

NATIONAL ELECTRONICS HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

ANNUAL REPORT 2009

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Executive Directors

Jimmy Lee Yuen Ching
Chairman
James Lee Yuen Kui
Managing Director
Loewe Lee Bon Chi
Edward Lee Yuen Cheor
Ricky Wai Kwong Yuen

Non-Executive Director

Dorathy Lee Yuen Yu

Independent Non-Executive Directors

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

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Solicitors

Baker & McKenzie
JSM
Richards Butler

Company Secretary

Yue Man Ying

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of China (Hong Kong) Limited
Chiyu Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Ltd.
Chong Hing Bank Limited
Fubon Bank (Hong Kong) Limited

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office

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

Registrars

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Branch Registrars and Transfer Office

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

On behalf of the Board (the "Board") of Directors (the "Directors") of National Electronics Holdings Limited (the "Company"), I am pleased to report the results of the Company and its subsidiaries (together, the "Group") for the year ended 31st March, 2009.

RESULTS

The audited consolidated profit attributable to shareholders of the Group for the year ended 31st March, 2009 was HK\$108,831,486 (2008: HK\$211,648,779). The earnings per share of the Company for the year ended 31st March, 2009 was 11.1 HK cents per share (2008: 20.9 HK cents per share).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 1.5 HK cents per share for the year ended 31st March, 2009 (2008: 2.0 HK cents).

BUSINESS REVIEW

WATCHES AND WATCH COMPONENTS

During the year under review, both turnover and profit for the Group's watch manufacturing division have decreased. At the same time, the sales revenue for the Group's watch component trading division was slightly reduced and the profit margin has narrowed. The reason is mainly due to the severe adverse impact on the world economy from the Global Financial Tsunami that first surfaced in the U.S.A. during the fourth quarter of 2008.

PROPERTY DEVELOPMENT AND INVESTMENT

During the year under review, the Group has recorded a substantial increase on sales revenue due to the final completion of sales of approximately 90 percent of the residential condominium units of the Group's One St. Thomas project in Toronto, Canada. The result was satisfactory.

Analog digital altimeter watch with compass, barometer, altimeter, data log and ski function chronograph.



PROSPECTS

WATCHES AND WATCH COMPONENTS

As the world market continues to be weak after the Global Financial Crisis, the Group is cautious with its factory relocation plan to Nanning, Guan Xi for its watch manufacturing division and has taken measures to slow down the preparations for the move. In the meantime, in order to protect profit margin, our watch division has further streamlined its current staff and labour force as well as its factory overhead in the existing manufacturing facilities at Kuming, Shenzhen. On the other hand, new higher margin health and exercise related non-watch products are being engineered and will be launched for the 2010 sales campaign.

PROPERTY DEVELOPMENT AND INVESTMENT

Overseas

The Group will continue to market the remaining units of the One St. Thomas residential project in Toronto, Canada. Concurrently, the Group is working on a redevelopment plan for the Group's adjoining property to One St. Thomas, located at Sultan Street, Toronto, Canada.

Local

The construction work for the Group's Joint Venture project with Citi Property Investors at 137-138 Connaught Road West, Hong Kong was completed and this boutique hotel is expected to be ready for opening by the third quarter of 2009.

The foundation work of the Group's Joint Venture project with Citi Property Investors at Nos. 50 to 59 Connaught Road Central, Hong Kong for the development of an A-Grade office building is in progress and it is expected that the project will be completed by early 2011.



GPS watch that tracks your location and altitude with built-in compass and memory of up to 10 previous trail data with electronic directional map.

The foundation work of the Group's boutique hotel project at 21 Whitfield Road, Causeway Bay, Hong Kong was completed and the pile cap for superstructure work has commenced. The Group targets to complete the building by the third quarter of 2010.

Likewise, the foundation works of the Group's project at 87 & 89 Jervois Street and Nos. 99, 101 & 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong have been completed and the superstructure work will commence shortly. The Group expects the completion for these two boutique hotels to be around the second half of 2010.

The Group will soon start the excavation and piling work on No.194-196 Queen's Road Central, Hong Kong and the Group aims to complete this new boutique hotel by early 2012.

As per the announcements made on 23rd, 29th and 30th April, 2009, and 22nd June, 2009, the Group has, after the year end, disposed of the following properties:-

1. 29 High Point Road, Toronto, Canada;
2. Nos. 459-461 Lockhart Road, Causeway Bay, Hong Kong;
3. House No. 1, Abergeldie, 52 Plantation Road, Hong Kong; and
4. 13th Floor, 17th Floor and Car Parking Space No. 16 on Ground Floor, Shing Dao Industrial Building, No. 232 Aberdeen Main Road, Hong Kong.

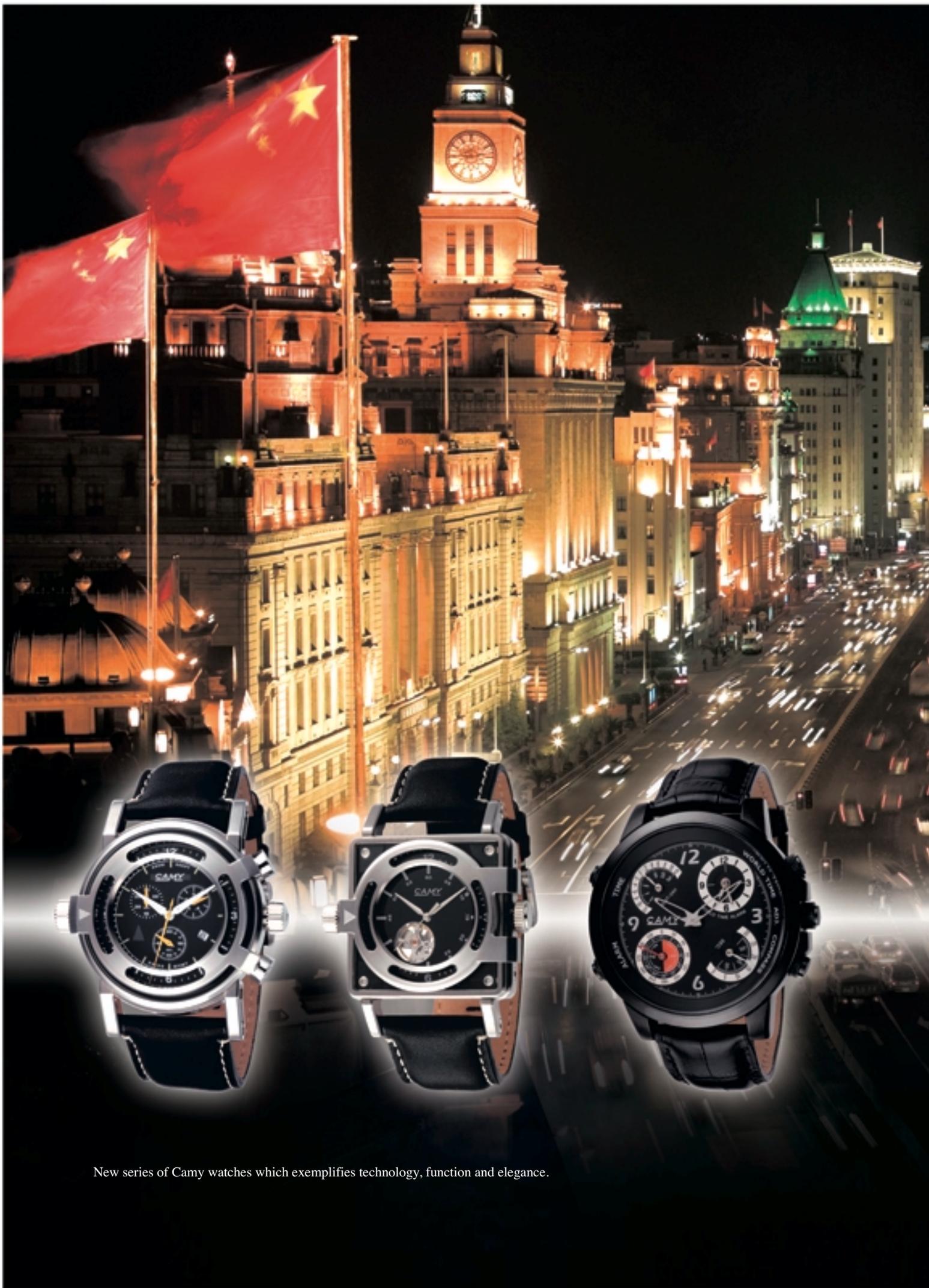
The Group is currently seeking residential development opportunities in Hong Kong.

Finally, on behalf of the Board of Directors, I would like to thank all the staff of the Group for their loyalty and dedication during the previous year.

Lee Yuen Ching Jimmy

Chairman

Hong Kong, 20th July, 2009



New series of Camy watches which exemplifies technology, function and elegance.

CAMLY

SINCE 1913





Award-winning cycling computer which monitors user's heart rate, cycling speed, cadence, etc. via a 2.4GHz wireless digital transmission.



BUSINESS REVIEW

WATCHES AND WATCH COMPONENTS

During the period under review, the turnover of the Group's watch manufacturing division decreased by 19% to HK\$254 million and the sales revenues generated from the watch component trading division decreased by 3% to HK\$773 million. In addition, the profit margins of the Group's watch manufacturing division and the watch component trading division have decreased.

PROPERTY DEVELOPMENT AND INVESTMENT

The result of the Group's property development and investment business was satisfactory.

The profit was mainly due to the sale of the condominium units of the One St. Thomas project in Toronto, Canada and the net increase in fair value of other investment properties of the Group.

ASSOCIATES

The Group shared a profit of HK\$35.7 million from its associates.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2009, the Group's total borrowings were approximately HK\$1,171 million, representing a decrease of approximately HK\$526 million from last year. The maturity profile spreads over a period of 30 years, with approximately HK\$444 million repayable within one year, approximately HK\$430 million within two to five years and approximately HK\$297 million beyond five years.

As at 31st March, 2009, the Group's gearing ratio was 1.00 (2008: 0.99) which is calculated based on the Group's long-term borrowings of approximately HK\$726 million and shareholders' funds of approximately HK\$723 million.

As at 31st March, 2009, the Group's total bank balances and cash was approximately HK\$140 million (2008: HK\$92 million).

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



Our product won the Best Design Award at the internationally-renowned Osaka Design Center.



Fashionable soft touch fitness device for muscle toning,
designed to shape and firm up one's figure.



TREASURY POLICIES

As at 31st March, 2009, 78% of the Group's borrowings was in HK\$, 6% in US\$, 5% in JPY and 11% in CAD.

As at 31st March, 2009, 39% of the Group's bank balances and cash was in HK\$, 11% in US\$, 4% in RMB, 43% in CAD and 3% in others.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

CHARGES ON ASSETS

As at 31st March, 2009, certain properties of the Group of approximately HK\$1,480 million (2008: HK\$2,425 million) were pledged to secure banking facilities for the Group.

EMPLOYEES

As at 31st March, 2009, the Group employed approximately 1,800 employees in Hong Kong, the PRC and other overseas countries. The staff costs for the year including directors' emoluments amounted to approximately HK\$108 million (2008: HK\$110 million). Remuneration is determined by reference to market terms as well as the qualifications and experiences of the staff concerned. Salaries are reviewed annually and discretionary bonuses may be paid depending on individual performance and the profitability of the Group.

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

EXECUTIVE DIRECTORS

Mr. Jimmy Lee Yuen Ching, aged 62, is the Chairman of the Group. He received his university education in the United States and Canada. His initial experience in the watch industry was gained in his family's watch business and he subsequently became a co-founder of the Group. He was responsible for the founding of the Group's property division seventeen years ago and has been responsible for the management of the property division since that time.

Mr. James Lee Yuen Kui, aged 55, is the Managing Director of the Group. He joined the Group in 1976 and is currently responsible for administration, trading of watch components and material procurement from foreign suppliers.

Mr. Loewe Lee Bon Chi, aged 29, graduated from Harvard University and obtained a bachelor of arts degree with honours in economics. He joined the Group in July, 2005 and is responsible for overseeing the overall operations of the watch components trading division as well as the property development and investment division. He is also a director of The Federation of Hong Kong Watch Trades & Industries Limited. Prior to joining the Group, he was an investment banker at JP Morgan in New York.

Mr. Edward Lee Yuen Cheor, aged 51, joined the Group in 1981 and is currently responsible for the supervision in the properties development in Hong Kong.

Mr. Ricky Wai Kwong Yuen, M.Sc., aged 62, is the President and an executive Director of National Electronics and Watch Company Limited. Mr. Wai joined the Group in 1976 and is responsible for its LCD and LCD hybrid watch business and other electronic products.

NON-EXECUTIVE DIRECTOR

Ms. Dorathy Lee Yuen Yu, aged 49, has not previously held any positions with the Company or its subsidiaries before joining the Group in September, 2004. Ms. Lee is the sister of Mr. James Lee Yuen Kui and Mr. Edward Lee Yuen Cheor, who are also executive Directors of the Company. She is also a cousin of Mr. Jimmy Lee Yuen Ching, the Chairman of the Company and an aunt of Mr. Loewe Lee Bon Chi, an executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Samson Sun, M.B.E., J.P., aged 84, is the Chairman of the Sun International Group of companies. He was the Deputy Chairman of Gilman & Co., Limited and later of Inchage Hong Kong in each case from 1967 to 1985. Dr. Sun is the Honorary Permanent President of The Federation of Hong Kong Watch Trades & Industries Limited. He has over 53 years' experience in the manufacturing, marketing and distribution of watches and 25 years' experience in the marketing and distribution of consumer and electronic products. Dr. Sun has chaired many voluntary community services and charitable organizations and is the former Vice-Chairman of Business and Professionals Federation of Hong Kong (BPF).

Mr. William Chan Chak Cheung, aged 61, graduated from the University of Toronto and the Schulich School of Business. He is also a member of the Canadian Institute of Chartered Accountants. Mr. Chan is an independent non-executive Director of King Fook Holdings Limited, a company listed on Main Board of the Stock Exchange of Hong Kong Limited. Mr. Chan is a retired partner of PricewaterhouseCoopers ("PwC") after a career spanning 34 years in Canada, Hong Kong and Mainland China. He was partner in charge of China tax services at PwC and brings experience in solving complex business issues in many different industries.

Mr. Chan Kwok Wai, aged 50, has been an independent non-executive Director of the Company since April, 2005. Mr. Chan is a member of the Hong Kong Securities Institute and an associate member of CPA Australia. Mr. Chan is currently a director of High Progress Consultants Limited. He is also an independent non-executive Director of Junefield Department Store Group Limited, China Investments Holdings Limited, Tern Properties Company Limited, Chinese Estates Holdings Limited and Far East Consortium International Limited, the shares of all of which are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Andrew Lo Kwong Yiu, B.Sc. (Econ.), B.Sc. (Building Surveying), FRICS, aged 55, is an executive Director of National Properties Holdings Limited. Mr. Lo joined the Group in 1992 and is responsible for property development projects.

The directors have pleasure in presenting to shareholders their annual report and the audited financial statements for the year ended 31st March, 2009.

Principal activities

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture, assembly and sale of electronic watches and watch parts, trading of watch movements and watch parts, property development and property investment.

Results and appropriations

The results of the Group for the year ended 31st March, 2009 are set out in the consolidated income statement on page 22.

The directors now recommend the payment of a dividend of 1.5 HK cents per share to the shareholders of the Company whose names appear on the register of members on 14th August, 2009, amounting to HK\$14,588,789.

Investment properties and property, plant and equipment

Details of movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 15 and 16 to the financial statements, respectively.

Major properties

Details of the major properties of the Group at 31st March, 2009 are set out on page 80.

Subsidiaries and associates

Details of the Company's subsidiaries and associates at 31st March, 2009 are set out in notes 42 and 19 to the financial statements, respectively.

Share capital

Details of movements during the year in the share capital of the Company are set out in note 31 to the financial statements.

Pre-emptive rights

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

Reserves

Details of movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 26 and in note 32 to the financial statements, respectively.

Purchase, sale or redemption of shares

During the year, the Company repurchased certain of its own shares on The Stock Exchange of Hong Kong Limited, details of which are set out in note 31 to the financial statements.

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

Directors

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

Executive Directors

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

Non-Executive Director

Ms. Dorathy Lee Yuen Yu

Independent Non-Executive Directors

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

In accordance with the Bye-laws 99 of the Company, Mr. Loewe Lee Bon Chi, Mr. Ricky Wai Kwong Yuen and Dr. Samson Sun, M.B.E., J.P., shall retire by rotation and, being eligible, offer themselves for re-election.

Each non-executive and independent non-executive directors was appointed for a term of period up to his retirement and re-election by rotation under the Bye-laws of the Company.

Appointment of independent non-executive directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive directors are independent.

Service contracts

None of the directors has entered into any service agreement with any member of the Group nor are there any other service agreements proposed which will not expire or be determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' interests in contracts of significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Arrangements to purchase shares or debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares, underlying shares and debentures

At 31st March, 2009, the interests of the directors, chief executives and their associates in the shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Name of director	Capacity	Shares of HK\$0.10 each				Percentage of the issued share capital of the Company
		Personal interests	Corporate interests	Other interests	Total interests	
Mr. Jimmy Lee Yuen Ching	Chairman	—	—	253,106,873 <i>(note a)</i>	253,106,873	26.024%
Mr. Loewe Lee Bon Chi	Director	—	—	253,106,873 <i>(note a)</i>	253,106,873	26.024%
Mr. James Lee Yuen Kui	Managing Director	5,940	—	252,102,979 <i>(note b)</i>	252,108,919	25.921%
Mr. Edward Lee Yuen Cheor	Director	—	—	252,102,979 <i>(note b)</i>	252,102,979	25.920%
Mr. Ricky Wai Kwong Yuen	Director	—	37,267,767 <i>(note d)</i>	—	37,267,767	3.832%
Dr. Samson Sun, M.B.E., J.P.	Director	—	4,988,968 <i>(note c)</i>	—	4,988,968	0.513%

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.

Saved as disclosed above, at 31st March, 2009, none of the director or chief executive or any of their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

Substantial shareholders

Other than the interests of certain directors disclosed under the heading "Directors' interests in shares, underlying shares and debentures" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interest or short position in the issued share capital of the Company as at 31st March, 2009.

Major suppliers and customers

For the year ended 31st March, 2009, the Group's five largest suppliers accounted for approximately 89.37% of the Group's purchases of which 86.58% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 57.98% of the Group's turnover of which 21.76% was attributable to the largest customer.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers or customers during the year.

Corporate governance

The Company has complied throughout the year ended 31st March, 2009 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Emolument policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Company, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31st March, 2009.

Donations

During the year, the Group made charitable donations amounting to HK\$168,000.

Post balance sheet events

Details of significant events occurring after the balance sheet date are set out in note 41 to the financial statements.

Auditors

Messrs. Deloitte Touche Tohmatsu ("DTT") were auditors of the Company for the year ended 31st March, 2007.

Messrs. HLB Hodgson Impey Cheng, who was appointed as auditors of the Company by the company in 2008 upon the resignation of DTT, will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

LEE YUEN CHING JIMMY

Chairman

Hong Kong, 20th July, 2009

For the year ended 31st March, 2009 (the “Year”), in the opinion of the Board, the Group applied the principles in the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and complied with the code provisions in the CG Code.

Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. The Company has made specific enquiries to all Directors who have confirmed that, during the Year, they have complied with the required standard set out in the Model Code.

The Board

As at 31st March, 2009, the Board consisted of 9 directors including 5 executive directors, 1 non-executive director and 3 independent non-executive directors (the “INEDs”).

During the Year, the Board held 4 meetings. Attendance of each director at the Board meetings held in the Year is set out below:

Directors	Meetings Attended/Held
Executive Directors:	
Mr. Jimmy Lee Yuen Ching (Chairman)	4/4
Mr. James Lee Yuen Kui (Managing Director)	4/4
Mr. Loewe Lee Bon Chi	4/4
Mr. Edward Lee Yuen Cheor	4/4
Mr. Ricky Wai Kwong Yuen	4/4
Non-Executive Director:	
Ms. Dorathy Lee Yuen Yu	2/4
Independent Non-Executive Directors:	
Dr. Samson Sun	4/4
Mr. William Chan Chak Cheung	4/4
Mr. Chan Kwok Wai	4/4

The Board is responsible for leadership and control of the Group. The Board reviews and approves the objectives, strategies, directions and policies of the Group. The Board also reviews the Group’s performance and monitored the activities of the Group. The Board has appointed several Board committees to oversee different areas of the Company’s affairs. Details of these Board committees are given below.

The Board has delegated the responsibility of the day-to-day operations of the Group to the management of the Group.

Mr. James Lee Yuen Kui, Mr. Edward Lee Yuen Cheor and Ms. Dorathy Lee Yuen Yu are brothers and sister and they are cousins of Mr. Jimmy Lee Yuen Ching, who is the father of Mr. Loewe Lee Bon Chi.

The Company has received annual confirmations of independence from each of the INEDs and considers all INEDs are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

In accordance with the Bye-laws of the Company, at each annual general meeting (the “AGM”) one-third of the Directors shall retire from office by rotation save any Director holding office as Chairman or Managing Director. The Directors to retire in every year shall be those who have been longest in office since their last election. The retiring Directors shall be eligible for re-election.

Each non-executive and independent non-executive director was appointed for a term of period up to his retirement by rotation and re-election in accordance with the Bye-laws of the Company.

With the introduction of the CG Code and to comply with code provision A.4.2 of the CG Code, all Directors (including the Chairman and the Managing Director of the Group) voluntarily retire at the AGM at least once every three years.

Chairman and Managing Director

The Chairman of the Board is Mr. Jimmy Lee Yuen Ching and the Managing Director of the Group is Mr. James Lee Yuen Kui. The roles of the Chairman and the Managing Director were segregated. The Chairman is primarily responsible for the management and effective performance of the Board as well as the high-level strategies determination. The Managing Director is primarily responsible for the day-to-day management of the business of the Group.

Remuneration Committee

The Board has established a remuneration committee (the "RC") and its principle roles and functions are:

- (i) to make recommendations to the Board on the Company's policy and structure of remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) to determine the remuneration packages of the directors and senior management; and
- (iii) to review and approve performance based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The RC consists of 5 members. They are Dr. Samson Sun who is the Chairperson of the RC, Mr. Chan Kwok Wai, Mr. William Chan Chak Cheung, Mr. Jimmy Lee Yuen Ching and Mr. James Lee Yuen Kui.

During the Year, the RC held one meeting with full attendance. The RC reviewed the remuneration policy of the Group and the remuneration packages of the Directors and the senior management.

Nomination Committee

The Board has established a nomination committee (the "NC"). The NC is responsible for developing criteria to identify, assess the qualifications of and evaluate candidates for the Board. They identify individuals suitably qualified in terms of skill, knowledge and experience to become members of the Board, taking into account of the then existing composition of the Board in terms of skill, knowledge and experience and make recommendation to the Board for approval.

The NC consists of 5 members. They are Mr. William Chan Chak Cheung who is the Chairperson of the NC, Dr. Samson Sun, Mr. Chan Kwok Wai, Mr. Jimmy Lee Yuen Ching and Mr. James Lee Yuen Kui.

During the Year, the NC held one meeting with full attendance. The NC reviewed the policy on nomination and appointment of Directors and the structure, size and composition (including skill, knowledge and experience) of the Board. The NC also assessed the independence of the INEDs.

Audit Committee

The Board has established an audit committee (the “AC”) and its principal roles and functions are:

- (i) to make recommendation to the Board on the appointment, reappointment and removal of the Company’s auditors and to review and monitor their independence and objectivity and the effectiveness of the audit processing accordance with applicable standard;
- (ii) to oversee the Group’s relation with the Company’s auditors;
- (iii) to review the financial information of the Group including monitoring the integrity of the Group’s financial statements, annual reports and accounts, and interim reports and reviewing significant accounting policies; and
- (iv) to oversee the Group’s financial reporting system and internal control procedures.

The AC comprised 3 members and all of them are INEDs. Attendance of each member at the AC meetings held in the Year is set out below:

Members	Meetings Attended/Held
Dr. Samson Sun (Chairman)	4/4
Mr. William Chan Chak Cheung	4/4
Mr. Chan Kwok Wai	4/4

The following is a summary of the work performed by the AC during the Year:

- Reviewed the audited annual results of the Group for the year ended 31st March, 2008;
- Reviewed the interim results of the Group for the six months ended 30th September, 2008;
- Reviewed the internal audit reports covering the evaluation of internal controls of the Group; and
- Reviewed the auditors’ remuneration and their performance and confirmed their independence.

Auditors’ Remuneration

During the Year, the remunerations payable to the Company’s external auditors for audit and non-audit services performed by HLB Hodgson Impey Cheng are set out below:

Services rendered	Fees payable HK\$’000
Audit services	980
Non-audit services	250
Total	1,230

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial year which give a true and fair view of the state of affairs of the Group. The reporting responsibilities of the Company's auditors are set out in this annual report on page 21.

The Board has conducted a review of the effectiveness of the system of internal control of the Group. The Board considered the Group has effective internal control system. Nevertheless, the Board will continue to improve the Group's internal control system through periodic review and recommendation from external auditors identified during their audit.

The non-audit services are relating to taxation services.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Chartered Accountants
Certified Public Accountants

**TO THE SHAREHOLDERS OF
NATIONAL ELECTRONICS HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of National Electronics Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 79, which comprise the consolidated and company balance sheets as at 31st March, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31st March, 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants
Hong Kong, 20th July, 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2009 (in HK Dollars)

	Notes	2009	2008
Revenue	7	2,301,703,974	1,256,702,994
Cost of sales		(2,040,409,548)	(1,062,107,895)
Gross profit		261,294,426	194,595,099
Other income	8	5,648,616	11,328,737
Increase in fair value of investment properties	15	62,972,951	111,796,048
Gain on disposal of investment properties	15	—	55,102,767
Impairment loss recognised in respect of properties under development for sale	23	(46,628,663)	—
Distribution costs		(7,793,323)	(7,945,828)
Administrative expenses		(146,100,759)	(108,112,983)
Finance costs	9	(27,525,838)	(31,768,680)
Share of results of associates	19	35,677,947	1,609,582
Profit before taxation	10	137,545,357	226,604,742
Income tax expenses	12	(28,713,871)	(14,955,963)
Profit for the year		108,831,486	211,648,779
Dividend:			
2008 interim and final dividend paid of 2.5 HK cents (2007: 2.8 HK cents) per ordinary share	13	24,717,286	28,709,627
Earnings per share – Basic and diluted	14	11.1 HK cents	20.9 HK cents

CONSOLIDATED BALANCE SHEET

At 31st March, 2009 (in HK Dollars)

	Notes	2009	2008
Non-current assets			
Investment properties	15	1,045,505,000	880,020,039
Property, plant and equipment	16	118,266,700	100,549,321
Prepaid lease payments	17	252,233,362	262,321,527
Interests in associates	19	53,728,720	18,050,773
Available-for-sale investments	20	16,000,000	23,180,000
		1,485,733,782	1,284,121,660
Current assets			
Inventories	21	98,946,597	153,537,569
Prepaid lease payments	17	4,291,278	4,443,812
Investment held for trading	22	4,071,034	4,099,115
Inventory of unsold properties		170,767,133	28,514,155
Properties under development for sale	23	—	1,241,831,573
Deposits held in trust for property under development for sale		—	43,435,147
Bills receivables	25	9,000,000	12,000,000
Trade receivables, deposits and prepayments	25	61,212,391	113,040,917
Amounts due from associates	19	142,049,370	140,079,370
Tax recoverable		1,126,683	558,225
Bank balances and cash	26	139,549,296	91,950,237
		631,013,782	1,833,490,120
Current liabilities			
Trade payables and accrued expenses	27	109,188,218	189,770,481
Bills payables	27	37,733,076	79,575,635
Tax liabilities		16,674,191	1,317,983
Derivative financial instruments	28	5,695,010	457,012
Obligations under finance leases	29	3,494,980	3,705,623
Deposits received from sale of properties under development		—	448,301,219
Bank loans	30	444,464,657	1,034,104,990
		617,250,132	1,757,232,943
Net current assets		13,763,650	76,257,177
Total assets less current liabilities		1,499,497,432	1,360,378,837

CONSOLIDATED BALANCE SHEET

At 31st March, 2009 (in HK Dollars)

	Notes	2009	2008
Capital and reserves			
Share capital	31	97,260,193	99,851,793
Reserves		626,106,853	568,744,841
Total equity		723,367,046	668,596,634
Non-current liabilities			
Provision for long service payments	33	3,571,179	3,687,257
Derivative financial instruments	28	11,347,375	—
Obligations under finance leases	29	3,492,691	4,351,759
Bank loans	30	726,883,327	662,884,770
Deferred tax liabilities	34	30,835,814	20,858,417
		776,130,386	691,782,203
		1,499,497,432	1,360,378,837

The consolidated financial statements on pages 22 to 79 were approved and authorised for issue by the Board of Directors on 20th July, 2009 and are signed on its behalf by:

JIMMY LEE YUEN CHING
Director

JAMES LEE YUEN KUI
Director

BALANCE SHEET

At 31st March, 2009 (in HK Dollars)

	Notes	2009	2008
Non-current assets			
Interests in subsidiaries	18	359,945,968	318,411,597
Available-for-sale investments	20	2,000,000	2,000,000
		361,945,968	320,411,597
Current assets			
Amount due from a subsidiary	24	691,586	—
Bank balances		2,352,055	2,248,303
		3,043,641	2,248,303
Current liabilities			
Accrued expenses		3,290,012	3,109,017
Financial guarantee contracts		41,534,371	49,582,402
Amount due to a subsidiary	24	53,289,920	17,291,648
		98,114,303	69,983,067
Net current liabilities		(95,070,662)	(67,734,764)
Net assets		266,875,306	252,676,833
Capital and reserves			
Share capital	31	97,260,193	99,851,793
Reserves	32	169,615,113	152,825,040
Total equity		266,875,306	252,676,833

The financial statements on pages 22 to 79 were approved and authorised for issue by the Board of Directors on 20th July, 2009 and are signed on its behalf by:

JIMMY LEE YUEN CHING

Director

JAMES LEE YUEN KUI

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2009 (in HK Dollars)

	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	Contributed surplus	Capital redemption reserve	Retained profits	Total
At 1st April, 2007	103,351,393	22,785,730	(3,938,046)	6,677,500	66,141,751	25,969,440	284,627,991	505,615,759
Exchange differences arising on translation of foreign operations	—	—	(5,791,268)	—	—	—	—	(5,791,268)
Gain on fair value changes of available-for-sale investments	—	—	—	5,360,000	—	—	—	5,360,000
Net (expense)/income recognised directly in equity	—	—	(5,791,268)	5,360,000	—	—	—	(431,268)
Profit for the year	—	—	—	—	—	—	211,648,779	211,648,779
Total recognised (expense)/income for the year	—	—	(5,791,268)	5,360,000	—	—	211,648,779	211,217,511
Dividend paid	—	—	—	—	—	—	(28,709,627)	(28,709,627)
Repurchase of own shares	(3,499,600)	—	—	—	—	3,499,600	(19,527,009)	(19,527,009)
At 31st March, 2008	99,851,793	22,785,730	(9,729,314)	12,037,500	66,141,751	29,469,040	448,040,134	668,596,634
Exchange differences arising on translation of foreign operations	—	—	(12,314,827)	—	—	—	—	(12,314,827)
Loss on fair value changes of available-for-sale investments	—	—	—	(6,610,000)	—	—	—	(6,610,000)
Net expense recognised directly in equity	—	—	(12,314,827)	(6,610,000)	—	—	—	(18,924,827)
Profit for the year	—	—	—	—	—	—	108,831,486	108,831,486
Transfer to profit or loss on sale of available-for-sale investments	—	—	—	(490,000)	—	—	—	(490,000)
Total recognised (expense)/income for the year	—	—	(12,314,827)	(7,100,000)	—	—	108,831,486	89,416,659
Dividend paid	—	—	—	—	—	—	(24,717,286)	(24,717,286)
Repurchase of own shares	(2,591,600)	—	—	—	—	2,591,600	(9,928,961)	(9,928,961)
At 31st March, 2009	97,260,193	22,785,730	(22,044,141)	4,937,500	66,141,751	32,060,640	522,225,373	723,367,046

The contributed surplus represents the difference between the nominal amount of the shares issued by the Company and the shareholders' funds of the subsidiaries acquired pursuant to the Group reorganisation undertaken prior to the listing of the Company's shares.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2009 (in HK Dollars)

	2009	2008
Operating activities		
Profit before taxation	137,545,357	226,604,742
Adjustments for:		
Finance costs	27,525,838	31,768,680
Share of results of associates	(35,677,947)	(1,609,582)
Impairment loss recognised in respect of trade receivables	1,463,257	273,943
Impairment loss recognised in respect of other receivables	182,013	—
Impairment loss recognised in respect of properties under development for sale	46,628,663	—
Write-down of inventories	3,148,204	3,965,523
Provision for long service payments	396,916	393,274
Amortisation of prepaid lease payments	4,396,647	1,877,130
Depreciation of property, plant and equipment	22,463,902	19,400,779
Bank interest income	(1,451,748)	(3,535,747)
Dividend income from unlisted investments	(12,121)	(591,388)
Increase in fair value of investment properties	(62,972,951)	(111,796,048)
Gain on disposal of investment properties	—	(55,102,767)
Loss/(gain) on disposal of property, plant and equipment	384,492	(1,048,553)
Fair value gain from equity on disposal of available-for-sale investments	(490,000)	—
(Gain)/loss on fair value changes of investment held for trading	(644,693)	376,462
Loss on fair value changes of derivative financial instruments	17,042,385	457,012
Operating cash flows before movements in working capital	159,928,214	111,433,460
Decrease/(increase) in inventories	51,442,768	(1,611,368)
(Increase)/decrease in inventory of unsold properties	(155,065,527)	73,468,427
Decrease/(increase) in properties under development for sale	987,630,757	(321,943,881)
Decrease/(increase) in deposits held in trust for property under development for sale	35,638,785	(36,857,841)
Decrease/(increase) in bills receivables	3,000,000	(1,000,000)
Decrease/(increase) in trade receivables, deposits and prepayments	38,563,111	(12,133,297)
(Decrease)/increase in trade payables and accrued expenses	(65,954,090)	26,014,700
Decrease in derivative financial instruments	(457,012)	(840,864)
Decrease in bills payables	(41,842,559)	(8,826,259)
Utilisation of provision for long service payments	(512,994)	(485,314)
(Decrease)/increase in deposit received from sale of properties under development	(403,735,258)	285,904,368
Cash generated from operations	608,636,195	113,122,131
Hong Kong Profits Tax (paid)/refund	(900,835)	1,457,214
Overseas tax paid	(2,919,724)	—
Net cash generated from operating activities	604,815,636	114,579,345

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2009 (in HK Dollars)

	2009	2008
Investing activities		
Additions to interests in associates	—	(3,013,388)
Additions to investment properties	(67,403,564)	(692,777,302)
Purchase of property, plant and equipment	(38,329,453)	(266,221,982)
Advance to associates	(1,970,000)	(122,615,016)
Dividend received from unlisted investments	12,121	591,388
Proceeds from disposal of available-for-sale investments	570,000	—
Proceeds from disposal of investment properties	—	347,318,576
Proceeds from disposal of property, plant and equipment	7,072,444	1,795,994
Interest received	1,451,748	3,535,747
Net cash used in investing activities	(98,596,704)	(731,385,983)
Financing activities		
Repayment to a related party	—	(2,216,099)
New bank loans raised	158,715,806	1,004,294,796
Interest paid	(35,862,909)	(41,772,950)
Dividend paid	(24,717,286)	(28,709,627)
Repayment of bank loans	(541,748,858)	(388,697,636)
Repayment of obligations under finance leases	(4,907,483)	(4,230,920)
Repurchase of own shares	(9,928,961)	(19,527,009)
Net cash (used in)/generated from financing activities	(458,449,691)	519,140,555
Net increase/(decrease) in cash and cash equivalents	47,769,241	(97,666,083)
Cash and cash equivalents at 1st April	91,950,237	188,641,735
Effect of foreign exchange rate changes	(170,182)	974,585
Cash and cash equivalents at 31st March	139,549,296	91,950,237
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	139,549,296	91,950,237

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

1. GENERAL

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

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁵
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁵
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 1 (Revised)	First-time Adoption of HKFRS ⁵
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁵
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ³
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁶
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁷
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ⁵
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁸

¹ Effective for annual periods beginning on or after 1st January, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate

³ Effective for annual periods beginning on or after 1st January, 2009

⁴ Effective for annual periods ending on or after 30th June, 2009

⁵ Effective for annual periods beginning on or after 1st July, 2009

⁶ Effective for annual periods beginning on or after 1st July, 2008

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

⁸ Effective for transfers of assets from customers received on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The 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 financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the 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 financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, interests in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the 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 interest 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is measured at the 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 completion of the sale and purchase agreement.

When a development property is sold in advance of completion, revenue is only recognised upon the completion of the sale and purchase agreement. Deposits and instalments 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' rights to receive payment have 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 the 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

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair values of investment property 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 and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 and freehold land 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, where shorter, the terms of the relevant lease.

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 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 costs (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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Properties under development for sale

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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 balance sheet when a group entity becomes a party to the contractual provisions of the instrument. 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

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. 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 include 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at financial assets at fair value through profit or loss, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Investment held for trading

A financial asset is classified as held for trading if:

- (a) it has been acquired principally for the purpose of selling in the near future; or
- (b) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative that is not designated and effective as a hedging instrument.

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. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables 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 (including deposits held in trust for property under development for sale, bills receivables, trade receivables and deposits, amounts due from associates and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

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 (see accounting policy in respect of impairment loss on financial assets below).

For 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 (see accounting policy in respect of impairment loss on financial assets below).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

Financial assets, other than those financial assets at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- (a) significant financial difficulty of the issuer or counterparty; or
- (b) default or delinquency in interest or principal payments; or
- (c) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 – 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount 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 loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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 Group's financial liabilities include financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- (a) it has been incurred principally for the purpose of repurchasing in the near future; or
- (b) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- (a) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (b) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (c) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Other financial liabilities

Other financial liabilities mainly include trade payables, bills payables, bank loans and deposits received from sale of properties under development. 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 and payable 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of tangible and intangible assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

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 as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are 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 translation of monetary items, are recognised 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 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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 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 profits 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. 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. CRITICAL ACCOUNTING JUDGEMENTS AND 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 estimation that have effect on the amounts recognised in the 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. At 31st March, 2009, the carrying amount of trade receivables is approximately HK\$35,144,000.

Fair value of derivative financial instruments

The Group relies on bank valuations to determine the fair value of derivatives financial instruments which in turn are determined using various valuation techniques, including discounted cash flow models and option pricing models. Judgement is required in the calculation of such valuations. Changes in the underlying assumptions could materially impact profit or loss.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt (which includes bank loans), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

Debt to equity ratio

The Group's senior management reviews the capital structure on a semi-annual basis. As part of this review, the senior management considers the cost of capital and the risks associated with each class of capital.

The debt to equity ratio at the year end was as follows:

	2009	2008
Debt (i)	726,883,327	662,884,770
Equity (ii)	723,367,046	668,596,634
Debt to equity ratio	100%	99%

(i) Debt comprises non-current bank loans as detailed in note 30.

(ii) Equity includes all capital and reserves of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

2009

Financial assets

	Held for trading	Loans and receivables	Available for sale financial assets	Total
Available-for-sale investments	—	—	16,000,000	16,000,000
Investment held for trading	4,071,034	—	—	4,071,034
Bills receivables	—	9,000,000	—	9,000,000
Trade receivables, deposits and prepayments	—	61,212,391	—	61,212,391
Amounts due from associates	—	142,049,370	—	142,049,370
Bank balances	—	139,403,457	—	139,403,457
	4,071,034	351,665,218	16,000,000	371,736,252

Financial liabilities

	Held for trading	Financial liabilities at amortised cost	Total
Trade payables and accrued expenses	—	109,188,218	109,188,218
Bills payables	—	37,733,076	37,733,076
Derivative financial instruments	17,042,385	—	17,042,385
Obligations under finance leases	—	6,987,671	6,987,671
Bank loans	—	1,171,347,984	1,171,347,984
	17,042,385	1,325,256,949	1,342,299,334

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

6. FINANCIAL INSTRUMENTS (Cont'd)

a. Categories of financial instruments (Cont'd)

2008

Financial assets

	Held for trading	Loans and receivables	Available for sale financial assets	Total
Available-for-sale investments	—	—	23,180,000	23,180,000
Investment held for trading	4,099,115	—	—	4,099,115
Deposits held in trust for property under development for sale	—	43,435,147	—	43,435,147
Bills receivables	—	12,000,000	—	12,000,000
Trade receivables, deposits and prepayments	—	113,040,917	—	113,040,917
Amounts due from associates	—	140,079,370	—	140,079,370
Bank balances	—	91,821,351	—	91,821,351
	4,099,115	400,376,785	23,180,000	427,655,900

Financial liabilities

	Held for trading	Financial liabilities at amortised cost	Total
Trade payables and accrued expenses	—	189,770,481	189,770,481
Bills payables	—	79,575,635	79,575,635
Derivative financial instruments	457,012	—	457,012
Obligations under finance leases	—	8,057,382	8,057,382
Deposits received from sale of properties under development	—	448,301,219	448,301,219
Bank loans	—	1,696,989,760	1,696,989,760
	457,012	2,422,694,477	2,423,151,489

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

6. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial risk management objectives and policies

The Group's senior management monitors and manages the financial risks relating to the operations of the Group through internal analysis which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to mitigate these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors in relation to the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risks, including:

- foreign currency forward contracts to minimise the exchange rate risk in relation to foreign currency transactions; and
- interest rate swaps to mitigate the cash flow interest rate risk.

(i) Foreign currency risk management

Several subsidiaries of the Group have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 11% of the Group's sales are denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 65% of costs are denominated in the group entity's respective functional currencies.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2009	2008	2009	2008
CAD	160,544,000	1,135,662,000	64,883,000	1,381,114,000
JPY	76,892,000	287,387,000	34,000	42,000
USD	100,953,000	6,711,000	61,114,000	63,268,000
RMB	2,350,000	5,395,000	12,874,000	51,537,000

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(i) Foreign currency risk management (Cont'd)

Sensitivity analysis

As USD is pegged with Hong Kong dollars, the Group's currency risk in relation to the monetary assets and monetary liabilities denominated in USD is expected to be minimal. The Group is mainly exposed to the effects of fluctuation in JPY and CAD.

The following table details the Group's sensitivity to a 5% (2008: 5%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 5% (2008: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2008: 5%) change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the Hong Kong dollars strengthen 5% (2008: 5%) against the relevant currencies. For a 5% (2008: 5%) weakening of the Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the profit and the balances below would be negative.

	Impact of JPY (i)		Impact of CAD (ii)	
	2009	2008	2009	2008
Profit or loss	3,835,000	37,441,000	3,798,000	—

(i) This is as a result of the decrease in purchase of inventories denominated in JPY.

(ii) This is mainly attributable to the exposure outstanding on loans to foreign operations within the Group denominated in CAD.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Market risk (Cont'd)

(ii) Interest rate risk management

The Group's fair value interest rate risk relates primarily to fixed-rate short-term bank deposits and fixed-rate debt securities, while the Group's cash flow interest rate risk relates primarily to variable-rate bank loans (see note 30 for details of these bank loans).

In relation to these variable-rate bank loans, the Group enters into interest rate swaps to minimise against its exposures to changes in interest rate of those bank loans.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR or LIBOR arising from the Group's Hong Kong dollar denominated bank loans.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank loans at the balance sheet date. For variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. 50 basis points (2008: 50 basis points) increase or decrease in HIBOR or LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2008: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31st March, 2009 would decrease/increase by approximately HK\$3,000,000 (2008: decrease/increase by HK\$2,400,000).

(iii) Other price risks

The Group is exposed to price risk through its available-for-sale investments and investment held for trading. The management monitors the price risk and take appropriate actions should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to price risk at the reporting date.

If prices had been 5% (2008: 5%) higher/lower, net profit for the year ended 31st March, 2009 would increase/decrease by HK\$203,552 (2008: increase/decrease by HK\$204,956). This is mainly due to the changes in fair value of investment held for trading.

If prices had been 5% (2008: 5%) higher/lower, other equity reserves would increase/decrease by HK\$800,000 (2008: increase/decrease by HK\$1,159,000) as a result of the changes in fair value of available-for-sale investments.

The Group's sensitivity to prices has not changed significantly from prior year.

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Credit risk

At 31st March, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The table below shows the balance of 2 major counterparties (including liquid funds) at the balance sheet date using the Moody's credit rating symbols.

Counterparty	Location	Rating	2009 Carrying amount	2008 Carrying amount
The Hongkong and Shanghai Banking Corporation Limited	Hong Kong	Aa2	35,236,000	28,617,000
Industrial and Commercial Bank of China (Asia) Limited	Hong Kong	A2	42,961,000	39,753,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

6. FINANCIAL INSTRUMENTS (Cont'd)

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

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

At 31st March, 2009, the Group has available unutilised overdrafts and short, medium and long term bank loan facilities of approximately HK\$17,000,000 (2008: HK\$19,000,000) and HK\$496,000,000 (2008: HK\$600,000,000) respectively.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities as well as derivative which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

For derivative instruments settle on a net basis, undiscounted net cash outflows are presented. Whereas they require gross settlement, the undiscounted gross outflows on these derivatives are shown in the table.

	Less than 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount as at 31/03/2009
2009						
Non-derivative financial liabilities						
Trade payables and accrued expenses	84,932,246	4,262,004	—	—	89,194,250	89,194,250
Bills payables	37,733,076	—	—	—	37,733,076	37,733,076
Obligations under finance leases	3,777,257	2,778,380	1,027,661	—	7,583,298	6,987,671
Bank loans	474,249,907	177,092,166	291,322,676	352,970,376	1,295,635,125	1,171,347,984
Derivative financial liabilities						
Foreign currency forward contracts	21,574	—	—	—	21,574	21,574
Interest rate swaps	5,673,436	—	11,347,375	—	17,020,811	17,020,811
		Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount as at 31/03/2008
2008						
Non-derivative financial liabilities						
Trade payables and accrued expenses	159,345,401	4,314,261	—	—	163,659,662	163,659,662
Bills payables	79,575,635	—	—	—	79,575,635	79,575,635
Obligations under finance leases	4,013,863	3,105,940	1,637,451	—	8,757,254	8,057,382
Bank loans	1,080,876,070*	39,724,414	391,388,776	383,906,825	1,895,896,085*	1,696,989,760*
Derivative financial liabilities						
Foreign currency forward contracts	457,012	—	—	—	457,012	457,012

* Including the construction loan for the Group's St. Thomas residential development project in Toronto, Canada.

6. FINANCIAL INSTRUMENTS (Cont'd)

c. Fair value of financial instruments

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair values of derivative instruments are determined based on the quoted prices provided by the banks; 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 or rates from observable current market transactions as input.

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

7. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

7. SEGMENT INFORMATION (Cont'd)

Segment information about these businesses is presented below.

2009

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Eliminations	Consolidated
REVENUE						
External sales	253,781,020	772,552,529	1,271,080,696	4,289,729	—	2,301,703,974
Inter-segment sales	—	922,608	51,099,863	—	(52,022,471)	—
Total revenue	253,781,020	773,475,137	1,322,180,559	4,289,729	(52,022,471)	2,301,703,974

Inter-segment sales are charged at cost.

RESULT						
Segment result	10,332,232	20,426,357	94,210,868	62,088,825	—	187,058,282
Interest income						1,451,748
Unallocated net other income						3,798,039
Unallocated other expenses						(62,914,821)
Finance costs						(27,525,838)
Share of results of associates	—	—	—	35,677,947	—	35,677,947
Profit before taxation						137,545,357
Income tax expenses						(28,713,871)
Profit for the year						108,831,486

BALANCE SHEET

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Eliminations	Consolidated
ASSETS						
Segment assets	105,228,983	91,143,324	133,542,505	1,081,658,402	—	1,411,573,214
Interests in associates						53,728,720
Amounts due from associates						142,049,370
Unallocated corporate assets						509,396,260
Consolidated total assets						2,116,747,564
LIABILITIES						
Segment liabilities	51,734,574	51,058,576	37,252,574	17,367,793	—	157,413,517
Unallocated corporate liabilities						1,235,967,001
Consolidated total liabilities						1,393,380,518

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

7. SEGMENT INFORMATION (Cont'd)

OTHER INFORMATION

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Unallocated	Consolidated
Capital additions	16,703,021	3,496,881	31,000	95,620,184	—	115,851,086
Depreciation of property, plant and equipment	6,351,088	12,078,553	322,924	3,781,313	11,753	22,545,631
Amortisation of prepaid lease payments	763,001	3,633,646	—	—	—	4,396,647
Impairment loss recognised in respect of properties under development for sale	—	—	46,628,663	—	—	46,628,663
Impairment loss recognised in respect of trade receivables	873,257	590,000	—	—	—	1,463,257
Impairment loss recognised in respect of other receivables	182,013	—	—	—	—	182,013
Write-down of inventories	2,607,564	—	—	—	540,640	3,148,204
Increase in fair value of investment properties	—	—	—	62,972,951	—	62,972,951
Loss/(gain) on disposal of property, plant and equipment	(168,712)	113,566	—	399,036	40,602	384,492

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

7. SEGMENT INFORMATION (Cont'd)

2008

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Eliminations	Consolidated
REVENUE						
External sales	314,463,990	793,320,379	484,060	148,434,565	—	1,256,702,994
Inter-segment sales	—	1,795,605	—	—	(1,795,605)	—
Total revenue	314,463,990	795,115,984	484,060	148,434,565	(1,795,605)	1,256,702,994

Inter-segment sales are charged at cost.

RESULT

Segment result	14,017,070	43,397,781	(5,020,187)	168,823,992	—	221,218,656
Interest income						3,535,747
Unallocated net other income						26,181,855
Unallocated other expenses						(49,275,185)
Finance costs						(31,768,680)
Gain on disposal of investment properties	—	—	—	55,102,767	—	55,102,767
Share of results of associates	—	—	—	1,609,582	—	1,609,582
Profit before taxation						226,604,742
Income tax expenses						(14,955,963)
Profit for the year						211,648,779

BALANCE SHEET

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Eliminations	Consolidated
ASSETS						
Segment assets	130,292,764	154,340,628	1,311,002,538	893,392,753	—	2,489,028,683
Interests in associates						18,050,773
Amounts due from associates						140,079,370
Unallocated corporate assets						470,452,954
Consolidated total assets						3,117,611,780
LIABILITIES						
Segment liabilities	68,097,627	84,386,016	528,572,540	20,020,137	—	701,076,320
Unallocated corporate liabilities						1,747,938,826
Consolidated total liabilities						2,449,015,146

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

7. SEGMENT INFORMATION (Cont'd)

OTHER INFORMATION

	Manufacture of watches	Trading of watch movements	Property development	Property investment	Unallocated	Consolidated
Capital additions	8,826,732	7,957,180	450,388	31,433,789	—	48,668,089
Depreciation of property, plant and equipment	4,273,520	12,458,737	419,989	2,395,772	16,027	19,564,045
Amortisation of prepaid lease payments	629,118	—	—	1,248,012	—	1,877,130
Impairment loss recognised in respect of trade receivables	273,943	—	—	—	—	273,943
Write-down of inventories	3,965,523	—	—	—	—	3,965,523
Increase in fair value of investment properties	—	—	—	111,796,048	—	111,796,048
Gain on disposal of investment properties	—	—	—	55,102,767	—	55,102,767
Gain on disposal of property, plant and equipment	—	1,048,553	—	—	—	1,048,553

Geographical segments

The Group's operations are mainly located in Hong Kong and other regions in the People's Republic of China (the "PRC"), North America and Europe.

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

	2009	2008
Hong Kong and the PRC	786,854,475	953,627,883
North America	1,355,346,344	141,378,858
Europe	141,354,292	154,291,017
Others	18,148,863	7,405,236
	2,301,703,974	1,256,702,994

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

7. SEGMENT INFORMATION (Cont'd)

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:

2009

	Carrying amount of segment assets	Additions to investment properties	Additions to property, plant and equipment
Hong Kong and the PRC	1,186,501,246	73,683,861	42,167,225
North America	225,071,968	—	—
Total segment assets	<u>1,411,573,214</u>	<u>73,683,861</u>	<u>42,167,225</u>

2008

	Carrying amount of segment assets	Additions to investment properties	Additions to property, plant and equipment
Hong Kong and the PRC	1,137,120,616	675,419,761	48,141,591
North America	1,351,908,067	40,020,039	526,498
Total segment assets	<u>2,489,028,683</u>	<u>715,439,800</u>	<u>48,668,089</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

8. OTHER INCOME

	2009	2008
Bank interest income	1,451,748	3,535,747
Dividend income from unlisted investments	12,121	591,388
Gain on disposal of property, plant and equipment	—	1,048,553
Management fee income received from associates	1,661,480	2,177,909
Sundry income	2,523,267	3,975,140
	5,648,616	11,328,737

9. FINANCE COSTS

	2009	2008
Interest on:		
Amount due to a related party	—	24,841
Bank loans and overdrafts		
– wholly repayable within five years	30,084,357	71,989,193
– not wholly repayable within five years	8,834,039	3,329,214
Obligations under finance leases	411,960	451,048
Total borrowing costs	39,330,356	75,794,296
Less: Amount capitalised to properties under development for sale	(5,524,221)	(44,025,616)
Less: Amount capitalised to investment properties	(6,280,297)	—
	27,525,838	31,768,680

Borrowing costs capitalised during the year ended 31st March, 2008 were calculated by applying a capitalisation rate of 8% per annum to expenditure on properties under development for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

10. PROFIT BEFORE TAXATION

	2009	2008
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	22,545,631	19,564,045
Less: Amount capitalised to properties under development for sale	(81,729)	(163,266)
	22,463,902	19,400,779
Staff costs including directors' emoluments	108,291,713	110,166,238
Less: Amount capitalised to properties under development for sale	(6,128,800)	(216,914)
Less: Amount capitalised to investment properties	(20,854,508)	(15,804,500)
	81,308,405	94,144,824
Amortisation of prepaid lease payments	4,396,647	1,877,130
Auditors' remuneration	1,517,096	1,429,861
Cost of inventories recognised as an expense	2,037,261,344	1,058,142,372
Impairment loss recognised in respect of other receivables	182,013	—
Impairment loss recognised in respect of trade receivables	1,463,257	273,943
Loss on disposal of property, plant and equipment	384,492	—
Loss on fair value changes of derivative financial instruments	17,042,385	457,012
Loss on fair value changes of investment held for trading	—	376,462
Minimum lease payments for operating leases in respect of land and buildings	6,425,054	1,047,939
Net foreign exchange loss	39,667,519	6,704,235
Write-down of inventories	3,148,204	3,965,523
and after crediting:		
Fair value gain from equity on disposal of available-for-sale investments	490,000	—
Gain on fair value changes of investment held for trading	644,693	—
Gross rental income from investment properties	4,331,078	5,633,725
Less: Outgoings	(831,425)	(1,135,187)
Net rental income from investment properties	3,499,653	4,498,538

Minimum lease payments for operating leases in respect of staff quarters amounting to HK\$437,733 (2008: HK\$3,779,495) are included in staff costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

	Mr. Jimmy Lee Yuen Ching	Mr. James Lee Yuen Kui	Mr. Edward Lee Yuen Cheor	Dr. Samson Sun, M.B.E., J.P.	Mr. William Chan Chak Cheung	Ms. Dorathy Lee Yuen Yu	Mr. Chan Kwok Wai	Mr. Ricky Wai Kwong Yuen	Mr. Loewe Lee Bon Chi		Total
2009											
Fees	50,000	50,000	50,000	300,000	225,000	50,000	225,000	50,000	50,000		1,050,000
Other emoluments											
Salaries and other benefits	6,906,424	4,649,000	2,053,955	—	—	—	—	3,036,000	4,669,000		21,314,379
Retirement benefit scheme contributions	12,000	12,000	12,000	—	—	—	—	12,000	12,000		60,000
	6,968,424	4,711,000	2,115,955	300,000	225,000	50,000	225,000	3,098,000	4,731,000		22,424,379
	Mr. Jimmy Lee Yuen Ching	Mr. James Lee Yuen Kui	Mr. Edward Lee Yuen Cheor	Dr. Samson Sun, M.B.E., J.P.	Mr. William Chan Chak Cheung	Ms. Dorathy Lee Yuen Yu	Mr. Chan Kwok Wai	Mr. Ricky Wai Kwong Yuen	Mr. Loewe Lee Bon Chi	Mr. Peter Lee Yuen Wong	Total
2008											
Fees	50,000	50,000	50,000	300,000	225,000	50,000	225,000	50,000	43,014	13,699	1,056,713
Other emoluments											
Salaries and other benefits	7,321,000	4,843,800	2,140,793	—	—	—	—	3,084,000	4,921,000	1,716,914	24,027,507
Retirement benefit scheme contributions	12,000	12,000	12,000	—	—	—	—	12,000	12,000	—	60,000
	7,383,000	4,905,800	2,202,793	300,000	225,000	50,000	225,000	3,146,000	4,976,014	1,730,613	25,144,220

Note:

- Mr. Peter Lee Yuen Wong resigned as an executive director on 10th July, 2007 and Mr. Loewe Lee Bon Chi was appointed as an executive director on 22nd May, 2007.
- The performance related incentive payment is determined as a percentage of the revenue of the Group for the two years ended 31st March, 2009.

Included in salaries and other benefits is an amount of HK\$177,213 (2008: HK\$2,923,853) in respect of accommodation provided to the directors of the Company.

Besides above remuneration, four (2008: two) of the Group's properties are provided to the directors as an accommodation. The rateable values of the properties amount to HK\$2,667,720 (2008: HK\$598,740).

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, all (2008: all) are directors of the Company whose emoluments are included in the disclosures in note (a) above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

12. INCOME TAX EXPENSES

	2009	2008
The charge comprises:		
Hong Kong Profits Tax		
Current year	891,883	903,607
Overprovision in prior years	(157,368)	(328,853)
	734,515	574,754
Other jurisdictions - current year	18,001,959	—
	18,736,474	574,754
Deferred tax liabilities (note 34)		
Current year	11,169,307	14,381,209
Attributable to a change in tax rate	(1,191,910)	—
Taxation attributable to the Company and its subsidiaries	28,713,871	14,955,963

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

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

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council issued Implementation Regulation of the New Law. The New Law and Implementation Regulation changed the tax rate of the PRC subsidiaries to 25% from 1st January, 2008 onwards.

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

	2009	2008
Profit before taxation	137,545,357	226,604,742
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	22,694,983	39,655,830
Tax effect of share of results of associates	(5,886,862)	(281,650)
Tax effect of expenses not deductible for tax purpose	6,242,733	7,439,602
Tax effect of income not taxable for tax purpose	(6,897,810)	(12,900,825)
Tax effect of deductible temporary differences not recognised	(6,839,893)	(10,954,114)
Tax effect of tax losses not recognised	11,951,065	2,212,796
Tax effect on different tax rate of operations in other jurisdictions	12,757,010	(105,088)
Utilisation of tax losses previously not recognised	(2,808,781)	(11,238,231)
Overprovision in prior years	(157,368)	(328,853)
Effect of tax exemption (note)	(659,701)	(1,398,560)
Others	(489,595)	2,855,056
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	(1,191,910)	—
Taxation charge for the year	28,713,871	14,955,963

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

13. DIVIDEND

The final dividend of 1.5 HK cents for the year ended 31st March, 2009 (2008: 2.0 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2009	2008
Earnings for the purpose of basic earnings per share	108,831,486	211,648,779
	Number of shares	
	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings per share	984,257,840	1,013,412,382

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

15. INVESTMENT PROPERTIES

The Group

FAIR VALUE

At 1st April, 2007	345,000,000
Additions	715,439,800
Increase in fair value recognised in the consolidated income statement	111,796,048
Gain on disposal of investment properties	55,102,767
Disposals	(347,318,576)
At 31st March, 2008	880,020,039
Additions	73,683,861
Increase in fair value recognised in the consolidated income statement	62,972,951
Transfer from properties under development for sale	36,359,116
Exchange realignment	(7,530,967)
At 31st March, 2009	1,045,505,000

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

15. INVESTMENT PROPERTIES (Cont'd)

The fair value of the Group's investment properties situated in Hong Kong and Canada at 31st March, 2009 and 2008 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited and DTZ Barnicke, respectively, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Surveyors, DTZ Barnicke is a member of the Toronto Real Estate Board Commercial Division and they have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Valuation Standards on Properties of the Hong Kong Institute of Surveyors and those of the Toronto Real Estate Board Commercial Division, was arrived at by reference to market evidence of recent transaction prices for similar properties in the same locations and conditions.

The carrying amount of investment properties shown above comprises:

	2009	2008
Land in Hong Kong:		
Long-term lease	504,000,000	410,000,000
Medium-term lease	449,000,000	430,000,000
Land outside Hong Kong:		
Freehold	92,505,000	40,020,039
	1,045,505,000	880,020,039

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	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
COST											
At 1st April, 2007	19,206,209	5,173,502	7,567,821	909,009	29,206,837	81,236,071	28,069,587	64,569,022	10,733,726	53,080,690	299,752,474
Exchange realignment	—	(22,640)	—	100,900	236,424	100,410	71,873	525,561	—	—	1,012,528
Additions	23,538,916	—	31,968	—	820,999	851,572	6,033,247	9,305,095	1,351,540	6,734,752	48,668,089
Disposals	—	—	—	—	—	—	(8,745,557)	(6,356,696)	(120,000)	—	(15,222,253)
At 31st March, 2008	42,745,125	5,150,862	7,599,789	1,009,909	30,264,260	82,188,053	25,429,150	68,042,982	11,965,266	59,815,442	334,210,838
Exchange realignment	—	(22,510)	—	20,907	(97,665)	20,371	14,893	(949,400)	—	—	(1,013,404)
Additions	—	—	8,152,521	—	14,644,946	475,697	5,074,151	8,320,068	110,200	5,389,642	42,167,225
Disposals	(178,530)	—	—	—	—	—	(3,757,280)	(505,061)	(68,423)	—	(4,509,294)
At 31st March, 2009	42,566,595	5,128,352	15,752,310	1,030,816	44,811,541	82,684,121	26,760,914	74,908,589	12,007,043	65,205,084	370,855,365
DEPRECIATION											
At 1st April, 2007	7,536,050	1,310,035	1,913,886	—	26,834,108	69,750,677	19,829,004	52,183,717	1,667,996	46,653,265	227,678,738
Exchange realignment	—	(18,819)	—	—	121,141	55,753	48,898	686,573	—	—	893,546
Provided for the year	585,582	145,152	193,112	—	1,709,852	4,986,489	3,488,607	3,542,523	944,166	3,968,562	19,564,045
Eliminated on disposals	—	—	—	—	—	—	(8,745,557)	(5,702,834)	(26,421)	—	(14,474,812)
At 31st March, 2008	8,121,632	1,436,368	2,106,998	—	28,665,101	74,792,919	14,620,952	50,709,979	2,585,741	50,621,827	233,661,517
Exchange realignment	—	(19,306)	—	—	(58,526)	9,081	8,011	(405,582)	—	—	(466,322)
Provided for the year	414,036	144,525	91,365	—	2,037,424	3,674,199	4,608,469	4,872,292	956,003	5,747,318	22,545,631
Eliminated on disposals	(161,853)	—	—	—	—	—	(2,468,826)	(505,061)	(16,421)	—	(3,152,161)
At 31st March, 2009	8,373,815	1,561,587	2,198,363	—	30,643,999	78,476,199	16,768,606	54,671,628	3,525,323	56,369,145	252,588,665
CARRYING AMOUNTS											
At 31st March, 2009	34,192,780	3,566,765	13,553,947	1,030,816	14,167,542	4,207,922	9,992,308	20,236,961	8,481,720	8,835,939	118,266,700
At 31st March, 2008	34,623,493	3,714,494	5,492,791	1,009,909	1,599,159	7,395,134	10,808,198	17,333,003	9,379,525	9,193,615	100,549,321

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

16. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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	Indefinite
Buildings	Over the shorter of the terms of leases, or 50 years
Leasehold improvements	14 ¹ / ₃ % - 33 ¹ / ₃ %
Plant and machinery	25%
Motor vehicles	25%
Furniture, fixtures and office equipment	14 ¹ / ₃ % - 25%
Antiques and pictures	10%
Tools and moulds	15% - 33 ¹ / ₃ %

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

	2009	2008
Plant and machinery	754,288	1,997,876
Motor vehicles	7,154,059	6,678,994
	7,908,347	8,676,870

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2009	2008
Leasehold land in PRC held under:		
Medium-term lease	30,206,264	30,593,969
Leasehold land in Hong Kong held under:		
Long-term lease	223,597,767	227,174,435
Medium-term lease	2,720,609	8,996,935
	256,524,640	266,765,339
Analysed for reporting purposes as:		
Non-current assets	252,233,362	262,321,527
Current assets	4,291,278	4,443,812
	256,524,640	266,765,339

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

18. INTERESTS IN SUBSIDIARIES

The Company

	2009	2008
Unlisted, at cost	359,945,968	318,411,597

Particulars of the Company's principal subsidiaries at 31st March, 2009 are shown in note 42.

19. INTERESTS IN ASSOCIATES

The Group

	2009	2008
Cost of investment in unlisted associates	3,013,700	3,013,700
Share of post-acquisition reserves	50,715,020	15,037,073
	53,728,720	18,050,773

	2009	2008
Amounts due from associates	142,049,370	140,079,370

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

Particulars of the associates at 31st March, 2009 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activity
Eden Bay Corporation	Incorporated	British Virgin Islands	20%	Investment holding
Roebuck Investments Limited	Incorporated	British Virgin Islands	20%	Investment holding
Roebuck II Investments Limited	Incorporated	British Virgin Islands	20%	Investment holding

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

	2009	2008
Total assets	2,403,284,681	2,048,528,062
Total liabilities	(2,180,646,641)	(2,002,770,644)
Net assets	222,638,040	45,757,418
Group's share of net assets of associates	53,728,720	18,050,773
Revenue	17,351,586	26,346,623
Profit for the year	178,251,328	5,570,760
Group's share of results of associates for the year	35,677,947	1,609,582

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

20. AVAILABLE-FOR-SALE INVESTMENTS

The Group

	2009	2008
Club debentures, unlisted	16,000,000	23,180,000
Unlisted equity securities, at cost	1,000,000	1,000,000
Less: Impairment loss recognised	(1,000,000)	(1,000,000)
	—	—
Total	16,000,000	23,180,000
Analysed for reporting purposes as:		
Current assets	—	—
Non-current assets	16,000,000	23,180,000
	16,000,000	23,180,000

The Company

	2009	2008
Club debentures, unlisted	2,000,000	2,000,000

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 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.

21. INVENTORIES

The Group

	2009	2008
Raw materials and consumables	22,641,409	28,809,800
Work in progress	11,938,172	6,461,657
Finished goods	64,367,016	118,266,112
	98,946,597	153,537,569

22. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

23. PROPERTIES UNDER DEVELOPMENT FOR SALE

The directors reviewed the carrying amounts of the properties under development for sale and recognised an impairment loss of HK\$46,628,663 (2008: nil) during the year ended 31st March, 2009 with reference to the market situation and a valuation report.

At 31st March, 2009, properties under development for sale amounted to nil (2008: HK\$1,241,831,573). Included in properties under development for sale an amount of HK\$120,253,800 would be realised after twelve months from 31st March, 2008.

24. AMOUNT DUE FROM/TO A SUBSIDIARY

The amount due is unsecured, interest-free and has no fixed terms of repayment.

25. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

Bills receivables with full recourse of HK\$9,000,000 (2008: HK\$12,000,000) are 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 net of allowance for doubtful debts of HK\$35,144,489 (2008: HK\$53,692,129) with an aged analysis as follows:

The Group

	2009	2008
Within 30 days	29,991,792	50,728,763
31 to 90 days	3,485,585	1,897,707
91 to 180 days	1,661,753	873,516
Over 180 days	5,359	192,143
	35,144,489	53,692,129

At 31st March, 2009, trade receivables included an amount of approximately HK\$11,000,000 (2008: HK\$16,800,000) receivable from a major customer.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$2,600,826 (2008: HK\$1,102,607) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 120 days (2008: 127 days).

Ageing of trade receivables which are past due but not impaired

The Group

	2009	2008
31 to 90 days	1,000,562	266,704
91 to 180 days	1,594,905	835,903
Over 180 days	5,359	—
	2,600,826	1,102,607

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

25. BILLS RECEIVABLES, TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Cont'd)

Movement in the allowance for doubtful debts

The Group

	2009	2008
Balance at beginning of the year	2,194,951	2,226,113
Impairment losses recognised on receivables	1,463,257	273,943
Amounts recovered during the year	(6,950)	—
Amounts written off as uncollectible	—	(305,105)
Balance at end of the year	3,651,258	2,194,951

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK\$3,651,258 (2008: HK\$2,194,951) which were past due and not recoverable. The impairment recognised represents the carrying amount of these trade receivables. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables

The Group

	2009	2008
91 to 180 days	590,000	37,806
Over 180 days	3,061,258	2,157,145
	3,651,258	2,194,951

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances carry interest rates ranging from 0.01% to 5.00% (2008: 0.25% to 5.93%) per annum.

27. BILLS PAYABLES, TRADE PAYABLES AND ACCRUED EXPENSES

Included in bills payables, trade payables and accrued expenses are trade payables of HK\$59,539,237 (2008: HK\$112,910,976) with an aged analysis as follows:

The Group

	2009	2008
Within 30 days	35,280,928	77,365,304
31 to 90 days	18,505,497	29,562,340
91 to 180 days	1,397,844	1,819,875
Over 180 days	4,354,968	4,163,457
	59,539,237	112,910,976

The average credit period on purchases is 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	Current		Non-current	
	2009	2008	2009	2008
<i>Derivative financial liabilities</i>				
Foreign currency forward contracts	21,574	457,012	—	—
Interest rate swaps	5,673,436	—	11,347,375	—
	5,695,010	457,012	11,347,375	—

At 31st March, 2009, the Group uses interest rate swaps to minimise its exposure to changes of interest rate of its floating rate borrowings by swapping a proportion of the floating rate borrowings from floating rates to fixed rates. The Group does not currently designate any hedging relationship on the interest rate swaps for the purpose of hedge accounting, therefore, the interest rate swaps are deemed as financial liabilities held for trading. Major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK\$50,000,000	14th April, 2013	From 3 month HIBOR to 3.47%
HK\$30,000,000	16th April, 2013	From 3 month HIBOR to 3.10%
HK\$30,000,000	20th April, 2013	From 3 month HIBOR to 3.68%
HK\$50,000,000	29th April, 2013	From 3 month HIBOR to 3.62%
HK\$50,000,000	06th May, 2013	From 3 month HIBOR to 3.92%
HK\$75,000,000	05th June, 2013	From 3 month HIBOR to specific rate of 4.00%*

* If floating rate is less than specific rate, fixed at 2.95%; or
If floating rate is greater than specific rate, fixed at floating rate - 0.30%

The interest rate swaps are measured at fair value at each balance sheet date. Its fair values are determined based on market prices quoted by banks at the balance sheet date.

The Group has entered into a variety of foreign currency forward contracts to manage its exchange rate exposures. The instruments purchased are primarily purchasing United States dollar and selling Hong Kong dollar. The Group does not currently designate any hedging relationship on the foreign currency forward contracts for the purpose of hedge accounting, therefore, the foreign currency forward contracts are deemed as financial liabilities held for trading. Major terms of the foreign currency forward contracts are set out below:

2009

Notional amount	Maturity	Exchange rate
Buy USD1,000,000	09th June, 2009	USD 1 = HKD 7.712
Buy USD500,000	25th March, 2010	USD 1 = HKD 7.739

2008

Notional amount	Maturity	Exchange rate
Buy JPY150,000,000	03rd April, 2008	USD1 = JPY 97.950000
Buy JPY200,000,000	07th April, 2008	USD1 = JPY 97.900000
Buy JPY200,000,000	07th April, 2008	USD1 = JPY 98.900000
Buy JPY49,000,000	03rd April, 2008	USD1 = JPY 99.280001
Buy USD500,000	01st April, 2008	USD 1 = CAD0.977
Buy USD500,000	04th September, 2008	USD 1 = HKD7.778

The foreign currency forward contracts are measured at fair value at each balance sheet date. Its fair values are determined based on market prices quoted by banks at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

29. OBLIGATIONS UNDER FINANCE LEASES

The Group

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
Amounts payable under finance leases:				
Within one year	3,777,257	4,013,348	3,494,980	3,705,623
In the second to fifth years inclusive	3,806,041	4,743,907	3,492,691	4,351,759
	7,583,298	8,757,255	6,987,671	8,057,382
Less: Future finance charges	(595,627)	(699,873)	—	—
Present value of lease obligations	6,987,671	8,057,382	6,987,671	8,057,382
Less: Amount due within one year shown under current liabilities			(3,494,980)	(3,705,623)
Amount due after one year			3,492,691	4,351,759

It is the Group's policy to lease certain of its plant and machinery, and motor vehicles under finance leases. The leases term are ranging from 3 to 4 years (2008: 3 to 4 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.25% to 2.35% (2008: 1.85% to 2.35%) per annum. All 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 charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

30. BANK LOANS

The Group

	2009	2008
Secured bank loans	922,407,551	1,374,682,740
Unsecured bank loans	248,940,433	322,307,020
	<u>1,171,347,984</u>	<u>1,696,989,760</u>

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

	2009	2008
United States dollars	75,202,041	—
Japanese Yen	60,611,182	201,018,430

The maturity of the above bank loans is as follows:

	2009	2008
On demand or within one year	444,464,657	1,034,104,990
More than one year, but not exceeding two years	163,079,580	21,080,259
More than two years, but not exceeding five years	267,041,935	344,111,795
More than five years	296,761,812	297,692,716
	1,171,347,984	1,696,989,760
Less: Amount due within one year shown under current liabilities	(444,464,657)	(1,034,104,990)
Amount due after one year	726,883,327	662,884,770

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 1.45% to 6.40% (2008: 1.53% to 9.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

31. SHARE CAPITAL

	Number of ordinary shares		Nominal value	
	2009	2008	2009	2008
Ordinary shares of HK\$0.1 each				
Authorised:				
At 1st April and 31st March	1,500,000,000	1,500,000,000	150,000,000	150,000,000
Issued and fully paid:				
At 1st April	998,517,928	1,033,513,928	99,851,793	103,351,393
Cancelled on repurchase of shares	(25,916,000)	(34,996,000)	(2,591,600)	(3,499,600)
At 31st March	972,601,928	998,517,928	97,260,193	99,851,793

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

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

Month of repurchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid
		Highest	Lowest	
April, 2008	3,380,000	0.520	0.485	1,692,663
May, 2008	1,462,000	0.530	0.510	762,253
June, 2008	1,254,000	0.550	0.540	689,146
July, 2008	50,000	0.530	0.520	26,730
August, 2008	808,000	0.490	0.465	386,627
September, 2008	3,728,000	0.480	0.400	1,678,268
October, 2008	11,194,000	0.405	0.260	3,460,863
November, 2008	2,674,000	0.315	0.300	824,270
December, 2008	100,000	0.310	0.310	31,134
January, 2009	312,000	0.300	0.285	94,213
February, 2009	638,000	0.300	0.285	187,749
March, 2009	316,000	0.300	0.290	95,045
	25,916,000			9,928,961

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

32. RESERVES

The Company

	Share premium	Contributed surplus	Capital redemption reserve	Retained profits	Total
At 1st April, 2007	22,785,730	90,854,039	25,969,440	48,257,887	187,867,096
Profit for the year	—	—	—	9,694,980	9,694,980
Dividend paid	—	—	—	(28,709,627)	(28,709,627)
Repurchase of own shares	—	—	3,499,600	(19,527,009)	(16,027,409)
At 31st March, 2008	22,785,730	90,854,039	29,469,040	9,716,231	152,825,040
Profit for the year	—	—	—	48,844,720	48,844,720
Dividend paid	—	—	—	(24,717,286)	(24,717,286)
Repurchase of own shares	—	—	2,591,600	(9,928,961)	(7,337,361)
At 31st March, 2009	22,785,730	90,854,039	32,060,640	23,914,704	169,615,113

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than aggregate of its liabilities and its issued share capital and share premium accounts.

33. 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:

	2009	2008
At beginning of the year	3,687,257	3,779,297
Additional provision for the year	396,916	393,274
Utilisation of provision	(512,994)	(485,314)
At closing of the year	3,571,179	3,687,257

The most recent actuarial valuation of the present value of the obligations under long service payments was carried out at 31st March, 2009 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

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

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

	2009	2008
Discount rate	1.8%	2.2%
Expected rate of salary increase	3%	3%

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

	2009	2008
Current service cost	8,455	1,717
Interest cost	151,889	244,239
Net actuarial losses recognised in current year	236,572	147,318
Net amount charged to consolidated income statement as staff costs	396,916	393,274

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

	2009	2008
Present value of the obligations under long service payments	9,981,355	7,703,307
Unrecognised actuarial losses	(6,410,176)	(4,016,050)
Obligations under long service payments included in the consolidated balance sheet	3,571,179	3,687,257

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

	2009	2008
At 1st April	7,703,307	6,490,833
Current service cost	8,455	1,717
Interest cost	151,889	244,239
Actuarial losses	2,630,698	1,451,832
Benefits paid	(512,994)	(485,314)
At 31st March	9,981,355	7,703,307

The Group expects to make a contribution of HK\$970,137 (2008: HK\$1,031,787) to the defined benefit plans during the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

34. DEFERRED TAXATION

The Group

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Total
At 1st April, 2007	4,250,933	6,636,005	(4,409,730)	6,477,208
Charge/(credit) to consolidated income statement for the year	(364,780)	17,567,237	(2,821,248)	14,381,209
At 31st March, 2008	3,886,153	24,203,242	(7,230,978)	20,858,417
Charge to consolidated income statement for the year	752,961	9,579,780	836,566	11,169,307
Effect of change in tax rate	(222,065)	(1,383,042)	413,197	(1,191,910)
At 31st March, 2009	4,417,049	32,399,980	(5,981,215)	30,835,814

At the balance sheet date, the Company has unused tax losses of approximately HK\$456,940,000 (2008: HK\$341,472,000) available for offset against future profits. A deferred tax asset of approximately HK\$5,981,000 (2008: HK\$7,231,000) has been recognised in respect of approximately HK\$36,248,000 (2008: HK\$41,320,000) of such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$420,692,000 (2008: HK\$300,152,000) 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\$1,049,846 (2008: HK\$2,036,763). 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.

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st March, 2008, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$6,699,412.

36. CONTINGENT LIABILITIES AND COMMITMENTS

The Group

	2009	2008
Contingent liabilities:		
Other guarantees	247,000	247,000
Capital commitments:		
Contracted for but not provided:		
Acquisition of property, plant and equipment	—	733,200
Construction of properties	38,060,805	38,057,156
	38,060,805	38,790,356

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

37. 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:

	2009	2008
Within one year	11,704,152	4,619,988
In the second to fifth year inclusive	38,846,708	8,947,582
Over five years	9,753,710	6,909,189
	60,304,570	20,476,759

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 ranging from 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:

	2009	2008
Within one year	2,571,000	3,149,694
In the second to fifth year inclusive	1,090,000	3,661,000
	3,661,000	6,810,694

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

38. RETIREMENT BENEFIT SCHEME

Commencing from 1st December, 2000, the Group's employees are required to join Mandatory Provident Fund Scheme (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, 2009 is HK\$941,881 (2008: HK\$1,001,735). There is no forfeiture of employer's contribution from leaving scheme members under the MPF Scheme.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

39. PLEDGE OF ASSETS

At 31st March, 2009, the Group has pledged the following assets and assigned rental income from letting of properties in favour of banks to secure the banking facilities:

	2009	2008
Investment properties	1,045,505,000	880,020,039
Buildings in Hong Kong	34,192,780	34,623,493
Freehold land and buildings outside Hong Kong	3,566,765	3,714,494
Properties under development for sale	—	1,241,831,573
Inventory of unsold properties	170,767,133	28,514,155
Prepaid lease payments	226,318,376	236,171,370

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group and the Company had entered into the following significant related party transactions:

- (1) Transactions with associates

	2009	2008
Nature of transaction		
Management fee income received by the Group	1,661,480	2,177,909

- (2) The Group's balances with related parties are set out in note 19.
- (3) Key management compensation is disclosed in note 11.
- (4) The Company provided a corporate guarantee of banking facilities to its subsidiaries to the extent of approximately HK\$1,397,000,000 at 31st March, 2009 (2008: HK\$1,606,000,000).

41. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following material events:

- (1) A disposal agreement entered into on 22nd April, 2009 by 1061383 Ontario Limited, a wholly owned subsidiary of the Company with Rosa Ghods in relation to the sale of a property located at 29 High Point Road, City of Toronto, Canada at a consideration of CAD4,300,000 (approximately HK\$26,875,000);
- (2) A disposal agreement entered into on 28th April, 2009 by Cinic Limited, a wholly owned subsidiary of the Company with Giant Rich Investment Limited in relation to the sale of properties located at Nos. 459-461 Lockhart Road, Causeway Bay, Hong Kong at a consideration of HK\$180,000,000;
- (3) A disposal agreement entered into on 29th April, 2009 by Ambrose Limited, a wholly owned subsidiary of the Company with Forever Shiny Holdings Limited in relation to the sale of a property located at House No. 1 together with the garden, open terrace spaces, flat roof and carport attached therewith, Abergeldie 52 Plantation Road, Hong Kong at a consideration of HK\$120,000,000; and
- (4) A disposal agreement entered into on 22nd June, 2009 by Majorell Limited, a wholly owned subsidiary of the Company with Summer Style Limited in relation to the sale of properties located at 13th Floor, 17th Floor and Car Parking Space No. 16 on Ground Floor, Shing Dao Industrial Building, No. 232 Aberdeen Main Road, Hong Kong at a consideration of HK\$28,658,300.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries at 31st March, 2009 are as follows:

Name of subsidiary	Place/country of incorporation or registration/ 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>				
Ambrose Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	Property investment
Ambrose Investments Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	Investment holding
Asiatic Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment and development
Baccarat Investments Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	Investment holding
Banyan Villas Holdings Limited	British Virgin Islands	2 ordinary shares of US\$1 each	100%	Investment holding
Batilone Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment and development
Brady Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
Champion 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiary	Place/country of incorporation or registration/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly /indirectly by the Company	Principal activities
<i>Indirect subsidiary (cont'd)</i>				
Cherish Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
Chirac Limited	Hong Kong	10 ordinary shares of HK\$10 each	100%	Investment holding and development
Cinic Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Property investment and development
Clare Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	Property investment
Clare Holding Limited (formerly known as Allwill Limited)	British Virgin Islands	100 ordinary shares of US\$1 each	100%	Investment holding
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 and development
Lens Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment and development
Majorell Limited	Hong Kong	100 ordinary shares of HK\$10 each	100%	Property investment and investment holding
Miyota Trading Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Trading of electronic products
National Commercial Developments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding
National Commercial Developments Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiary	Place/country of incorporation or registration/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly /indirectly by the Company	Principal activities
<i>Indirect subsidiary (cont'd)</i>				
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 Hotel Holdings Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Investment holding
National Hotel Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	Investment holding
National Hotel Management Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Property Management
National Properties Holdings Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	Investment holding
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
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
Panteria International Limited	British Virgin Islands/ Hong Kong	100 ordinary shares of US\$1 each	100%	Property investment and development
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
Rexel Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2009 (in HK Dollars)

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Cont'd)

Name of subsidiary	Place/country of incorporation or registration/ operations	Issued share capital	Percentage of nominal value of issued share capital held directly /indirectly by the Company	Principal activities
<i>Indirect subsidiary (cont'd)</i>				
Samford Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
Sinoway Enterprises Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	Property investment
Smart Rise Investments Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	Investment holding
St. Thomas Developments Incorporated	Ontario, Canada	10,000 common shares	100%	Property development
Sun Linkage Limited	British Virgin Islands	1,000 ordinary shares of US\$1 each	100%	Investment holding
Sun Shine Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Unionville Development Limited Partnership	Ontario, Canada	Contributed capital of CAD3,300,399	100%	Property development
1061383 Ontario Limited	Ontario, Canada	100 common shares of CAD1 each	100%	Property holding
中霸鐘錶電子發展(深圳)有限公司*	People's Republic of China	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.

43. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with the current presentation.

SCHEDULE OF MAJOR PROPERTIES HELD BY THE GROUP

Details of the major properties held by the Group at 31st March, 2009 are as follows:

Investment properties

Location	Lease term	Group's interest	Type
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
No. 87 and No. 89 Jervois Street, Hong Kong	Long term	100%	Commercial
No. 101 and No. 103 Bonham Strand and No. 127 Wing Lok Street, Hong Kong	Long term	100%	Commercial
No. 99 Bonham Strand, Hong Kong	Long term	100%	Commercial
1, 3, 5, 7 and 9 Sultan Street and 11 St. Thomas Street, Toronto, Canada	Freehold	100%	Commercial
Ground, 1st, 2nd and 3rd Floors and the Roof, No. 459 Lockhart Road, Causeway Bay, Hong Kong	Medium term	100%	Commercial
No. 461 Lockhart Road, Causeway Bay, Hong Kong	Medium term	100%	Commercial
House No. 1 together with the garden, open terrace spaces, flat roof and carport attached therewith, Abergeldie, 52 Plantation Road, Hong Kong	Medium term	100%	Residential

Results:

	Year ended 31st March,				
	2009	2008	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)
Revenue	2,301,704	1,256,703	1,066,224	1,045,506	1,026,973
Cost of sales	(2,040,410)	(1,062,108)	(949,730)	(950,112)	(919,974)
Gross profit	261,294	194,595	116,494	95,394	106,999
Other income	5,649	11,329	10,165	3,134	2,844
Increase in fair value of investment properties	62,973	111,796	35,508	16,000	27,412
Gain on disposal of investment properties	—	55,103	—	—	—
Impairment loss recognised in respect of properties under development for sale	(46,629)	—	—	—	—
Distribution costs	(7,793)	(7,946)	(8,049)	(8,446)	(8,562)
Administrative expenses	(146,101)	(108,113)	(92,820)	(67,073)	(63,231)
Other expenses	—	—	(20,583)	—	—
Finance costs	(27,526)	(31,769)	(22,880)	(14,987)	(6,075)
Gain on disposal of subsidiaries	—	—	89,298	37,913	—
Loss on dissolution of an associates	—	—	(5)	—	—
Share of results of associates	35,678	1,610	13,428	(8)	1,316
Share of results of jointly controlled entities	—	—	—	(2)	(71)
Profit before taxation	137,545	226,605	120,556	61,925	60,632
Income tax expenses	(28,714)	(14,956)	(7,289)	(1,820)	(2,959)
Net profit for the year	108,831	211,649	113,267	60,105	57,673
Earnings per share	11.1 HK cents	20.9 HK cents	10.7 HK cents	5.5 HK cents	5.2 HK cents

Assets and liabilities:

	At 31st March,				
	2009	2008	2007	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	2,116,748	3,117,612	1,925,826	1,566,661	1,178,983
Total liabilities	1,393,381	2,449,015	1,420,210	1,140,923	806,463
Total net assets	723,367	668,597	505,616	425,738	372,520

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.



The Group's new luxurious boutique hotel Joint Venture with Citi Property Investors with full harbour views at 138 Connaught Road West is expected to open in the third quarter of 2009.

本集團與 Citi Property Investors 位於干諾道西 138 號之合營項目擁有全維港景觀，該豪華時尚酒店預期於二零零九年第三季啟業。



The interiors of 138 Connaught Road West offer a luxurious living environment.
干諾道西 138 號時尚酒店項目室內設計尊貴典雅，為住客提供舒適之生活環境。







Foundation work for the Group's Joint Venture A-Grade office project with Citi Property Investors continues at 50-59 Connaught Road Central.
本集團與 Citi Property Investors 位於干諾道中 50 至 59 號之甲級寫字樓合營項目，現正進行地基工程。



Demolition of the existing building at 194-196 Queen's Road Central has completed and the excavation and piling works are expected to commence shortly for the Group's new luxurious boutique hotel.

皇后大道中 194 至 196 號原有樓宇之拆卸工程已完成，並即將展開挖掘及打樁工程，以興建本集團之豪華時尚酒店。



The foundation works for the Group's new luxurious boutique hotel at 99-103 Bonham Strand and 127 Wing Lok Street has completed and the superstructure work will commence shortly.
 文咸東街 99-103 號及永樂街 127 號之豪華時尚酒店地基工程已經完成，並於短期內展開上蓋工程。



The superstructure work has just begun on the Group's new luxurious boutique hotel at 21 Whittfield Road.
 本集團於威非路道 21 號興建之豪華時尚酒店，現已展開樓宇上蓋之建築工程。