represents investment in the debt securities listed in Austria with fixed interest rate of 5% and maturity date on 19th May, 2014. The fair value of the held for trading investment is determined based on quoted market bid price available on the relevant stock exchange.

21. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in properties under development for sale an amount of HK\$106,932,820 (2006: HK\$568,142,738) will be realised after twelve months from the balance sheet date.

22. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in bills receivables is discounted bills receivables with full recourse of HK\$11,000,000 (2006: HK\$9,000,000) which is aged within 30 days.

The Group has a policy of allowing an average credit period of 30-60 days to its trade customers.

Included in trade receivables, deposits and prepayments are trade receivables of HK\$67,367,839 (2006: HK\$99,151,884) with an aged analysis as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	39,396,192	44,843,794
31 to 90 days	27,062,557	34,364,807
91 to 180 days	612,898	7,109,470
Over 180 days	<u>296,192</u>	<u>12,833,813</u>
	<u>67,367,839</u>	<u>99,151,884</u>

As at 31st March, 2007, trade receivables included an amount of approximately HK\$38 million receivable from a major customer.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates ranging from 2.75% to 4.99% (2006: 1.00% to 4.25%).

24. BILLS PAYABLES, TRADE PAYABLES AND ACCRUED EXPENSES

Included in bills payables, trade payables and accrued expenses are payables in respect of trade of HK\$129,345,872 (2006: HK\$138,180,528) with an aged analysis as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Within 30 days	111,333,063	77,012,736
31 to 90 days	13,821,861	27,460,188
91 to 180 days	1,942,134	33,562,693
Over 180 days	<u>2,248,814</u>	<u>144,911</u>
	<u>129,345,872</u>	<u>138,180,528</u>

25. AMOUNT DUE TO A RELATED PARTY

Name of Company	Term	Balance at	Balance at
		31.3.2007	31.3.2006
		<i>HK\$</i>	<i>HK\$</i>
CPI Asia National 2 Limited	Unsecured, interest bearing at HIBOR +0.9% per annum and repayable on demand	<u>2,216,099</u>	<u>7,556,135</u>

CPI Asia National 2 Limited is a major shareholder of the Group's associates including Roebuck II Investments Limited, Schofield Development Limited and Super Plus Limited.

26. DERIVATIVE FINANCIAL INSTRUMENTS

In the current year, the Group has used currency derivatives to hedge significant future foreign currency transactions. The Group has entered into a variety of foreign currency forward option contracts in the management of its exchange rate exposures. The instruments purchased are primarily purchasing Japanese Yen and selling United States dollar.

At 31st March, 2007, the fair value of the Group's foreign currency forward option contracts is estimated to be a financial liability of approximately HK\$841,000 (2006: HK\$1,320,000). These amounts are based on market prices quoted by banks at the balance sheet date.

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Amounts payable under finance leases				
Within one year	2,874,391	3,277,125	2,548,094	2,882,947
In the second to fifth years inclusive	<u>3,521,131</u>	<u>5,547,647</u>	<u>3,040,796</u>	<u>4,790,361</u>
	6,395,522	8,824,772	5,588,890	7,673,308
Less: future finance charges	<u>(806,632)</u>	<u>(1,151,464)</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>5,588,890</u>	<u>7,673,308</u>	5,588,890	7,673,308
Less: Amount due within one year shown under current liabilities			<u>(2,548,094)</u>	<u>(2,882,947)</u>
Amount due after one year			<u>3,040,796</u>	<u>4,790,361</u>

It is the Group's policy to lease certain of its plant and machinery, motor vehicles under finance leases. The leases term are for 3 to 4 years. All the leases were denominated in Hong Kong dollars. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

28. BANK LOANS AND OVERDRAFTS

	2007	2006
	HK\$	HK\$
Secured		
Bank loans	837,045,699	649,691,524
Unsecured		
Bank loans	<u>148,913,659</u>	<u>113,709,331</u>
	985,959,358	763,400,855
Bank overdrafts - unsecured	<u>—</u>	<u>262,792</u>
	<u>985,959,358</u>	<u>763,663,647</u>

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

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
United States dollars	<u>7,639,745</u>	<u>2,251,619</u>
Japanese Yen	<u>110,511,610</u>	<u>127,607,684</u>

The maturity of the above bank overdrafts and loans is as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
On demand or within one year	660,303,841	217,283,017
More than one year, but not exceeding two years	23,599,327	343,315,185
More than two years, but not exceeding five years	153,898,459	65,373,117
More than five years	<u>148,157,731</u>	<u>137,692,328</u>
	985,959,358	763,663,647
Less: Amount due within one year shown under current liabilities	<u>(660,303,841)</u>	<u>(217,283,017)</u>
Amount due after one year	<u>325,655,517</u>	<u>546,380,630</u>

All the Group's borrowings are variable-rate borrowings which carry interest at HIBOR or LIBOR plus certain basis points and subject to cash flow interest rate risk. Interest is repricing every three months and the range of interest rates is at 1.35% to 10.25% (2006: 1.33% to 8.5%).

29. SHARE CAPITAL

	Number of shares		Amount	
	2007	2006	2007	2006
			<i>HK\$</i>	<i>HK\$</i>
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1st April and 31st March	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Issued and fully paid:				
At 1st April	1,075,903,928	1,097,903,928	107,590,393	109,790,393
Cancelled on repurchase of shares	<u>(42,390,000)</u>	<u>(22,000,000)</u>	<u>(4,239,000)</u>	<u>(2,200,000)</u>
At 31st March	<u>1,033,513,928</u>	<u>1,075,903,928</u>	<u>103,351,393</u>	<u>107,590,393</u>

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited.

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These repurchased shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares with a corresponding increase in the capital redemption reserve. The premium paid on repurchase was charged to retained profits.

Month of repurchase	Number of shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$
		Highest	Lowest	
		HK\$	HK\$	
April 2006	2,474,000	0.285	0.245	655,058
May 2006	2,284,000	0.320	0.280	681,933
June 2006	2,410,000	0.340	0.330	808,098
July 2006	4,240,000	0.335	0.330	1,423,705
August 2006	7,630,000	0.325	0.310	2,426,621
September 2006	4,050,000	0.325	0.315	1,290,824
October 2006	3,600,000	0.320	0.310	1,142,503
November 2006	2,560,000	0.315	0.305	802,380
December 2006	8,612,000	0.365	0.345	3,075,616
January 2007	2,942,000	0.375	0.355	1,073,589
February 2007	276,000	0.390	0.375	106,267
March 2007	<u>1,312,000</u>	0.400	0.355	<u>509,491</u>
	<u>42,390,000</u>			<u>13,996,085</u>

30. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The amount recognised in the consolidated balance sheet is as follows:

	2007 HK\$	2006 HK\$
At beginning of the year	4,361,984	4,132,056
Additional provision for the year	497,457	542,426
Utilisation of provision	<u>(1,080,144)</u>	<u>(312,498)</u>
At closing of the year	<u>3,779,297</u>	<u>4,361,984</u>

The most recent actuarial valuation of the present value of the obligations under long service payments was carried out at 31st March, 2007 by Mr. Aaron Wong of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the obligations under long service payments and the related current service cost were measured using the projected unit credit method.

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The principal actuarial assumptions as at the balance sheet dates used are as follows:

	2007	2006
Discount rate	4.25%	4.75%
Expected rate of salary increase	2.5%	Nil for the next year commencing from 1st April, 2006 and 1.5% thereafter

Amounts recognised in the consolidated income statement for the year in respect of the obligations under long service payments are as follows:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Current service cost	13,543	10,305
Interest cost	325,106	362,826
Net actuarial losses recognised in current year	<u>158,808</u>	<u>169,295</u>
Net amount charged to consolidated income statement as staff costs	<u>497,457</u>	<u>542,426</u>

The amounts included in the consolidated balance sheet arising from the Group's obligations under long service payments are as follows:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Present value of the obligations under long service payments	6,490,833	7,317,000
Unrecognised actuarial losses	<u>(2,711,536)</u>	<u>(2,955,016)</u>
Obligations under long service payments included in the consolidated balance sheet	<u>3,779,297</u>	<u>4,361,984</u>

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

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
At 1st April	7,317,000	7,412,760
Current service cost	13,543	10,305
Interest cost	325,106	362,826
Actuarial gains	(84,672)	(156,393)
Benefits paid	<u>(1,080,144)</u>	<u>(312,498)</u>
At 31st March	<u>6,490,833</u>	<u>7,317,000</u>

The Group expects to make a contribution of HK\$1,488,073 (2006: HK\$1,080,144) to the defined benefit plans during the next financial year.

31. DEFERRED TAXATION

	Accelerated tax depreciation <i>HK\$</i>	Revaluation of investment properties <i>HK\$</i>	Tax losses <i>HK\$</i>	Total <i>HK\$</i>
At 1st April, 2005	2,144,160	247,072	(1,353,944)	1,037,288
Charge (credit) to consolidated income statement for the year	<u>499,685</u>	<u>1,400,000</u>	<u>(1,543,883)</u>	<u>355,802</u>
At 1st April, 2006	2,643,845	1,647,072	(2,897,827)	1,393,090
Charge (credit) to consolidated income statement for the year	<u>1,607,088</u>	<u>4,988,933</u>	<u>(1,511,903)</u>	<u>5,084,118</u>
At 31st March, 2007	<u><u>4,250,933</u></u>	<u><u>6,636,005</u></u>	<u><u>(4,409,730)</u></u>	<u><u>6,477,208</u></u>

At the balance sheet date, the Company has unused tax losses of HK\$317,243,000 (2006: HK\$297,970,000) available for offset against future profits. A deferred tax asset of approximately HK\$4,410,000 (2006: HK\$2,898,000) has been recognised in respect of approximately HK\$25,198,000 (2006: HK\$16,559,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining HK\$292,045,000 (2006: HK\$281,411,000) of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of HK\$2,086,000 (2006: HK\$2,736,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised.

32. DISPOSAL OF SUBSIDIARIES

On 8th May, 2006, the Group had partially disposed 80% of equity interest in its subsidiaries including Roebuck Investments Limited, Forthright Investment Limited and Gilligan Developments Limited to an independent third party for a consideration of HK\$31,227,569. Following the disposal, the investment was reclassified to interests in associates.

The net assets of these companies at the date of disposal was as follows:

	8.5.2006
	<i>HK\$</i>
NET LIABILITIES DISPOSED OF:	
Properties under development for sale	71,098,065
Deposits and prepayments	947,500
Bank balances and cash	622,450
Amount due from immediate holding company	772
Trade payables and accrued expenses	(763,482)
Amount due to a fellow subsidiary	(82,684,739)
Bank borrowings	<u>(47,291,095)</u>
	(58,070,529)
Gain on disposal of subsidiaries	<u>89,298,098</u>
Total consideration	<u><u>31,227,569</u></u>
Satisfied by:	
Cash consideration	31,732,883
Cost incurred in connection with the disposal	<u>(505,314)</u>
	<u><u>31,227,569</u></u>
Cash inflow arising on disposal:	
Cash consideration received (net of cost incurred in connection with the disposal)	31,227,569
Cash and cash equivalents disposed of	<u>(622,450)</u>
	<u><u>30,605,119</u></u>

The subsidiaries disposed of during the year incurred a loss of HK\$1,500 to the Group's results during the period from 1st April, 2006 to 8th May, 2006.

The subsidiaries disposed of during the year used HK\$563,453 in operating activities and used HK\$4,157,177 in investing activities and generated HK\$3,870,388 from financing activities during the period from 1st April, 2006 to 8th May, 2006.

On 30th March, 2006, the Group had partially disposed of 80% of equity interest in its subsidiaries including Roebuck II Investments Limited, Schofield Development Limited and Super Plus Limited for a consideration of HK\$282,478. Following the disposal, the investment was reclassified to interests in associates.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

The net assets of these companies at the date of disposal was as follows:

	30.3.2006
	<i>HK\$</i>
NET (LIABILITIES) ASSETS DISPOSED OF:	
Properties under development for sale	61,679,020
Deposits and prepayments	27,500,000
Bank balances and cash	8,166
Amount due from immediate holding company	780
Trade payables and accrued expenses	—
Amount due to a fellow subsidiary	(69,748,323)
Bank borrowings	<u>(57,069,745)</u>
	(37,630,102)
Gain on disposal of subsidiaries	<u>37,912,580</u>
Total consideration	<u><u>282,478</u></u>
Satisfied by:	
Cash consideration	8,208,498
Cost incurred in connection with the disposal	(400,000)
Interests in associates	<u>(7,526,020)</u>
	<u><u>282,478</u></u>
Cash inflow arising on disposal:	
Cash consideration received (net of cost incurred in connection with the disposal)	7,808,498
Cash and cash equivalents disposed of	<u>(8,166)</u>
	<u><u>7,800,332</u></u>

The subsidiaries disposed of in prior year incurred a loss of HK\$8,356 to the Group's results during the period from 1st April, 2005 to 30th March, 2006.

The subsidiaries disposed of in prior year used HK\$28,132,072 in the Group's operating activities and used HK\$9,376,493 in the Group's investing activities and generated HK\$32,069,745 from the Group's financing activities during the period from 1st April, 2005 to 30th March, 2006.

33. ACQUISITION OF SUBSIDIARIES

On 30th September, 2005, the Group acquired the remaining 50% of the issued share capital of New Height Developments Limited which holds the entire issue share capital of Eternity Management Limited, Parklane Limited and Phoenix Limited for consideration of HK\$15,024,614. This acquisition had been accounted for using the purchase method. The discount on acquisition as a result of such acquisition amounting to HK\$681,524 was released to the income statement for the year ended 31st March, 2006.

The net assets acquired in the transaction, and the discount on acquisition arising, were as follows:

	Acquiree's carrying amount before combination and fair value
	<i>HK\$</i>
Net assets acquired:	
Bank and cash balances	15,902,424
Tax recoverable	17,116
Creditors and accruals	<u>(213,402)</u>
	15,706,138
Discounts on acquisition released to the consolidated income statement	<u>(681,524)</u>
	15,024,614
Total consideration	<u><u>15,024,614</u></u>
Satisfied by:	
Cash	14,586,000
Interests in jointly controlled entities	<u>438,614</u>
	<u><u>15,024,614</u></u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(14,586,000)
Cash and cash equivalents acquired	<u>15,902,424</u>
	<u><u>1,316,424</u></u>

If the acquisition had been completed on 1st April, 2005, total group revenue for the period would have been HK\$1,046 million; profit for the period would have been approximately HK\$60 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2005, nor is it intended to be a projection of future results.

34. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$738,000 (2006: HK\$7,156,958).

35. CONTINGENT LIABILITIES AND COMMITMENTS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Contingent liabilities:		
Other guarantees	<u>247,000</u>	<u>247,000</u>
Capital commitments:		
Contracted for but not provided:		
Acquisition of property, plant and equipment	18,548	111,530
Acquisition of an investment property	1,130,000	20,442,799
Acquisition of a property	<u>72,000,000</u>	<u>—</u>
	<u>73,148,548</u>	<u>20,554,329</u>

36. OPERATING LEASE ARRANGEMENTS**The Group as lessee:**

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Within one year	4,712,384	3,276,833
In the second to fifth year inclusive	5,451,159	8,301,057
Over five years	<u>6,387,780</u>	<u>6,346,153</u>
	<u>16,551,323</u>	<u>17,924,043</u>

Operating lease payments represent rental payable by the Group for certain of its office premises, staff quarters and factories. Leases for office premises and staff quarters are negotiated for terms of 2 to 6 years with fixed rentals.

The Group as lessor:

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Within one year	4,305,879	3,681,677
In the second to fifth year inclusive	<u>2,200,000</u>	<u>4,840,000</u>
	<u>6,505,879</u>	<u>8,521,677</u>

Leases are negotiated for terms ranging from 1 to 3 years.

37. RETIREMENT BENEFIT SCHEME

Commencing from 1st December, 2000, the Group's employees are required to join the MPF Scheme. Under the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK\$1,000 per month whichever is the smaller to the scheme. The Group's total contribution to the scheme for the year ended 31st March, 2007 is HK\$1,300,555 (2006: HK\$1,525,126). There is no forfeiture of employer's contribution from leaving scheme members under the MPF Scheme.

38. PLEDGE OF ASSETS

At 31st March, 2007, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure the banking facilities:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Investment property	345,000,000	166,000,000
Buildings in Hong Kong	11,670,159	12,128,966
Freehold land and buildings outside Hong Kong	3,863,467	3,968,234
Properties under development for sale	830,940,024	635,083,626
Inventory of unsold properties	100,739,388	126,282,153
Prepaid lease payments	<u>33,308,926</u>	<u>33,739,874</u>

39. RELATED PARTY TRANSACTIONS

(1) Transactions with associates

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
<i>Nature of transaction</i>		
Dividend income received by the Group	26,200	1,280,000
Management fee income received by the Group	<u>1,272,960</u>	<u>—</u>

- (2) The Group's balances with related parties are set out in notes 17 and 25.
- (3) Key management compensation is disclosed in note 10.

40. POST BALANCE SHEET EVENTS

- (a) On 18th April, 2007, Cinic Limited ("Cinic"), a wholly owned subsidiary of the Company, entered into the agreement with Chalco Hongkong Limited ("Chalco") for the disposal of a property located at 45th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong (the "Property A"). The consideration for the disposal of the Property A to be received by Cinic is HK\$136,000,000 with a gain on disposal of HK\$15,900,000.
- (b) On 25th April, 2007, Rexel Limited ("Rexel"), a wholly owned subsidiary of the Company, entered into the agreement with Mr. Chan Yuen Tung for the sale and purchase of the property located at No. 59 Shouson Hill Road, Bay Villas, Hong Kong (the "Property B"). The consideration for the acquisition of the Property B to be paid by Rexel is HK\$111,800,000.
- (c) On 9th May, 2007, Champion Limited ("Champion"), a wholly owned subsidiary of the Company, entered into the agreement with Fairgold Company Limited ("Fairgold") for the sale and purchase of the property located at 22nd Floor (including the roof thereof) and car parking space no. 9 on Level 1, Century Tower II, Nos. 1 and 1A Tregunter Path, Hong Kong (the "Property C"). The consideration for the acquisition of the Property C to be paid by Champion is HK\$57,500,000.
- (d) On 9th May, 2007, Asiatic Limited ("Asiatic"), a wholly owned subsidiary of the Company, entered into the agreement with Eternal Supreme Limited ("Eternal Supreme") for the sale and purchase of the property located at No. 101 & 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong (the "Property D"). The consideration for the acquisition of the Property D to be paid by Asiatic is HK\$88,000,000.
- (e) On 4th June, 2007, Smart Rise Investments Limited ("Smart Rise"), a wholly owned subsidiary of the Company, entered into the agreement with Newgrounds Corporate Inc. ("Newgrounds") for the acquisition of the 20% of the entire issued share capital of Eden Bay Corporation ("Eden Bay"), a company incorporated in the British Virgin Islands (the "Sale Shares") and 20% of the interest free unsecured shareholder's loan due by Eden Bay to Newgrounds, amounting to US\$15,413,835 (approximate to HK\$120,447,000) (the "Assigned Shareholder's Loan"). The consideration for the acquisition of the Sale Shares and the Assigned Shareholder's Loan to be paid by Smart Rise is US\$15,838,167 (approximate to HK\$123,763,000).
- (f) On 16th July, 2007, Cherish Limited ("Cherish"), a wholly owned subsidiary of the Company, entered into the agreement with Sea Bright Properties Limited for the sale and purchase of the property located at House No. 8 (including carport on lower ground floor, garden on ground floor and main roof), Villa Rosa, No. 88 Red Hill Road, Hong Kong ("Property E"). The consideration for the disposal of Property E to be received by Cherish is HK\$ 82,000,000 with a gain of HK\$34,990,000.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at 31st March, 2007 are as follows:

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company	Principal activities
<i>Direct subsidiary</i>				
National Electronics (Consolidated) Limited	Hong Kong	4,000 ordinary shares of HK\$0.25 each	100%	Investment holding and trading of electronic products
National Properties Holdings Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Investment holding and property management
<i>Indirect subsidiary</i>				
Batilone Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
Brady Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
Charteray International Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
Cherish Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment and trading
Chirac Limited	Hong Kong	10 ordinary shares of HK\$10 each	100%	Investment holding
Cinic Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Property investment
Duprey Limited	Hong Kong	10 ordinary shares of HK\$10 each	100%	Trading of electronic products
Eastbond (Hong Kong) Limited	Hong Kong	10 ordinary shares of HK\$1 each	100%	Manufacture and sale of plastic products
Eastern Mount Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding and subcontracting of electronic products in the PRC
Joyful Asia Group Limited	British Virgin Islands/Hong Kong	100 ordinary shares of US\$1 each	100%	Property investment
Majorell Limited	Hong Kong	100 ordinary shares of HK\$10 each	100%	Property investment and investment holding

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Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company	Principal activities
Miyota Trading Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Trading of electronic products
National Electronics and Watch Company Limited	Hong Kong	100 ordinary shares of HK\$10 each and 200,000 non-voting deferred shares of HK\$10 each (note)	100%	Manufacture and sale of liquid crystal display and quartz analogue watches
National Properties Holdings Limited	British Virgin Islands/Hong Kong	1 ordinary shares of US\$1 each	100%	Investment holding
National Time Limited	Hong Kong	100 ordinary shares of HK\$10 each and 55,000 non-voting deferred shares of HK\$10 each (note)	100%	Trading of electronic watches
National Telecommunication System Limited	Hong Kong	100 ordinary shares of HK\$10 each and 200,000 non-voting deferred shares of HK\$10 each (note)	100%	Provision of inspection service
Panteria International Limited	British Virgin Islands/Hong Kong	100 ordinary shares of US\$1 each	100%	Property investment
Phoenix Investment S.a.r.l.	Luxembourg	500 ordinary shares of EUR 25 each	100%	Investment holding
Rever Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
Samford Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment and trading
Sinoway Enterprises Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
St. Thomas Developments Incorporated	Ontario, Canada	10,000 common shares	100%	Property development
Sun Shine Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
National Hotel Holdings Limited	British Virgin Islands/Hong Kong	100 ordinary share of US\$1 each	100%	Investment holding
Sun Linkage Limited	British Virgin Islands/Hong Kong	1,000 ordinary shares of US\$1 each	100%	Investment holding

Name of subsidiary	Place/country of incorporation/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly/indirectly by the Company	Principal activities
Unionville Development Limited Partnership	Ontario, Canada	Contributed capital of C\$11,336,611	100%	Property development
1061383 Ontario Limited	Ontario, Canada	100 common shares of C\$1 each	100%	Property holding
中霸鐘表電子(深圳)有限公司*	PRC	Contributed capital of HK\$14,000,000	100%	Trading of electronic products

* A wholly foreign owned enterprise.

Note: The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. All these subsidiaries are wholly-owned and private limited companies.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

6. SCHEDULE OF MAJOR PROPERTIES HELD BY THE GROUP

Details of the major properties held by the Group at 31st March, 2007 are as follows:

(i) Investment property

Location	Lease term	Group's interest	Type
45th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong	Medium term	100%	Commercial
All offices on 6th Floor & Car parking spaces No. 28, 29 & 57 on 2nd Floor, Citicorp Centre, No. 18 Whitfield Road, Hong Kong	Medium term	100%	Commercial
Nos. 194-196 Queen's Road Central, Hong Kong	Long term	100%	Commercial
No. 21 Whitfield Road, North Point, Hong Kong	Medium term	100%	Commercial

(ii) Property under development for sale

Location	Stage of completion	Category of lease	Group's interest	Approximate site area	Use	Estimated completion date
3952, 3972 and 3988 Highway, No. 7 Markham, Ontario L3R 1L3 Toronto, Canada	Planning is in progress	Freehold	100%	10.9 acres	Residential	Not yet determined
82-98 Charles Street West, ROW in Sultan Street Laneway, 76-80 Charles Street West, 1, 3 Sultan Street and 11 St. Thomas Street, Toronto, Canada	Development is in progress	Freehold	100%	34,793 sq.ft.	Residential	2007

1. PROFIT AND LOSS STATEMENT OF THE THIRD PROPERTY AND THE FOURTH PROPERTY

In accordance with Rule 14.67(4)(b)(i) (“Rule”) of the Listing Rules, a profit and loss statement of the Third Property and the Fourth Property has to be included in this circular. Since the Company does not know the Third Vendor and the Fourth Vendor and the Third Property and the Fourth Property were introduced to the Company by property agents, the Company has not directly requested the information in relation to the Third Property and the Fourth Property required under the Rule from the Third Vendor and the Fourth Vendor. Instead, the Company has tried through the property agents to gain access to all the information including the rental cash receipts in relation to the Third Property and the Fourth Property required under the Rule. However, the Company is still unable to gain access to such information without any reasons given by the Third Vendor and the Fourth Vendor. The Company has used its best endeavours and exhausted all means to gather the information required under the Rule. But the only information the Company has is the existing tenancy agreements (“Tenancy Agreements”) of the Third Property and the Fourth Property. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 14.67(4)(b)(i) of the Listing Rules that the following profit and loss statement was disclosed instead. The profit and loss statement of the Third Property and the Fourth Property for each of the three financial years ended 31 March 2007 set out below has been prepared by the Directors solely based on the Tenancy Agreements provided by the Third Vendor and the Fourth Vendor. Accordingly, it may not give a true picture of the performance of the Third Property and the Fourth Property actually occurred during each of the three financial years ended 31 March 2007.

	Rental income for the year ended 31 March		
	2007	2006	2005
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Third Property	—	—	—
Fourth Property			
G/F	1,140,000	376,935	—
3/F	—	—	—
Roof	36,000	15,000	—
Neon-Light Signage	<u>24,000</u>	<u>2,000</u>	<u>—</u>
	<u>1,200,000</u>	<u>393,935</u>	<u>—</u>

Notes:

- The term of the existing tenancy agreement of the Third Property provided by the Third Vendor commences after 31 March 2007 and therefore no information in relation to the rental income of the Third Property for the three years ended 31 March 2007 is available.

The terms of the existing tenancy agreements of the Fourth Property provided by the Fourth Vendor cover the entire year ended 31 March 2007 and only a portion of the year ended 31 March 2006 and therefore no information in relation to the rental income of the Fourth Property for the period from 1 April 2004 to 18 October 2005 which is not covered by the existing tenancy agreements of the Fourth Property is available.

In addition, the existing tenancy agreements of the Fourth Property provided by the Fourth Vendor are relating to the ground floor, the third floor, roof and neon-light signage of the Fourth Property and therefore no information in relation to the rental income of the remaining floors of the Fourth Property for the three years ended 31 March 2007 is available.

2. The rental income for each of the three financial years ended 31 March 2007 are derived from the Tenancy Agreements. The Directors do not have access to the tenancy agreement entered other than the Tenancy Agreements. The rental income above therefore only represents the rental income derived from the Tenancy Agreements.
3. Based on the Tenancy Agreements, rates and taxes (except government rent), telephone, maintenance and management charges, gas, water, electricity and air-conditioning charges are borne by the tenants of the Third Property and the Fourth Property. The Company has conducted land searches on the Third Property and the Fourth Property. However, no information on government rent and tenancies of the Third Property and the Fourth Property for the three years ended 31 March 2007 are found from the land searches.
4. Save for the Tenancy Agreements, the Directors do not have access to other information including the rental cash receipts about the Third Property and the Fourth Property such as the Third Vendor's and the Fourth Vendor's financing agreement or tax arrangement in relation to the Third Property and the Fourth Property. Due to the limited information available to them, the Directors are unable to ascertain the other expenses (if any) in relation to the Third Property and the Fourth Property. Accordingly, no other expenses such as property management fees, finance costs and provision for Hong Kong Profits Tax were included in the above profit and loss statement.
5. The following procedures have been undertaken by Deloitte, the auditors of the Company, in accordance with the Hong Kong Standard on Related Service 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants, with respect to the Tenancy Agreements that are available as described above, Deloitte:
 - i. obtained from the management of the Company the rental income summary (as shown in page 66) (the "Rental Income Summary") and the rental income listing of the Properties (the "Rental Income Listing") and checked their arithmetic accuracy.
 - ii. compared the total amount of rental income for each of the three years ended 31 March 2007 as shown in the Rental Income Summary to the respective total rental amounts as shown in the Rental Income Listing.
 - iii. compared the particulars of the tenant names, tenancy periods, monthly rental amounts and total rental amount (the "Particulars") as shown in the Rental Income Listing to the relevant tenancy agreements provided by the Third Vendor and the Fourth Vendor.

Deloitte's findings are:

- a. With respect to procedure i, they found the Rental Income Summary and the Rental Income Listing to be arithmetically accurate.
- b. With respect to procedure ii, they found the total amount of rental income for each of the three years ended 31 March 2007 as shown in the Rental Income Summary (giving effect to rounding where applicable) to be in agreement with the Rental Income Listing.

- c. With respect to procedure iii, they found the Particulars as shown in the Rental Income Listing to be in agreement with the relevant tenancy agreements provided by the Third Vendor and the Fourth Vendor.

In view of the circumstances as explained in Note 1 above, the auditors of the Company are unable to perform any procedures on the information in relation to the unavailable tenancy agreements.

2. VALUATION OF THE PROPERTY

No valuation of the Third Property and the Fourth Property at the end of the three years ended 31 March 2007 were disclosed herein as the Directors were unable to obtain any valuation reports from the Third Vendor and the Fourth Vendor.

1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The unaudited pro forma statement of assets and liabilities of the Group as set out below has been prepared to illustrate the effect of the Third Acquisition and the Fourth Acquisition to the financial position of the Group based on the audited consolidated balance sheet of the Company as at 31 March 2007 after making certain pro forma adjustments in respect of the Third Acquisition and the Fourth Acquisition.

The unaudited pro forma statement of assets and liabilities of the Group is prepared on the basis as if the Third Acquisition and the Fourth Acquisition had been completed as at 31 March 2007.

The unaudited pro forma statement of assets and liabilities of the Group has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group as at 31 March 2007 or following the Third Acquisition and the Fourth Acquisition.

	Statement of assets and liabilities of the Group as at 31 March 2007 HK\$'000 (Note 1)	Adjustments for the Third Acquisition and the Fourth Acquisition HK\$'000 (Note 2)		Unaudited pro forma statement of assets and liabilities of the Group after the Third Acquisition and the Fourth Acquisition HK\$'000
Non-current assets				
Investment properties	345,000	167,880	(a)	512,880
Property, plant and equipment	72,074	—		72,074
Prepaid lease payments	42,458	—		42,458
Deposit paid for acquisition of a property	18,000	—		18,000
Interests in associates	13,428	—		13,428
Available-for-sale investments	<u>17,820</u>	<u>—</u>		<u>17,820</u>
	<u>508,780</u>	<u>167,880</u>		<u>676,660</u>

APPENDIX III
**UNAUDITED PRO FORMA STATEMENT OF
ASSETS AND LIABILITIES OF THE GROUP**

	Statement of assets and liabilities of the Group as at 31 March 2007 <i>HK\$'000</i> <i>(Note 1)</i>	Adjustments for the Third Acquisition and the Fourth Acquisition <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma statement of assets and liabilities of the Group after the Third Acquisition and the Fourth Acquisition <i>HK\$'000</i>
Current assets			
Inventories	155,892	—	155,892
Prepaid lease payments	639	—	639
Investment held for trading	3,937	—	3,937
Inventory of unsold properties	100,739	—	100,739
Properties under development for sale	830,940	—	830,940
Deposits held in trust for property under development for sale	5,704	—	5,704
Bills receivables	11,000	—	11,000
Trade receivables, deposits and prepayments	100,817	—	100,817
Amount due from associates	17,464	—	17,464
Tax recoverable	1,273	—	1,273
Bank balances and cash	<u>188,642</u>	<u>(167,029)</u> (b), (c)	<u>21,613</u>
	<u>1,417,047</u>	<u>(167,029)</u>	<u>1,250,018</u>
Current liabilities			
Trade payables and accrued expenses	164,309	851	165,160
Bills payables	88,402	—	88,402
Amount due to a related party	2,216	—	2,216
Taxation payable	1	—	1
Derivative financial instruments	841	—	841
Obligations under finance leases	2,548	—	2,548
Deposits received from sale of properties under development	162,637	—	162,637
Bank loans	<u>660,304</u>	<u>—</u>	<u>660,304</u>
	<u>1,081,258</u>	<u>851</u>	<u>1,082,109</u>

APPENDIX III
**UNAUDITED PRO FORMA STATEMENT OF
ASSETS AND LIABILITIES OF THE GROUP**

	Statement of assets and liabilities of the Group as at 31 March 2007 <i>HK\$'000</i> <i>(Note 1)</i>	Adjustments for the Third Acquisition and the Fourth Acquisition <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma statement of assets and liabilities of the Group after the Third Acquisition and the Fourth Acquisition <i>HK\$'000</i>
Non-current liabilities			
Provision for long service payments	3,779	—	3,779
Obligations under finance leases	3,041	—	3,041
Bank loans	325,656	—	325,656
Deferred tax liabilities	<u>6,477</u>	<u>—</u>	<u>6,477</u>
	<u>338,953</u>	<u>—</u>	<u>338,953</u>
Total assets less total liabilities	<u><u>505,616</u></u>	<u><u>—</u></u>	<u><u>505,616</u></u>

APPENDIX III**UNAUDITED PRO FORMA STATEMENT OF
ASSETS AND LIABILITIES OF THE GROUP***Notes:*

1. Being based on the audited consolidated balance sheet of the Group as at 31 March 2007. Details of which were disclosed in the annual report of the Company for the year ended 31 March 2007.
2. Being the adjustments for the Third Acquisition and the Fourth Acquisition, including adjustments on:
 - a. The total costs of the Third Acquisition and the Fourth Acquisition as follows:

	<i>HK\$</i>
Consideration for the Third Acquisition and the Fourth Acquisition	160,000,000
Stamp duty wholly borne by the Group	6,000,000
Purchase commission payable	1,600,000
Professional fees in connection with the Third Acquisition and the Fourth Acquisition	<u>280,000</u>
	<u>167,880,000</u>

- b. The total costs of the Third Acquisition and the Fourth Acquisition, amounting to HK\$167,880,000 is assumed to be settled through internal resources of the Group in the above information as the raising of the additional borrowings is still pending successful outcome of the current negotiations with the banks.
 - c. The Third Vendor and the Fourth Vendor shall transfer to the Group the rental deposits, amounting to HK\$851,000 paid by the tenants to the Third Vendor and the Fourth Vendor pursuant to the Third Agreement and the Fourth Agreement.
 - d. As discussed in letter from the Board on page 9, the directors of the Group expect an increase of approximately HK\$64,160,000 (being the total consideration of the Acquisitions of HK\$276,800,000 less the bank balances of HK\$212,640,000 assumed to be used to settle such consideration) in the Group's total assets as well as borrowings as a result of the Acquisitions. An increase of approximately HK\$44,000,000 and HK\$20,160,000 in the Group's total assets as well as borrowings are attributable to the First Acquisition and the Second Acquisition respectively. The above unaudited pro forma statement of assets and liabilities of the Group did not take into account the First Acquisition and the Second Acquisition.

2. LETTER FROM THE REPORTING ACCOUNTANTS OF THE COMPANY

The following is the text of the report on the unaudited pro forma statement of assets and liabilities of the Group received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong for the purpose of incorporation in the circular.

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP TO THE DIRECTORS OF NATIONAL ELECTRONICS HOLDINGS LIMITED**

We report on the unaudited pro forma financial information of National Electronics Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the acquisitions of the properties located at Nos. 459 and 461, Lockhart Road, Hong Kong (the "Transactions") might have affected the financial information presented, for inclusion in Section 1 of Appendix III to the circular dated 7 November 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 69 to 72 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 March 2007, or any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group so far as such policies relate to the Transactions; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 7 November 2007

The following is the text of the letters and the valuation certificates in relation to the Third Property and the Fourth Property received from DTZ, an independent property valuer, prepared for the purpose for incorporation in this circular.



7 November, 2007

The Directors
National Electronics Holdings Limited
Suite 3201, Gloucester Tower, The Landmark
11 Pedder Street
Central
Hong Kong

Dear Sirs,

Re: Ground, 1st, 2nd and 3rd Floors and The Roof, No. 459 Lockhart Road, Causeway Bay, Hong Kong.

**Instructions, Purpose &
Date of Valuation**

We refer to your instructions for us to carry out a market valuation of the captioned property for acquisition purpose. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 7th September, 2007 (the “date of valuation”). We are acting as an independent party, and not as an agent of the lender or any other parties and our valuation is prepared impartially without bias to any parties concerned.

Basis of Valuation

Our valuation of the property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

In carrying out the valuation, we confirm that we have complied with the requirements as set out in Chapter 5 (Valuation and Information on Properties) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Practice Note 12 does not apply in this case as the properties under valuation are not situated in a developing property market.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

We have valued the property by direct comparison approach assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market or where appropriate by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approval, statutory notices, easements, tenure, occupancy, lettings, rentals, floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents provided to us and are therefore only approximations. No on-site measurement has been carried out.

Title Investigation

We have not been provided with copies of the title documents relating to the property but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior of the property. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Our valuation report is hereby enclosed for your attention.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Peter Lee
Registered Professional Surveyor
M.H.K.I.S., M.R.I.C.S.
Director

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 7th September, 2007
Ground, 1st, 2nd and 3rd Floors and The Roof, No. 459 Lockhart Road, Causeway Bay, Hong Kong.	The property comprises a 4-storey plus cockloft composite building erected upon a site with a registered site area of approximately 1,126.65 sq.ft. (104.67 sq.m.) completed in 1948.	The property is leased at a monthly rent of HK\$209,000 from 1st September, 2007 to 31st August, 2009.	HK\$85,000,000

Section B of Inland Lot No. 2833.

The property has a saleable area of approximately as follows:-

Floor	Saleable Area	
	sq.ft.	sq.m.
Ground	1008	93.65
Cockloft	733	68.10
1st	946	87.89
2nd	946	87.89
3rd	946	87.89
Total:	<u>4,579</u>	<u>425.42</u>

The property is held from the Government under Government Lease for a term of 99 years from 15th April, 1929 renewable for a further term of 99 years. The current Government Rent payable for the lot (I.L. 2833 s.B) is HK\$14 per annum.

Note: The registered owner of the property is Centraland Investment Limited.



7 November, 2007

The Directors
National Electronics Holdings Limited
Suite 3201, Gloucester Tower, The Landmark
11 Pedder Street
Central
Hong Kong

Dear Sirs,

Re: No. 461 Lockhart Road, Causeway Bay, Hong Kong.

**Instructions, Purpose &
Date of Valuation**

We refer to your instructions for us to carry out a market valuation of the captioned property for acquisition purpose. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property as at 7th September, 2007 (the “date of valuation”). We are acting as an independent party, and not as an agent of the lender or any other parties and our valuation is prepared impartially without bias to any parties concerned.

Basis of Valuation

Our valuation of the property represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

In carrying out the valuation, we confirm that we have complied with the requirements as set out in Chapter 5 (Valuation and Information on Properties) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Practice Note 12 does not apply in this case as the properties under valuation are not situated in a developing property market.

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Method of Valuation

We have valued the property by direct comparison approach assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market or where appropriate by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the property interests.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approval, statutory notices, easements, tenure, occupancy, lettings, rentals, floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents provided to us and are therefore only approximations. No on-site measurement has been carried out.

Title Investigation

We have not been provided with copies of the title documents relating to the property but have caused searches to be made at the Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior of the property. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Neither the whole nor any part of this report or any reference thereto may be included in any document, circular or statement without our prior written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Our valuation report is hereby enclosed for your attention.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Peter Lee
Registered Professional Surveyor
M.H.K.I.S., M.R.I.C.S.
Director

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 7th September, 2007																								
No. 461 Lockhart Road, Causeway Bay, Hong Kong. Section C of Inland Lot No. 2833.	The property comprises a 4-storey plus cockloft tenement building erected upon a site with a registered site area of approximately 1,126.65 sq.ft. (104.67 sq.m.) completed in 1948. The property has a saleable area of approximately as follows:- <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th colspan="2" style="text-align: center;">Saleable Area</th> </tr> <tr> <td></td> <th style="text-align: center;">sq.ft.</th> <th style="text-align: center;">sq.m.</th> </tr> </thead> <tbody> <tr> <td>Ground</td> <td style="text-align: center;">1,008</td> <td style="text-align: center;">93.65</td> </tr> <tr> <td>Cockloft</td> <td style="text-align: center;">877</td> <td style="text-align: center;">81.48</td> </tr> <tr> <td>1st</td> <td style="text-align: center;">820</td> <td style="text-align: center;">76.18</td> </tr> <tr> <td>2nd</td> <td style="text-align: center;">820</td> <td style="text-align: center;">76.18</td> </tr> <tr> <td>3rd</td> <td style="text-align: center;">820</td> <td style="text-align: center;">76.18</td> </tr> <tr> <td>Total:</td> <td style="text-align: center;"><u>4,345</u></td> <td style="text-align: center;"><u>403.67</u></td> </tr> </tbody> </table>	Floor	Saleable Area			sq.ft.	sq.m.	Ground	1,008	93.65	Cockloft	877	81.48	1st	820	76.18	2nd	820	76.18	3rd	820	76.18	Total:	<u>4,345</u>	<u>403.67</u>	The shop on ground floor and the unit on 3rd floor are let to two tenants respectively with monthly aggregate rental of HK\$108,500 with a latest tenancy due to expire on 17th October, 2008. The units on 1st and 2nd floors are currently vacant.	HK\$85,000,000
Floor	Saleable Area																										
	sq.ft.	sq.m.																									
Ground	1,008	93.65																									
Cockloft	877	81.48																									
1st	820	76.18																									
2nd	820	76.18																									
3rd	820	76.18																									
Total:	<u>4,345</u>	<u>403.67</u>																									
	The property is held from the Government under Government Lease for a term of 99 years from 15th April, 1929 renewable for a further term of 99 years. The current Government Rent payable for the lot (I.L. 2833 s.C) is HK\$14 per annum.																										

Note: The registered owner of the property is Wai Young De Wong.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	Personal interests	Corporate interests	Other interests	Total interests	Percentage of the issued share capital of the Company
Mr. Jimmy Lee Yuen Ching	—	—	253,106,873 <i>(note a)</i>	253,106,873	24.98%
Mr. Loewe Lee Bon Chi	—	—	253,106,873 <i>(note a)</i>	253,106,873	24.98%
Mr. James Lee Yuen Kui	5,940	—	252,102,979 <i>(note b)</i>	252,108,919	24.88%
Mr. Edward Lee Yuen Cheor	—	—	252,102,979 <i>(note b)</i>	252,102,979	24.88%
Mr. Ricky Wai Kwong Yuen	—	37,267,767 <i>(note d)</i>	—	37,267,767	3.68%
Dr. Samson Sun, M.B.E., J.P.	—	4,988,968 <i>(note c)</i>	—	4,988,968	0.49%

Notes:

- (a) The 253,106,873 Shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members including Mr. Loewe Lee Bon Chi are named beneficiaries.

- (b) The 252,102,979 Shares are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui and Edward Lee Yuen Cheor are named beneficiaries.
- (c) The 4,988,968 Shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P.
- (d) The 37,267,767 Shares are held by two companies controlled by Mr. Ricky Wai Kwong Yuen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been, since 31 March 2007 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

(b) **Interests of Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or may not be terminated by the Company within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance known to the Directors pending or threatened against any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their associates (as such term is defined in the Listing Rules) had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. EXPERT AND CONSENT

The following is the qualifications of the experts who have been named in this circular or have given opinions, letters or advices contained in this circular:

Name	Qualification
Deloitte	Certified public accountants
DTZ	Professional surveyors and valuers

As at the Latest Practicable Date, each of Deloitte and DTZ do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Each of Deloitte and DTZ has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and/or references to its name in the form and context in which they are included.

As at the Latest Practicable Date, each of Deloitte and DTZ did not have any direct or indirect interests in any assets which have been, since 31 March 2007 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

1. a disposal agreement dated 6 April 2006 entered into between National Hotel Holdings Limited (“NHHL”), a wholly owned subsidiary of the Company and CPI Asia National 1 Limited (“CPI”) in relation to the sale of 80% of the issued share capital of Roebuck Investments Limited (“Roebuck”) at a consideration of HK\$31,963,714 (as disclosed in the Company’s circular dated 2 May 2006);
2. an acquisition agreement dated 25 April 2006 entered into between Panteria International Limited, a wholly owned subsidiary of the Company, and Man Ka Limited in relation to an acquisition of a property located at No. 21 Whitfield Road, North Point, Hong Kong at a consideration of HK\$78,000,000 (as disclosed in the Company’s circular dated 8 June 2006);

3. a shareholders' deed dated 8 May 2006 entered into between NHHL, CPI, Roebuck and National Properties Holdings Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company (as guarantor) to regulate the relationship between the parties and provide for the management and the conduct of the business or Roebuck (as disclosed in the circular dated 2 May 2006);
4. a disposal agreement dated 29 May 2006 entered into between Samford Limited, a wholly owned subsidiary of the Company, and Roxy Property Investment Co., Ltd. in relation to a sale of a property located at Room 2802 and Room 2803, 28th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong at a consideration of HK\$39,960,000 (as disclosed in the Company's circular dated 12 June 2006);
5. an acquisition agreement dated 24 June 2006 entered into between Joyful Asia Group Limited, a wholly owned subsidiary of the Company, and Worldround Developments Limited in relation to an acquisition of a property named King Hung Commercial Building located at No. 194 — 196 Queen's Road Central, Hong Kong at a consideration of HK\$56,500,000 (as disclosed in the Company's circular dated 4 July 2006);
6. an acquisition agreement dated 12 February 2007 entered into between Batilone Limited, a wholly owned subsidiary of the Company, and Luckico Development Limited in relation to an acquisition of a property located at No. 87 and 89, Jervois Street, Hong Kong at a consideration of HK\$90,000,000 (as disclosed in the Company's circular dated 2 March 2007);
7. a disposal agreement dated 18 April 2007 entered into between Cinic Limited, a wholly owned subsidiary of the Company, and Chalco Hongkong Limited in relation to a sale of a property located at 45th floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong at a consideration of HK\$136,000,000 (as disclosed in the Company's circular dated 10 May 2007);
8. an acquisition agreement dated 25 April 2007 entered into between Rexel Limited, a wholly owned subsidiary of the Company, and Chan Yuen Tung in relation to an acquisition of a property located at No. 59 Shouson Hill Road, Bay Villas, Hong Kong at a consideration of HK\$111,800,000 (as disclosed in the Company's circular dated 17 May 2007);
9. an acquisition agreement dated 9 May 2007 entered into between Champian Limited, a wholly owned subsidiary of the Company, and Fairgold Company Limited in relation to an acquisition of a property located at 22nd floor (including the roof thereof) and car parking space no. 9 on level 1, Century Tower II, Nos. 1 and 1A Tregunter Path, Hong Kong at a consideration of HK\$57,500,000 (as disclosed in the Company's circular dated 21 May 2007);

10. an acquisition agreement dated 9 May 2007 entered into between Asiatic Limited, a wholly owned subsidiary of the Company, and Eternal Supreme Limited in relation to an acquisition of a property located at No. 101 and 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong at a consideration of HK\$88,000,000 (as disclosed in the Company's circular dated 21 May 2007);
11. an acquisition agreement dated 4 June 2007 entered into between Smart Rise Investments Limited, a wholly owned subsidiary of the Company, and Newgrounds Corporate Inc. in relation to an acquisition of a 20% equity interest in Eden Bay Corporation and 20% Shareholder's loan at a consideration of US\$15,838,166.91 (as disclosed in the Company's circular dated 25 June 2007);
12. a disposal agreement dated 16 July 2007 entered into between Cherish Limited, a wholly owned subsidiary of the Company, and Sea Bright Properties Limited in relation to a sale of a property located at House No. 8 (including its carport on lower ground floor, its garden on ground floor and its main roof), Villa Rosa, No. 88 Red Hill Road, Hong Kong at a consideration of HK\$82,000,000 (as disclosed in the Company's circular dated 6 August 2007);
13. an acquisition agreement dated 15 August 2007 entered into between St. Thomas Commercial Developments Incorporated, a wholly owned subsidiary of the Company, and Environment Planning Associates Limited and Helena Grossman in relation to an acquisition of a property located at 5, 7, and 9 Sultan Street, Toronto, Canada at a consideration of CAD5,150,000 (as disclosed in the Company's circular dated 3 September 2007);
14. the Agreements;
15. a disposal agreement dated 4 October 2007 entered into between Sinoway Enterprises Limited, a wholly owned subsidiary of the Company, and Tipau Hong Kong Limited in relation to a sale of a property located at Unit 1 to 8, 6th Floor, Citicorp Centre, No. 18 Whitfield Road, Hong Kong (with carpark no. 28, 29 and 57) at a consideration of HK\$57,000,000 (as disclosed in the Company's circular dated 26 October 2007); and
16. a disposal agreement dated 5 October 2007 entered into between Rever Limited, a wholly owned subsidiary of the Company, and Cantic Limited in relation to a sale of a property located at Unit 3201, 32nd Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong at a consideration of HK\$37,934,900 (as disclosed in the Company's circular dated 26 October 2007).

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business at Suite 3201, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business on any weekday (except public holidays) from the date of this circular up to and including 21 November 2007:

- (a) the memorandum and Bye-laws of the Company;
- (b) the annual reports of the Company of each of the two financial years immediately preceding the issue of this circular;
- (c) the report from Deloitte referred to in Appendix II to this circular;
- (d) the letters and valuation certificates from DTZ referred to in Appendix IV to this circular;
- (e) the material contracts referred to in this appendix; and
- (f) the Company's circulars dated 2 May 2006, 8 June 2006, 12 June 2006, 4 July 2006, 2 March 2007, 10 May 2007, 17 May 2007, 21 May 2007, 25 June 2007, 6 August 2007, 3 September 2007 and 26 October 2007.

9. GENERAL

- (i) The qualified accountant and company secretary of the Company is Ms. Yue Man Ying, who is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Yue holds a Master Degree in Business Administration.
- (ii) The branch registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iii) The English version of this circular shall prevail over the Chinese text.