Peace Mark (Holdings) Limited
宜進利(集團)有限公司
Stock Code: 0304

PEACE MARK 25th ANNIVERSARY

EXPANDING HORIZONS

ANNUAL REPORT | 2008

Milestones

1983
Established in Hong Kong.

1993
Listed on the Stock Exchange of Hong Kong Limited (Stock code: 304).

1998
Factory complex in Xixiang in production.

1999
Obtained ISO 9001 (1994 version) of Design and Manufacture.

2001
Vertically integrated manufacturing process was completed including additional machinery and equipment for manufacturing, electroplating and laboratory testing.

2002
Obtained ISO 9001 (2000 version) of Design and Manufacture.

2003
Obtained Closer Economic Partnership Arrangement (CEPA) certificate of Hong Kong service supplier for wholesale and distribution services in China.

2004
- The first timepiece manufacturer in Hong Kong to deliver the first batch of timepieces to the PRC under CEPA.
- Acquired a multi-brand sales channel, namely 'TimeZone'.
- Opened advanced components manufacturing facilities in Longhua, China.

2005
Opened a series of 'TimeZone' retail stores in Hong Kong.

2006
- Established a joint venture with Tourneau for luxury watch market in China.
- Opened mid-range watches platform, EEC Timezone (Exclusive European Collection) in Hong Kong.
- Opened the largest Rolex store in Shanghai.

2007
- Opened the first Rolex store in Canton Road, Tsim Sha Tsui, Hong Kong.
- Agreement with 'BOUCHERON', a French High Jewelery brand, owned by GUCCI Group, for retail expansion.
- Acquired 51% share in state-owned Tianjin Sea-Gull Watch Company, the largest mechanical movement factory in China.

2008
- Peace Mark signed an exclusive franchise agreement with De Beers Diamond Jewellers Limited, giving the Group stores exclusive rights to operate De Beers retail stores in China.
- Acquired the majority share of Sincere Watch Limited, to become the largest luxury watch retail network in Asia.

Contents

A Leading Manufacturer, Distributor & Retailer in The Timepiece Industry

Headquartered in Hong Kong,
Peace Mark is a leading international watch and jewelry company and Asia's largest luxury watch retailer, offering one-stop services from manufacturing to distribution and sale of watches and jewelry.

RETAIL

SUPPLY CHAINS MANAGEMENT

The Group operates the multi-brand retail chain and specialty image stores for luxury watches as well as TimeZone for mid-range watches in Greater China. It also has exclusive rights to operate De Beers retail stores in China and develop the French high-end jewelry brand Boucheron in Greater China. The recent acquisition of Sincere Watch has expanded Peace Mark's geographical coverage to South East Asia. It is also the leading manufacturer of mechanical movements in China with its subsidiary Tianjin Seagull holding a share of more than 40% of the market.

Founded in 1983, the Group has been listed on the Main Board of the Stock Exchange of Hong Kong since 1993 under the stock code 304. It is a constituent stock in the MSCI (Morgan Stanley Capital International) Hong Kong Small Cap Index Series.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chau Cham Wong, Patrick *(Chairman)*
Mr. Leung Yung *(Chief Executive Officer)*
Mr. Tsang Kwong Chiu, Kevin, FCCA, HKICPA, MBA, MSc
Mr. Man Kwok Keung
Mr. Cheng Kwan Ling
Mr. de Jaillon Hugues Jacques (appointed on 30 May 2008)

Non-Executive Director

Mr. Tay Liam Wee (appointed on 1 April 2008)

Independent Non-Executive Directors

Ms. Susan So
Mr. Kwok Ping Ki, Albert
Mr. Tang Yat Kan
Mr. Wong Yee Sui, Andrew, CPA
Mr. Mak Siu Wing, Clifford

COMPANY SECRETARY

Ms. Fong Ho Yan, FCCA, HKICPA

HEAD OFFICE

Hong Kong

Unit 3, 12th Floor
Cheung Fung Industrial Building
23-39 Pak Tin Par Street
Tsuen Wan, Hong Kong

Room 1001, Tower 1 Silvercord,
30 Canton Road,
Tsim Sha Tsui, Kowloon

PRODUCTION FACILITIES

China

107 Shui Ku Lu
Fenghuang Gang
Xixiang, Baoan
Shenzhen, PRC

Block 9 & Block 12
Tong Fu Cun Gong Ye Yuan
Da Lang Cun
Long Hua Zhen
Baoan
Shenzhen, PRC

Third Gong Ye Qu
Bitou Estate
Songgang Baoan
Shenzhen, PRC

38 Shi Ma Lu Duan
Jiu Guang Hua Lu
Bai Yun Qu
Guangzhou, PRC

32 Wudong Road
Yangpu District
Shanghai, PRC

11 Fukang Road,
Nankai District,
Tianjin, PRC

Swiss

Route de Reuchenette 19
2502 Bienne
Switzerland

WEBSITE

http://www.peacemark.com

REGISTERED OFFICE

Clarendon House, Church Street
Hamilton HM 11
Bermuda

STOCK INFORMATION

Listed on the main board of Stock Exchange of Hong Kong Limited

STOCK CODE

SEHK : 304
Bloomberg : 304 HK
Reuters : 304.HK

INVESTOR RELATIONS

Corporate Communications Department
– General
Investor Relations Department
– Investor Relations
Peace Mark (Holdings) Limited
Unit 3, 12th Floor,
Cheung Fung Industrial Building
23-39 Pak Tin Par Street
Tsuen Wan, Hong Kong
Email: ccd@peacemark.com
ir@peacemark.com

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
Bank of America
Bank of China
BNP Paribas
Deutsche Bank AG
ING Bank N.V.
HSH Nordbank AG
Merrill Lynch
OCBC Bank
Standard Chartered Bank
United Overseas Bank

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

Tricor Group
Workshop 14, 10th Floor
Honour Industrial Centre
6 Sun Yip Street
Chai Wan, Hong Kong

In Bermuda

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

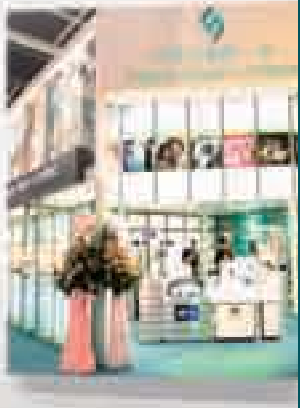
AUDITORS

Chu and Chu
Certified Public Accountants
Suite 1801-5, 18/F, Tower 2
China Hong Kong City
33 Canton Road
Tsim Sha Tsui
Kowloon

Deloitte and Touche-Singapore
6 Shenton Way #32-00
DBS Building Tower-Two
Singapore 068809

LEGAL ADVISORS

Gallant Y.T. Ho & Co.
5th Floor, Jardine House
1 Connaught Place
Hong Kong



LUXURY – MAINLAND CHINA

Beijing

Hangzhou

Qingdao

Qingdao

Macau

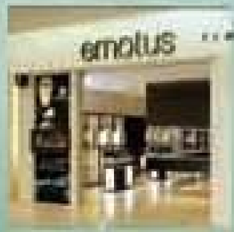
115 LUXURY STORES NETWORK IN CHINA

(as at 31 March 2008)

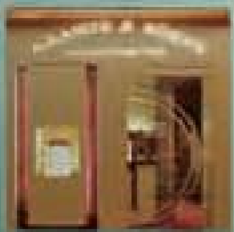
LUXURY

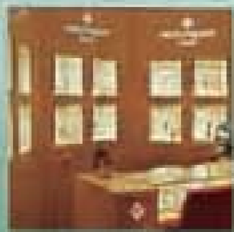
Singapore


Hong Kong



Singapore


Indonesia


Singapore

SINCERE
ESTD 1954

EXCLUSIVE BRANDS

A. Lange & Sohne	L.U.C. by Chopard
Bovet	Martin Braun
Chaumet	Mazzuoli
Cvstos	Pierre Kunz
DeGrisogono	Richard Harbring
F.P. Journe	Rodolphe
Franck Muller	Zenith

146 LUXURY STORES NETWORK

(as at 31 March 2008)

MID-RANGE

Hong Kong

Hong Kong

Shanghai

Lanzhou

Shanghai

1018 POINT OF SALES

City
Beijing
Chongqing
Shanghai
Tianjin

Province
Fujian
Gansu
Guangdong
Guangxi
Guizhou
Hainan
Hebei
Hefei
Heilongjiang
Henan
Hubei
Hunan
Jiangsu
Jiangxi
Jilin
Liaoning
Mongolia
Shandong
Shannxi
Shanxi
Sichuan
Xinjiang
Yunnan
Zhejiang

Expanding horizons

US
140-58th Street Suite 6C
Brooklyn
New York

389 5th Avenue
Suite 302
New York

PANAMA
Apartado 2034
Zona Libre de Colon
Republic of Panama

SWITZERLAND
Route de Reuchenette 19
2502 Bienne

FRANCE
1 rue Royale-438 Bureaux
de la Colline
92213 Saint-Cloud

ITALY
Via Colli, 3-10128
Toriono

GERMANY
Zahringerallee 25
DE 75177 Pforzheim

Schlop Street 23,
D-82031 Grunwald
Postfach 13

SINGAPORE
8 Temasek
Boulevard
#23-03
Suntec Tower Three

CHINA
Unit 1, 10/F, Silvercord
Tower 1
30 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Suite 602B, West Wing
Tsim Sha Tsui Centre
66 Mody Road
Kowloon
Hong Kong

Suite 5402-04
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Unit 3, 7th Floor
Cheung Fung Industrial
Building
23-39 Pak Tin Par Street
Tsuen Wan
Hong Kong

Unit 10, 15th Floor
Cheung Fung Industrial
Building
23-39 Pak Tin Par Street
Tsuen Wan
Hong Kong

6th Floor, Integrated
Building
China Construction
Second Division
Shenzhen First Company
Jing Er Road
Luo Hu District
Shenzhen

Unit 05 – 06, 19/F,
Shenhua Commercial
Building
2018 Nanhu Road, Luohu
Shenzhen

Flat F, 16/F, Shui Chan Building
3131 Ren Min North Road
Shenzhen

Unit 603, Jin Hui Building
123 Jie Fang South Road
Yuexiu District
Guangzhou

Unit 1501
15A Shuguang Building
189 Puan Road
Shanghai

Unit 08, 11/F, Metro Tower
30 Tian Yao Qiao Road
Xu Hui District
Shanghai

Unit 07, 5/F, Building 4
China Central Place
89 Jianguo Road
Chaoyang District
Beijing

11 Fukang Road
Nankai District
Tianjin

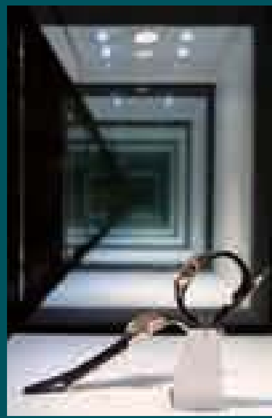
10/F, 221 Zheng Street
Pi Pa Shan, Yuzhong
Chongqing

Room B1, 12/F,
Donghai Shuguang Building
455 Zhongshan East Road
Ningbo

1/F, Zhong Shan Building
65, Zhongshan Road
Heping District
Shenyang

TAIWAN
3/F., No. 317
Sec 3 Ho-Ping E. Road
Taipei

Review of 2007



CLOCKWISE FROM TOP RIGHT

- Luxury retail operation in Malaysia
- Sincere Watch at Vivocity, Singapore
- The elegance of a luxury store in Singapore
- Sincere Watch boasts the exclusive right on 14 luxury watch brands

SINCERE WATCH ACQUISITION

At the end of 2007, the Group announced its plan to acquire controlling stake in Sincere Watch Limited. A Singapore-incorporated company listed on the Singapore Exchange Securities Trading Limited, Sincere Watch is one of Asia's longest-standing retailers and distributors of brand-name luxury watches with a retail network spanning Singapore, Malaysia, Thailand, Hong Kong, the PRC, India, Australia, South Korea and Indonesia. Through the acquisition, the Group aimed to extend its footprint in Asia and enhance its profile in the luxury timepiece segment.

MARKETING DRIVEN EVENTS FOR LUXURY

China's marketing strategy is different from Hong Kong. Peace Mark introduced and promoted luxury products through cross-over events, press conferences and VIP functions in our Club Houses and boutiques to maximize exposure with minimal advertising and promotion costs.

Our VIP Club provides an elegant and secluded shopping atmosphere with meticulous services. Members and guests can enjoy complimentary wines and cigars while exchanging views and thoughts about treasured timepieces.

Cross-over events

Riding on the increasing demand for luxury watches, the cross-over events proven to be a successful strategy in China. The cooperation synergy of the brands and Peace Mark draws widespread audience attention in various channels, and the VIP portfolio continues expanding.

Highlights:

DEC 2007 - Joint event with DBS Private Banking, "The Red on Black & White Glamour: at Shanghai Xintiandi Tourneau Store, Countdown Party for 2008". It's one of the year's most special celebrations in Shanghai for exclusive VIPs,to celebrate a high profile countdown at Tourneau's Club House, Xintiandi.

- The high profile, glamorous Countdown for VIPs at Tourneau's Club House

SEA-GULL STORE

In 2007, the Group acquired Tianjin Seagull Watch Company, the largest mechanical movement factory in China. The company with a half-a-century history created the first Chinese mechanical watch movement and is currently holding a 40% share of the market.

The first Sea-gull store opened in Hong Kong in May 2008. At a prime location in Kowloon, with high pedestrian traffic, the Sea-gull store gives the brand a strategic presence in Hong Kong.

The 1,000 sq. ft. store offers a marvelous range of fine timepieces with mechanical movements developed and manufactured by Tianjin Sea-gull. Patented and sophisticated double tourbillion, perpetual calendar and repeater watches are available at the store.

CLOCKWISE FROM TOP RIGHT

- From left: Mr. Tommy Leung, Mr. Lin Yong-ning, Chairman of Tianjin Yiqing Group and Vice Chairman of Seagull Watch, Mr. Patrick Chau and Mr. Wang De Mang, General Manager of Tianjin Sea-Gull Watch
- The top management from Peace Mark and Sea-Gull at the opening ceremony
- SEA-GULL store – a new icon on Nathan Road
- Conptemporary and elegant boutique décor puts the brand's personality in the spotlight

LEFT and RIGHT

- The three-day luxury goods exhibition "ShenZhen TopShow" was a resounding success. Breguet and Glashutte were exclusively displayed during the show

MAY 2007 - Antiquorum Preview "Important Collectors' Watches, Pocket Watches & Clocks" by Antiquorum. It presented the "special watches" featured at its first Spring auction. A large number of Chinese collectors came for the preview, hosted in the elegant and cosy environment of our Solomon Club in Shanghai.

JAN 2008 - Shenzhen Topshow, the most exclusive luxury goods show and originated from Top Marques. It was the biggest show of luxury goods in South China. Luxurious items such as luxury watch, racing car, saloon car, private jet, yachting, property on display. Breguet and Glashutte cross-over with our luxury store from Shenzhen Solomon exclusively displayed the limited edition watches valued over 10 millions dollar during the show.

Over 15,000 visitors were attracted by the show, all of them were clients of wealthy management, owners of world-class car, members of golf club and yacht club, etc. The event clinched 300 million yuan worth of deals clinched in three days.

Review of 2008

PEACE MARK 25TH ANNIVERSARY

Peace Mark celebrated its 25th Anniversary at Inter-Continental Hong Kong on 26th May 2008. Mr. Hong Kong 2005 Stephen Wong, Miss Hong Kong 2003 Mandy Cho and Miss Hong Kong 2005 Sharon Luk attended this joyful event as guest performers of the magnificent catwalk show of Peace Mark's brands' products.

At the same night, Peace Mark hosted a Dinner Banquet at Inter-Continental Hong Kong. More than 500 local and oversea business partners and staff joined the celebration. To mark the Silver Jubilee, Peace Mark staff participated in two of the shows – Drum Performance and Broadway Show – which were highly appreciated by the guests for the display of team spirit and passion of the group.

CLOCKWISE FROM TOP RIGHT

- The board of directors kicked off the Lighting Ceremony
- Directors toasted for Peace Mark's 25th Anniversary
- Mr. Patrick Chau's appreciation for the staff performances

FROM TOP

- Models with the latest Milus collection
- Mr. Gerd R. Lang hosted a press conference and VIP gathering

OTHER EVENTS

Peace Mark organized VIP gatherings, press conferences and product launch functions to enhance communication with the brands and valuable customers.

Highlights:

MILUS – VIP dinners at Xintiandi Club House in Dec 2007 and in Shenyang in July 2007. VIP customers enjoyed a night of fine wine and dine with the brand's latest timepiece collection on display.

CHRONOSWISS – Bringing the most extraordinary mechanical timepieces of Chronoswiss to Shanghai and Beijing. The founder and master watchmaker Mr. Gerd R. Lang, hosted a press conference and VIP private session at our club houses in Xintiandi and Kunlun Gallery in Oct 2007, respectively.

CLOCKWISE FROM TOP RIGHT

- The 25th Anniversary logo on stage
- An entertaining Broadway show performed by staff
- The excitement of Drum Performance by staff
- Model presentation of Boucheron's jewelry
- Chairman and CEO with models after the finale
- TVB artists Ms. Mandy Cho, Mr. Stephen Wong and Ms. Sharon Luk

CORUM – Corum's fine and rare, limited edition "Golden Bridge" product display in Solomon, Shenzhen in May 2008.

GLASHUTTE – Showcasing the art of German watching in its glory, Glashutte watchmakers led visitors into the world of horology in May 2008, complete with a watch repair processing display.

FROM LEFT TO RIGHT

- The glamour of Corum and its Golden Bridge – winner of the Public Prize in the "Watch of the Year 2005"
- Glashutte watchmakers' display of craftsmanship

Review of 2008

BOUCHERON 150TH ANNIVERSARY

To celebrate its 150th anniversary this year, the jewelry is promising a spectacular display of new creations, festivities and surprises. It will be unveiled with its anniversary "High Jewelry" collection, where the emphasis has been placed on the originality and unparalleled quality.

After Paris, the Boucheron anniversary High Jewelry collection will travel the word to charm and delight connoisseurs from near and far, enabling Boucheron to celebrate its 150th anniversary with jewel lovers all over the globe. The road show will include Moscow, Tokyo, Hong Kong, the French Riviera, London and Dubai.

CLOCKWISE FROM RIGHT

- Celebrities Janet Ma and Michael Wong's display of Boucheron's 150th Anniversary limited collection
- A special logo for 150th Anniversary at the Boucheron store
- The greatness of Boucheron's jewelry and watches, handmade by experienced craftsmen.

STORES OPENING

Peace Mark has opened major boutiques and multi-brands stores everywhere in China. To enhance awareness of the brands and stores, the luxury watch groups invited their ambassadors to the grand opening ceremonies, reaffirming their good relationships with Peace Mark. With the Beijing Olympics in 2008, many sport stars were invited to attend the brand activities.

Highlights:

Rolex – Rolex sponsored Tennis Tournament in Beijing in September 2007 and invited China's leading tennis players Zheng Jie and An Zi to be the VIPs for Rolex store opening in our Beijing's Kunlun Gallery.

Longines – Mr. Aaron Kwok, Hong Kong famous singer and Longines's Ambassador of Elegance, officiated at brand events. In Feb 2008, Mr. Kwok accompanied by Chinese sport stars kicked off the Olympic Games program to celebrate the grand opening of Longines Boutique in Teen Plaza, Guangzhou, the largest Longines boutique in Southern China. The new boutique, opened by Peace Mark, spans more than 1,000 sq ft in size.

CLOCKWISE FROM TOP

- Mr. Patrick Chau at the Rolex Store opening in Beijing with China's leading tennis players, Zheng Jie and An Zi
- Mr. Aaron Kwok signed his name on the big light box

PARTICIPATED EXHIBITIONS

As the leading timepiece manufacturer, distributor and retailer, Peace Mark is engaged in various watch, clock and jewelry exhibitions in Hong Kong and overseas constantly.

Highlights:

Hong Kong Watch and Clock Fair, the largest fair of its kind in the world, Baselworld Watch and Jewllery Show, China Watch Jewellery & Gift Fair 2008, Jewel Fair Korea 2008, Hong Kong Jewellery & Watch Fair 2008

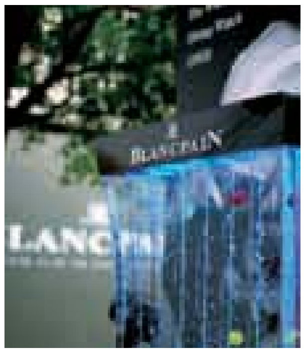
CLOCKWISE FROM TOP RIGHT

- The Hon John Tsang, Financial Secretary of the HKSAR, visited Peace Mark's booth at Hong Kong Watch and Clock Fair
- Mr. Tommy Leung as the President of Hong Kong Watch Manufacturers Association attended the cocktail reception of Hong Kong Watch and Clock Fair
- Mr. Tommy Leung awarded the Honorary Fellowship of The Professional Validation Council of Hong Kong (PVCHK)

Jaeger-LeCoultre – The supreme brand Jaeger-LeCoultre opened its first boutique in Tourneau Macau and its 11th around the world at The Venetian Macao-Resort-Hotel.

Blancpain – Mr. Andre Meier, Sales Vice President of Blancpain, and Mr Jack Liao, Vice President of Blancpain China, attended opening ceremony for Xintiandi Tourneau in June 2008.

Tissot – Ms. Barbie Xu, the first Chinese ambassador appointed by Tissot, attended our Tissot boutique in Chongqing's Metropolitan Plaza.



CLOCKWISE FROM TOP RIGHT

- Top models Lynn Hung and Ana R. led presentations for the grand opening of Jaeger-LeCoultre in Macau
- Showcase of Blancpain's new Fifty Fathoms
- Ms. Barbie Xu with Tissot's new collection

Beijing

Singapore

Mr. CHAU Cham Wong, Patrick
CHAIRMAN

Sustaining Growth On Strategic Expansion And Increasing Asian Presence

Dear Shareholders,

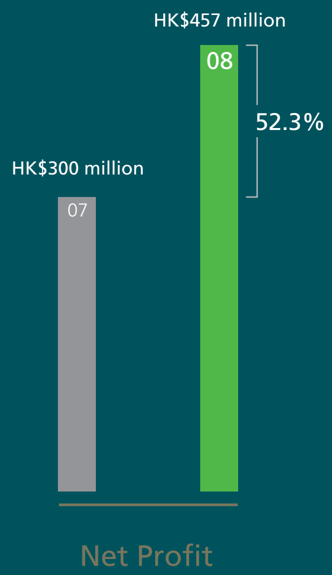
FINANCIAL HIGHLIGHTS

I am pleased to report that Peace Mark performed strongly in the financial year 2008. We generated an attractive profit for our shareholders while our acquisition strategy has helped to further strengthen the revenue base.

The total turnover for 2008 was HK$4,177 million, up 37.4% from HK$3,041 million in the previous year. Full-year net profit amounted to HK$457 million, an increase of 52% as compared to last year. The results did not include the income and expenses from Sincere Watch Group as the contribution was insignificant on a time proportion basis.

Our earnings per share were HK44.03 cents, an increase of 45% over 2007.

We considered not to recommend the final dividend to preserve the cash for working capital requirement of the business.



Macau

Malaysia

BUSINESS

We made a good progress on business expansion during 2008 and continued growth were recorded in all business segments. We accelerated the expansion plan in Asia. Other than building the retail network in China, we made an acquisition of Sincere Watch which operates a luxury watch retail network all over Asia. This enlarged scale and extended platform creates strong business opportunities and we believe that we are well positioned to capture the growth of luxury business in Asia. We will continue to build and invest more in the Asian luxury watch retail platform reinforcing the value of our network in this high growth industry.

In line with our expansion plan, we have stepped up our effort in expanding our product offerings. The management believe that high-end branded jewelery is an area with tremendous growth potential in China.

In 2008, the management team demonstrated their execution capability in expanding the market and business by acquisitions and organic growth. This will be the way forward for Peace Mark's business expansion.

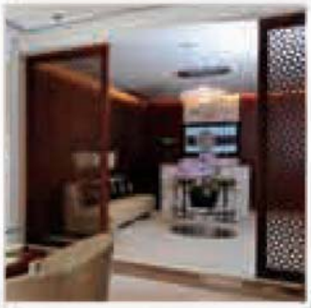
Efficient capital allocation is an integral part of expansion plan. We target to further strengthen our capital structure to cope with the growth of businesses.

BOARD OF DIRECTORS

We are pleased to welcome Mr. Tay Liam Wee and Mr. de Jaillon Hugues Jacques joined the Board during the year. Mr. Tay is Group Managing Director of Sincere Watch Limited and a Director of Sincere Watch (Hong Kong) Limited, a 75% owned subsidiary listed in The Stock Exchange of Hong Kong Limited. Mr. Jaillon is the Chief Executive Officer of Peace Mark Holdings SAS.

ANNUAL GENERAL MEETING

Our Annual General Meeting will be held at Churchill Room, 26th Floor, The Park Lane Hotel, 310 Gloucester Road, Causeway Bay, Hong Kong on 27 August 2008.



Hong Kong

Hong Kong

APPRECIATION

It is clear that we fulfil our strategic initiatives with a highly skilled and dedicated workforce. We take this opportunity to thank all the shareholders, employees, suppliers, customers and bankers whose contributions are conducive to our success.

Sincerely,

CHAU CHAM WONG, PATRICK

Embracing Challenges And Opportunities With A Strong Portfolio Of Premium Brands And Services

GREATER CHINA (CHINA, HONG KONG, TAIWAN AND MACAO) LUXURY RETAIL

China showed a strong growth in the import of Swiss watches during the financial year. Federation of the Swiss Watch Industry FH recorded that the import by China for the financial year 2008 was CHF 653 million representing a 55% growth year on year.

The growth of demand for high-end watches were mainly driven by the proliferation of the newly rich, widespread advertising campaigns by the brands and an increasing disposable income from the second-tier cities. The strong presence of the newly rich is a typical characteristic of the emerging markets. That explains why sales of discretionary items are performing well even during the economic downturn. High-end watches are being perceived as a symbol of status, which is one of the key motivations for luxury consumption in China.

Over the course of FY2008, Peace Mark has made progress in expanding its luxury retail network in China. The total number of retail outlets increased by 43 from 65 to 108 stores through organic and acquisitive growth. The level of competition, diversity of consumer preferences and various stages of infrastructure developments required different strategies for penetrating different cities in China.

In a bid to support the growth of our retail network in China, we built the infrastructure for the distribution of goods. We secured the rights to set up public bonded warehouses in Jizhou and Chongqing from the Chinese Government.

The warehouse in Jizhou will be the only public bonded warehouse in the city and the one in Chongqing is the only public bonded warehouse used for storing timepieces and jewelry among the three warehouses in the city. The warehouses will enable Peace Mark to provide one-stop services from importation to storage, logistics, distribution and retail to all peers, allowing for greater savings on tax and logistics costs while boosting operational efficiency for the Group and its clients.

Both of the bonded warehouses are designed for public use. The warehouse in Jizhou will be a jointly-owned facility between the Group and Jizhou Sundry Goods Timepiece Limited holding 60% and 40% equity, respectively for various commodities. The facility in Chongqing is wholly-owned by the Group for storage of timepieces and jewelry. Any goods deposited in the warehouses will be deferred from import duty, value-added tax and consumption tax until they are transferable by endorsement.

Number of Point of Sales

In an effort to establish the network across China, we have been taking a multi-pronged strategy that has worked well in China to cope with the wide range of consumer preferences. It involves the establishment of domestic joint ventures, mono-brand boutiques and Tourneau stores. The formation of strategic alliances and joint ventures with foreign and domestic companies enables us to leverage their resources to our competitive advantage.

DOMESTIC JOINT VENTURE

Peace Mark has systematically invested and acquired domestic companies over the recent years to increase its geographic coverage in China.

Other than first-tier cities like Shanghai, Beijing and Guangzhou, we have significant presence in the second-tier cities like Chengdu, Chongqing, Xian, Ningbo, Shenzhen, Tianjin, Shenyang, Hangzhou and Urumqi through the partnership with strong players in these areas.

The Group recognized the Shenyang joint venture as a 51% owned subsidiary during the year. The joint venture in Ningbo extended the presence to Hangzhou. We had 29 new stores during the year making a total of 67 joint venture stores. Sales growth was recorded across all the areas covered by these domestic joint ventures.

MONO-BRAND BOUTIQUES

With an ever-growing interest of luxury brands in China, many of them appointed independent companies to assist their penetration into the market through various initiatives from brand management, distribution to retailing. Peace Mark has been one of the preferred partners of the brands in this regard.

Mr. LEUNG Yung
CHIEF EXECUTIVE OFFICER

We were operating 37 mono-brand stores in Hong Kong, China and Macau by the end March 2008.

We opened mono-brand shops in areas which we have our own operation or through the setting up of domestic joint ventures.

The Rolex shop opened in February 2007 in Tsim Sha Tsui, Hong Kong, and started to generate a full-year revenue contribution. The sales performance of this shop was remarkable.

In China, we opened 11 Rolex shops in total in areas like Kunming, Changsha, Chongqing, Xian, Shenyang, Taiyuan and Ningbo. More shops are committed to open for Rolex in the coming year. For Omega, we also opened and upgraded shops in locations like Metropolitans in Chonqqing, Renhe Spring Department Store in Chengdu, Xian Central Ginwa Shopping Centre in Xian, Hisense Plaza in Qingdao, Dong Shun Department Store in Shenyang and GDA Plaza Department Store in Hangzhou. Other than Omega and Rolex, we opened shops for Blancpain, Glashutte, Longines and Rado separately. The biggest Tissot boutique was also opened during the year in Chongqing.

We serve a wide range of brands with mono-brand shops from Rolex, Omega, Cartier to Vacheron Constantin as well as other luxury brands.

TOURNEAU

In August 2007, in addition to the 3 Tourneau stores operating in China, the Group opened a Tourneau store of approximately 4,500 square feet at The Venetian in Macau in 2008 – making a total of 4 stores.

Xian

Shanghai

MIDDLE-RANGE MARKET

We achieved strong sales growth of 38.0% in FY2008 as our retail businesses continued to show solid network expansion and same-store-sales growth.

With the increasing disposable income both in the urban and rural cities in China, the middle-range segment has been performed well. Given the increasing brand awareness of the middle class, international brands have been gaining market share and overtaking local brands in terms of presence in many cities.

With the independent distributors and our own retail operation, we operated a total of over 1,000 outlets for the middle-range sector at the year end carrying over 100 brands.

Certain mid-range brands like Swatch and Citizen have operated mono-brand counters or shop-in-shop through Peace Mark to expand their retail presence.

Outside Mainland China, there are 38 TimeZone outlets in Hong Kong and Taiwan in total. With that, we were operating a comprehensive retail network in the Greater Region for the mid-priced fashion brands.

We continued to invest in organic growth. With the improved efficiency and growth potential in many second-tier cities in China, we believe strong revenue growth will continue to deliver through organic growth and network expansion.

Kunming

BRAND MANAGEMENT

MILUS

Milus has put a lot of emphasis on design and its effort was recognized by one of the most representative organizations in France. In December 2007, Milus was honoured with the first prize in the <Ladies Watch> category with its MEREA TriRetrograde Seconds Skeleton in the "Prix Officiel de La Revue des Montres" announced by La Revue des Montres. The "Prix Officiel de La Revue des Montres" recognizes the novelties of the most renowned brands of the watch industry for their creative research, quality and innovation.

The Milus Brand has achieved a significant growth in regard to turnover and the retail presence all over the world has substantially increased. During the year, we have deepened our market presence in certain markets. In the USA, through our own subsidiary, Milus is selling through 27 high-end point-of-sales, which is expected to increase to 45 by the end of the year 2008 with the opening of the Milus boutique in the Beverly Hills. In South Asia and Taiwan, the launch of the brand with the local partners Cortina and Pacific Time have been successful, and the brand was present in 8 point-of–sales. In China, Hong Kong and Macau, the brand has opened 4 additional shop-in-shops.

In Europe, Milus also made important steps forward. We identified the right retail partner, Gouten Distribution, in Switzerland for expansion. The exhibition at Belles Montres, Salon Internatinal d'Horlogerie in Paris in December 2007 was a great success and we were crowned with the partnership with Templus. In September, Milus together with our esteemed partner Weiner Group invited guests to an European press cocktail with a 'Highly Personal' touch in Skybar, Vienna.

In the Middle East Region, we opened up additional new markets such as Kuwait and Oman, The Russian market is also very promising and the developments there will be further explored with our partner Star Distribution.

Overall, Milus is reinforcing its presence in additional luxury markets such as the United States, Eastern Europe as well as the entire Middle East region. With the development of the brand through a retail expansion strategy with the local partners, Milus targets to be present in all leading luxury markets within the next two years. More new distribution partners will join Milus to grow the brand on a wider horizon. The brand identity will be further strengthened in the marketplace.

BOUCHERON

We were granted the franchise to operate Boucheron shops in China, Hong Kong and Macau since February 2007. Boucheron, a brand of Gucci Group, was ranked as the fourth most desirable luxury jewelry brand in China by Forbes China in June 2007.

The sales of Boucheron for the financial year 2008 were encouring.

Two stores opened in the second half of the financial year – one at Plaza 66 in Shanghai and the other at The Venetian Macao-Resort-Hotel.

This year also marked the 150th anniversary of the brand and celebrating events were held in the second half of 2008. This gave the brand additional visibility to drive business to grow further. Hong Kong has become a strategic and priority market in the world for Boucheron and was one of five cities in the world selected by the brand to host a 150th anniversary regional dinner. Communication budgets will be doubled for the financial year 2009 to support the sales growth in the region and to make the brand even more desirable for the Chinese elites.

In the coming financial year, two more Boucheron boutiques have been committed. A flagship store of more than 2,000 square feet will be opened in Beijing, a location next to the capital's new Hong Kong Jockey Club, and a second boutique in Heritage 1881, Hong Kong.

DEBEERS

In March 2008, we entered into a five-year exclusive franchise agreement with DeBeers. We plan to open DeBeers Boutiques in the major cities in China. The first two boutiques will be opened in Plaza 66 in Shanghai and Qianmem in Beijing. Securing this franchise agreement demonstrated Peace Mark's strengths in managing retailing for luxury goods, which were recognized by the high-end brands.

SEA-GULL

Sea-Gull is a long-established watch brand in China. The plan was to reposition the brand as a high-end Chinese brand in the watch industry. Newly-designed watches with complications were developed during the FY2008 and were launched in the China and Hong Kong markets after the year end date. The initial responses from the market and the industry were encouraging. A flagship store was opened at Nathan Road, Kowloon in May 2008.

Sea-Gull

SINCERE WATCH

In March 2008, we completed the voluntary general offer to acquire the 97.08% of the Sincere Watch. The total acquisition costs at the balance sheet date were HK$2,753 million.

According to Sincere Watch's 2008 Annual Report, the revenue increased by 25.5% to a record of S$451 million . Net profit for the year was down 8.2%, translating into an earnings per share of S10.47 cents, a fall of 11% year-on-year. The results had been impacted by a foreign exchange adjustment of S$20 million and a one-off professional fee of S$5.6 million.

Growing affluence in Asia (ex-Japan) drives luxury watch demand. Singapore is ranked the world's eighth biggest market in terms of the import of Swiss watches. Statistics from the Federation of Swiss Watch Industry FH showed that Singapore import grew by 37% in FY2008 to CHF535 million. Sincere's revenue growth was mainly driven by the improved local demand and increased tourist traffic in the key markets. Other factors included the opening of new stores, refurbishment of key outlets and innovative marketing strategies. Sincere also benefited from the expanded distribution network with its retail partners, particular in North Asia.

This year, the Group further expanded its retail presence in the region. Three Franck Muller boutiques and two multi-brand stores were added to make up a total of 38 point-of-sales.

The South East Asia region has been registering strong growth across the region. During the year, in addition to the existing retail points of sales, two boutiques were added in Singapore to strengthen our market position. We launched the new Franck Muller concept boutique at Delfi Orchard and the Omega boutique at Raffles City.

In Malaysia, in order to satisfy the exerting taste of our customers, the biggest-ever flagship Sincere Fine Watches store with a floor space of 3,500 square feet was opened. This showed our confidence in the luxury watch demand in Malaysia.

To capitalize in the travel retail business, a duty-free travel outlet at the Indira Gandhi International Airport in New Delhi commenced operation in the first quarter of the financial year. On the distribution side, the first office in Melbourne commenced distribution of Franck Muller in October 2007.

China has been one of the fastest-growing areas in the region. With a further expansion plan in China, two new Franck Muller boutiques were set up in Shin Kong Place in Beijing and Plaza 66 in Shanghai.

To balance a healthy mix of wholesale and retail business, more dealers were appointed to complement its self-operated retail network and to speed up its geographical coverage in China.

In Hong Kong, a Franck Muller boutique was opened in Ocean Terminal in Kowloon and the Franck Muller flagship shop in Hong Kong was given a total refurbishment with an increase in shop space.

In Macao, an exponentially growing entertainment centre in Asia, the Group has established its foothold by setting up a Franck Muller boutique in The Venetian Macao-Resort-Hotel.

On brand management, in July 2007, Sincere was appointed as the exclusive distributor of Ebel in Singapore, Malaysia and Thailand. This brand complements the current Sincere brand stable and targets the mid-luxury segment. This helps the Group to gain a larger market share.

The earnings momentum was extremely strong but the results had been impacted by the one-off professional fee of S$5.6 million and the foreign exchange adjustment of S$20 million. The professional fee was related to the voluntary general offer made by Peace Mark in February 2008. Out of the S$20 million foreign exchange adjustment, S$14.2 million was provided for to reflect the strengthened Swiss-Franc at the balance sheet date, which was non-cash flow in nature. Excluding this foreign exchange related adjustment and one-off expenses, the operating financial performance was indeed very strong.

Sea-Gull's movement

MANUFACTURING

On top of a 6% increase in 2007, Hong Kong's watches and clocks exports grew by 16% during January-March 2008.

Peace Mark was in the process of shifting its focus from low-end to high-end manufacturing. Slowing US consumption caused a sluggish demand for mass-market watches, and the total watch export was flat for the year 2007 as compared to 2006. Retailers were more cautious in sales forecast and therefore order placing. As an ongoing process of restructuring the manufacturing process, we had outsourced more of the manufacturing process to independent subcontractors.

A division within the manufacturing segment that showed strong market demand was the mechanical movement which is a key component of high-end watches. The current global supply of mechanical movements has not been able to fully satisfy the increasing market demand. Peace Mark through its Tianjin Seagull manufacturing division has emerged as the most important supplier of quality mechanical movement in China. Peace Mark has become the leader in the China mechanical movement manufacturing with a market share of about 40% and superb technology capability of producing various complications. The current capacity is approximately 6 million pieces a year and has been running at 80% utilization.

In October 2007, we completed the capital injection of the Seagull joint venture and its financials had been included in the second half of this financial year. The six-month revenue booked in the second half was HK$258 million.

In September 2007, A-One, a substantial shareholder of Peace Mark, and Peace Mark entered into a call option agreement pursuant to which A-One unconditionally granted an irrevocable and exclusive call option to Peace Mark at HK$1.0 whereby A-One shall transfer its equity interest it holds in the group of three movement manufacturers namely, Sopord, SFT and Swissebauches which are operating in Switzerland, France and China. The call option has no expiry date.

Peace Mark had decided not to proceed with the acquisition of the movement manufacturing group but agreed to accept the call option for the reason that the manufacturing group had been loss-making up to the time of acquisition. The inclusion of the mechanical manufacturing group in our consolidated results will negatively impact the financial performance of the Peace Mark group.

Peace Mark is definitely enjoying the upside of the transaction, should the mechanical movement group turn around in the financial performance and the supply side of the movement market become more constrained.

FUTURE

The Global economy has slowed down since the second half of 2007 against the backdrop of the financial turmoil and a deepening US downturn. At the same time, the global inflation has risen. Looking ahead to the remainder of 2008 and 2009, the global consumer spending is likely to retrench in the face of these negative factors. The knock-on effects of financial turmoil increased the risk of an Asian (ex-Japan) slowdown. Nevertheless, the growth in this region is and will be still significantly exceeding that in the rest of the world in the medium term.

The tightening economic measures in the Mainland have slowed its growth. Federation of Swiss Watch Industry FH reported the year-to-date growth of China at 60%. However, there were already signs of softening in May 2008 as the rate of growth was only 38%, supported by the less severe supply constraint and the network growth across China.

From the macro point of view, we believe the Chinese government will continue to promulgate policies which encourage domestic consumption. The proliferation of the newly rich in China has no doubt made China a very important market for high-end consumption. Strong Chinese Yuan relative to Swiss Franc will further fuel the growth of the industry. During the economic downturn, fashion and luxury items have a relative stronger pricing power on the retail level, thus our margin as a distributor and retailer to a large extent will sustain.

In China, we will continue to grow the retail network in the luxury and mid-range segments.

More co-operations with brands are expected, which in turn will further strengthen our foothold in China. The scale of the network which we have developed through acquisitions and organic growth puts us in a better position to negotiate with the upscale players.

In the mid-range segment, the increasing disposal income and urbanization are the key drivers for the future consumption in China. As the new generation has been influenced by the influx of advertising by the imported brands, the dominance of local brands in this segment is expected to diminish and the growth of imported brands in terms of the market share will continue. Structural change in the spending pattern of the Chinese consumers has shown increasing spending in the category of clothing and accessories.

Department stores in China have been gradually transforming into a concession business model for merchandises with a wide diversity of brands and models like the mid-range watch segment. This transformation is in favour to companies like Peace Mark that have a large brands stable and an established network. We believe that we will continue to deliver good performance in the segment.

According to 2008 World Wealth Report, released in June 2008 by Merrill Lynch and Capgemini, Asia Pacific's high net worth individuals grew by 7.7% from 2006. High net worth individuals in Asia-Pacific Indulged most in gems, jewelry and watches. They spend 19% of their wealth in this category. According to the Swiss watch export statistics, Singapore, being the eighth largest importer of Swiss watches, registered a year-to-date growth of 56%. In May the growth rate was 72% which was the highest amongst all the import countries around the world. However, the spillover effect of the global financial market turmoil, the contraction in private housing market and a fragile outlook for financial assets in Singapore could compose negative wealth effects which would in turn impinge on high-end consumption. Sincere Watch provides a platform for Peace Mark to capture the growth of South East Asia which continue to be one of the fastest growing regions in luxury watch sales.

The merger of Sincere Watch and Peace Mark should create one of the largest fully-integrated watch companies in Asia, making it well-positioned in the industry to capture the future growth opportunities in the region. The transaction with Sincere Watch allows Peace Mark to achieve a much larger scale in a shorter timeframe. Scale benefits will be realized with the integration process. The combined management depth of Sincere Watch and Peace Mark will certainly help the Group to grow further.

We are facing a period of uncertainty in the coming year. However, with its geographical diversity, strong management and solid market positions, Peace Mark is well placed to weather any storms that lie ahead.

Macau

Qingdao

Mr. TSANG Kwong Chiu, Kevin
CHIEF FINANCIAL OFFICER

Forging Ahead With Sound Financial Position And Solid Balance Sheet

FINANCIAL REVIEWS

TURNOVER AND PROFITS

Group Results

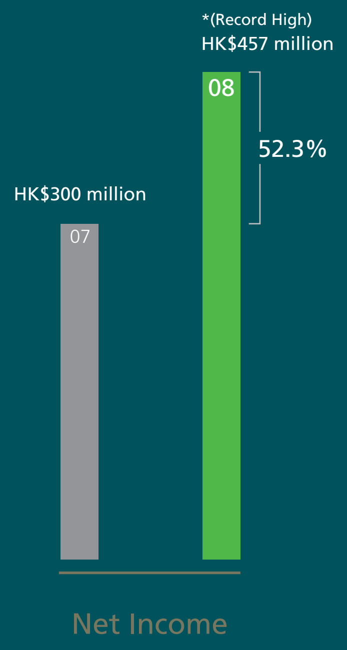
Financially, the Group posted strong results with improvement in operating profitability. Growth recorded across all the business segments.

This year, Group turnover increased by 37.4% to HK$4,177 million. The income statement of Sincere Watch was not included as the post-acquisition incomes and expenses for FY2008 were not material. Sales in China rose 91.7% and represented 70.8% of the Group turnover. The luxury division represented 29.4% of the total business turnover and the mid-range division accounted for 36.7%. Manufacturing and US distribution turnover accounted 33.9% of the Group turnover. Seagull revenue, classified as manufacturing division, contributed six-month turnover of HK$258 million.

Strong top-line growth positively reflected the successful execution of the Group's expansion and acquisition strategies in 2008. Overall EBITDA margin for 2008 was 17.7%, an increase of 2.4 percentage point, compared to 2007. High start-up costs and low revenue contribution of new stores caused relatively low EBITDA margin of 14.5%, compared to the industry norm of the luxury segment. EBITDA for mid-range segment continued to grow due to economies of scale and reached 22.1%. In the manufacturing and US distribution segment, higher operating costs and RMB appreciation caused a margin decline but to a certain extent compensated by higher margin Sea-Gull operation resulting in a overall EBITDA margin of 11.2%.

Operating profit rose by 56% to HK$611 million and the corresponding operating profit margin improved to 14.6%. This primarily reflected the increased sales from 43 new luxury stores, expanded network and the same-store sales growth.

Net income improved by 52.3% to a record high of HK$457 million. Success in executing the expansion plans of different business segments contributed to the improved margin. This strong earnings performance reflected the another stage of business transformation of Peace Mark in this year.



Earnings per share was HK44.03 cents, increase of 45.4% compared to 2007. The Board paid an interim dividend per share of HK5 cents representing a total payout ratio of 12% for the year. The Board of Directors considered not to recommend the final dividend to preserve the cash for working capital requirement.

Other operating expenses

Operating expenses decreased from 21.8% in 2007 to 20.9% in 2008 of turnover. Selling and Distribution expenses were increased due to increased turnover of distribution and retailing businesses. Better operating efficiency has been achieved through larger scale of operations in both the middle and luxury ends. Management had focused on integrating various China businesses acquired in the last two years and removed overlapping of resources. This highly scalable platform enabled the Group to further control the level of operating expenses. Nevertheless, the new stores rolled out during the year incurred exceptionally high selling, distribution and administrative expenses compared to the initial stage of sales performance.

As the Sincere Watch acquisition required substantial resources to support, additional internal costs of accounting and administrative for the acquisition process were incurred and expensed for the year.

Return on Equity was 19.1% increased from 17.8% last year. Given the pace of growth and non-full year contribution in terms of revenues and profits in an expanding mode, the return on capital could further be improved in the coming 24 months with fully fledged operation and operational synergies amongst various operations.

Taxation

The effective tax rate before deferred tax for the year was 14.7%.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Shareholders' Funds increased from HK$1,806 million to HK$2,972 million. Sincere Watch and Sea-Gull acquisitions were completed during the year. Net Asset Value per share was HK$2.73.

Financial Position

The overall financial strength of the Group remains healthy after the Sincere Watch acquisition. In the course of expanding the network in China, we have utilized internal funding and bank debts for financing the working capital needs and the associated capital expenditure plans.

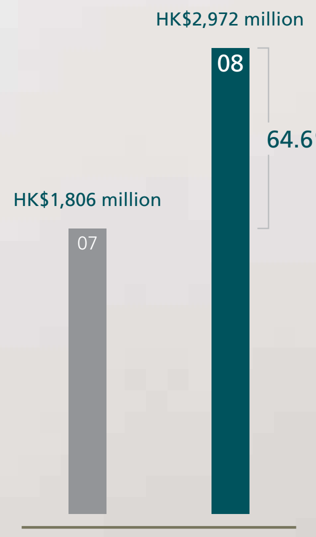
At the year end date, the cash and bank balances were HK$1,536 million and the borrowings were at HK$5,439 million. The net gearing, expressed as a percentage of total net borrowings to equity attributable to shareholders, was 131.3%. The increased net gearing was a result of additional working capital requirements from operations and capital expenditures and for acquisition of Sincere Watch.

The year-end borrowings were reclassified as short-term from the long-term as loans were prepaid by a bridge loan facilities. The structures of the borrowings were mainly term and trade finance facilities. The Group continues to refinance the existing borrowings by longer-maturities debts.

The major financings during the year were:

In June 2007, a syndicated loan amounting to HK$1,200 million was completed. This is a 4-year loan with the proceeds raised for the purposes of refinancing the then existing HK$630 million syndicated loan and for future working capital of the expansion plan.

In preparation for the Sincere Watch acquisition, a facility agreement has been entered into on 1 February 2008 (the "Bridge Loan") between Peace Mark and ABN AMRO Bank N.V., BNP Paribas and ING Bank N.V.



Shareholder's Funds

Pursuant to the Bridge Loan, the three lenders agreed to make available to Peace Mark a term loan facility in an aggregate amount of US$500 million (the “Facility”). The Facility consists of Facility A in an amount of up to US$200 million, which was made available to Peace Mark for the purchase of shares in Sincere Watch and Facility B in an amount of up to US$300 million, which was made available to Peace Mark as a stand-by facility for the repayment of the existing facilities. The Facility is for a term of eight months or, if earlier, 30 September 2008. We had obtained an in principle agreement from the lenders to extend the tenor from 30 September 2008 to 31 March 2009 on substantially similar terms.

The Bridge Loan contains certain events of default including:

(a) if Mr. Chau Cham Wong, Patrick ceases at any time to be the Chairman;

(b) if Mr. Chau Cham Wong, Patrick and Mr. Leung Yung collectively (1) are no longer holding beneficially (directly or indirectly) more than 30 per cent. of the voting share capital of the Company; or (2) no longer have management control of the Group; and

(c) if Mr. Tay Liam Wee is not appointed as a director of the Company.

US$144 million of the US$300 million stand-by facility was drawn to prepay a 3-year syndicated term loan facility of HK$600 million and a 4-year loan of RMB380 million subsequent to year end.

The purposes of the fund raising activities were to finance the Sincere Watch acquisition plan and pre-pay part of the debts.

The securing of the Bridge Loan and the subsequent extension of tenor demonstrated the creditability of Peace Mark amongst the banking community in Hong Kong enabling us to proceed an acquisition deal during a difficult credit market.

As the credit market has been further deteriorated and after the Sincere Watch results announcement on 30 May 2008, on 5 June 2008, Peace Mark entered into a placing agreement with ABN-AMRO and BNP Paribas, the placing agents. Peace Mark issued 159,922,000 new shares at HK$7.90 to various institutional shareholders. The placing shares represent approximately 14.6% of the then existing share capital of the Company of 1,095,423,174 shares, and approximately 12.74% of the enlarged share capital of the Company. The net proceeds, after the deduction of the related expenses, were amounted to approximately HK$1,230 million, which was mainly used for prepaying debts and for general working capital purposes.

44%, 42% and 11% of the carrying amounts of the year-end borrowings are denominated in Hong Kong dollar, US dollar and RMB respectively.

The interest coverage, expressed as a multiple of EBITDA over the interest expenses, was 3.78 which remained at a comfortable level.

The Group will further strengthen its balance sheet by lengthening the debt maturities. We possess the adequate financial resources to fund the general working capital and the expansion by organic growth.

Working Capital

The management continued to focus on managing the working capital. For the analysis below, we combined the FY2008 turnover and cost of goods sold of Sincere Watch for the calculation as the year-end balances of the inventories, receivables and payables were inclusive of Sincere Watch. The revenue and cost of goods sold for Peace Mark and Sincere Watch combined were HK$6,721 million and HK$4,549 million respectively.

Working capital was calculated as the total inventories and receivables less payables. In arriving at working capital analysis below, we had excluded HK$152 million receivables which were related to the amount due from share scheme receivables and the working capital acquired from Sincere Watch as of 31 March 2008 of HK$460 million. The total working capital increased by HK$1,125 million, in which the first half of 2008 accounted for HK$585 million, representing 52% of the increase and the second half of the year contributed to HK$541 million, representing 48% of the increase. Whereas the split of revenue growth for the year between the first half and the second half of the year were 42.9% and 57.1%. Second half of 2008 which accounted for 57% of turnover but only 48% of working capital increase, had showed sign of improvement in managing the working capital.

	Increase in Working Capital HK$'m	% of Total	Turnover % of Total
First half	585	52	43
Second half	540	48	57
Total	1,125	100	100

Cash Conversion Cycle	FY2008 (days)	FY2007 (days)
Inventories	261	180
Trade Receivables	47	74
Accounts Payable	119	52
Cash Conversion Cycle	189	202

The cash conversion cycle was shorten from 202 to 189 days with Sincere Watch as a combined group.

With Sincere Watch consolidated, inventory level was at HK$3,247 million, increased by HK$2,231 million, representing 261 turnover days. During the year, 43 new stores were added in China, Hong Kong and Macau. Significant amount of initial inventory for the new stores openings and less-than-full year revenue contribution were the causes of low inventory turnover. In manufacturing division, we consolidated only six-month Sea-Gull profits on group level. The change in business mix towards more luxury as a percentage of total revenue also caused higher inventory turnover days.

We strived to increase the inventory turns of luxury business. The risk of luxury products become obsolete was less significant given the long product life cycle. Fashion watches were of shorter life cycle and we were more flexible in price setting as a retailer. Taking advantage of the variation in consumer preferences, as well as brand awareness in different cities in China, we were enable us to reallocate inventory for optimizing the stock turns amongst different cities.

With Sincere Watch consolidated, total trade and other receivables increased by HK$692 million to HK$1,573 million. Included in the total receivables there was an amount of HK$152 million due from share scheme participants. The improved turnover days was mainly due to the diluted manufacturing contribution of the group turnover.

As part of the working capital management, the Group also utilized working capital loans to finance its purchases. The costs of trade financing to a certain extent were lower than the suppliers' credit in general resulting in improved gross profit margin.

CAPITAL EXPENDITURE AND ACQUISITION COSTS

Capital expenditure and acquisition costs for the year was HK$471 million and HK$2,875 million respectively. The capital expenditure for the year was mainly applied for the plant and machinery additions for Seagull, refurbishment of existing points of sales and renovation of new stores and general maintenance capital expenditure.

CAPITAL COMMITMENT AND CONTINGENT LIABILITY

As at 31st March 2008, there were no material capital commitment and contingent liability.

MANAGEMENT OF ACQUSITION EXECUTION RISKS

Regarding the execution of acquisition strategy, in China we choose the retailers with established track record operating in their regions to be our joint venture partners. The local management normally will be staying on post the acquisition to minimize the integration risk. This strategy helps to build our own local management team

Malaysia

Malaysia

and to set up the network at the same time. Deployment of management and financial resources are well thought out when scheduling the expansion plan to ensure that the execution will be in a manageable manner.

Cross-boundaries acquisition like Sincere Watch is properly managed with the assistance of professionals from different fields. Integration is underway with no foreseeable obstacles in execution.

Sincere Watch Acquisition

On 7 December 2007, Peace Mark entered into the agreement with the TBJ Holdings Limited; wholly owned by major shareholder of Sincere Watch, pursuant to which TBJ has agree to accept an offer from Peace Mark in respect of its entire 50.67% shareholding in Sincere Watch.

The consideration under the Offer for TBJ shares is S$268.5 million (representing approximately HK$1,445.9 million) of which S$214.8 million was paid in cash and S$53.7 million was settled in New Peace Mark Shares. The total consideration under the Offer amounts to S$530 million (representing approximately HK$2,854.1 million) or approximately S$2.564 per Sincere Watch Share (representing approximately HK$13.807 per Sincere Watch Share). The New Peace Mark shares issued to the Major Shareholder will be subject to a 3-year lock-up period.

The consideration for each Sincere Watch share under the Offer, was on the basis that S$2.051 in cash (180% of consideration) and 0.228 New Peace Mark Shares (20% of consideration) at the issue price of HK$12.096 per New Peace Mark Share.

The Offer Consideration represents a premium of approximately 11% to the closing price of S$2.32 per Sincere Watch Share on 6 December 2007 and a premium of approximately 19% to the average closing price of S$2.146 per Sincere Watch Share for the one-month period prior to the date of the Offer Announcement.

The Offer closed on 18 March 2008, Peace Mark had received valid acceptances under the Offer in respect of 200,649,203 Sincere Watch Shares representing 97.08 per cent. of the entire issued share capital of Sincere Watch.

The SIC has granted on 9 July 2008 its consent to delist Sincere Watch from the Main Board of the SGX-ST and accordingly, release Peace Mark from their obligation to restore the minimum public float.

On 15 July, 2008, based on the SIC's ruling, an application has been submitted to the SGX-ST to formally request for Sincere to be de-listed from the Main Board of the SGX-ST.

Further announcements in relation to delisting will be made in due course.

FINANCIAL RISK MANAGEMENT

The Group manages its financial resources and liquidity as well as financial risk management according to a set of policies and procedures approved by the Board of Directors.

The overall objectives is to act prudently to ensure that the Group has adequate cash flow and access to funding sources, both debt or equity, to fund the operations and the potential investments. Hedging arrangement of currency and interest rate risks will be entered into with consideration being given to the hedging costs and the risk level.

The risk is managed through prudent treasury policies, which include the following:

1. The Group closely monitors the cash resources. We maintain a conservative cash reserve and review our position regularly to ensure that cost-efficient funding is available for operating expenses, capital expenditure needs and business expansion;

2. Our policy is to deposit surplus cash with creditworthy financial institutions or invest in low risk and liquid instruments; and

3. To the extent possible the financing and cash management of the subsidiaries have been managed by the centralized treasury functions for the efficient allocation of capital, lower funding costs and control purposes.

The Group will continue to maintain sufficient liquidity and further diversify the funding sources and extend maturities profile, if necessary, to meet business requirements.

INTEREST RATE EXPOSURE

The Group manages its interest rate exposure with a view to increasing the predictability of the interest payment and lower the overall cost of debt. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments that mitigate current and future interest rate volatility.

As part of balance sheet management, we have matched the maturity of the assets and liabilities to the greatest possible extent. Certain shorter-term tenor bank borrowings will be refinanced by longer term debts with flexible interest rate reset. This enabled the financial flexibility of the Group.

Interest rate movement and hedging advices are provided from time to time by leading banks to the Group.

FOREIGN CURRENCY EXPOSURE

Our Group's business is exposed to fluctuations in foreign exchange rates. In the luxury division, most of its purchases are denominated in Swiss Franc whilst its revenues are mainly denominated in Singapore dollars, Hong Kong dollars or the local currency of the country in which the relevant subsidiary company makes the sales. Any further appreciation of Swiss Franc will lead to an increase in purchase costs, and if we cannot pass such increase in costs to the customers, any such appreciation of Swiss Franc will have a material adverse effect on our operating results and financial performance.

Peace Mark is also subject to translation risks as the consolidated financial statements are denominated in Hong Kong dollars while the financial statements of Sincere Watch were prepared in Singapore dollars. For the purposes of consolidating its results, the balance sheet of Sincere Watch is translated from Singapore dollars to Hong Kong dollars based on the prevailing exchange rate on the balance sheet date and the income statement is translated using the average exchange rate for the relevant financial year or period. There is no assurance that the exchange rate of Singapore dollar against Hong Kong dollar will be stable or will not fall in the future. Any significant depreciation of Singapore dollar against Hong Kong dollar may materially and adversely affect our results of operations.

The Group manages its foreign currency exposure by entering into currency hedging instruments, like currency forwards, to hedge currency exposure at an optimal level. Operating exposure of currency movement will be closely monitored. Currency derivatives (e.g. EUR, GBP and CHF) will be entered into to hedge the change of expected cash flows arising from an unexpected change in exchange rates. For RMB, the Company tends to naturally hedge its RMB denominated liabilities and expenses by the RMB denominated assets and revenues. Currency transaction loss was HK$18 million and was expensed, while the currency translation gain of HK$68 million was reflected as reserve movement during the year.

CREDIT EXPOSURE

The Group deals with the credit exposure according to the risk management policies. Credit extended to business associates are based on the credit analysis provided by credit agencies and trade intelligence sourced through industry participants.

All finance-related hedging transactions and deposits are made with counterparties with high credit ratings.

RISK FACTORS

There are several risk factors pertaining to the core businesses that the Group considers that may adversely affect its results of operations and financial position. There may be other risks in addition to those listed below which are not known to the Group or which may not be material now could turn out to be material in the future.

China Retail

The Group faces competition from both domestic and overseas watch distributors and retailers. Domestic companies have dominated the watch distribution and retail industry in China.

After China entered into WTO, more foreign brand owners may operate a distribution business by themselves to better control the sales channel. New market entrants entering into this market also cause higher competition. In the face of such risks, the Group speeds up its business plan for the retail network expansion to raise the barrier to entry; established a vertical integrated platform from manufacturing, distribution, retail to after-sales services; and formed strategic alliances with foreign and domestic companies for leveraging the resources.

Manufacturing

Manufacturing business has been highly competitive and the industry is fragmented. The Group participated in industry association involved in the industry strategy and policy formulation; improved the quality of its products; made considerable efforts in product development and design; and formed strategic partnership with major industry players combining the respective strength.

Changes and Uncertainties in PRC Policies

Regulatory environment including the tax regime in China may change and adversely affect the operating environment and consumer market. These risks can be addressed through establishing and maintaining a good relationship with relevant authorities for updating the regulatory changes.

Increase in Raw Materials Price

The increase in raw materials price may adversely affect the margin of the manufacturing business if the Group is not able to pass the increased costs to the customers. Satisfactory level of hedging is not possible given the uncertainty of the volume and kind of materials for manufacturing. We manage the margin of the business by advising alternative or mixed materials in substitution of the more expensive ones.

HUMAN RESOURCES

The Group employed over 10,000 employees mainly in China, Hong Kong, the USA and Europe. The total staff costs amounted to HK$393 million as compared to HK$197 million of last year.

The remuneration packages for the senior executives and marketing staff are performance linked. Share and option schemes as well as bonus scheme are in place to ensure the employees and shareholders goals are congruent.

SHARE INCENTIVE SCHEME

On 20 April 2007, the Company adopted a share incentive scheme (the "2007 Scheme") which will enable selected eligible persons to purchase shares of the Company (the "Shares") at a 5% discount to the market price. The selected eligible persons have the option of paying for their Shares in one lump sum, or by monthly installments. Where eligible persons choose the latter option, they will pay an additional finance charge to cover the Company's finance costs.

The Group has obtained a loan in the amount up to HK$350 million from a bank for the purpose of financing the operation of the 2007 Scheme. Shares to be purchased pursuant to the 2007 Scheme will be purchased on behalf of the eligible persons by the custodian. The custodian will hold the Shares on behalf of the eligible persons until they are permitted under the rules of the Scheme to dispose of their Shares.

The aggregate number of Shares to be offered under the 2007 Scheme and a share incentive scheme adopted by the Company on 31 March 2006 shall at all times be less than 5% of the issued share capital of the Company from time to time and the aggregate acquisition cost of all Shares purchased under the 2007 Scheme shall not exceed HK$350 million.

Peace Mark (Holdings) Limited (the "Company") is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general.

The Board of Directors (the "Board") and the senior management of the Company are committed to making sure that effective self-regulatory practices exist to protect the interests of the shareholders. These include a Board comprising high caliber members, Board Committees and effective internal audit and sound systems of internal controls.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices. This report describes the Company's corporate governance practices with specific reference to the Corporate Governance Code.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 March, 2008 .

DIRECTORS/SENIOR MANAGEMENT'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 March, 2008.

BOARD OF DIRECTORS

The Board is responsible for the management of the Company. Key responsibilities include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. Both the Board and the management have clearly defined authorities under various internal control and checks-and-balance mechanisms. The Board is responsible for establishing the strategic direction of the Group, setting objective and business development plans, monitoring the performance of the senior management and assuming responsibility for corporate governance. The management, under the leadership of the CEO, is responsible for implementing these strategies and plans.

All directors have full and timely access to all relevant information, including regular reports from the Board and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Company.

The Board currently consists of 12 members. Among them, 6 are executive directors, 1 non-executive director and 5 are independent non-executive directors.

SEPARATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICE ("CEO")

The post of Chairman and Chief Executive Officer ("CEO") are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman, Mr. Chau Cham Wong, Patrick, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The CEO, Mr. Leung Yung, supported by other board members and the senior management, is responsible for managing the Group's responsibilities, the businesses, implementation major strategies, making day-to-day decision and coordinating overall business operations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has five independent non-executive directors. They are highly experienced professionals and business people with a broad range of expertise and experience in areas such as accounting, finance, legal and business. They ensure that the Board maintains high standards of financial and other mandatory reporting and provides adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole. The Company has received an annual written confirmation from each independent non-executive director to confirm his independence to the Company and accordingly, the Company considers all of the independent non-executive directors to be independent.

Each of the independent non-executive director has entered into an appointment letter with the Company pursuant to which each of them is appointed for service with the Company for a term of three years, subject to the rotational retirement provision of the Bye-laws of the Company. The appointment shall terminate on the earlier of either (i) the date of expiry of the 3-year period, or (ii) the date on which the director ceases to be a director for any reasons pursuant to the Bye-laws of the Company or any other applicable laws.

BOARD MEETINGS

The Board held a total of four board meetings during the year ended 31 March 2008. Of these, two meetings were held to approve the 2007 final results and 2008 interim results of the Company; the other two meetings were held to consider financial and operating performances of the Group. The Chief Financial Officer and Company Secretary also attended all board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial.

The attendance of individual directors during the year ended 31 March 2008 is set out in the table below. All businesses transacted at the board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

Director	No. of board meetings attended/ held in FY2008
Executive Directors	
Mr. Chau Cham Wong, Patrick	4/4
Mr. Leung Yung	4/4
Mr. Tsang Kwong Chiu, Kevin	4/4
Mr. Cheng Kwan Ling	4/4
Mr. Man Kwok Keung	4/4
Mr. de Jaillon Hugues Jacques (appointed on 30 May 2008)	N/A
Non-executive Director	
Mr. Tay Liam Wee (appointed on 1 April 2008)	N/A
Independent Non-executive Directors	
Mr. Kwok Ping Ki, Albert	3/4
Ms. Susan So	2/4
Mr. Tang Yat Kan	4/4
Mr. Wong Yee Sui, Andrew	4/4
Mr. Mak Siu Wing, Clifford	3/4

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each board meeting. At least 14 day's notice of a regular board meeting is given to all directors to give them the opportunity to attend and all directors are given an opportunity to include matters in the agenda for meeting. Board papers are dispatched to the directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. Senior management who are responsible for the preparation of the Board papers are usually invited to present their papers and to take any questions or address queries that the Board members may have on the papers. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making process.

The proceedings of the Board at its meetings are conducted by the Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to directors to speak, express their views and share their concerns. Minutes of the Board meetings record in sufficient detail the matters considered by the Board and the decisions reached. The draft minutes of each Board meeting are sent to all the directors for comments within a reasonable time after the date on which the board meeting is held.

CHIEF FINANCIAL OFFICER ("CFO")

The CFO is responsible for preparing interim and annual financial statements based on generally accepted accounting principles in Hong Kong and ensuring that the financial statements present fairly the results and the financial position of the Group and comply with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and other applicable laws and regulations. The CFO is accountable to the Chairman of the Audit Committee and maintain regular communications with the external auditors. The CFO also plays a role of reviewing and making recommendations to the Board on the Group's financial risk management.

COMPANY SECRETARY

The Company Secretary is responsible directly to the Board. All directors have easy access to the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The Company Secretary is also responsible for providing advices to the Board on directors' obligations on disclosure of interests in securities, disclosure requirements of notifiable transactions, connected transactions and price-sensitive information. The Company Secretary has to advise the Board on disclosure of information in a timely manner in strict compliance with the requirements of the applicable laws, regulations and the Company's Bye-laws.

The Company Secretary, being the primary channel of communications between the Company and the Stock Exchange of Hong Kong, also assists the Board to implement and strengthen corporate governance practices with a view to enhancing long term shareholders' value. In addition, on a timely basis, the Company Secretary will provide the directors with information, update and continuing professional development on legal, regulatory and other continuing compliance obligations for being directors of a listed company.

BOARD COMMITTEES

To assist the Board in execution of its duties, the Board is supported by four board committees which consists of directors and members of senior management. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are of no less exacting terms than those set out in the Corporate Governance Code.

(1) Audit Committee

The Audit Committee comprises 4 members and is chaired by Mr. Wong Yee Sui, Andrew who is a certified public accountant. Other members are Mr. Mak Siu Wing, Clifford, Mr. Kwok Ping Ki, Albert and Mr. Tang Yat Kan. All the committee members are independent non-executive directors of the Company and are well-versed in the accounting, legal and finance areas. The terms of reference of the Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

The Audit Committee provides advice and recommendations to the Board and oversees all matters relating to the external auditors, thus it plays an important role in monitoring and safeguarding the independence of external auditors. Both the CFO, Company Secretary and the internal auditor are directly accountable to the Chairman of the Audit Committee.

During the year ended 31 March 2008, the Audit Committee met twice during the year with the senior management and the internal and external auditors. The work performed by the Audit Committee during the financial year included the followings:

- reviewed the annual report and result announcement for the year ended 31 March 2008;
- reviewed the interim report and interim results announcement for the six months ended 30 September 2007;
- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters;
- reviewed the results of external audit and discussion with external auditors on any significant findings and audit issues;
- reviewed the external auditors' independence and report and the re-appointment of the external auditors at the 2008 annual general meeting;
- reviewed the internal audit plan and the internal audit reports;
- discussed the effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management;
- considered and approved audit and non-audit services;
- reviewed all significant business affairs managed by the executive directors in particular on connected transactions.

Attendance of individual members at Audit Committee meetings:

Name of members	No. of meetings attended/held in FY2008
Mr. Wong Yee Sui, Andrew *(Chairman)*	2/2
Mr. Mak Siu Wing, Clifford	2/2
Mr. Kwok Ping Ki, Albert	2/2
Mr. Tang Yat Kan	2/2

(2) Risk Management Committee

The Risk Management Committee comprises 3 members and is chaired by Mr. Mak Siu Wing, Clifford, an independent non-executive director of the Company. It provides independent support to the Board to review financial and financial-related matters as well as issues regarding the management and operations of the Company. Such reviews include but are not limited to the following: all financing transactions of the Group, issuance of shares and share repurchase; major contracts and variations; major investments, acquisitions and disposals, etc.

Attendance of individual members at Risk Management Committee meetings:

Name of members	No. of meetings attended/held in FY2008
Mr. Mak Siu Wing, Clifford *(Chairman)*	2/2
Mr. Wong Yee Sui, Andrew	2/2
Mr. Tsang Kwong Chiu, Kevin	2/2

(3) Nomination Committee

The Nomination Committee comprises 4 members, a majority of whom are independent non-executive directors. The committee is chaired by Mr. Kwok Ping Ki, Albert, an independent non-executive director of the Company and the other members are Ms. Susan So, Mr. Chau Cham Wong, Patrick and Mr. Tay Liam Wee. It is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

During the financial year ended 31 March 2008, the work performed by the committee includes the following:

- review of the adequacy of the size, structure and composition of the Board
- consideration of the independence of the independent non-executive directors
- recommendation to the Board on relevant matters relating to the appointment and re-appointment of directors

All newly appointment of directors and re-nomination of directors for re-election at the annual general meeting are first considered by the Nomination Committee. The recommendations of the Nomination Committee will then be put to the Board for decision. Thereafter, all the directors are subject to re-election by shareholders at the annual general meeting pursuant to the Bye-laws of the Company. In considering the new appointment or re-nomination of directors, Nomination Committee will base its decision on criteria such as integrity, independent mindedness, experience, skills and the ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

In August 2008, the Nomination Committee nominated and the Board recommended Mr. de Jaillon Hugues Jacques, Mr. Cheng Kwan Ling, Mr. Tay Liam Wee and Ms. Susan So to retire at the 2008 annual general meeting and stand for re-appointment.

Attendance of individual members at Nomination Committee meetings:

Name of members	No. of meetings attended/held in FY2008
Mr. Kwok Ping Ki, Albert *(Chairman)*	2/2
Ms. Susan So	2/2
Mr. Chau Cham Wong, Patrick	2/2
Mr. Tay Liam Wee	N/A

(4) Remuneration Committee

The Remuneration Committee comprises 4 members, a majority of whom are independent non-executive directors. The chairman of the committee is Mr. Tang Yat Kan, an independent non-executive director of the Company and other members are Ms. Susan So, Mr. Chau Cham Wong, Patrick and Mr. Tay Liam Wee.

The Remuneration Committee reviews and determines the directors' remuneration package and makes recommendations to the Board. The committee engaged independent professional advisers to review and give recommendations on the current position titles of the all directors and benchmark the remuneration levels of all directors with those prevailing in equivalent companies. The review taken into account factors such as the remuneration package paid by the comparable companies, job responsibilities and shareholders' return.

The Remuneration Committee met twice in FY2008. The following is a summary of work performed by the Remuneration Committee:

– grant of share options to directors, employees and other eligible persons

– recommendation for Independent non-executive directors' fee for FY2008 to the Board for approval

– review and approval of the remuneration packages and service contracts for executive directors

– administration of the share option scheme, share incentive scheme

The remuneration policy of the Company is to ensure the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees.

The key components of the Company's remuneration package include basic salary plus other allowance, bonus, mandatory provident fund and share options. Bonus is tied to the performance of individual employee and the Company. As a long-term incentive plan and with the aim at motivating employees in the continued pursuit of the Company's goal and objectives, the Company granted share options to subscribe for the shares of the Company to the employees of the Group based on their performance and contribution to the Company under share option scheme adopted on 24 January 2002.

Attendance of individual members at Remuneration Committee meetings:

Name of members	No. of meetings attended/held in FY2008
Mr. Tang Yat Kan *(Chairman)*	2/2
Ms. Susan So	2/2
Mr. Chau Cham Wong, Patrick	2/2
Mr. Tay Liam Wee	N/A

INTERNAL CONTROL AND INTERNAL AUDIT

The Board is ultimately responsible for the Group's internal control system and, through the Audit Committee, has reviewed the effectiveness of the system. The Group's internal control system is designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to prevent material financial misstatement of loss.

The Group's internal control framework includes the following:

(1) To allow delegation of authority as well as to increase accountability, a clear organisational structure exists which details lines of authority and control responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual and interim results, annual budgets, distribution of dividends, Board structure, and the Board's composition and succession.

(2) Systems and procedures are set up to identify, measure, manage and control risks including but not limited to operational risk, accounting risk, interest rate risk and environmental risk and compliance risk that my have an impact on the business of the Group. The Risk Management Committee also evaluates whether the Group's risk management is in line with the established strategies, policies and procedures of the Company.

(3) In day-to-day income and expenditure arrangements, the Group has clear authority limits and has a sound system to ensure that its day-to-day operations meet the relevant regulations set by the Company.

(4) In order to establish a sound system of internal controls to safeguard shareholders' interests and the Group's assets, the Company established an Internal Audit Department. The role of the internal auditor is to assist the Audit Committee to ensure that the Company maintains a sound system of internal controls by reviewing all aspects of the Group's activities and internal controls with unrestricted right of access, conducting comprehensive audits of the practices and procedures as well as income and expenditure, internal controls of all business units of the Group on a regular basis and conducting special reviews and investigations of areas of concern identified by management.

The internal auditor has unrestricted direct access to the Audit Committee. The head of the Internal Audit Department reports directly to the Chairman of the Audit Committee, attends all Audit Committee meetings and brings appropriate matters identified during the course of audits to the Committee's attention. This reporting structure allows the Internal Audit Department to maintain its independence.

During the year, the internal auditor adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls. Audits were carried out on all significant business units in the Company. All internal audit reports are submitted to the Audit Committee for review and approval. The internal auditor's summary of findings and recommendations are discussed at the Audit Committee meetings.

The internal audit plan, which is reviewed and approved by the Audit Committee, is based on the sizes and prevailing risks of all business units of the Group to establish audit scopes and frequencies. All internal audit works scheduled for the year of 2008 have been completed. All areas of concern reported by the Internal Audit Department have been monitored by the management until appropriate corrective measures are implemented.

The Company's internal auditor has conducted a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management during the year. All material non-compliance of failures in internal controls and recommendations for improvements have been reported to the Audit Committee. The Audit Committee also reviewed the effectiveness of the actions taken by the Management on the recommendations made by the internal auditor in this respect.

AUDITORS' REMUNERATION

For the year ended 31 March 2008, the auditor's remuneration paid or payable in respect of the audit and other non-audit service (including but not limited to due diligence works on Sincere Watch and Sea-Gull, preparation of circulars relating to acquisition of Sincere Watch) provided by the auditors to the Group were as follows:

Nature of service	FY2008 Amount HK'000
Audit service	4,600
Non-audit service	3,217

Investor Relations

The Company continues to promote and enhance investor relations and communications with its investors. An intensive communications channel has been maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held subsequent to the final result announcements at which the executive directors are available to answer questions regarding the Group's operational and financial performances. Designated executive director and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

Communication with Shareholders

The Company attaches great priority to communicate with shareholders and investors. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communications, the Company provides extensive information in its annual report, interim report, press releases and also disseminates information relating to the Group and its business electronically through its website at www.peacemark.com

The Company regards the Annual General Meeting ("AGM") as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholder's queries. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings.

Code of Conduct

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

Conclusion

The Company believes that corporate governance principles and practices must remain relevant in a changing world, thus it continues its ongoing effort to review its corporate governance practices from time to time so as to meet the changing circumstances. It will try its best to maintain, strengthen and improve the standard and quality of the Company's corporate governance.

A high degree of transparency and timely communication with investors are the essential elements for the success of investor relations. The Company is committed to ensuring that the market is informed of relevant information about itself on a regular basis so as to allow existing and potential shareholders to understand the management philosophy and future business strategies and the perceptions of the industry.

Other than the detailed information in annual and interim reports which are supplemented by necessary announcements, the Company implements an open and interactive communication channel with global investors and analysts through regular one-on-one meetings, analysts and press briefings, non-deal road shows as well as conferences in Hong Kong, Europe, the United States, Singapore, Shanghai, Beijing and Japan.

We are proud of having 14 analysts and brokerage firms cover Peace Mark with a Buy recommendation. They are ABN AMRO, BNP, Cazenove, China Merchants Securities, Daiwa, DBS, Deutsche Bank, Goldman Sachs, HSBC, JP Morgan, Kim Eng, Merrill Lynch, UBS and UOB. We sincerely thanks for their support.

From 1 April 2007 and up to 16 July 2008 the date of this report, we totally meet over 700 investors by attending 16 road shows and 9 corporate days/ conferences as well as over one-on-one meetings. Moreover, we have also arranged many visits to the Company's luxury retail stores and mid-range point-of-sales as well as the factories in Beijing, Shanghai, Hong Kong and Shenzhen with more than 400 international investors.

INVESTOR RELATIONS RECOGNITIONS

We are pleased to share that the commitment to investor relations and corporate governance activities were recognized by the investors and analysts community. The Company received many recognitions through various investor relations campaign during the year. The Company was prized "The Best Investor Relations" from CEO Capital. and 'The excellent Investor Relations' by Prime magazine. The company is even honorable to receive the prize, "Director of the year Awards 2007" by the Hong Kong Institute of Directors.

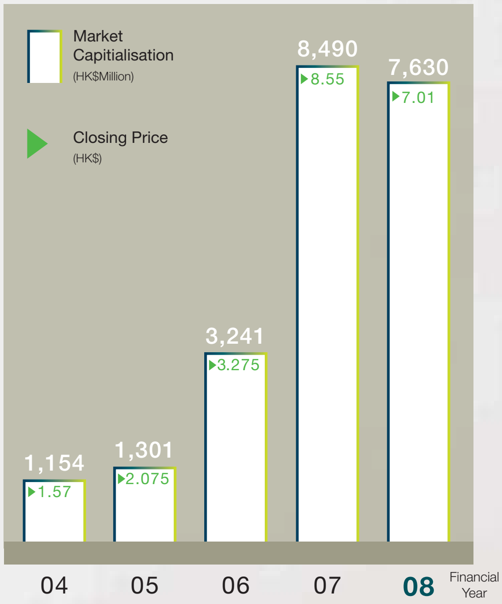
SHARES INFORMATION

As of 31 March 2008, the Company had 1,088,472,251 ordinary shares in issue, each with a par value of HK$0.10 and which was closed at HKD7.01 per share. The market capitalization at the year-end–date was HKD7,630million.

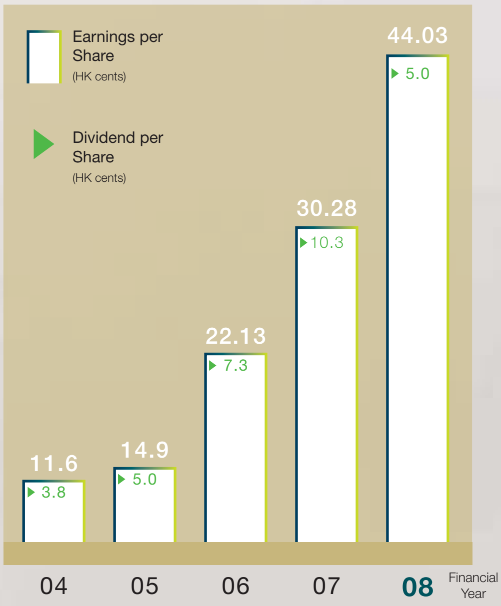
EARNINGS AND DIVIDEND PER SHARE

Earnings per share increased from HK30.28 cents to HK44.03 cents, Peace Mark declared the interim dividend per share was HK5 cents while no final dividend was recommended to preserve the cash for working capital requirement.

Market Capitalization



Earnings & Dividend per Share



Mr. Patrick Chau (second from the right) and members of the Board receive Directors of The Year 2007 Award from Mr. George Magnus (third from the left), Deputy Chairman of The Hong Kong Institute of Directors.

Investors thus have full access to the latest information of the Company on the website which is an effective channel of communication with the investor community. The Company website address is http://www.peacemark.com.

The Company greatly appreciates the positive feedback on its investor relations work. In the future, we will continue to seek out new ways to enhance investors' understanding of the Group's business, operations, and its corporate culture.

Enquiries from individuals on matters relating to the shareholdings and the business of the Company are welcomed and are dealt with an informative and timely manner.

AWARDS & RECOGNITIONS

"Directors Of The Year Awards 2007"

Peace Mark received the "Directors Of The Year Awards 2007", Board Category. This is the first such award won by Peace Mark, representing a vote of confidence to the Group's good corporate governance and directorship.

The theme of this year's awards is "Professional Directorship: Vanguard of Corporate Governance". The judging panel consists of 25 distinguished judges, including business leaders, professionals and regulators in Hong Kong.

FINANCIAL CALENDAR

Major events/Announcements	Date
FY2007 annual results	**12 July 2007**
Acquisition of Tianjin Sea-Gull Watch Company	October 2007
A Call Option from the major shareholder of the Acquisition of the Swiss STM Group including SFT, Soprod and Swissebouchess	12 September 2007
Annual General Meeting	23 August 2007
FY2008 Interim results	7 December 2007
Announcement on the intention of the acquisition of Sincere Watch	7 December 2007
Exclusive distribution agreement for the brand, DeBeers, which is owned by a Joint Venture between LVMH and DeBeers	March 2008
Completion of the acquisition of Sincere Watch, Singapore	18 March 2008
Equity Placement	4 June 2008
Approval of Delisting from SIC is confirmed	9 Jul 2008
FY2008 annual results	**22 July 2008**

CORPORATE CULTURE 2007/2008

CORPORATE RESPONSIBILITY

Peace Mark is strongly committed to corporate citizenship and recognizes that the societies in which its employees live and work contribute greatly to the company's overall success. With a strong corporate culture, Peace Mark strives to create and bring value to customers and stakeholders in a people-oriented management strategy. It concentrates its community efforts on charity programmes designed to provide well-rounded education programmes for the timepiece industry development and charity relief to the needy.

CORPORATE CULTURE

People communication remains a cornerstone of the corporate culture and enables the effective operation of the company for its career development. Peace Mark launched an e-newsletter "PMG" ("Peace Mark Group") in 2007 to strengthen internal communication for a healthier workplace. The publication serves as another official channel to encourage a culture of open and frank communication throughout the organization.

CARING COMPANY

The Company's achievements, in many aspects, have already exceeded legal requirements and general industry standards. The Hong Kong Council of Social Service accredited Peace Mark for two consecutive years as "Caring Company" in recognition of the company's efforts towards and commitment to the community.

商界展關懷
caringcompany 2007/08
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

COMMUNITY DONATION

Peace Mark has a strong commitment to social responsibility and employees are encouraged to participate in social activities and fundraising campaigns to help the needy and the underprivileged.

As a long-term supporter with Avon and the Avon Foundation, the Group is committed to eradicating breast cancer and domestic violence to help women around the world.

Moreover, the Peace Mark group and staffs highly supported charity programs such as Oxfam Trailwalker 2007 and more than 1,200 timepieces were donated to Women's Welfare Club Western District Hong Kong.

In 2008, Peace Mark made donations of HK$443,000 in support of Sichuan disaster relief. In addition, HK$500,000 were donated by the management in their private capacity. Apart from the financial donations, the Company expresses sympathy to the survivors and lends a helping hand to those in dire distress.

DRIVE FOR INDUSTRY DEVELOPMENT

Care for the timepiece industry development is a major company focus. Through various participation and organizations, Peace Mark is a staunch supporter of the timepiece industry's continuous growth. Among the initiatives are the "Youth Enterprise Leadership Program" with Hong Kong Polytechnic University, Sha Tin Nexus Student Awards and "Peace Mark Timepiece Design Competition Award". The goal is to encourage the design of timepieces and nurture the new generation with value-added technology applications.

In addition, the Group also supported the Watch and Clock Designer Nurturing Program, co-organized by Hong Kong Watch Manufacturers Association, Federation of Hong Kong Watch Trades and Industries and Hong Kong PolyU, to honour outstanding timepiece designers. It stimulates the collaboration of overseas designers and local companies.

Mr. Tommy Leung, as the President of The Hong Kong Watch Manufacturers' Associations and Peace Mark (Holdings) Limited, led a fact-finding tour to Guangdong province to promote industry development. He also speaks at many seminars including CEO Brand Strategy Summit 2007 and Global CEO Forum 2007 to share his business philosophy.

BOARD OF DIRECTORS

MR. CHAU Cham Wong, Patrick
Chairman
(Peace Mark (Holdings) Limited)

59, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. Mr. Chau has been with the Group for over 16 years, bringing with him over 34 years experience in the timepiece industry. He served as the director of the Hong Kong Watch Manufacturers Association from 1984 to 1993 and as the co-chairman of the Hong Kong Watch and Clock Fair. He was also the former advisor and the committee member of the Hong Kong Watch and Clock Trade Advisory Council to the Hong Kong Trade Development Council.

MR. LEUNG Yung
Chief Executive Officer
(Peace Mark (Holdings) Limited)

60, is responsible for the Group strategic planning, business development, marketing and product research and development, as well as coordinating overall business operations. He joined the Group since it was founded and has over 41 years experience in the timepiece industry. He is the Chief Honorary President of the Hong Kong Watch Manufacturers Association.

MR. TSANG Kwong Chiu, Kevin
Chief Financial Officer
(Peace Mark (Holdings) Limited)

41, is responsible for the accounting and overall financial management, corporate finance, investor relations function of the Group. Mr. Tsang holds a Master of Business Administration degree from the University of Hull and a Master degree in Electronic Commerce and Internet Computing from the University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He is also a member of the Hong Kong Institute of Directors. Mr. Tsang has more than 19 years experience in accounting and finance. He is also an independent non-executive director, a member of the audit committee and remuneration committee of Premium Land Limited, a company listed in Hong Kong.

MR. MAN Kwok Keung
Director
(Peace Mark (Holdings) Limited)

61, is responsible for product engineering in the PRC. Mr. Man holds a Bachelor's degree in Civil Engineering from the University of Calgary, Canada and has more than 25 years experience in production management in the timepiece industry. He has been with the Group since it was founded.

MR. CHENG Kwan Ling
Director
(Peace Mark (Holdings) Limited)

57, is responsible for the general management and finance of the Group's operations in the PRC. Mr. Cheng holds a diploma in Management Association and is a member of the British Institute of Management. He has over 33 years experience in accountancy and general management and has been with the Group for over 19 years.

Mr. de JAILLON Hugues Jacques
Executive Director
(Peace Mark (Holdings) Limited)

52, is the Chief Executive Officer of Peace Mark Holdings SAS (a member of the Company in Paris of France). Mr. Jaillon is responsible for developing and managing new businesses for the Company within the European Union region as well as other new markets. He has over 25 years experience in China trade and headed numerous operations related to imports, exports and manufacturing. He holds a Bachelor degree in Commerce and Law.

NON-EXECUTIVE DIRECTOR

Mr. TAY Liam Wee
Non-executive Director
(Peace Mark (Holdings) Limited)

49, is the Chairman of Sincere Watch (Hong Kong) Limited ("SWHK") and the Managing Director of Sincere Watch Limited ("SWL"). Mr. Tay is responsible for the overall formulation of business strategies and market development of SWL. Mr. Tay graduated with a bachelor of business administration degree from Lakehead University, Canada and has over 27 years of experience in retail and distribution of fine watches within the Asia Pacific region. Mr. Tay won the Best CEO of the year at the Singapore Corporate Awards 2007 under the category of the Main Board Listed Companies by Market Capitalisation of below S$500 million and the Lifestyle and Retail Entrepreneur of the Year 2004, Ernst and Young Entrepreneur of the Year Singapore 2004 and Tourism Entrepreneur of the Year 2005 from Singapore Tourism Board. He is the brother-in-law of Mr. Soh Gim Teik, the Non-executive Director of SWHK and the finance director of SWL, the cousin of Ms. Tay Liam Wuan, the Executive Director and the Chief Executive Officer of SWHK. Mr. Tay joined the Group since April 1, 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MS. SO, Susan
Independent Non-executive Director
(Peace Mark (Holdings) Limited)

55, is the Managing Director of Guo Ye Holdings Co., Limited and Guo Ye Enterprises Limited the principal activities of which are investment holding and the provision of investment consultancy services covering, among others, telecommunication, media, energy supply in the PRC. Ms. So has extensive management experience in relation to trade and investment projects (including information technology, sales and marketing) in the PRC. She has been a consultant of various companies in USA and PRC.

MR. KWOK Ping Ki, Albert
Independent Non-executive Director
(Peace Mark (Holdings) Limited)

74, is a former Director of the Electrical and Mechanical Services of the HKSAR Government and retired in 1993. Mr. Kwok served as the Secretary and Director General of Hong Kong Institution of Engineers until February in 2002. He holds a Master of Business Administration degree. He has extensive experience in business administration and in engineering professional practice.

MR. TANG, Yat Kan
Independent Non-executive Director
(Peace Mark (Holdings) Limited)

58, is a partner of Messrs. King & Co., a firm of Solicitors & Notaries in Hong Kong and has been a Notary Public since 1991. He is a Solicitor of the Supreme Court of England and Wales, the Supreme Court of Hong Kong and the Supreme Court of Singapore. He has been in general legal practice for over 22 years and is experienced in the fields of conveyancing and civil litigation.

MR. WONG Yee Sui, Andrew
Independent Non-executive Director
(Peace Mark (Holdings) Limited)

59, is a partner of W. M. Sum & Co., a firm of Certified Public Accountants in Hong Kong. Mr. Wong holds a Master of Business Administration degree and is a Chartered Accountant and a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in the auditing and finance field in Hong Kong and overseas. He is also an independent non-executive director and chairman of the audit committee of Lai Fung Holdings Limited, a company listed in Hong Kong.

MR. MAK Siu Wing, Clifford
Independent Non-executive Director
(Peace Mark (Holdings) Limited)

66, is the Managing Director of TCW Asia Limited, the Asian subsidiary of the TCW Group (Trust Company of The West), which is a Los Angeles based investment management company. Mr. Mak holds a Master of Business Administration degree from New York University. He has extensive experience in investment management. Mr. Mak also serves as an advisor to SG Asset Management (Hong Kong) Limited, the asset management arm of the Societe Generale.

PEACE MARK

Corporate Support

Mr. CHANG, Eddy
Financial Controller
(Peace Mark (Holdings) Ltd.)

Ms. LEE, Jessica
Vice President, Corporate Planning & Investor Relations
(Peace Mark (Holdings) Ltd.)

Mr. CHEUNG, CW
Assistant General Manager
(Peace Mark Ltd.)

Retail & Distribution

Mr. GOUTEN, Francis
Consultant of Luxury Watch Division
(Peace Mark (Holdings) Ltd.)

Mr. CHAU, Kevin
Executive Vice-Chairman
(Sincere Watch (HK) Ltd.)

Mr. LI, Jimmy
President of Luxury Watch Operation
(Solomon Watch & Jewllery Co., Ltd.)

Mr. ZHANG, Shuhua
General Manager
(Shenyang Dagong Watches Co., Ltd.)

Mr. CHEN, Wei
General Manager
(Ningbo Meihe Timepieces Co., Ltd.)

Ms. SHAN, Boxia
General Manager
(Xin-Jiang Xingbao International Famous Watch Co., Ltd.)

Mr. LEVITT, Howard
Director
(Peace Mark Tourneau (Holdings) Ltd.)

Mr. EDOCS, Jan
President, Chief Executive Officer
(MILUS International S.A)

Mr. CHAU, Quinton
Managing Director
(MILUS (Far East) Ltd.)

Mr. ONG, Ban
Chief Operating Officer
(Sincere Watch Ltd.)

Mr. TAY, Liam Wuan
Chief Executive Officer
(Sincere Watch (HK) Ltd.)

Mr. WANG, Kelong
General Manager
(Flamingo Watches (Shenzhen) Co., Ltd.)

Mr. MA, Shaodi
Chief Executive Officer
(Shenzhen Modern Watch Showpiece Co., Ltd.)

Mr. LIN, Shaowei
General Manager
(Shenzhen Modern Watch Showpiece Co., Ltd.)

Ms. FENG, Hailey
General Manager, China Division
(Peace Mark Timepiece (Shenzhen) Ltd.)

Mr. KACZOROWSKI, Dimitri
Head of Jewelery Operation
(Peace Mark (Holdings) Ltd.)

Mr. HO, Curtis
General Manager
(Mega Chains (China) Ltd.)

Sales & Marketing

Mr. HECK, Hardy
Consultant of Business Development
(Peace Mark Ltd.)

Mrs. NIEDERLETTNER, Ulrike
General Manager
(Mandison N.Y. Ltd.)

Mr. BOETTO, Marcello
Chief Executive Officer
(Peace Mark Italia sal)

Mr. ROSENBAUM, Louis
Chief Executive Officer
(Peace Mark USA)

Mr. SCHNECK, Robert
Chief Executive Officer
(Omni Watch & Clock Co., LLC.)

Mr. KAO, David
Managing Director
(Omni Watch & Clock Co., LLC.)

Mr. WANG, Deming
General Manager
(Tian Jin Seagull Watch Co., Ltd.)

Mr. CHAN, Gary
Head of Marketing
(Peace Mark Ltd.)

Ms. SHING, Money
Marketing Manager
(Peace Mark Ltd.)

Financial Statement

The directors of the Company are pleased to present their report and the audited consolidated financial statements of Peace Mark (Holdings) Limited (the "Company") and its subsidiaries (together with the Company hereinafter referred to as the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the Group's principal subsidiaries are set out in Note 20 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's segment information is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATION

Details of the results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 66 of this report and the accompanying notes to the financial statements.

The directors declared an interim dividend of HK5.0 cents per share, totaling HK$54,203,000, which was paid on 17 March 2008.

The directors do not recommend the payment of a final dividend.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years and the assets and liabilities of the Group as at the end of the last five financial years is set out on pages 143 and 144 of this report.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 70 of this report.

Movements in the reserves of the Company during the year are set out in Note 34 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March 2008, the reserves of the Company available for distribution, calculated in accordance with the Bermuda Companies Act, amounted to approximately HK$555.3 million. In addition, the share premium of the Company, in the amount of approximately HK$1,330.4 million, may be distributed in the form of fully paid bonus shares.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 33 to the financial statements.

BORROWINGS

Details of the Group's and the Company's borrowings and obligations under finance leases are set out in Note 30 and Note 31 to the financial statements respectively.

RETIREMENT BENEFIT SCHEME

Details of retirement benefit scheme are set out in Note 40 to the financial statements.

POST BALANCE SHEET EVENT

Details of the post balance sheet event of the Group which took place subsequent to 31 March 2008 and up to the date of the report are set out in Note 43 to the financial statements.

DIRECTORS

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

Executive Directors
Mr. Chau Cham Wong, Patrick *(Chairman)*
Mr. Leung Yung *(Chief Executive Officer)*
Mr. Tsang Kwong Chiu, Kevin *(Chief Financial Officer)*
Mr. Man Kwok Keung
Mr. Cheng Kwan Ling
Mr. de Jaillon Hugues Jacques *(Appointed on 30 May 2008)*

Non-Executive Director
Mr. Tay Liam Wee *(Appointed on 1 April 2008)*

Independent Non-Executive Directors
Ms. Susan So
Mr. Kwok Ping Ki, Albert
Mr. Tang Yat Kan
Mr. Wong Yee Sui, Andrew
Mr. Mak Siu Wing, Clifford

Pursuant to article 86(2) of the Company's Bye-laws, Mr. de Jaillon Hugues Jacques and Mr. Tay Liam Wee, who were appointed by the Board of Directors, shall hold office until the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Pursuant to articles 87(1) and 87(2) of the Company's Bye-laws, Mr. Cheng Kwan Ling and Ms. Susan So shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Group, which is not terminable by the Group within one year without payment of compensation, other than normal statutory compensations.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and of the senior management of the Group are set out on page 50 of this report.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 August 2008 to 26 August 2008, both days inclusive, during which period no transfer of shares will be effected. To determine entitlement to attend and vote at the forthcoming Annual General Meeting to be held on 27 August 2008, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Monday, 21 August 2008.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Directors' and officers' liability insurance was maintained during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2008, the interests or short positions of the directors of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

The table below sets out the aggregate long positions in the shares of each director of the Company:

Name of director	Personal interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives	Total interests	Percentage of total issued share capital (%)
Chau Cham Wong, Patrick	65,631,077	302,758,459	28,416,795 (Note 1)	39,600,000 (Note 3)	436,406,331	40.09
Leung Yung	–	331,175,254	65,631,077 (Note 2)	39,600,000 (Note 3)	436,406,331	40.09
Tsang Kwong Chiu, Kevin	1,598,353	–	–	1,600,000 (Note 3)	3,198,353	0.31
Cheng Kwan Ling	543,904	–	–	550,000 (Note 3)	1,093,904	0.11
Man Kwok Keung	300,000	–	–	550,000 (Note 3)	850,000	0.08
Tang Yat Kan	350,000	–	10,000	300,000 (Note 3)	660,000	0.06
Kwok Ping Ki, Albert	300,000	–	–	300,000 (Note 3)	600,000	0.06
Mak Siu Wing, Clifford	250,000	–	–	350,000 (Note 3)	600,000	0.06
Wong Yee Sui, Andrew	5,000	–	–	475,000 (Note 3)	480,000	0.05
Susan So	–	–	–	350,000 (Note 3)	350,000	0.03

Notes:

1. Mr. Chau Cham Wong, Patrick was deemed to be interested in 28,416,795 shares for the purposes of section 317 of the SFO, representing the deemed interests in United Success Enterprises Limited ("United Success") in respect of its holdings pursuant to a placing and subscription completed in April 2004 (the "Placing and Top Up"). As a result of the foregoing, Mr. Chau Cham Wong, Patrick was deemed to be interested in a total of 436,406,331 shares of the Company.

2. Mr. Leung Yung has 49.55% voting control of A-One Investments Limited ("A-ONE") and 100% voting control of United Success, both of which are vendors acting in concert with him in the Placing and Top Up. He was deemed to be interested in 65,631,077 shares of the Company for the purposes of section 317 of the SFO. Consequently, Mr. Leung Yung was deemed to be interested in a total of 436,406,331 shares of the Company.

3. These interest represented the interest in underlying shares of the Company in respect of share options granted by the Company to these directors as beneficial owners.

Save as disclosed above and other than certain nominee shares in subsidiaries of the Company being held by the Directors in trust for the Company, as at 31 March 2008, none of the directors of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Share options are granted to the Directors, employees and other eligible persons under the Share Option Scheme of the Company (the "Scheme") adopted on 24 January 2002. Details of the Scheme are set out in Note 35 to the financial statements.

SHARE INCENTIVE SCHEME

The Company adopted a share incentive scheme on 20 April 2007 which the details are set out in Note 36 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements that 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 and none of the directors, their spouses or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, the following persons (other than directors of the Company) were substantial shareholders of the Company or had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholder	Number of shares in which interested	Percentage of issued share capital
United Success	436,406,331 (Note 1)	40.09
A-ONE	436,406,331 (Note 2)	40.09

Notes:

1. United Success was wholly-owned by Mr. Leung Yung. United Success was one of the parties acting in concert under the Placing and Top Up, and so was deemed to be interested in 436,406,331 shares of the Company pursuant to section 317 of the SFO.

2. Mr. Chau Cham Wong, Patrick controlled 50.45% and Mr. Leung Yung controlled 49.55% of A-ONE respectively. A-ONE was one of the parties acting in concert under the Placing and Top Up, and was deemed to be interested in 436,406,331 shares of the Company pursuant to section 317 of the SFO.

Save as disclosed above, the Company has not been notified of any other person (other than directors of the Company) who had an interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company did not redeem any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

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

DISCLOSURE UNDER RULE 13.18 OF CHAPTER 13 OF THE LISTING RULES

(1) In compliance with the Rule 13.18 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 5 June 2006 relating to a term loan facility in an aggregate amount of HK$600,000,000 (the "Facility") made available to the Company (the "Facility Agreement").

The Facility Agreement contains certain events of default including:

(a) if Mr. Chau Cham Wong, Patrick ceases at any time during the subsistence of the Facility Agreement to be the Chairman of the Company and the Group; and

(b) if Mr. Chau Cham Wong, Patrick and Mr. Leung Yung collectively are no longer the single largest shareholder of the Company, holding beneficially (directly or indirectly) more than 30% of the voting share capital of the Company; or no longer have management control of the Company.

Upon the occurrence of an event of default under the Facility Agreement and so long as it is continuing, Sumitomo Mitsui Banking Corporation as agent may, inter alia, upon instructions from the majority lenders declare that all or part of the Facility, together with accrued interest, and all other amounts accrued under the finance documents as referred to under the Facility Agreement be immediately due and payable.

(2) In compliance with the Rule 13.18 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 20 December 2006 relating to a term loan facility in an aggregate amount of RMB380,000,000 (the "Facility") made available to a subsidiary (the "Facility Agreement").

The Guarantee contains certain undertakings, which when breached will constitute an event of default under the Facility Agreement. One of the undertakings is for the Company to ensure that, unless and until the Borrower and the Guarantors have fully discharged their respective obligations under the Finance Documents:

(a) Mr. Chau Cham Wong, Patrick will serve as the chairman of the board of directors of the Company; and

(b) Mr. Chau Cham Wong, Patrick and Mr. Leung Yung will collectively remain as the single largest shareholder of the Company and its subsidiaries (the "Group"), and will directly and indirectly hold more than 35% of the equity interests in the Borrower and maintain control of the board of directors of the Borrower.

On and at any time after the occurrence of an event of default under the Facility Agreement, Oversea-Chinese Banking Corporations Limited, Hong Kong Branch (the "Agent") may, and shall if so directed by the majority lenders declare that all or part of the loan made under the Facility, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement be immediately due and payable.

(3) In compliance with the Rule 13.18 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 22 June 2007 relating to a term loan and revolving credit facility in an aggregate amount of HK$1,200,000,000 (the "Facility") made available to the Company (the "Facility Agreement").

The Facility Agreement contains certain events of default including:

(a) if Mr. Chau Cham Wong, Patrick ceases at any time during the subsistence of the Facility Agreement to be the Chairman of the Company and the Group; and

(b) if Mr. Chau Cham Wong, Patrick and Mr. Leung Yung collectively are no longer the single largest shareholder of the Company, holding beneficially (directly or indirectly) more than 30% of the voting share capital of the Company; or no longer control the board of directors of the Company.

Upon the occurrence of an event of default under the Facility Agreement and so long as it is continuing, ABN AMRO Bank N.V. as agent may, inter alia, upon instructions from the majority lenders declare that all or part of the Facility, together with accrued interest, and all other amounts accrued under the finance documents as referred to under the Facility Agreement be immediately due and payable.

(4) In compliance with the Rule 13.18 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 1 February 2008 relating to a term loan facility in an aggregate amount of US$500,000,000 (the "Facility") made available to a subsidiary (the "Facility Agreement"):

The Guarantee contains certain undertakings, which when breached will constitute an event of default under the Facility Agreement. One of the undertakings is for the Company to ensure that, unless and until the Borrower and the Guarantors have fully discharged their respective obligations under the Finance Documents:

(a) if Mr. Chau Cham Wong, Patrick ceases at any time to be the Chairman of the Company and the Group;

(b) if Mr. Chau Cham Wong, Patrick and Mr. Leung Yung collectively are no longer holding beneficially (directly or indirectly) more than 30% of the voting share capital of the Company; or no longer have management control of the Group; and

(c) if Mr. Tay Liam Wee is not appointed as a director of the Company within 45 days after the voluntary conditional offer has become or been declared unconditional in all respects and he ceases any time to be a director of the Company after the appointment.

Upon the occurrence of an event of default under the Facility Agreement and for so long as it is continuing, ABN AMRO Bank N.V., Singapore Branch acting in its capacity as agent may, among other things, if so directed by the majority lenders, declare that all or part of the Facility, together with accrued interest, and all other amounts accrued or outstanding under the finance documents as defined in the Facility Agreement be immediately due and payable.

CONNECTED TRANSACTIONS

(1) Peace Mark Tourneau Holdings Limited ("Peace Mark Tourneau") and Tourneau Inc. ("Tourneau") entered into a trademark license agreement on 31 March 2006 whereby Tourneau granted an exclusive right to Peace Mark Tourneau to use the trademark of "Tourneau" in consideration of payment of royalties by Peace Mark Tourneau in accordance with the terms under the Trademark License Agreement. Details of the terms of the agreement are set out in the Company's Announcement dated 31 March 2006. As Tourneau is a substantial shareholder of Peace Mark Tourneau which is an indirectly non wholly-owned subsidiary of the Company, the transactions under the Trademark License Agreement constitute continuing connected transactions for the Company under the Listing Rules.

The annual cap of the royalties under the Trademark License Agreement and the actual royalties paid for the year ended 31 March 2008 are US$5.5 million (HK$42.9 million) and US$183,000 (HK$1,430,000) respectively.

The Board considers the above continuing connected transactions have been conducted in the ordinary and usual course of business of the Group on normal commercial terms and the amount of royalties payment is in accordance with the Trademark License Agreement and did not exceed the cap amount. These continuing connected transaction had been reviewed by the independent non-executive directors and the auditors of the Company and received approval from the Company's board of directors.

(2) Wealthy Group (China) Limited ("Wealthy Group") an indirectly wholly-owned subsidiary of the Company entered into an agreement ("Agreement") with Swissebauches Limited ("Swissebauches") on 9 May 2007 whereby Swissebauches appointed Wealthy Group as its sole and exclusive distributor of timepiece movements manufactured by Swissebauches (except for existing clients of Swissebauches in Germany, France and Switzwerland as set out in the agreement) for an initial term for three years ending on 8 May 2010.

As at the date of the Agreement, Swissebauches was a third party independent of the Group. On 12 September 2007, A-1 Business Limited, (a company beneficially owned by Mr. Chau Cham Wong, Patrick and Mr. Leung Yung) entered into an agreement to acquire Swissebauches and Swissebauches became a connected person of the Group and the transactions under the Agreement became continuing connected transactions of the Group under the Listing Rules.

Pursuant to the terms of the Agreement, Wealthy Group purchased timepiece movements from Swissebauches based on agreed prices. As per Company's announcement dated 12 September 2007, the Annual Caps of the purchase transactions for each of the three financial years ended 31 March 2010 shall not exceed HK$105 million, HK$204 million and HK$225 million respectively.

The Annual Cap and the purchases from Swissebauches for the year ended 31 March 2008 are HK$105 million and HK$95.8 million respectively.

The Board considers the above continuing connected transactions have been conducted in the ordinary and usual course of business of the Group on normal commercial terms and purchases from Swissebauches is in accordance with the Agreement and did not exceed the cap amount. These continuing connected transaction had been reviewed by the independent non-executive directors and the auditors of the Company and received approval from the Company's board of directors.

(3) On 12 September 2007, A-One Investments Limited (a company beneficially owned by Mr. Chau Cham Wong, Patrick and Leung Yung) and Peace Mark Production Limited ("PM Production"), an indirect wholly owned subsidiary of the Company, entered into a Call Option Agreement pursuant to which A-One Investments Limited unconditionally granted an irrevocable and exclusive call option to PM Production at HK$1.00 whereby the A-One Investments Limited shall transfer to PM Production the entire issued capital of A-1 Business Limited it holds upon exercise of the Call Option by PM Production. PM Production or its designee shall be entitled but not obligated to exercise, at any time (the timing is entirely at the discretion of PM Production), the Call Option. The Call Option has no expiry date.

Since the exercise of the Call Option is at the discretion of the Company, pursuant to Rules 14.75(1) and 14A.70 of the Listing Rules, the applicable percentage ratios in respect of the premium on the acquisition of the Call Option represents less than 0.1% for the Company. The Call Option, therefore, will be a de minimis transaction exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

(4) The details of significant related party transactions including above connected party transactions entered by the Group during the year ended 31 March 2008 were set out in Note 15 to the financial statements.

Save as disclosed above, there were no other transactions which are required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2008, the five largest ultimate customers to whom the goods were exported by the Group together accounted for not more than 20% of the Group's turnover for which the largest ultimate customer accounting for not more than 5%, and the five largest suppliers of the Group accounted for not more than 45% of the Group's purchases for which the largest supplier accounting for approximately 21%.

Save as disclosed above, none of the Directors, their associates nor any shareholder who, to the knowledge of the Directors own more than 5% of the Company's share capital, had an interest in any of the five largest customers or suppliers.

BOARD COMMITTEES

The Company has established a risk management committee, an audit committee, a remuneration committee and a nomination committee. For details regarding the other board committees, please see the relevant section in the Corporate Governance Report on pages 39 to 45 of the annual report.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to shareholders by ensuring that the proper processes for oversight and management of its businesses are in place, in operation and are regularly reviewed. For details, please refer to the relevant section in the Corporate Governance Report on pages 39 to 45 of the annual report.

AUDITORS

The financial statements for the year ended 31 March 2008 were audited by Messrs. Chu and Chu, Certified Public Accountants. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to reappoint them as auditors.

On behalf of the Board

Chau Cham Wong, Patrick
Chairman

Hong Kong
22 July 2008

采正會計師事務所
CHU and CHU
Certified Public Accountants
An independent firm associated with
AGN International Ltd

To the Shareholders of
Peace Mark (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Peace Mark (Holdings) Limited (the ''Company'') and its subsidiaries (collectively referred to as the ''Group'') set out on pages 66 to 141, which comprise the consolidated and the Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

Chu and Chu
Certified Public Accountants

Hong Kong
22 July 2008

Consolidated Income Statement

For the Year Ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	7	**4,177,106**	3,040,514
Cost of sales		**(2,711,624)**	(2,055,700)
Gross profit		**1,465,482**	984,814
Other revenue	7	**126,061**	132,846
Selling and distribution expenses		**(476,175)**	(363,782)
Administrative and general expenses		**(323,229)**	(283,896)
Other operating expenses		**(73,255)**	(13,644)
Profit from operations	8	**718,884**	456,338
Share of profit (loss) of associates		**10,726**	(9,512)
Share of profit (loss) of a jointly controlled entity		**536**	(2,027)
Finance costs	9	**(195,296)**	(111,880)
Profit before taxation		**534,850**	332,919
Taxation	11	**(63,249)**	(28,316)
Profit for the year		**471,601**	304,603
Attributable to:			
Equity holders of the Company	12	**457,218**	300,276
Minority interests		**14,383**	4,327
		471,601	304,603
Dividends	13	**54,203**	102,727
Earnings per share for profit attributable to equity holders of the Company during the year	14		
Basic (HK cents)		**44.03**	30.28
Diluted (HK cents)		**42.00**	29.54

The notes on pages 75 to 141 form part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Freehold land and interest in leasehold land	16	**64,458**	7,961
Property, plant and equipment	17	**1,005,979**	518,010
Investment property	18	**2,244**	–
Intangible assets	19	**2,372,889**	239,289
Interest in associates	21	**297,626**	87,300
Interest in a jointly controlled entity	22	**20,114**	15,994
Other financial assets	23	**415,194**	181,057
Deferred tax assets	32	**55,977**	9,566
		4,234,481	1,059,177
CURRENT ASSETS			
Inventories	24	**3,246,856**	1,015,963
Derivative financial instruments	27	**71,201**	46,282
Other financial assets at fair value through profit or loss	28	**17,548**	6,585
Trade receivables	25	**873,326**	613,776
Trade deposits and other receivables	26	**699,355**	266,718
Cash and bank balances		**1,536,111**	1,460,091
		6,444,397	3,409,415
CURRENT LIABILITIES			
Trade and other payables	29	**1,480,513**	294,789
Derivative financial instruments	27	**125,361**	24,023
Interest-bearing borrowings	30	**5,360,238**	988,231
Obligations under finance leases	31	**1,024**	200
Tax payable		**83,343**	33,878
		7,050,479	1,341,121
NET CURRENT (LIABILITIES) ASSETS		**(606,082)**	2,068,294
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,628,399**	3,127,471

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	30	**75,963**	1,077,727
Obligations under finance leases	31	**1,880**	142
Deferred tax liabilities	32	**158,181**	13,064
		236,024	1,090,933
NET ASSETS		**3,392,375**	2,036,538
CAPITAL AND RESERVES			
Share capital	33	**108,847**	99,308
Reserves	34	**2,863,558**	1,707,171
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**2,972,405**	1,806,479
MINORITY INTERESTS		**419,970**	230,059
TOTAL EQUITY		**3,392,375**	2,036,538

The notes on pages 75 to 141 form part of these financial statements.

Approved and authorized for issue by the Board of Directors on 22 July 2008,

Chau Cham Wong, Patrick	**Leung Yung**
Chairman	*Chief Executive Officer*

Balance sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interest in subsidiaries	20	**3,621,798**	2,297,523
CURRENT ASSETS			
Other receivables		**47,292**	41,186
Derivative financial instruments	27	**3,549**	14,744
Tax recoverable		**1,970**	–
Cash and bank balances		**14,476**	94,047
		67,287	149,977
CURRENT LIABILITIES			
Accruals and other payables		**7,745**	9,797
Derivative financial instruments	27	**12,880**	1,872
Interest-bearing borrowings	30	**1,600,000**	416,000
Tax payable		**–**	1,539
		1,620,625	429,208
NET CURRENT LIABILITIES		**(1,553,338)**	(279,231)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,068,460**	2,018,292
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	30	**–**	804,000
NET ASSETS		**2,068,460**	1,214,292
CAPITAL AND RESERVES			
Share capital	33	**108,847**	99,308
Reserves	34	**1,959,613**	1,114,984
TOTAL EQUITY		**2,068,460**	1,214,292

The notes on pages 75 to 141 form part of these financial statements.

Approved and authorized for issue by the Board of Directors on 22 July 2008,

Chau Cham Wong, Patrick
Chairman

Leung Yung
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2008

	Note	Attributable to equity holders of the Company Share capital HK$'000	Attributable to equity holders of the Company Reserves HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 April 2007		99,308	1,707,171	230,059	2,036,538
Fair value adjustment of available-for-sale financial assets		–	1,023	–	1,023
Exchange realignment		–	68,108	(1,733)	66,375
Net gain recognized directly in equity		–	69,131	(1,733)	67,398
Profit for the year		–	457,218	14,383	471,601
Total recognized income for the year		–	526,349	12,650	538,999
Issue of new shares for acquisition of subsidiaries	33 & 37	4,575	366,051		370,626
Share-based payment		–	100,551	–	100,551
Issue of new shares pursuant to the exercise of options	33	4,964	279,662	–	284,626
Dividend paid during the year		–	(116,226)	(8,920)	(125,146)
Acquisition of minority interests in subsidiaries		–	–	(12,230)	(12,230)
Increase in investment from minority interests		–	–	12,426	12,426
Minority interests arising from acquisition of subsidiaries		–	–	185,985	185,985
		9,539	630,038	177,261	816,838
BALANCE AT 31 MARCH 2008		**108,847**	**2,863,558**	**419,970**	**3,392,375**

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2008

	Note	Attributable to equity holders of the Company		Minority	
		Share capital	**Reserves**	**interests**	**Total**
		HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2006		98,974	1,462,351	107,573	1,668,898
Fair value adjustment of available-for-sale financial assets		–	(171)	–	(171)
Exchange realignment		–	220	–	220
Net gain recognized directly in equity		–	49	–	49
Profit for the year		–	300,276	4,327	304,603
Total recognized income for the year		–	300,325	4,327	304,652
Share-based payment		–	20,935	–	20,935
Issue of new shares pursuant to the exercise of options	33	334	6,941	–	7,275
Dividend paid during the year		–	(83,381)	–	(83,381)
Acquisition of minority interests in subsidiaries		–	–	(10,560)	(10,560)
Increase in investment from minority interests		–	–	123,057	123,057
Minority interests arising from acquisition of subsidiaries		–	–	5,662	5,662
		334	(55,505)	118,159	62,988
BALANCE AT 31 MARCH 2007		99,308	1,707,171	230,059	2,036,538

Consolidated Cash Flow Statement

For the Year Ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Profit from ordinary activities before taxation		**534,850**	332,919
Adjustments for:			
Depreciation of property, plant and equipment		**127,070**	70,508
Amortization of land lease premium		**168**	141
Impairment loss on intangible assets		**11,320**	12,484
Interest expenses		**195,296**	111,880
Interest income		**(107,585)**	(64,293)
Share-based payment		**100,551**	20,935
Loss (Gain) on fair value adjustment on derivative financial instruments		**76,442**	(15,072)
Share of (profit) loss of a jointly controlled entity		**(536)**	2,027
Share of (profit) loss of associates		**(10,726)**	9,512
Loss on disposal of property, plant and equipment		**5,205**	2,981
Impairment loss on trade receivables		**6,825**	120
Loss on written down of inventories to net realizable value		**45,343**	1,217
Gain on disposal of subsidiaries		**–**	(10,054)
Operating profit before changes in working capital		**984,223**	475,305
Increase in inventories		**(967,180)**	(269,045)
(Increase) Decrease in other financial assets at fair value through profit or loss		**(10,963)**	2,779
Increase in trade receivables		**(60,552)**	(289,806)
Increase in deposits and other receivables		**(525,500)**	(107,896)
Increase (Decrease) in trade and other payables		**198,301**	(146,325)
Increase in trust receipt loans		**88,803**	94,974
Cash used in operations		**(292,868)**	(240,014)
Profits tax paid		**(77,765)**	(30,961)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(370,633)**	(270,975)

Consolidated Cash Flow Statement

For the Year Ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		**(467,004)**	(184,440)
Proceed from disposal of property, plant and equipment		**1,375**	926
Payment for purchase of interest in leasehold land		**–**	(2,641)
Proceed from disposal of available-for-sale financial assets		**529**	698
Payment for purchase of available-for-sale financial assets		**(39,000)**	(100)
Proceed from sales of debt instruments		**789,360**	774,344
Investment in debt instruments		**(760,500)**	(741,000)
Interest-bearing advances to associates		**(532,286)**	(115,310)
Interest-bearing advances from associates		**341,014**	21,339
Movement in amounts due from associates		**(151,399)**	12,338
Movement in amounts due to associates		**170,361**	139,290
Movement in amount due from a jointly controlled entity		**(3,529)**	(4,245)
Proceed for disposal of subsidiaries, net of cash disposed of		**–**	(356)
Payment for purchase of subsidiaries, net of cash acquired	37	**(2,065,172)**	(83,477)
Payment for investment in an associate		**(825)**	(19,936)
Payment for acquisition of minority interest in subsidiary		**(15,221)**	(20,414)
Increase investment from minority shareholders		**12,426**	123,057
Dividend payment to minority interest		**(8,920)**	–
Payment for acquisition of intangible asset		**(1,750)**	–
Interest received		**78,725**	30,949
Exchange realignment		**71,289**	(530)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(2,580,527)**	(69,508)

	Note	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES			
Capital element of finance lease rentals paid		**(195)**	(1,255)
Interest element of finance lease rentals paid		**(6)**	(211)
Proceed from exercise of options		**284,626**	7,275
Proceed from bank loans		**4,248,602**	973,813
Repayment of bank loans		**(1,194,331)**	(169,787)
Interest paid		**(195,290)**	(111,669)
2007/2008 Interim dividend paid		**(54,203)**	(40,801)
2006/2007 Final dividend paid		**(62,023)**	(42,580)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**3,027,180**	614,785
NET INCREASE IN CASH AND CASH EQUIVALENTS		**76,020**	274,302
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,460,091**	1,185,789
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
– Cash and bank balances		**1,536,111**	1,460,091

The notes on pages 75 to 141 form part of these financial statements.

1. GENERAL

Peace Mark (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in Note 20 to the financial statements.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standard ("HKASs") and Interpretations ("HK-Ints")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5 to the financial statements.

(a) The Group has adopted the new and revised HKFRSs below, which are relevant to its operations, in the preparation of the financial statements. The adoption of new and revised HKFRSs has not led to any significant changes in the accounting policies applied in these financial statements, and has no material effect on the Group's results and financial position for the current or prior accounting periods reflected in these financial statements.

- HKFRS 7 "Financial Instruments: Disclosures", which requires disclosures on the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. These disclosures are provided throughout these financial statements, in particular in Note 4 to the financial statements.

- Amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures", which introduce additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in Note 4 to the financial statements.

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

2. BASIS OF PREPARATION *(Continued)*

(a) *(Continued)*

– HK (IFRIC)-Int 9, "Reassessment of Embedded Derivatives", which requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract, with reassessment only if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. This standard does not have any impact on the Group's financial statements.

– HK (IFRIC)-Int 10, "Interim Financial Reporting and Impairment", which prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group's financial statements.

– HK (IFRIC)-Int 11, "IFRS/HKFRS 2 – Group and Treasury Share Transactions", which provides guidance on whether share-based transactions involving treasury shares or involving Group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements.

(b) Standards, amendments and interpretations that have been issued but are not yet effective for the financial year ended 31 March 2008 and have not been early adopted by the Group are listed as follows:

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation[1]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008

2. BASIS OF PREPARATION *(Continued)*

(b) *(Continued)*

IFRIC represents the International Financial Reporting Interpretation Committee.

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations of HKFRS upon initial application, but not yet in a position to state whether these amendments, new standards and new interpretation would have a significant impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries. A subsidiary is a company whose financial and operating policies are under the Company's control, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority shareholders' interests, representing the interests of outside shareholders, are shown separately in the Group's balance sheet and income statement, respectively.

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

Intragroup balances and transactions and resulting unrealized profits are eliminated in full. Unrealized losses resulting from intragroup transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

In the Company's financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

The consolidated income statement includes the Group's share of the post-acquisition results of associates and jointly controlled entities for the year. In the consolidated balance sheet, interest in associates and jointly controlled entities are stated at the Group's share of the net assets plus the goodwill less any identified impairment loss.

In the Company's balance sheet, the investments in associates and jointly controlled entities are stated at cost less impairment losses. The results of associates and jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(d) Segments

A segment is a distinguished component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting policy, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, impairment loss of intangible assets, gain/loss on disposal of subsidiaries, corporate and financing expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognized as a separate component of equity.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment, other than plant and machinery under installation, are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the item to working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, the expenditure is capitalized as additional cost of the item.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives with a residual value of approximately 10% of the original cost.

Freehold land	Nil
Buildings	2% straight line method or over the term of lease whichever is shorter
Leasehold improvements	20% reducing balance method
Other assets	20% reducing balance method

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant item, and is recognized in the income statement.

(g) Plant and machinery under installation

Plant and machinery under installation is stated at cost less any impairment losses. Cost comprises direct and indirect costs of acquisition and installation. Installed items are transferred from plant and machinery under installation to other categories of property, plant and equipment. No provision for depreciation is made on these assets until such time as the relevant assets are installed and ready for use.

(h) Interest in leasehold land

Interest in leasehold land held for own use are stated at cost less accumulated amortization and accumulated impairment losses if any. Costs mainly represent the consideration paid for the rights to use the land on which various plants and buildings are situated for a period varying from 50 to 103 years from the date the respective right was granted. Amortization of costs is calculated on a straight-line basis over the period of the remaining lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Investment property

Investment property, which comprises freehold land and building acquired through the acquisition of a subsidiary in March 2008, is held for long-term basis for investment potential. Investment property is generally initially recognized at its cost. After initial recognition, investment property is carried at fair value with change in fair value recognized in the income statement as part of other income.

(j) Intangible assets (other than goodwill)

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and the cost of the asset can be measured reliably.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and can be measured and attributed to the asset reliably in which case it will be added to the cost of the intangible asset.

After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets mainly comprise the exclusive agency rights, distribution network and trademarks, which are stated at acquisition cost and are amortized on a straight line basis over its useful lives as follows:

Exclusive agency rights	9 years
Distribution network	20 years
Trademarks and others	Indefinite useful lives

Intangible asset are not amortized and are subject to impairment testing as set out in Note 5d to the financial statements while their useful lives are assessed to be indefinite. Any conclusion that the useful lives of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful lives assessment for that assets. If they do not, the change in the useful lives assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible asset with finite useful lives.

The amortization period and the amortization method are reviewed annually at each financial year end.

(k) Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that property, plant and equipment, interest in leasehold land, intangible assets (including goodwill), investments in subsidiaries, associates and a jointly controlled entity have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use of an asset. The fair value less costs to sell is the amount that could be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal, while value in use is the present value of the future cash flows expected to be derived from an asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

If the recoverable amount of an asset or a cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset or a cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset other than goodwill is increased to the revised estimate of its recoverable amount, which is restricted to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately. An impairment loss in respect of goodwill is not reversed.

(l) Investments

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in long-term deposits, trade receivables, trade deposits and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Investments *(Continued)*

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loan and receivables are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

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

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

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the first-in first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of cash flow statement.

(p) Trade and other payables

Trade and other payables are recognized initially at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Provisions and contingencies

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

(r) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to income statement, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(t) Leases

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

The Group recognizes finance leases as assets and liabilities in the balance sheet at amounts equal, at the inception of the lease, to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it can be determined. Otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

Operating leases

An operating lease is a lease other than a finance lease.

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

(u) Revenue recognition

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Service income is recognized when the services are rendered.

Rental income under operating leases is recognized on a straight-line basis over the respective terms of the leases.

Interest income is recognized as it accrues using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

The Group operates a number of defined contribution plans in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(w) Taxation

(i) Taxation for the year comprises current tax and movements in deferred tax assets and liabilities. Taxation are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Taxation *(Continued)*

(iii) *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional taxation that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously, or
- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel of the Company or its holding companies, significant shareholders and/or their close family members) or other entities and include entities which are under the control, joint control or significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group/Company or of any entity that is a related party of the Group.

(y) Share capital

Ordinary share are classified as equity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Share capital *(Continued)*

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group manages its financial resources and liquidity as well as financial risk according to a set of policies and procedures approved by the Board of directors.

The overall objective is to act prudently and to ensure that the Group has adequate cash flow and access to funding sources, both debt or equity, to fund the operations and the potential investments. Hedging arrangement of currency and interest rate risks will be entered into with consideration being given to the hedging costs and the risk level.

The financial risk is managed through prudent treasury policies, which include the following:

(i) The Group closely monitors the cash-resources. The Group maintains a conservative cash reserve and reviews the position regularly to ensure that cost-efficient funding is available for operating expenses, capital expenditure needs and business expansion; and

(ii) To the extent possible the financing and cash management of the subsidiaries have been managed by the centralized treasury functions for the efficient allocation of capital, lowering funding costs and control purposes.

The Group will continue to maintain sufficient liquidity and further diversify the funding sources and extend maturities profile, if necessary, to meet business requirements.

(a) Market risk

Market risk composed of foreign currency, interest rate and equity price exposure deriving from the Group's operation, investment and funding activities. The Group enters into foreign currency forward contracts, interest rate and currency swap contracts, option contracts and other financial instruments to manage its exposure to market risk directly related to its operations and financing.

(i) Foreign exchange risk

In the normal course of business, the Group uses the above mentioned financial instruments to limit its exposure to adverse fluctuation in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Swiss Franc ("CHF"), Renminbi ("RMB") and US Dollar ("USD"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Group manages its foreign currency exposure by entering into currency hedging instruments, like currency forwards, to hedge currency exposure at an optimal level. Operating exposure of currency movement will be closely monitored. Currency derivatives will be entered into to hedge the change of expected cash flows arising from an unexpected change in exchange rates. For RMB, the Group tends to naturally hedge its RMB denominated liabilities and expenses by the RMB denominated assets and revenue. The Group considers its exposure to foreign currency risk on RMB is minimal. For USD, as the rate of exchange between HKD and the USD is pegged and fixed within a range, the Group considers its exposure to foreign currency risk on USD is immaterial.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for recognized assets and liabilities in existence at the date, and the all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	2008			2007		
	Increase/ (Decrease) in foreign exchange rate	**Effect on profit (loss) after tax and retained profit HK$'000**	**Effect on other components of equity HK$'000**	Increase/ (Decrease) in foreign exchange rate	Effect on profit (loss) after tax and retained profit HK$'000	Effect on other components of equity HK$'000
CHF	**5%**	**(27,288)**	**–**	5%	(406)	–
	(5%)	**27,288**	**–**	(5%)	406	–

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's interest-rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to interest-rate risk. During 2008 and 2007, the Group's borrowings at variable rate were denominated in HKD, USD and RMB.

The Group manages its interest rate exposure with a view to increasing the predictability of the interest payment and lowering the overall cost of debt. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments that mitigate current and future interest rate volatility.

At 31 March 2008, it is estimated that a general increase/(decrease) of 50 basis points in interest rates, with all other variables held constant, would (decrease)/increase the Group's profit after taxation and retained profits by approximately HK$16.79 million (2007: HK$2.55 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(iii) Price risk

The Group is exposed to equity price changes arising from equity-linked investments included in other financial assets at fair value through profit or loss (Note 28), derviative financial instruments (Note 28) and available-for-sale financial assets (Note 23).

To manage its equity price risk, the portfolio is diversified in accordance with the limits set by the Group. Given the insignificant portfolio of listed equity securities held by the Group, management believes that the Group's equity price risk is minimal.

Other than listed equity securities, performance of the Group's unquoted investments held for long term strategic purposes is assessed at least bi-annually against performance of their business as well as similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

(b) Credit risk

The Group's credit risk is primarily attributable to cash and bank balances, trade and other receivables, available-for-sale financial assets, derivative financial assets and other financial assets at fair value through profit or loss. The Group deals with the credit exposure according to the risk management policies and the credit risk are monitored on an ongoing basis.

Transactions involving derivative financial instruments and available-for-sale financial assets are with counterparties with sound credit ratings. Given their high credit ratings, management does not expect any of these financial institutions and investment counterparties will fail to meet their obligations. Other financial assets at fair value through profit or loss are listed securities quoted on the recognized stock exchange and with counterparties that have a good standing.

In respect of trade and other receivables, credit extended to business associates are based on the credit analysis provided by credit agencies and trade intelligence sourced through industry participants.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the group has a certain concentration of credit risk as 17.4% (2007: 12.5%) and 38.2% (2007: 36.3%) of the total trade receivables was due from the group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet after deducting provision for impairment loss. Except for the financial guarantees given by the group as set out in Note 40, the group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note 40.

Further quantitative disclosures in respect of the group's exposure to credit risk arising for trade and other receivables are set out in Note 25 and 26.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected, liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group required to pay:

	2008					2007				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	More than five years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	More than one year but less than five years HK$'000	More than five years HK$'000
Interest-bearing borrowings	**5,436,201**	**5,562,598**	**5,484,208**	**78,390**	**–**	2,065,958	2,197,020	1,284,701	912,319	–
Trade and other payables	**1,480,513**	**1,480,513**	**1,480,513**	**–**	**–**	294,789	294,789	294,789	–	–
Derivative financial instruments	**125,361**	**125,361**	**89,383**	**35,609**	**369**	24,023	24,023	13,680	10,190	153
	7,042,075	**7,168,472**	**7,054,104**	**113,999**	**369**	2,384,770	2,515,832	1,593,170	922,509	153

4.2 Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, less minority interests.

4. FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Capital risk management *(Continued)*

	2008 HK$'000	2007 HK$'000
Total borrowings (Note 30 and 31)	**5,439,105**	2,066,300
Less: Cash and cash equivalents	**(1,536,111)**	(1,460,091)
Net debt	**3,902,994**	606,209
Equity attributable to equity holders of the Company	**2,972,405**	1,806,479
Net gearing ratio	**131.31%**	33.56%

The increase in the net gearing ratio during 2008 resulted primarily from the additional working capital requirements from operations, capital expenditures and for acquisition of subsidiaries (Note 37).

4.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Fair values of derivative financial instruments and equity-linked investments notes are determined based on estimated value provided by financial institutions for equivalent instruments at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Deprecation and amortization

The Group's carrying amount of property, plant and equipment as at 31 March 2008 was approximately HK$1,005,979,000. The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the reducing balance method, at 20% per annum. The estimated useful lives reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Allowances for inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are slow moving as defined in the internal accounting polices. The management estimates the net realizable value for such finished goods and consumables based primarily on the latest invoice prices and current market conditions.

(c) Indefinite useful lives of trademarks

The Group reassessed the useful lives of recognized intangible assets. As a result of this assessment, the trademarks were classified as an indefinite life intangible asset in accordance with HKAS 38 Intangible Assets. This conclusion is supported by the fact that the trademarks legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. Under HKAS 38, the Group re-evaluates the useful lives of the trademarks each year to determine whether events or circumstances continues to support the view of indefinite useful lives for this asset.

(d) Impairment testing on goodwill and intangible assets with indefinite useful lives

The Group completed its annual impairment test for goodwill related to the various cash generating units ("CGUs") and intangible assets with indefinite useful lives by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. The recoverable amounts of the CGUs are determined based on value-in-use calculation. Save as the impairment loss disclosed in Note 19 to the financial statements, the Group determined that there was no impairment of any of its CGUs containing goodwill or intangible assets with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amount of the CGUs are determined based on a value-in-use calculation. These calculations uses cashflow projections based on financial forecasts covering a five- to ten-year period with cashflows beyond that periods are extrapolated using an estimated growth rate of 3%. The discount rates used were 17.3%. The growth rate used does not exceed the average long-term growth rates for the businesses and the relevant markets in which the CGUs operate.

(e) Taxation

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognized in the income statement for the period in which such a recognition takes place.

(f) Share option benefit expenses

The share option benefit expense is subject to the limitations of the Binominal model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

The number of options to be vested at the end of vesting period involves management estimation. Should the number of options being vested at the end of vesting period be changed, there would be material changes in the amount of share option benefits recognized in the income statement and share option reserve.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(g) Fair value of derivative financial instruments

The fair value of derivative financial instruments is based on estimated value provided by financial institutions for equivalent instruments at the balance sheet date. The amount is estimated by using a discount cash flow model with corporate market data, discount rates and other assumptions. Should these assumptions be changed, there would be material changes to the carrying amount of the derivative financial instruments.

6. SEGMENT INFORMATION

In accordance with its internal financial reporting policies, the Group has determined that business segments should be presented as primary reporting format. However, business segments are not presented because the Group's turnover and operating profit were contributed solely by manufacturing, trading, distributing, retailing and related service income of timepiece products.

Geographical segments are presented as secondary reporting format. Segment revenue and results are based on the final destination of goods sold.

Segment assets and capital expenditure are based on the geographical location in which the assets are located at the balance sheet date.

	2008			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
The Americas	721,212	106,213	796,830	12,407
Asia (excluding China)	230,966	23,487	4,003,433	4,381
Europe	265,984	29,042	295,497	9,841
China and Hong Kong	2,958,944	579,795	5,503,217	440,375
	4,177,106	738,537	10,598,977	467,004
Unallocated expenses		(127,238)		
Finance costs net of interest income		(87,711)		
Share of profit of associates		10,726		
Share of profit of a jointly controlled entity		536		
Profit before taxation		534,850		
Unallocated assets			79,901	
Total assets			10,678,878	

6. SEGMENT INFORMATION *(Continued)*

	2007			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
The Americas	823,139	123,329	358,983	24,490
Asia (excluding China)	336,356	33,263	21,890	11,709
Europe	337,249	32,397	116,844	12,295
China and Hong Kong	1,543,770	276,135	3,940,908	136,142
	3,040,514	465,124	4,438,625	184,636
Unallocated expenses		(73,079)		
Finance costs net of interest income		(47,587)		
Share of loss of associates		(9,512)		
Share of loss of a jointly controlled entity		(2,027)		
Profit before taxation		332,919		
Unallocated assets			29,967	
Total assets			4,468,592	

7. TURNOVER AND OTHER REVENUE

(a) Turnover

The principal activities of the Group are manufacturing, trading, distributing, retailing and related service of timepiece products.

Turnover represents the amounts received and receivable for goods sold, less discounts and returns, to outside customers during the year.

7. TURNOVER AND OTHER REVENUE *(Continued)*

(b) Other revenue

	2008 HK$'000	2007 HK$'000
Interest income	**47,873**	29,983
Interest income from		
– associates	**30,486**	573
– a jointly controlled entity	**366**	393
Interest income from debt instruments	**28,860**	33,344
Sale of scrapped materials	**1,348**	993
Rental income	**2,216**	2,484
Net gain on other financial assets at fair value through profit or loss	**–**	1,612
Net gain on derivative financial instruments	**–**	39,606
Technical service income	**–**	2,084
Gain on disposal of subsidiaries	**–**	10,054
Commission income from brand subsidy	**7,695**	5,212
Sundry income	**7,217**	6,508
	126,061	132,846

8. PROFIT FROM OPERATIONS

	2008 HK$'000	2007 HK$'000
Profit from operations is arrived at after charging:		
Auditors' remuneration	**5,974**	3,275
Depreciation of property, plant and equipment	**127,070**	70,508
Amortization of land lease premium	**168**	141
Impairment loss of intangible assets	**11,320**	12,484
Loss on write-down of inventories to net realizable value	**45,343**	1,217
Loss on disposal of property, plant and equipment	**5,205**	2,981
Staff costs, including directors' emoluments		
– Wages, salaries and benefits in kind	**331,391**	177,532
– Pension costs: defined contribution plans, net of forfeited contributions of HK$7,000 (2007: Nil)	**9,776**	4,278
– Share option expense	**52,252**	14,804
Operating leases charges in respect of properties		
– Minimum lease payments	**152,466**	70,650
– Contingent rents	**93,276**	88,840
Impairment loss on trade receivables	**6,825**	120
Net loss on derivative financial instruments	**13,891**	–
Net loss on other financial assets at fair value through profit or loss	**9,919**	–
Exchange loss	**17,505**	3,765

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Term loans, syndicated loans and bank overdrafts wholly repayable within five years	**175,844**	110,821
Associates	**19,446**	848
Obligations under finance leases	**6**	211
	195,296	111,880

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the Directors' and the five highest paid employees' emoluments are as follows:

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 31 March 2008

Name of Director	Fees HK$'000	Salary HK$'000	Other benefits (Note i) HK$'000	Employer's contribution to pension scheme HK$'000	Share-based payments (Note ii) HK$'000	Total HK$'000
Mr. Chau Cham Wong, Patrick	–	936	1,030	43	12,764	14,773
Mr. Leung Yung	–	936	864	43	12,764	14,607
Mr. Tsang Kwong Chiu, Kevin	–	1,248	–	58	639	1,945
Mr. Man Kwok Keung	–	780	288	36	312	1,416
Mr. Cheng Kwan Ling	–	468	125	22	312	927
Ms. Susan So	80	–	–	–	230	310
Mr. Kwok Ping Ki, Albert	80	–	–	–	230	310
Mr. Tang Yat Kan	80	–	–	–	230	310
Mr. Wong Yee Sui, Andrew	80	–	–	–	230	310
Mr. Mak Siu Wing, Clifford	80	–	–	–	230	310
	400	4,368	2,307	202	27,941	35,218

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 March 2007

Name of Director	Fees HK$'000	Salary HK$'000	Other benefits (Note i) HK$'000	Employer's contribution to pension scheme HK$'000	Share-based payments (Note ii) HK$'000	Total HK$'000
Mr. Chau Cham Wong, Patrick	–	900	840	41	3,747	5,528
Mr. Leung Yung	–	900	864	41	3,747	5,552
Mr. Tsang Kwong Chiu, Kevin	–	1,200	–	55	563	1,818
Mr. Man Kwok Keung	–	690	288	32	191	1,201
Mr. Cheng Kwan Ling	–	450	110	21	191	772
Ms. Susan So	80	–	–	–	99	179
Mr. Kwok Ping Ki, Albert	80	–	–	–	99	179
Mr. Tang Yat Kan	80	–	–	–	99	179
Mr. Wong Yee Sui, Andrew	80	–	–	–	99	179
Mr. Mak Siu Wing, Clifford	80	–	–	–	99	179
	400	4,140	2,102	190	8,934	15,766

Notes:

(i) Other benefits include housing allowance, leave pay, insurance premium and club membership.

(ii) Share-based payments represent the estimated value of share options granted to the Directors under the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based compensation as set out in Note 3v(iii).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: nil).

The details of share-based payments are disclosed in Note 35 to the financial statements.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

During the year ended 31 March 2008, the five (2007: five) highest paid individuals included three Directors (2007: four), details of whose emoluments are set out in Note 10a to the financial statements above. The emoluments of the remaining individuals for the year are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**3,322**	1,795
Pension scheme contributions	**12**	–
	3,334	1,795

The emoluments of the two (2007: one) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**2**	1
	2	1

During the year, no remuneration was paid by the Group to the two (2007: one) highest paid, non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

(a) Income tax in the consolidated income statement represents:

	2008 HK$'000	2007 HK$'000
Current profits tax		
Hong Kong	**55,402**	37,197
The People's Republic of China (the "PRC")	**22,002**	800
Overseas	**1,000**	1,038
Over provision in prior years	**–**	(12,049)
Deferred taxation		
Origination and reversal of temporary differences	**(15,155)**	1,330
	63,249	28,316

11. TAXATION *(Continued)*

(a) Income tax in the consolidated income statement represents: *(Continued)*

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the year. Taxation on other overseas profits for the year has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

The PRC profits tax has been provided at the rate of 25% to 33% on the assessable profits of the PRC subsidiaries.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2008 **HK$'000**	2007 HK$'000
Profit before taxation	**534,850**	332,919
Notional tax charge on profit before taxation, calculated at the applicable tax rate of 17.5% (2007: 17.5%)	**93,599**	58,261
Tax effect of income not taxable for tax purpose	**(15,106)**	(15,263)
Tax effect of expenses not deductible for tax purpose	**24,919**	16,894
Utilization of tax losses previously not recognized	**(273)**	(1,973)
Recognition of previously unrecognized tax losses	**(7,601)**	(19)
Tax effect of unused tax losses not recognized	**28,870**	21,048
Effect of different tax rates for certain subsidiaries	**(62,411)**	(41,159)
Overprovision in prior years	**–**	(12,049)
Others	**1,252**	2,576
Actual tax expense	**63,249**	28,316

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group's profit attributable to equity holders of the Company includes a profit of HK$214,591,000 (2007: HK$104,579,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend paid of HK5.0 cents per share (2007: HK4.1 cents)	**54,203**	40,704
Final dividend proposed of Nil (2007: HK6.2 cents)	**–**	62,023
	54,203	102,727

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

	2008	2007
Profit attributable to equity holders of the Company (in HK$'000)	**457,218**	300,276
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	**1,038,467**	991,796
Potential dilutive shares – share options (in '000)	**50,100**	24,548
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	**1,088,567**	1,016,344
Basic earnings per share (HK cents)	**44.03**	30.28
Diluted earnings per share (HK cents)	**42.00**	29.54

15. RELATED PARTY TRANSACTIONS

Significant related party transactions which were carried out in the normal course of the Group's business and were conducted on normal commercial terms are as follows:

	Note	2008 HK$'000	2007 HK$'000
Sale of finished goods to	(a)		
– Associates		**173,535**	6,600
– A substantial shareholder of an associate		**–**	58,610
Purchases of finished goods from	(b)		
– Associates		**77,998**	–
– A substantial shareholder of a non-wholly owned subsidiary		**562**	1,298
Purchase of raw materials from a company controlled by substantial shareholder of the Company	(c)	**95,761**	–
Rental for use of leasehold properties provided from and charged from an associate	(d)	**6,455**	6,410
Rental expenses for use of plant and machinery provided by to a jointly controlled entity	(d)	**2,000**	2,400
Electroplating services fee charged by a jointly controlled entity	(e)	**23,577**	14,723
Sub-contracting fee charged by an associate	(f)	**11,900**	–
Expenses recharged by an associate	(g)	**14,275**	–
Royalty payment to a substantial shareholder of a non-wholly owned subsidiary	(h)	**1,430**	546
Interest income charged to	(i)		
– Associates		**30,486**	573
– A jointly controlled entity		**366**	393
Interest payment to associates	(i)	**19,446**	848
Key management compensation	(k)	**2,100**	2,418

15. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(a) Sale of finished goods to associates and a substantial shareholder of an associate were conducted in the normal course of business at prices and terms as determined by the transaction parties.

(b) Purchases of finished goods from associates and a substantial shareholder of a non-wholly owned subsidiary were conducted in the normal course of business at prices and terms as determined by the transaction parties.

(c) Purchase of raw materials from a company controlled by substantial shareholder of the Company was conducted in the normal course of business at prices and terms as determined by the transaction parties.

(d) The amount of the rental received from/charged to a jointly controlled entity and an associate was agreed between the transaction parties on arm's length basis.

(e) Fee for electroplating services provided by a jointly controlled entity was charged at prices and terms as agreed between the transaction parties.

(f) The sub-contracting fee charged by an associate was conducted in the normal course of business at prices and terms as determined by the transaction parties.

(g) The expenses recharged by an associate was determined by the transaction parties.

(h) The royalty payment to a substantial shareholder of a non-wholly owned subsidiary was conducted in the normal course of business at rates and terms under the license agreement between the transaction parties.

(i) Details of amounts due from/to associates and a jointly controlled entity were set out in Note 21 and Note 22 to the financial statements respectively.

(j) Included in other payables is an amount of HK$20,902,000 (2007: Nil) payable to a director of a subsidiary which is unsecured, interest-free and repayable on demand.

(k) Details of key management compensation of the Group are as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other short-term employee benefits	**1,340**	1,660
Post-employment benefits	**76**	71
Share-based payments	**684**	687
	2,100	2,418

16. FREEHOLD LAND AND INTEREST IN LEASEHOLD LAND

	Group		
	Freehold land	**Interest in leasehold land**	**Total**
	HK$'000	HK$'000	HK$'000
Year ended 31 March 2008			
Opening carrying amount	1,220	6,741	7,961
Acquisition of subsidiaries	18,083	38,582	56,665
Amortization	–	(168)	(168)
CLOSING CARRYING AMOUNT	**19,303**	**45,155**	**64,458**
At 31 March 2008			
Cost	19,303	46,962	66,265
Accumulated amortization	–	(1,807)	(1,807)
CARRYING AMOUNT AS AT 31 MARCH 2008	**19,303**	**45,155**	**64,458**
Year ended 31 March 2007			
Opening carrying amount	1,220	4,241	5,461
Additions	–	2,641	2,641
Amortization	–	(141)	(141)
CLOSING CARRYING AMOUNT	1,220	6,741	7,961
At 31 March 2007			
Cost	1,220	8,380	9,600
Accumulated amortization	–	(1,639)	(1,639)
CARRYING AMOUNT AS AT 31 MARCH 2007	1,220	6,741	7,961

	Group	
	2008	2007
	HK$'000	HK$'000
The carrying amount of the freehold land and unexpired lease terms of interest in leasehold land held for own use are analyzed as follows:		
Freehold land outside Hong Kong	**19,303**	1,220
Interest in leasehold land		
– in Hong Kong under leases between 10 to 50 years	**6,574**	6,741
– outside Hong Kong under leases between 70 to 80 years	**38,581**	–
	64,458	7,961

17. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Plant and machinery under installation	**Buildings for own use**	**Leasehold improvements**	**Plant and machinery**	**Other assets**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 2007	1,447	122,936	265,880	361,454	99,229	850,946
Addition	3,033	30	306,850	121,657	35,434	467,004
Acquisition of subsidiaries	807	16,393	25,542	79,673	7,550	129,965
Disposals	–	–	(7,900)	(724)	(4,175)	(12,799)
Reclassification	(1,447)	–	1,447	–	–	–
Exchange realignment	299	4,427	9,553	22,722	4,405	41,406
AS AT 31 MARCH 2008	**4,139**	**143,786**	**601,372**	**584,782**	**142,443**	**1,476,522**
ACCUMULATED DEPRECIATION						
At 1 April 2007	–	14,916	81,828	193,656	42,536	332,936
Provided for the year	–	2,506	59,725	48,021	16,818	127,070
Eliminated on disposal	–	–	(4,410)	(1)	(1,808)	(6,219)
Exchange realignment	–	636	3,221	11,283	1,616	16,756
AS AT 31 MARCH 2008	**–**	**18,058**	**140,364**	**252,959**	**59,162**	**470,543**
CARRYING AMOUNT						
AS AT 31 MARCH 2008	**4,139**	**125,728**	**461,008**	**331,823**	**83,281**	**1,005,979**
As at 31 March 2007	1,447	108,020	184,052	167,798	56,693	518,010

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Group					
	Plant and machinery under installation	**Buildings for own use**	**Leasehold improvements**	**Plant and machinery**	**Other assets**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 2006	66	121,406	149,362	317,864	80,474	669,172
Additions	2,448	796	116,392	43,634	21,366	184,636
Acquisition of subsidiaries	–	172	4,130	–	1,282	5,584
Disposals	–	–	(4,250)	–	(2,364)	(6,614)
Disposal of subsidiaries	–	–	–	–	(17)	(17)
Reclassification	(1,067)	–	1,422	209	(564)	–
Exchange realignment	–	562	(1,176)	(253)	(948)	(1,815)
AS AT 31 MARCH 2007	1,447	122,936	265,880	361,454	99,229	850,946
ACCUMULATED DEPRECIATION						
At 1 April 2006	–	12,453	53,699	167,297	34,435	267,884
Provided for the year	–	2,399	30,477	27,243	10,389	70,508
Eliminated on disposal	–	–	(1,712)	–	(995)	(2,707)
Disposal of subsidiaries	–	–	–	–	(7)	(7)
Reclassification	–	–	88	–	(88)	–
Exchange realignment	–	64	(724)	(884)	(1,198)	(2,742)
AS AT 31 MARCH 2007	–	14,916	81,828	193,656	42,536	332,936
CARRYING AMOUNT						
AS AT 31 MARCH 2007	1,447	108,020	184,052	167,798	56,693	518,010
As at 31 March 2006	66	108,953	95,663	150,567	46,039	401,288

As at 31 March 2008, the carrying amount of the Group's property, plant and equipment held under finance leases was approximately HK$3,077,000 (2007: HK$5,561,000).

18. INVESTMENT PROPERTY

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 April	**–**	–
Acquisition of a subsidiary	**2,244**	–
As at 31 March	**2,244**	–

This freehold property is situated in Singapore and currently vacant.

19. INTANGIBLE ASSETS

	Group						
	Distribution network (Note a) HK$'000	**Exclusive agency rights** (Note b) HK$'000	**Club memberships** (Note c) HK$'000	**Goodwill** HK$'000	**Trademarks** HK$'000	**Product listing fees** (Note c) HK$'000	**Total** HK$'000
COST							
At 1 April 2006	–	–	–	162,398	61,670	–	224,068
Additions	–	–	–	54,450	1,000	–	55,450
Exchange realignment	–	–	–	–	193	–	193
As at 31 March 2007	–	–	–	216,848	62,863	–	279,711
Additions	–	–	1,750	–	–	–	1,750
Acquisition of subsidiaries	399,716	387,058	1,590	1,349,061	–	4,827	2,142,252
Exchange realignment	–	–	–	918	–	–	918
AS AT 31 MARCH 2008	**399,716**	**387,058**	**3,340**	**1,566,827**	**62,863**	**4,827**	**2,424,631**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES							
At 1 April 2006	–	–	–	19,708	8,217	–	27,925
Impairment loss (Note d)	–	–	–	10,484	2,000	–	12,484
Exchange realignment	–	–	–	–	13	–	13
As at 31 March 2007	–	–	–	30,192	10,230	–	40,422
Impairment loss (Note d)	–	–	–	11,320	–	–	11,320
AS AT 31 MARCH 2008	–	–	–	**41,512**	**10,230**	**–**	**51,742**
CARRYING AMOUNT AS AT 31 MARCH 2008	**399,716**	**387,058**	**3,340**	**1,525,315**	**52,633**	**4,827**	**2,372,889**
As at 31 March 2007	–	–	–	186,656	52,633	–	239,289

Note:

(a) Distribution network represented location of luxury watch retail shops operated by Sincere Watch in several markets namely Singapore, Malaysia, Thailand, India, Australia, South Korea and Indonesia. As these markets are new to the Group before acquisition of Sincere Watch, it is expected that the Sincere Watch's distribution network offers positive growth prospect for the Group. Based on the operation history of Sincere Watch and the possibility of renewing the lease agreements with the landlords, the management considers the useful lives of distribution network is 20 years. The carrying amount of distribution network of HK$399,716,000 is arrived at based on a professional valuation carried out by Jones Lang LaSalle Sallmanns Limited on 18 March 2008 using the Multi Period Excess Earnings Method.

19. INTANGIBLE ASSETS *(Continued)*

Note: (Continued)

(b) Exclusive agency rights represented the exclusive agency right for 15 brands held by Sincere Watch, notably Franck Muller, de GRISOGONO, A Lange & Söhne, and F.P. Journe. These brands are enjoying strong customer following and demand. The exclusive agency rights allow the Group to increase its exposure to the luxury segment on a large scale. The carrying amount of exclusive agency rights of HK$387,058,000 is arrived at based on a professional valuation carried out by Jones Lang LaSalle Sallmanns Limited on 18 March 2008 using the Multi Period Excess Earnings Method.

(c) The club memberships and product listing fees have indefinite useful lives and are tested for impairment annually. Club memberships represent investments in clubs to obtain the right to receive services and obtain usage of the facilities of the clubs. The product listing fees included those arose on acquisition of a subsidiary by Sincere Watch on 17 February 2006, the date before Sincere Watch became a subsidiary of the Company in March 2008.

(d) Impairment testing on goodwill on consolidation and intangible assets with indefinite useful lives.

The Group completed its annual impairment test for goodwill related to the various cash generating units ("CGUs") and intangible assets with indefinite useful lives by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. The recoverable amounts of the CGUs are determined based on value-in-use calculation. Save as the impairment loss provided during the year, the Group determined that there was no impairment of any of its CGUs containing goodwill or intangible assets with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of the CGUs are determined based on a value-in-use calculation. These calculations use cashflow projections based on financial forecasts covering a five- to ten-year period with cashflows beyond that periods are extrapolated using an estimated growth rate of 3% (2007: 3%). The discount rates used were 17.3% (2007: 9.5%). The growth rate used does not exceed the average long-term growth rates for the businesses and the relevant markets in which the CGUs operate.

(e) As at 31 March 2008, the accumulated amortization and impairment losses for intangible assets were HK$8,230,000 (2007: HK$8,230,000) and HK$43,512,000 (2007: HK$32,192,000) respectively.

20. INTEREST IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**422,025**	51,398
Amounts due from subsidiaries	**3,341,003**	2,246,125
Amount due to a subsidiary	**(141,230)**	–
	3,621,798	2,297,523

Included in amounts due from subsidiaries is an amount of HK$2,573,360,000 (2007: HK$1,797,781,000) advances to a subsidiary which are unsecured, interest-bearing at annual rates around 2.5% (2007: 3.8%) and are not expected to be realized within one year from the balance sheet date. The remaining balances with subsidiaries are unsecured, non-interest bearing and not repayable within the next twelve months.

The amount due to a subsidiary is unsecured, non-interest bearing and not repayable within the next twelve months.

As at 31 March 2008, the underlying value of interests in subsidiaries is, in the opinion of the Board of Directors, not less than the carrying amount in the books of the Company.

20. INTEREST IN SUBSIDIARIES *(Continued)*

Details of the Company's principal subsidiaries as at 31 March 2008 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Direct %	Indirect %	Principal place of operation	Principal activities
Aerostar Timewear International Limited	British Virgin Islands	US$1 Ordinary	–	100	The Americas	Trademark holding
A-A United Limited	British Virgin Islands	US$45,747,981 Ordinary	100	–	Hong Kong	Investment holding
Bensonic International Limited	British Virgin Islands	US$100 Ordinary	–	51	The Americas	Timepiece distribution, trading and marketing
Cornell Worldwide International Holdings Limited	British Virgin Islands	US$1 Ordinary	–	100	The Americas	Trademark holding
Eastern Group (Asia) Limited	Hong Kong	HK$2,000,000 Ordinary	–	100	Hong Kong	Timepiece distribution, trading and marketing
Eastco Business Limited	British Virgin Islands	US$10 Ordinary	–	100	Hong Kong	Trademark holding
Easy Winner Development Limited	Hong Kong	HK$1 Ordinary	–	100	Hong Kong	Timepiece retail
Emotus Pte Limited[4]	Singapore	SGD7,000,000	–	100	Singapore	Retailing of timepiece and clocks
Epoch World Company Limited[4]	Taiwan	NTD19,000,000	–	100	Taiwan	Timepiece distribution, trading and marketing
Ever Precision Corporation	British Virgin Islands	US$1 Ordinary	–	100	The People's Republic of China	Trademark holding
Fiorucci Timewear (Far East) Limited	British Virgin Islands	US$1 Ordinary	–	100	Hong Kong	License holding
Franck Muller Pte Limited[4]	Singapore	SGD3,713,000	–	100	Singapore	Marketing of Franck Muller timepiece
Gala City Limited[4]	Taiwan	NTD1,000,000	–	100	Taiwan	Timepiece distribution, trading and retail
Haussman Group Limited	Hong Kong	HK$5,000,000 Ordinary	–	70	Hong Kong	Jewelery distribution and retail

20. INTEREST IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Direct %	Indirect %	Principal place of operation	Principal activities
Inter Mark Worldwide Limited	Hong Kong	HK$100 Ordinary	–	100	Hong Kong	Timepiece distribution and marketing
Madison N.Y. Limited	Hong Kong	HK$10,000 Ordinary	–	61	Germany	Timepiece distribution, trading and marketing
Mega Chains (China) Limited	Hong Kong	HK$100 Ordinary	–	100	Hong Kong	Timepiece trading and marketing
Mega Chains (Taiwan) Limited[4]	Taiwan	NTD1,000,000	–	100	Taiwan	Timepiece distribution and marketing
Milus (Far East) Co., Ltd.	Hong Kong	HK$100 Ordinary	–	100	Hong Kong	Timepiece distribution, trading and marketing
Milus International S.A.[4]	Switzerland	CHF760,000	–	100	Switzerland	Timepiece manufacturing and trading
Omni Watch & Clock Co., LLC.[4]	State of New York, United States	US$8,698,090	–	51	United States	Timepiece distribution, trading and marketing
Peace Mark (B.V.I.) Limited	British Virgin Islands	HK$10,000 Ordinary	100	–	British Virgin Islands	Investment holding
Peace Mark Distribution & Marketing Limited	British Virgin Islands	US$10 Ordinary	–	100	British Virgin Islands	Investment holding
Peace Mark Limited	Hong Kong	HK$110,000 Ordinary HK$10,000 Non-voting deferred[3]	–	100	Hong Kong	Timepiece trading, marketing and manufacturing
Peace Mark Production Limited	British Virgin Islands	US$10 Ordinary	–	100	British Virgin Islands	Investment holding
Peace Mark Timepiece (Guangzhou) Limited[2]	The People's Republic of China	HK$10,000,000	–	100	The People's Republic of China	Timepiece distribution and retail
Peace Mark Timepiece (Shenzhen) Limited[2]	The People's Republic of China	HK$10,000,000	–	100	The People's Republic of China	Timepiece distribution and retail

20. INTEREST IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Direct %	Indirect %	Principal place of operation	Principal activities
Peace Mark Tourneau (Holdings) Limited	Hong Kong	14,250,000 Ordinary Shares of US$0.8 each 750,000 Preference Shares of US$0.8 each	–	75	Hong Kong	Timepiece distribution, trading and marketing
Pendulum (Macau) Limited[4]	Macau	MOP25,000	–	75	Macau	Marketing, distribution and retailing of timepiece
PM License Management Limited	British Virgin Islands	US$100 Ordinary	–	100	British Virgin Islands	License holding
Pure Riches Industries Limited	Hong Kong	HK$2,760,000 Ordinary	–	100	The People's Republic of China	Manufacturing of timepiece components
Shenzhen Winning Wealth Trading Co., Ltd.[2]	The People's Republic of China	RMB10,000,000	–	100	The People's Republic of China	Timepiece distribution and retail
Sincere Brand Management Limited[4]	Hong Kong	HK$1,000,000 Ordinary	–	75	Hong Kong	Marketing and distribution of timepiece
Sincere Watch Sdn Bhd[4]	Malaysia	MYR5,200,000	–	100	Malaysia	Retailing of timepiece, clocks and related accessories and servicing of timepiece
Sincere Watch Co. Ltd[4]	Taiwan	NTD1,000,000	–	75	Taiwan	Timepiece distribution and retail
Sincere Watch Limited[4]	Singapore	SGD206,681,104	–	97	Singapore	Investment holding
Sincere Watch (Hong Kong) Limited[4]	The Cayman Islands	HK$40,800,000 Ordinary	–	75	Hong Kong	Investment holding
Sincere Watch Pty Ltd[4]	Australia	AU$1,000,120 Ordinary	–	100	Australia	Marketing and distribution of timepiece
Sincere Watch (India) Ptd Ltd[4]	India	INR31,582,500	–	100	India	Retailing of timepiece and clocks
Sinotop Investment Limited	British Virgin Islands	US$1 Ordinary	–	100	Hong Kong	Investment holding

20. INTEREST IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Direct %	Indirect %	Principal place of operation	Principal activities
Sky Type Limited	Hong Kong	HK$10,000 Ordinary	–	100	Hong Kong	Asset holding
Solomon Trademark Management Limited	British Virgin Islands	US$10 Ordinary	–	100	Hong Kong	Trademark holding
Solomon Watch & Jewellery Co., Ltd.	Hong Kong	HK$100 Ordinary	–	100	Hong Kong	Timepieces distribution, trading and marketing
Timetech Industrial Limited	Hong Kong	HK$100 Ordinary	–	100	The People's Republic of China	Manufacturing of timepiece components
Timezone Trademark Management Limited	British Virgin Islands	US$10 Ordinary	–	100	Hong Kong	Trademark holding
T&T Timepieces Co., Ltd.	Hong Kong	HK$100 Ordinary	–	100	Hong Kong	Timepieces distribution, trading and marketing
World Grade Industries Limited	Hong Kong	HK$10,000 Ordinary	–	100	Hong Kong	Property holding
天津海鷗表業集團有限公司 (Transliteration: Tianjin Seagull Watch Group Co., Ltd.)	The People's Republic of China	RMB73,800,000	–	51	The People's Republic of China	Timepiece trading, marketing and manufacturing
富明高鐘表（深圳）有限公司[2] (Transliteration: Flamingo Watch (Shenzhen) Co., Ltd)	The People's Republic of China	RMB10,000,000	–	70	The People's Republic of China	Timepiece retail
深圳市大元表業有限公司[1] (Transliteration: Shenzhen Dayuan Watches Co., Ltd.)	The People's Republic of China	RMB15,000,000	–	100	The People's Republic of China	Timepiece distribution and retail
深圳現代世界鐘表精品有限公司[1] (Transliteration: Shenzhen Modern Watch Showpiece Co. Ltd.)	The People's Republic of China	RMB4,000,000	–	51	The People's Republic of China	Timepiece retail
廣州金匠時計有限公司[2] (Transliteration: Guangzhou Goldsmith Timepiece Co., Ltd.)	The People's Republic of China	RMB500,000	–	100	The People's Republic of China	Timepiece distribution and retail
廣州表匠鐘表維修有限公司[2] (Transliteration: Guangzhou Watchsmith Timepiece Servicing Co., Ltd.)	The People's Republic of China	RMB100,000	–	100	The People's Republic of China	Provision of after sales service and timepiece components trading
重慶美達實業有限公司 (Transliteration: Chongqing Meida Enterprise Co., Ltd.)	The People's Republic of China	RMB10,000,000	–	51	The People's Republic of China	Timepiece retail

20. INTEREST IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company Direct %	Percentage of equity interest held by the Company Indirect %	Principal place of operation	Principal activities
上海金時精密機械有限公司[1] (Transliteration: Shanghai Golden Time Precision Instrument Co., Ltd.)	The People's Republic of China	RMB30,000,000	–	51	The People's Republic of China	Manufacturing of mechanical movement
上海世琪貿易有限公司[1] (Transliteration: Shanghai Shiqi Trading Co., Ltd.)	The People's Republic of China	RMB500,000	–	51	The People's Republic of China	Timepiece distribution and retail
君時鐘表（上海）有限公司[2] (Transliteration: Lord Time (Shanghai) Co., Ltd.)	The People's Republic of China	US$25,100,000	–	100	The People's Republic of China	Timepiece retail
君時鐘表（北京）有限公司 (Transliteration: Lord Time (Beijing) Co., Ltd.)	The People's Republic of China	HK$14,000,000	–	100	The People's Republic of China	Timepiece retail
寧波美和時計珠寶鐘表有限公司 (Transliteration: Ningbo Meihe Watch and Jewellery Company Limited)	The People's Republic of China	RMB16,000,000	–	51	The People's Republic of China	Timepiece retail
瀋陽大公鐘表有限公司 (Shenyang Dagong Watches Co., Ltd.)	The People's Republic of China	RMB2,000,000	–	51	The People's Republic of China	Timepiece retail

Notes:

1. Represents a Sino-foreign equity joint venture.

2. Represents a wholly foreign owned enterprise.

3. The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.

4. Companies not audited by Chu and Chu, Certified Public Accountants.

   Sincere Watch Limited and its subsidiaries ("Sincere Watch Group") became the Group's subsidiaries in March 2008. The income statement of Sincere Watch Group has not been included in the Group's consolidated income statement as the post-acquisition income and expenses up to 31 March 2008 is immaterial. The assets and liabilities of Sincere Watch Group at 31 March 2008 has been included in the Group's consolidated balance sheet as at 31 March 2008 (Note 37). The consolidated financial statements of Sincere Watch Limited was audited by Deloitte & Touche, Singapore.

   The financial statements of the subsidiaries including Sincere Watch Group not audited by Chu and Chu, Certified Public Accountants reflect total net assets and total turnover constituting approximately 19.9% and 8.1% respectively of the related consolidated totals.

20. INTEREST IN SUBSIDIARIES *(Continued)*

In the opinion of the Board of Directors, it would result in excessive length to give details of all subsidiaries.

None of the subsidiaries had any loan capital outstanding at the year end, nor at any time during the year.

21. INTEREST IN ASSOCIATES

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets	**76,182**	43,611
Unamortized goodwill	**28,884**	30,940
	105,066	74,551
Amount due from associates (Note a)	**864,586**	173,378
Amount due to associates (Note b)	**(672,026)**	(160,629)
	192,560	12,749
	297,626	87,300

Notes:

(a) Included in amounts due from associates is an amount of HK$647,596,000 (2007: HK$115,310,000) advances to associates which are unsecured, interest-bearing at around 2.5% to 7.8%(2007: 6.7%) and is not expected to be realized within one year from the balance sheet date. The remaining balances with associates are unsecured, non-interest bearing and not repayable within the next twelve months.

(b) Included in amounts due to associates is an amount of HK$362,353,000 (2007: HK$21,339,000) advances from an associate which are unsecured, interest-bearing at rates ranging from 5.0% to 7.8% (2007: 5% to 6.7%) and are not expected to be realized within one year from the balance sheet date. The remaining balances with associates are unsecured, non-interest bearing and not repayable within the next twelve months.

21. INTEREST IN ASSOCIATES *(Continued)*

Details of the Group's associates as at 31 March 2008 are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held indirectly by the Company %	Principal activities
Niceworld Group Corporation	British Virgin Islands	US$12 Ordinary	50	Timepiece distribution in Latin America*
Capricon Company Limited	British Virgin Islands	US$2 Ordinary	50	Investment holding**
上海晶泰貿易有限公司	The People's Republic of China	RMB2,000,000	40	Timepiece and accessory retail
煙台中鷗表業有限公司	The People's Republic of China	RMB4,000,000	45	Manufacturing of timepiece movements
石家莊中鷗表業有限公司	The People's Republic of China	RMB3,600,000	35	Manufacturing of timepiece movements
Pendulum Limited	Thailand	THB100,000,000	49	Retailing and distribution of watches and clocks
BVL Partner Company Limited	Thailand	THB30,000,000	49	Retailing and distribution of watches, clocks and jewelry
Unisky Limited	Hong Kong	HK$1 Ordinary	33	Dormant

* Niceworld holds three subsidiaries which have their respective places of incorporation in Mexico, Panama and Peru. These three subsidiaries have their distribution networks covering the whole of Latin America.

** Capricon Company Limited holds a wholly owned subsidiary, 金百利實業（深圳）有限公司 which is a properties holding company incorporated in The People's Republic of China.

Summary of financial information of associates:

	2008 HK$'000	2007 HK$'000
Assets	**1,490,003**	641,717
Liabilites	**(1,323,281)**	(549,214)
Revenue	**263,948**	51,082
Profit (Loss) for the year	**21,685**	(17,913)

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2008	2007
	HK$'000	HK$'000
Share of net assets of a jointly controlled entity	**6,036**	5,445
Amount due from a jointly controlled entity (Note)	**14,078**	10,549
	20,114	15,994

Note:

Included in amount due from a jointly controlled entity is an amount of HK$4,533,000 (2007: HK$3,100,000) advances to a jointly controlled entity which is unsecured, interest-bearing at prime rate (2007: prime rate) and are not expected to be realized within one year from the balance sheet date. The remaining balance with a jointly controlled entity is unsecured, interest-free and not repayable within the next twelve months.

Details of the Group's jointly controlled entity as at 31 March 2008 are as follows:

Name of jointly controlled entity	**Place of incorporation and operation**	**Issued and fully paid capital/ registered capital**	**Percentage of equity interest held indirectly by the Company**	**Principal activities**
			%	
Pearl Link Limited	British Virgin Islands	US$300 Ordinary	49	Investment holding*

* Pearl Link Limited directly holds 100% equity interest in the capital of Gar Shun Enterprises Development Ltd., an electroplating and ionized plating production company in the PRC.

There are no contingent liabilities relating to the Group's investment in the jointly controlled entity, and no contingent liabilities of the entity itself.

22. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

Summary of financial information on the jointly controlled entity:

	Non-current assets HK$'000	Current assets HK$'000	Non-current liabilities HK$'000	Current liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit (Loss) for the year HK$'000
2008							
100 percent	**4,246**	**42,627**	**6,005**	**40,730**	**138**	**57,198**	**1,094**
Group's effective interest	**2,080**	**20,887**	**2,942**	**19,957**	**68**	**28,027**	**536**
2007							
100 percent	2,341	42,397	9,495	36,199	(956)	48,589	(4,137)
Group's effective interest	1,147	20,775	4,652	17,738	(468)	23,808	(2,027)

23. OTHER FINANCIAL ASSETS

	2008 HK$'000	2007 HK$'000
Long term deposits (Note a)	**327,835**	136,885
Available-for-sale financial assets comprise:		
Unlisted investments:		
– China and Hong Kong	**301**	830
– Japan (Note b)	**15,600**	15,600
Unlisted investment fund (Note c)	**39,992**	-
Other unlisted investments (Note d)	**27,773**	27,742
Quoted equity shares, at fair value (Note e)	**3,693**	–
	415,194	181,057

23. OTHER FINANCIAL ASSETS *(Continued)*

Notes:

(a) In 2007, the Group placed an amount of HK$136,885,000 in the form of long-term deposits to business associates for joint business development purpose. The business development of this project is under progress and the Directors expected that this amount will be injected into a new joint venture next year. Such deposits are unsecured, interest bearing at an annual rate of prime rate plus 1%. The carrying value of the long term deposits approximated to their fair value.

Deposits in aggregate of HK$190,950,000 was placed with business associates for the development of a retail chain network in Asia. Such deposits are unsecured, interest bearing at annual rate of prime rate plus 1%. The Directors expected that the deposits will not be realized within 24 months from the balance sheet date.

(b) In 2004, the Group invested HK$15,600,000 in 20% of the capital of a watch company incorporated in Japan, for long-term purpose. This company advises and assists Japanese brands in identifying and co-ordinating with PRC manufacturers, distribution partners and acquisition targets. It also assists the Group to serve its Japanese customers. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair value at balance sheet date cannot be measured reliably.

(c) The unlisted investment fund is an open-ended fund managed by professional investment managers. The fund portfolio is comprised mainly listed and unlisted equity securities in Greater China market. They are measured at fair value based on estimation provided by the investment managers at the balance sheet.

(d) The amount of HK$27,773,000 (2007: HK$27,742,000) represents investments in three investment and insurance combined policies issued by an international insurance group. A minimum annual return of 4% is guaranteed by the insurance group. Fair value of the investments have been determined by reference to the year ended review by the insurance group.

(e) The investments in quoted equity securities offer the group the opportunity for return through dividend income and fair value gains. The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year.

During the year ended 31 March 2008, the net gain/(loss) of the Group's availiable-for-sale financial assets recognized directly in equity amounted to HK$1,023,000 (2007: HK$(171,000)).

The Group's other financial assets that are not denominated in the functional currencies and exposure to currency risk of the respective entities are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
USD	**67,765**	27,742

24. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**159,376**	103,057
Work in progress	**443,614**	187,481
Finished goods	**2,643,866**	725,425
	3,246,856	1,015,963

The carrying amount of inventories that are carried at net realisable value, with the original cost of HK$64,207,000 (2007: HK$21,311,000) is HK$Nil (2007: HK$Nil).

The cost of inventories recognized as expense and included in cost of sales amount to HK$2,277,364,000 (2007: HK$1,797,255,000).

The Group reversed HK$Nil (2007: HK$4,015,000) of a previous inventory write-down.

25. TRADE RECEIVABLES

(i) An aging analysis of trade receivables after provision for impairment loss is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables		
Not yet due	**662,443**	369,553
Overdue within 90 days	**113,925**	221,559
Overdue between 91 to 180 days	**87,857**	14,739
Overdue over 180 days	**9,101**	7,925
	873,326	613,776

Credit policy:

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days to 120 days of issuance. Each customer has a pre-set maximum credit limit. Further details on the group credit policy are set out in Note 4.

The carrying amount of trade receivables approximated its fair value.

25. TRADE RECEIVABLES *(Continued)*

(ii) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using provision for impairment loss account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

During the year ended 31 March 2008, impairment loss of HK$3,119,000 (2007: HK$3,241,000) is written off against trade receivables directly and a reversal of impairment loss of HK$Nil (2007: HK$8,121,000) was recognized in the income statement.

The movement in the provision for impairment losses during the year, including both specific and general provision, is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At 1 April	**26,144**	22,587
Impairment loss recognised	**3,736**	5,000
Uncollectible amounts written off	**–**	(1,443)
Amount written back during the year	**(30)**	–
Acquisition of subsidiaries	**4,291**	–
At 31 March	**34,141**	26,144

At 31 March 2008, the Group's overdue trade receivables amounting to HK$245,024,000 (2007: HK$270,367,000) of which the management considered that certain overdue trade receivables may not be fully recoverable. Consequently, provision for impairment loss of HK$34,141,000 (2007: HK$26,144,000) were recognised at the balance sheet date. The group does not hold any collateral over these balances.

(iii) Trade receivables that are not impaired

The ageing analysis of trade receivables that are not collectively considered to be impaired are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**662,443**	369,553
Overdue within 90 days	**113,925**	221,559
Overdue between 91 to 180 days	**87,857**	14,739
Overdue over 180 days	**9,101**	7,925
	210,883	244,223
	873,326	613,776

Trade receivables that were neither past due nor impaired relate to a number of customers with good track record for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers of the group. The management believes that provision for impairment losses of HK$34,141,000 (2007: HK$26,144,000) was adequately made in respect of those overdue trade receivables. The above trade receivables are considered fully recoverable as there has not been a significant change in credit quality of the trade debtors. The Group does not hold any collateral over these balances.

25. TRADE RECEIVABLES *(Continued)*

(iii) Trade receivables that are not impaired *(Continued)*

The Group's trade receivables that are not denominated in the functional currencies and exposure to currency risk of the respective entities are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
CHF	**41,668**	–
HKD	**4,198**	6,640

26. TRADE DEPOSITS AND OTHER RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Loans under share incentive scheme (Note a)	**151,764**	6,018
Trade and other deposits, prepayments and other receivables (Note b)	**547,591**	250,700
Sale proceeds receivable from the disposal of subsidiaries	**–**	10,000
	699,355	266,718

(a) Loans under share incentive scheme include advances to employees amounted to HK$37,000 (2007: HK$1,278,000) under the group's share incentive schemes. Such advances are interest bearing at an annual rate of 8% (2007: 8%) and are repayable by 12 monthly instalments. According to the rules of the Scheme, the shares purchased under the Schemes will only be released by the Custodian to the employees and eligible participants after they made their final instalment payment. Details of the Share Incentive Schemes are disclosed in Note 36 to the financial statements.

(b) Trade and other deposits, prepayments and other receivables represent trade and rental deposits paid, deposits paid for property, plant and equipment and include unsecured, interest free advances amounted to HK$198,500,000 made to business associates.

(c) All deposits and other receivables are neither past due nor considered to be impaired at the balance sheet date.

27. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 March 2008, the details of derivative financial instruments are as follows:

	Group			
	2008		2007	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Equity-linked derivative contracts (Note b)	**–**	**6,964**	–	–
Foreign currency forward contracts (Note c)	**65,000**	**60,607**	13,651	7,151
Interest rate swap contracts (Note d)	**6,201**	**57,790**	32,631	16,872
	71,201	**125,361**	46,282	24,023

	The Company			
	2008		2007	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Foreign currency forward contracts (Note c)	**–**	**7,644**	8,964	15
Interest rate swap contracts (Note d)	**3,549**	**5,236**	5,780	1,857
	3,549	**12,880**	14,744	1,872

Note:

(a) The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on estimated value provided by financial institutions for equivalent instruments at the balance sheet date.

(b) The equity-linked derivative contracts as included in derivative financial liabilities are contracts for purchases of certain listed securities at certain pre-determined prices. The quantity of shares to be purchased are linked with the market prices of the underlying shares. The outstanding notional amounts for the contracts at 31 March 2008 are HK$14,148,000 (2007: NIL).

(c) The notional principal amounts of the outstanding foreign currency forward contracts including deliverable and non-deliverable, at 31 March 2008 are HK$3,398 million (2007: HK$2,446 million).

(d) The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2008 for the Group and the Company were HK$4,132 million (2007: HK$3,926 million) and HK$841 million (2007: HK$644 million) respectively. The fixed interest rates vary from 2.3% to 7.0% and main floating rates are LIBOR and HIBOR.

28. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 **HK$'000**	2007 HK$'000
Listed Securities:		
– Equity securities – Hong Kong	**1,249**	4,696
– Bond – Oversea	**–**	1,889
Equity-linked notes (Note a)	**978**	–
Capital protected note (Note b)	**15,321**	–
	17,548	6,585

Other financial assets at fair value through profit or loss are held for trading with changes in fair values recorded in administrative and general expenses in the consolidated income statement.

Note:

(a) The equity-linked notes are linked with various listed shares at various strike prices. They are callable and will be settled either by cash or by delivery of the underlying listed shares depending on the market prices of the underlying listed shares at maturity date.

(b) The capital protected note has a contract period of 12 months with guaranteed on return of the initially invested amount of US$2,000,000.

The Group's other financial assets at fair value through profit or loss that are not denominated in the functional currencies and exposure to currency risk of the respective entities are as follow:

	Group	
	2008 **HK$'000**	2007 HK$'000
USD	**15,321**	–

29. TRADE AND OTHER PAYABLES

An aging analysis of trade payables is as follows:

	2008 **HK$'000**	2007 HK$'000
Trade payables:		
Not yet due	**462,981**	67,054
Overdue within 90 days	**131,541**	42,300
Overdue between 91 to 180 days	**237,036**	16,334
Overdue over 180 days	**208,279**	24,806
	1,039,837	150,494
Accruals and other payables	**440,676**	144,295
	1,480,513	294,789

The carrying amount of trade payables, accruals and other payables approximated to their fair value.

The group's trade payables that are not denominated in the functional currencies and exposure to currency risk of the respective entities are as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
CHF	**711,416**	–
Euro	**8,445**	12,021
HKD	**2,951**	4,466

30. INTEREST-BEARING BORROWINGS

	Group	
	2008 **HK$'000**	2007 HK$'000
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	**5,360,238**	988,231
– More than one year, but not exceeding two years	**54,680**	285,815
– More than two years, but not exceeding five years	**21,283**	791,912
	5,436,201	2,065,958
Representing:		
Current portion	**5,360,238**	988,231
Non-current portion	**75,963**	1,077,727
	5,436,201	2,065,958
Analyzed as:		
– Secured	**2,222,621**	–
– Unsecured	**3,213,580**	2,065,958
	5,436,201	2,065,958

30. INTEREST-BEARING BORROWINGS *(Continued)*

The secured bank loan was secured by charge over all shares in Sincere Watch Limited owned by a wholly-owned subsidiary of the Company with carrying amount of HK$2,753 millions representing the cost of investment in Sincere Watch Limited. The secured bank loan carries interest rates ranging from HIBOR +1.5% to HIBOR +2% per annum, and is repayable on or before 30 September 2008.

The Group's interest-bearing borrowings that are not denominated in the functional currencies and exposure to currency risk of the respective entities are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
USD	**2,222,621**	–
NTD	**–**	5,735

	The Company	
	2008	2007
	HK$'000	HK$'000
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	**1,600,000**	416,000
– More than one year, but not exceeding two years	**–**	264,000
– More than two years, but not exceeding five years	**–**	540,000
	1,600,000	1,220,000
Representing:		
Current portion	**1,600,000**	416,000
Non-current portion	**–**	804,000
	1,600,000	1,220,000
Analyzed as:		
– Secured	**–**	–
– Unsecured	**1,600,000**	1,220,000
	1,600,000	1,220,000

The carrying amount of interest-bearing borrowings of the Group and the Company approximated to their fair value.

31. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**1,177**	208
More than one year, but not exceeding two years	**2,039**	128
More than two years, but not exceeding five years	**–**	23
	3,216	359
Less: Finance charges	**(312)**	(17)
	2,904	342

	Group	
	2008	2007
	HK$'000	HK$'000
Representing:		
Current portion	**1,024**	200
Non-current portion	**1,880**	142
	2,904	342

32. DEFERRED TAXATION

The followings are the components of deferred tax assets (liabilities) recognized in the consolidated balance sheet and the movements thereon during the year and prior reporting periods:

	Group					
	Recognition of intangible assets	**Accelerated tax depreciation**	**Tax losses**	**Unrealized profits on inventories**	**Allowance for inventories**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2006	–	(11,392)	8,370	854	–	(2,168)
Credited (Charged) to consolidated income statement for the year	–	(1,672)	555	(213)	–	(1,330)
As at 31 March 2007	–	(13,064)	8,925	641	–	(3,498)
Acquisition of a subsidiary	(141,619)	–	530	–	27,228	(113,861)
Credited (Charged) to consolidated income statement for the year	–	(3,498)	16,867	1,786	–	15,155
AS AT 31 MARCH 2008	(141,619)	(16,562)	26,322	2,427	27,228	(102,204)

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable rates prevailing in the countries/places in which the subsidiaries of the Group operate.

32. DEFERRED TAXATION *(Continued)*

The analysis of the deferred tax balances is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred tax assets	**55,977**	9,566
Deferred tax liabilities	**(158,181)**	(13,064)
	(102,204)	(3,498)

Deferred tax assets in respect of unused tax losses are recognized to the extent that the utilization of tax losses through the future taxable profit is probable. As at 31 March 2008, certain Hong Kong subsidiaries have aggregate unrecognized tax losses of approximately HK$71,244,000 (2007: HK$35,659,000) available for offsetting against future profits. No deferred tax assets have been recognized in respect thereof. The tax losses do not expire under current tax legislation and could be carried forward indefinitely. Certain subsidiaries operating in the PRC has unused tax losses amounting to HK$17,006,000 (2007: HK$8,750,000) available for offsetting against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of future profit. These unrecognized tax losses will expire before 2013.

The Company has no significant unprovided deferred taxation for the year or at the balance sheet date.

33. SHARE CAPITAL

	Note	**Number of shares**	**Amount** HK$'000
Ordinary shares of HK$0.1 each			
Authorized:			
AS AT 31 MARCH 2006, 31 MARCH 2007 AND 31 MARCH 2008		6,000,000,000	600,000
As at 31 March 2006		989,735,780	98,974
Issue of new shares pursuant to the exercise of options		3,345,000	334
As at 31 March 2007		993,080,780	99,308
Issue of new shares for acquisition of subsidiaries	(a)	45,747,971	4,575
Issue of new shares pursuant to the exercise of options (Note 35)		49,643,500	4,964
AS AT 31 MARCH 2008		1,088,472,251	108,847

Notes:

a. On 1 February 2008, A-A United Limited, an indirect wholly-owned subsidiary of the Company, had made a voluntary conditional offer ("Offer") for all issued ordinary shares in the capital of Sincere Watch Limited (Note 37).

The consideration for the Offer comprised both cash and new ordinary shares in the capital of the Company. The Offer price for each ordinary share in Sincere Watch Limited was S$2.051 in cash and 0.228 new Company's shares.

Up to 31 March 2008, the Company had issued pursuant to the Offer 45,747,971 new shares, as part of the consideration for the acquisition of Sincere Watch Limited. The fair value of 45,747,971 shares amounted to HK$370,626,000 approximately.

34. RESERVES

	Group										
	Share premium	Merger deficit	Capital reserve	Contributed surplus	Other reserve	Fair value reserve	Share option reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2006	626,608	(11,987)	12,372	356,740	(26)	(1,312)	3,588	(2,552)	436,340	42,580	1,462,351
Issue of new shares pursuant to the exercise of options	6,941	–	–	–	–	–	–	–	–	–	6,941
Fair value adjustment of available-for-sale investment	–	–	–	–	–	(171)	–	–	–	–	(171)
Share-based payment	–	–	–	–	–	–	20,935	–	–	–	20,935
Transfer from share option reserve to share premium upon exercise of options	1,067	–	–	–	–	–	(1,067)	–	–	–	–
2006 final cash dividend	–	–	–	–	–	–	–	–	(97)	(42,580)	(42,677)
2007 interim cash dividend	–	–	–	–	–	–	–	–	(40,704)	–	(40,704)
Exchange realignment	–	–	–	–	–	–	–	220	–	–	220
Net profit for the year	–	–	–	–	–	–	–	–	300,276	–	300,276
Proposed 2007 final cash dividend	–	–	–	–	–	–	–	–	(62,023)	62,023	–
As at 31 March 2007	634,616	(11,987)	12,372	356,740	(26)	(1,483)	23,456	(2,332)	633,792	62,023	1,707,171
Issue of new shares for acquisition of subsidiaries	366,051	–	–	–	–	–	–	–	–	–	366,051
Issue of new shares pursuant to the exercise of options	279,662	–	–	–	–	–	–	–	–	–	279,662
Fair value adjustment of available-for-sale investment	–	–	–	–	–	1,023	–	–	–	–	1,023
Share-based payment	–	–	–	–	–	–	100,551	–	–	–	100,551
Transfer from share option reserve to share premium upon exercise of options	50,097	–	–	–	–	–	(50,097)	–	–	–	–
2007 final cash dividend	–	–	–	–	–	–	–	–	–	(62,023)	(62,023)
2008 interim cash dividend	–	–	–	–	–	–	–	–	(54,203)	–	(54,203)
Exchange realignment	–	–	–	–	–	–	–	68,108	–	–	68,108
Net profit for the year	–	–	–	–	–	–	–	–	457,218	–	457,218
AS AT 31 MARCH 2008	**1,330,426**	**(11,987)**	**12,372**	**356,740**	**(26)**	**(460)**	**73,910**	**65,776**	**1,036,807**	**–**	**2,863,558**

34. RESERVES *(Continued)*

	The Company					
	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Proposed final dividend HK$'000	Total HK$'000
As at 31 March 2006	626,608	388,830	4,304	3,588	42,580	1,065,910
Issue of new shares pursuant to the exercise of options	6,941	–	–	–	–	6,941
Share-based payment	–	–	–	20,935	–	20,935
Transfer from share option reserve to share premium upon exercise of options	1,067	–	–	(1,067)	–	–
2006 final cash dividend	–	–	(97)	–	(42,580)	(42,677)
2007 interim cash dividend	–	–	(40,704)	–	–	(40,704)
Profit for the year	–	–	104,579	–	–	104,579
Proposed 2007 final cash dividend	–	–	(62,023)	–	62,023	–
As at 31 March 2007	634,616	388,830	6,059	23,456	62,023	1,114,984
Issue of new shares for acquisition of subsidiaries	366,051	–	–	–	–	366,051
Issue of new shares pursuant to the exercise of options	279,662	–	–	–	–	279,662
Share-based payment	–	–	–	100,551	–	100,551
Transfer from share option reserve to share premium upon exercise of options	50,097	–	–	(50,097)	–	–
2007 final cash dividend	–	–	–	–	(62,023)	(62,023)
2008 interim cash dividend	–	–	(54,203)	–	–	(54,203)
Profit for the year	–	–	214,591	–	–	214,591
AS AT 31 MARCH 2008	**1,330,426**	**388,830**	**166,447**	**73,910**	**–**	**1,959,613**

The capital reserve represents the total of the share premium of a subsidiary prior to becoming a member of the Group in a merger and the amount arising from the excess of the purchase consideration over the fair value of the Group's share of separate net assets of the subsidiaries acquired.

The merger deficit of the Group represents the excess of the nominal value of the shares in the Company issued as consideration over the nominal value of the subsidiaries' shares transferred to the Company.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

The fair value reserve represents the amount of unrealized holding loss from the available for sale investment.

Under the Bermuda Companies Act, the contributed surplus of the Company is available for distribution to shareholders. However, the 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

34. RESERVES *(Continued)*

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the Directors, the Company's reserves available for distribution to shareholders were as follows:

	2008 **HK$'000**	2007 HK$'000
Contributed surplus	**388,830**	388,830
Retained profits	**166,447**	6,059
Proposed final dividend	**–**	62,023
	555,277	456,912

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any directors, employees, consultants or professional advisors, suppliers, customers, and authorized agents of the Group. The Scheme became effective on 24 January 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the number of issued shares of the Company as at the date of approval of the Scheme and the 10% limit may be refreshed subject to the approval of the Shareholders at the Annual General Meeting. The 10% limit of the Scheme was last refreshed in the Annual General Meeting held on 23 August 2007.

Under the Scheme, the Board of Directors of the Company (the "Directors") may at their discretion grant options to (i) any director (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group; or (ii) any advisors, consultants, suppliers and customers of the Group as may be determined by the Directors from time to time to subscribe for the shares of the Company (the "Shares").

Options granted must be taken up within 28 days of the date of grant. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of Shares in issue from time to time. No options may be granted under the Scheme if such grant would result on the above limit being exceeded. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the Directors (which shall be less than ten years from the date of issue of the relevant option). Options may be granted without initial paymtent except the payment of HK$1 as consideration for grant of option each time. The exercise price is equal to the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of the grant/approval by the Board; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the grant/approval by the Board.

35. SHARE OPTION SCHEME *(Continued)*

The terms and conditions of the unexpired and unexercised share options at balance sheet date are as follows:–

			Number of share options				Price of Company's shares (Note b)		
	Date of grant	Vesting period	As at 1 April, 2007	Granted during the period	Exercised during the period	At as 31 March, 2008	Exercise price (Note a)	At grant date of options	At exercise date of options
							HK$	HK$	HK$
Director									
Chau Cham Wong, Patrick	29/12/2006	01/09/2007 – 31/03/2012	19,800,000	–	–	19,800,000	5.37	6.95	–
Leung Yung	29/12/2006	01/09/2007 – 31/03/2012	19,800,000	–	–	19,800,000	5.37	6.95	–
Tsang Kwong Chiu, Kevin	19/12/2005	19/06/2006 – 19/06/2010	3,000,000	–	(1,500,000)	1,500,000	2.175	2.175	10.63
	19/03/2007	19/09/2007 – 19/03/2009	100,000	–	–	100,000	7.55	7.55	–
Man Kwok Keung	19/12/2005	19/06/2006 – 19/06/2010	750,000	–	(250,000)	500,000	2.175	2.175	12.10
	19/03/2007	19/09/2007 – 19/03/2009	100,000	–	(50,000)	50,000	7.55	7.55	11.72
Cheng Kwan Ling	19/12/2005	19/06/2006 – 19/06/2010	750,000	–	(250,000)	500,000	2.175	2.175	12.10
	19/03/2007	19/09/2007 – 19/03/2009	100,000	–	(50,000)	50,000	7.55	7.55	11.58
Susan So	19/12/2005	19/06/2006 – 19/06/2010	500,000	–	(250,000)	250,000	2.175	2.175	12.10
	19/03/2007	19/09/2007 – 19/03/2009	100,000	–	–	100,000	7.55	7.55	–
Kwok Ping Ki, Albert	19/12/2005	19/06/2006 – 19/06/2010	375,000	–	(125,000)	250,000	2.175	2.175	12.10
	19/03/2007	19/09/2007 – 19/03/2009	100,000	–	(50,000)	50,000	7.55	7.55	11.82
Tang Yat Kan	19/12/2005	19/06/2006 – 19/06/2010	375,000	–	(125,000)	250,000	2.175	2.175	12.58
	19/03/2007	19/09/2007 – 19/03/2009	100,000	–	(50,000)	50,000	7.55	7.55	12.22
Wong Yee Sui, Andrew	19/12/2005	19/06/2006 – 19/06/2010	500,000	–	(125,000)	375,000	2.175	2.175	9.8
	19/03/2007	19/09/2007 – 19/03/2009	100,000	–	–	100,000	7.55	7.55	–
Mak Siu Wing, Clifford	19/12/2005	19/06/2006 – 19/06/2010	500,000	–	(250,000)	250,000	2.175	2.175	13.76
	19/03/2007	19/09/2007 – 19/03/2009	100,000	–	–	100,000	7.55	7.55	–
Employees in aggregate	19/12/2005	19/06/2006 – 19/06/2010	16,155,000	–	(5,939,000)	10,216,000	2.175	2.175	11.43
	01/09/2006	01/09/2007 – 31/08/2010	2,000,000	–	–	2,000,000	4.76	4.76	–
	08/03/2007	08/09/2007 – 08/03/2009	14,785,000	–	(6,042,000)	8,743,000	7.06	7.03	11.30
	22/08/2007	22/02/2008 – 22/02/2009	–	100,000	–	100,000	9.58	9.95	–
Others	19/12/2005	19/06/2006 – 19/06/2010	18,750,000	–	(4,687,500)	14,062,500	2.175	2.175	8.86
	08/03/2007	08/04/2007 – 08/03/2008	29,900,000	–	(29,900,000)	–	7.06	7.03	9.77
	08/03/2007	08/09/2007 – 08/03/2009	11,515,000	–	–	11,515,000	7.06	7.03	–
			140,255,000	100,000	(49,643,500)	90,711,500			

35. SHARE OPTION SCHEME *(Continued)*

Notes:

(a) The exercise prices of the share options are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

(b) The prices of the Company's shares disclosed as at the dates of the grant of the share options are the Stock Exchange closing prices on the trading days immediately prior to the dates of the grant of the options. The prices of the Company's shares disclosed as at the dates of the exercise of the share options are the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

As at 31 March 2008, the Company had 90,711,500 (2007: 140,255,000) share options outstanding under the Scheme, with exercise period from 19 June 2006 to 31 March 2012 (both dates inclusive) and exercise price from HK$2.175 to HK$9.58. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 90,711,500 additional shares of HK$0.10 each and proceeds of approximately HK$431,915,000 (2007: HK$715,584,000).

The fair values of share options were calculated using Binominal model. The valuation of fair values for share options granted were carried out by Jones Lang LaSalle Sallmanns Limited. The inputs used in the model were as follows:

Date of grant	Share price at date of grant	Exercise price	Expected volatility (Note 6)	Risk-free interest rate (Note 7)	Expected option life	Expected annual dividend yield
19 December 2005 (Note 1)	HK$2.175	HK$2.175	43.45%	4.16%	4.5 years	3.42%
1 September 2006	HK$4.76	HK$4.76	41%	3.98%	4 years	3%
29 December 2006 (Note 2)	HK$6.95	HK$5.37	48%	3.70%	5 years	2.23%
8 March 2007 (Note 3a)	HK$7.03	HK$7.06	36.76%	4.00%	2 years	1.42%
8 March 2007 (Note 3b)	HK$7.03	HK$7.06	36.19%	3.96%	1 year	1.42%
19 March 2007 (Note 4)	HK$7.55	HK$7.55	36.21%	3.97%	2 years	1.40%
22 August 2007 (Note 5)	HK$9.95	HK$9.58	44.40%	3.93%	1.5 years	2.83%

Notes:

(1) The options are exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follow:

	Percentage of options granted
On or after 19 June 2006	25%
On or after 19 June 2007	another 25%
On or after 19 June 2008	another 25%
On or after 19 June 2009	another 25%

35. SHARE OPTION SCHEME *(Continued)*

Notes: (Continued)

(2) (a) The options granted to Mr. Chau Cham Wong, Patrick and Mr. Leung Yung ("the Grantees") have a maximum term of five years and the maximum percentage of the options which may be exercised in the following manners:

i. 20% of the Options (the "First Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2007 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2007 as set forth in paragraph (b) below shall have been met;

ii. In addition to any Options that may have become exercisable as referred to in paragraph (a)(i) above, 20% of the Options (the "Second Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2008 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2008 as set forth in paragraph (b) below shall have been met;

iii. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) and (a)(ii) above, 20% of the Options (the "Third Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2009 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2009 as set forth in paragraph (b) below shall have been met;

iv. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) to (a)(iii) above, 20% of the Options (the "Fourth Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2010 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2010 as set forth in paragraph (b) below shall have been met; and

v. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) to (a)(iv) above, 20% of the Options (the "Fifth Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2011 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2011 as set forth in paragraph (b) below shall have been met;

(b) The Options may only be exercised by the Grantees if the following performance targets are met for the following financial years:

Financial year ending	**Performance target**
31 March 2007	The First Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 125% of the Net Profit for the year ended 31 March 2006
31 March 2008	The Second Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 150% of the Net Profit for the year ended 31 March 2006
31 March 2009	The Third Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 180% of the Net Profit for the year ended 31 March 2006
31 March 2010	The Fourth Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 207% of the Net Profit for the year ended 31 March 2006
31 March 2011	The Fifth Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 238% of the Net Profit for the year ended 31 March 2006

35. SHARE OPTION SCHEME *(Continued)*

Notes: (Continued)

(3) The options are exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follow:

	Percentage of options granted
(a) 14,785,000 and 11,515,000 share options to employees and others respectively:	
On or after 8 September 2007	50%
On or after 8 March 2008	another 50%
(b) 29,900,000 share options to others:	
On or after 8 April 2007	100%

The vesting period of 56,200,000 share options granted on 8 March 2007 were changed from 4 years to 1-2 years as approved by the Board of Directors.

(4) The options are exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follow:

	Percentage of options granted
On or after 19 September 2007	50%
On or after 19 March 2008	another 50%

The vesting period of 800,000 share options granted to directors on 19 March 2007 were extended from 1 year to 2 years as approved by the Board of Directors.

35. SHARE OPTION SCHEME *(Continued)*

(5) The options are exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follow:

	Percentage of options granted
On or after 22 February 2008	50%
On or after 22 August 2008	another 50%

(6) Expected volatility was determined by using historical volatility of the price return of the ordinary shares of the Company.

(7) The risk-free interest rate was based on the yield of Exchange Fund Notes issued by the Hong Kong Monetary Authority.

The estimated fair value of HK$100,551,000 (2007: HK$20,935,000) with respect to share options granted to directors, employees and other eligible persons were charged to the income statement during the year.

36. SHARE INCENTIVE SCHEME

On 20 April 2007, the Company adopted a share incentive scheme (the “2007 Scheme”) which will enable selected eligible persons to purchase shares of the Company (the “Shares”) at a 5% discount to the market price. The selected eligible persons have the option of paying for their Shares in one lump sum, or by monthly installments. Where eligible persons choose the latter option, they will pay an additional finance charge to cover the Company’s finance costs.

The Group has obtained a loan in the amount up to HK$350 million from a bank for the purpose of financing the operation of the 2007 Scheme. Shares to be purchased pursuant to the 2007 Scheme will be purchased on behalf of the eligible persons by the custodian who is a third party independent of the Company. The custodian will hold the Shares on behalf of the eligible persons until they are permitted under the rules of the Scheme to dispose of their Shares.

The aggregate number of Shares to be held by the Custodian under the 2007 Scheme and under the 2004 and the 2006 Scheme adopted by the Company in prior years shall at all times be less than 5% of the issued share capital of the Company from time to time and the aggregate acquisition cost of all Shares purchased under the 2007 Scheme shall not exceed HK$350 million.

For the year ended 31 March 2008, the discount expenses incurred by the Group amounted to HK$15,802,000 (2007: HK$7,583,000) approximately.

37. ACQUISITION OF SUBSIDIARIES

	2008				
	Sincere Watch Carrying amount (Note a) HK$'000	Sincere Watch Fair value adjustments HK$'000	Tianjin Seagull (Note b) HK$'000	Others HK$'000	Total HK$'000
Net assets of the subsidiaries acquired comprise of:					
Building for own use	16,393	–	–	–	16,393
Property, plant and equipment	20,115	–	62,447	5,468	88,030
Leasehold improvements	25,500	–	–	42	25,542
Leasehold land and freehold land	56,665	–	–	–	56,665
Investment property	2,244	–	–	–	2,244
Available-for-sale investments	3,693	–	–	–	3,693
Interest in associates	41,301	–	7,995	–	49,296
Goodwill	6,157	–	–	–	6,157
Deferred tax	27,758	(141,619)	–	–	(113,861)
Intangible assets	6,417	786,774	–	–	793,191
Inventories	1,101,324	–	139,737	67,995	1,309,056
Trade and other receivables	227,239	–	39,465	37,206	303,910
Derivative financial instruments	23	–	–	–	23
Cash and bank balances	419,544	–	7,062	(1,400)	425,206
Trade and other payables	(877,569)	–	(51,376)	(42,705)	(971,650)
Amount due to an associate	–	–	–	(77)	(77)
Tax payable	(35,325)	–	(13,501)	–	(48,826)
Obligations under finance leases	(2,757)	–	–	–	(2,757)
Interest-bearing borrowings	(131,770)	–	(55,670)	(8,422)	(195,862)
Minority interests	(97,646)	–	(64,158)	(24,181)	(185,985)
Interest in associates held prior to acquisition	–	–	–	(23,524)	(23,524)
	809,306	645,155	72,001	10,402	1,536,864
Goodwill arising on acquisition of subsidiaries					1,339,913
Total purchase price paid					2,876,777
Satisfied by:					
Cash consideration paid					2,490,378
Issue of new shares (Note 33a)					370,626
Other payable					15,773
					2,876,777
Net outflow of cash and cash equivalents in connection with the acquisition of the subsidiaries					
Cash consideration					2,490,378
Less: cash acquired from subsidiaries					(425,206)
					2,065,172

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) Sincere Watch Limited ("Sincere Watch")

On 7 December 2007, A-A United Limited, a wholly-owned subsidiary of the Company entered into the Major Shareholder Irrevocable Undertaking with the then major shareholder of Sincere Watch of which A-A United Limited offered to acquire 104,719,307 Sincere Watch Shares owned by the Major Shareholder, representing, as at 6 December 2007, approximately 50.67% of the issued share capital of Sincere Watch.

The consideration under the offer for the major shareholder's shares is S$2.051 in cash and the issuance of 0.228 new Company's share per each Sincere Watch ordinary share. Subsequently, the offer became an unconditional and general offer to acquire all Sincere Watch ordinary shares at the above consideration.

As at 31 March 2008, A-A United acquired 200,649,203 Sincere Watch shares representing 97.08% of the Sincere Watch. The total acquisition cost up to 31 March 2008 was HK$2,752,952,000 which included cash of HK$2,382,000,000 and 45,747,971 new Company's shares (Note 33). The goodwill arising from the result of the acquisition was HK$1,298,491,000. The income statement of Sincere Watch has not been included in the Group's Consolidated Balance Sheet as the post-acquisition incomes and expenses are immaterial.

If the acquisition had been completed on 1 April 2007, the Group's turnover and profit for the year would have been increased by approximately HK$2,542 million and HK$131 million respectively. The information was extracted from the audited financial statements of Sincere Watch for the year ended 31 March 2008.

Details of the transaction are shown in Company's circulars dated 16 January 2008 and 30 April 2008.

(b) Tianjin Seagull Watch Group Co., Limited ("Tianjin Seagull")

On 1 October 2007 the Group completed the acquisition of 51% of the Tianjin Seagull for cash consideration of HK$86,043,000. Tianjin Seagull contributed HK$257,764,000 to the Group's turnover and profit of HK$9,154,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

It is not possible to estimate the amount that the Tianjin Seagull would have contributed to the net profit of the Group had the acquisition taken place at the beginning of the year as the cost of preparing such information would be excessive.

37. ACQUISITION OF SUBSIDIARIES *(Continued)*

	2007 HK$'000
Net assets of the subsidiaries acquired comprise of:	
Building for own use	172
Furniture, fixtures and office equipment	1,282
Leasehold improvements	4,130
Intangible assets	1,000
Inventories	93,718
Trade and other receivables	15,684
Cash and bank balances	1,467
Trade and other payables	(47,589)
Tax payable	(9,117)
Shareholders' loan	(31,022)
Bank loan	(10,060)
Minority interests	(5,662)
	14,003
Assignment of shareholders' loan	26,346
Goodwill arising on acquisition of subsidiaries	44,595
Total purchase price paid	84,944
Satisfied by:	
Cash consideration paid	84,944
Net outflow of cash and cash equivalents in connection with the acquisition of the subsidiaries	
Cash consideration	84,944
Less: Cash acquired from subsidiaries	(1,467)
	83,477

38. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

During the year ended 31 March 2008, the Group acquired additional interests of 10% in Peace Mark Tourneau (Holdings) Limited, 9.8% in Madison NY Limited and 41.8% in 天津中鷗彈性元件技術有限公司 for a total consideration of HK$15,221,000 respectively. The amount of goodwill arising as a result of the acquisition was HK$2,991,000.

39. MAJOR NON-CASH TRANSACTION

The Group has not entered into any finance lease arrangement during the year (2007: HK$196,000).

40. RETIREMENT BENEFIT SCHEME

(i) Plan for Hong Kong employees

Defined contribution plan

The Group contributes to a defined contribution retirement scheme which is available to all employees. Employees are required to contribute each month an amount equal to 5% of the basic monthly salary and contributions are made by the employer at 5% of the employee's basic monthly salary. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contributions to this scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

A mandatory provident fund scheme (the "MPF") was established under the MPF Ordinance in December 2000. Since the Company has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join MPF, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK$20,000 per month). Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

(ii) Plan for PRC employees

The Group also contributes to employees pension schemes established by municipal government in respect of certain companies in Mainland China. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

41. CONTINGENT LIABILITIES

The Group and the Company have the followings:

	Group		The Company	
	2008	2007	**2008**	2007
	HK$million	HK$million	**HK$million**	HK$million
Guarantee of general banking facilities and derivative facilities granted to subsidiaries	**–**	–	**7,683**	2,520
Guarantee of general banking facilities granted to associates	**390**	268	**328**	268

42. OPERATING LEASE ARRANGEMENTS

As at 31 March 2008, the total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings were payable as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
– Within one year	**272,745**	105,260
– After one year but within five years	**491,052**	226,110
– After five years	**48,454**	22,700
	812,251	354,070

43. POST BALANCE SHEET EVENT

(a) On 5 June 2008, the Company entered into a placing agreement with placing agents and placed 159,922,000 new shares of Peace Mark at HK$7.9 per share. The placing was completed on 13 June 2008 and the net proceeds, after deduction of the commissions and the estimated expenses relating to the placing, were amounted to approximately HK$1,230 million.

(b) Subsequent to the balance sheet date, A-A United acquired 4,839,346 shares, representing 2.34% of Sincere Watch Limited pursuant to Section 215(3) of the Companies Act, Chapter 50 of Singapore. The total consideration in respect of the acquisition comprises cash payment of HK$56,778,000 and the issue of 1,103,336 new Company's shares. On 9 July 2008, the Securities Industries Council in Singapore gave consent to de-list Sincere Watch Limited from the Main Board of the Singapore Exchange Securities Trading Limited and accordingly, release A-A United Limited and the Group from their obligation to restore the minimum public float requirements. i.e. to raise the proportion of shares held by the members of public to at least 10% of the issued share capital of Sincere Watch Limited.

Summary of Properties

For the Year Ended 31 March 2008

	Location	Lease expiry	Gross floor area (square metre)	Type	Category	Stage of completion	Group interest
1.	Unit 3 together with air conditioning plant room on 7th Floor of High Block Cheung Fung Industrial Building Nos. 23-39 Pak Tin Par Street Tsuen Wan New Territories	2047	933	Industrial	Own use	Existing	100%
2.	Unit 3 together with air conditioning plant room on 12th Floor and car parking space No. P5 on 1st Floor of High Block Cheung Fung Industrial Building Nos. 23-39 Pak Tin Par Street Tsuen Wan New Territories	2047	933	Industrial	Own use	Existing	100%
3.	Flat F on 4/F of Block 5 Belvedere Garden Phase 3 No. 625 Castle Peak Road Tsuen Wan New Territories	2047	81	Staff quarter	Own use	Existing	100%
4.	19 Reuchenettestrasse 2502 Bienne Switzerland	Freehold	526	Industrial	Own use	Existing	100%
5.	304, Orchard Road #01-22 Lucky Plaza Singapore	Freehold	36	Shop for retailing	Own use	Existing	100%
6.	150 Orchard Road Orchard Plaza Singapore	2076	212	Office	Own use	Existing	100%
7.	8 Temasek Boulevard Suntec City Singapore	2096	325	Office	Own use	Existing	100%
8.	24 Senoko Way Singapore	2021	6,928	Office and warehouse	Own use	Existing	100%
9.	304 Orchard Road #23-04 Lucky Plaza Singapore	Freehold	77	Office	Vacant	Existing	100%

Five-Year Financial Summary

RESULTS

Year ended 31 March

	2004 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Turnover	1,434,492	1,937,947	2,241,771	3,040,514	**4,177,106**
Profit from operations	108,290	181,084	313,431	456,338	**718,884**
Finance costs	(18,155)	(27,439)	(60,346)	(111,880)	**(195,296)**
Share of profit (loss) of associates	321	(357)	2,974	(9,512)	**10,726**
Share of profit (loss) of a jointly controlled entity	(2,998)	(929)	(2,134)	(2,027)	**536**
Profit before taxation	87,458	152,359	253,925	332,919	**534,850**
Taxation	(206)	(23,158)	(37,924)	(28,316)	**(63,249)**
Profit for the year	87,252	129,201	216,001	304,603	**471,601**
Attributable to:					
Profit attributable to equity holders of the Company	80,005	123,917	200,619	300,276	**457,218**
Minority interest	7,247	5,284	15,382	4,327	**14,383**
	87,252	129,201	216,001	304,603	**471,601**

The financial summary of 2004 has not been restated as it is impracticable to determine the amounts relating to prior periods or to restate the comparative information.

ASSETS AND LIABILITIES

As at 31 March

	2004 HK$'000	2005 HK$'000 (Restated)	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Freehold land and interest in leasehold land	–	21,256	5,461	7,961	**64,458**
Property, plant and equipment	383,668	457,529	401,288	518,010	**1,005,979**
Investment properties	–	–	–	–	**2,244**
Intangible assets	116,584	201,624	196,143	239,289	**2,372,889**
Interest in associates	65,680	65,375	134,533	87,300	**297,626**
Interest in a jointly controlled entity	10,922	15,640	13,776	15,994	**20,114**
Investments in securities	15,600	16,768	–	–	**–**
Other financial assets	29,225	29,225	44,941	181,057	**415,194**
Deferred tax assets	12,272	12,577	9,224	9,566	**55,977**
Net current (liabilities) assets	638,204	658,351	1,485,044	2,068,294	**(606,082)**
	1,272,155	1,478,345	2,290,410	3,127,471	**3,628,399**
Long-term liabilities	(424,659)	(270,791)	(610,120)	(1,077,869)	**(77,843)**
Deferred tax liabilities	(9,419)	(15,314)	(11,392)	(13,064)	**(158,181)**
Minority interest	(60,178)	(84,812)	(107,573)	(230,059)	**(419,970)**
Net assets	777,899	1,107,428	1,561,325	1,806,479	**2,972,405**

The financial summary of 2004 has not been restated as it is impracticable to determine the amounts relating to prior periods or to restate the comparative information.

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