



Elegance International Holdings Limited

(Stock Code : 907)



Annual Report
2009



Contents

Corporate Information	2
Financial Highlights	3
Chairman's Statement	4
Profiles of Directors and Senior Management	7
Report of the Directors	9
Corporate Governance Report	16
Independent Auditors' Report	22
Audited Financial Statements	
Consolidated:	
Income Statement	24
Balance Sheet	25
Statement of Changes in Equity	27
Cash Flow Statement	28
Company:	
Balance Sheet	30
Notes to Financial Statements	31



Corporate Information

BOARD OF DIRECTORS

Executive Directors

HUI Leung Wah (Chairman)
POON Sui Hong
LEUNG Shu Sum

Non-Executive Directors

LISSI Barbara
MARCHISIO Paola

Independent Non-Executive Directors

POON Kwok Fai, Ronald
TAM Hok Lam, Tommy, PhD, JP
WONG Chung Mat, Ben, JP

AUDIT COMMITTEE

POON Kwok Fai, Ronald
TAM Hok Lam, Tommy, PhD, JP
WONG Chung Mat, Ben, JP

REMUNERATION COMMITTEE

POON Kwok Fai, Ronald
TAM Hok Lam, Tommy, PhD, JP
WONG Chung Mat, Ben, JP

NOMINATION COMMITTEE

POON Kwok Fai, Ronald
TAM Hok Lam, Tommy, PhD, JP
WONG Chung Mat, Ben, JP

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

TSUI Choi Yee, Connie

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
Dah Sing Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited

AUDITORS

Ernst & Young

HONG KONG LEGAL ADVISERS

Richards Butler

BERMUDA LEGAL ADVISERS

Conyers, Dill & Pearman

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai Hong Kong

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

B2 & B4 8th Floor Block B
Mai Hing Industrial Building
16-18 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

WEBSITE

www.elegance-group.com

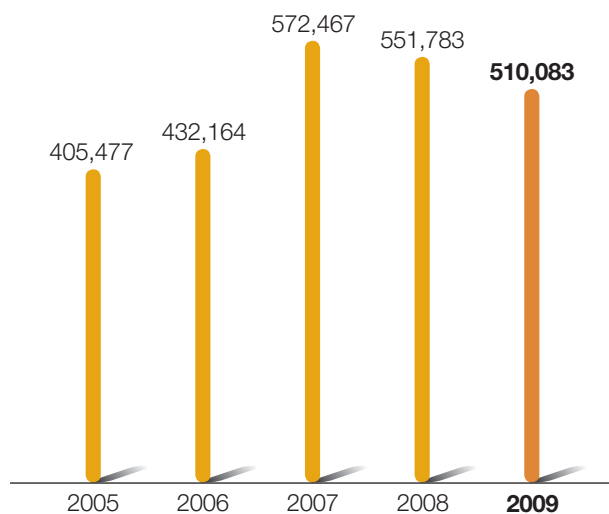
STOCK CODE

907

Financial Highlights

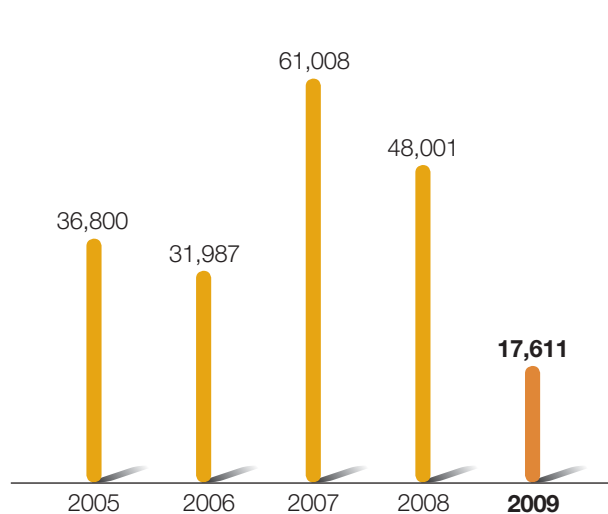
REVENUE

(HK\$'000)

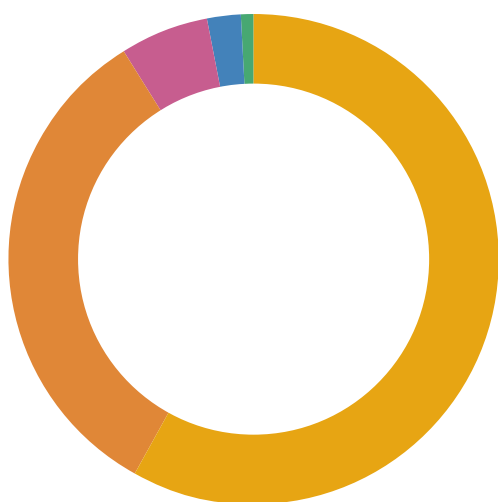


PROFIT ATTRIBUTABLE TO SHAREHOLDERS

(HK\$'000)



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA FOR THE YEAR ENDED 31 MARCH 2009



Europe	58.25%
North America	32.92%
The People's Republic of China (Including Hong Kong)	5.91%
Other Asian countries	2.18%
Others	0.74%

Chairman's Statement

DIVIDEND

The board of directors (the "Board") of Elegance International Holdings Limited (the "Company") has resolved to recommend the payment of a final dividend of HK3.0 cents per ordinary share (2008: HK6.0 cents) for the year ended 31 March 2009 at the forthcoming Annual General Meeting to be held on 28 August 2009. The final dividend, if approved by shareholders, is expected to be payable on 25 September 2009 to those shareholders whose names appear on the register of members of the Company on 28 August 2009.



CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 24 August 2009 to Friday, 28 August 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer of shares, accompanied by the relevant share certificates, must be lodged for registration with the Company's Registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The financial year which ended on 31 March 2009 was an exceptionally challenging year for the Company and its subsidiaries (the "Group"). In the first half of the financial year, the Group was significantly affected by the worsening operating environment in the People's Republic of China (the "PRC"), followed by the global financial crisis in the second half of the year. As a result, the Group's profit attributable to equity holders of the parent and turnover dropped by 63.31% and 7.56% respectively as compared to those of last year.

As reported in our interim report, the major challenges the Group faced in the first half of the financial year were the increase of PRC labour cost, high inflation rate in the PRC and the appreciation of Renminbi, all of which pushed up the Group's manufacturing costs. The implementation of the new labour law at the beginning of 2008 and the further increase of minimum wages in mid 2008 resulted in the Group's PRC labour cost increasing by 24.98% for the year ended 31 March 2009 as compared to that of last year.



Chairman's Statement

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)



While these challenges seemed to have stabilised, a bigger challenge, the global financial tsunami, spread globally in the last quarter of 2008 which adversely affected the Group' turnover. Under the impact of global financial crisis, customers are more cautious when placing orders. As a result, the Group's sales to its largest market, the European market, decreased by 13.20% from HK\$342,296,000 to HK\$297,119,000, while the sales to the Group's second largest market, North America, decreased by 0.67% to HK\$167,897,000 compared to HK\$169,038,000 in last year. Although the sales to the PRC and other Asian countries

increased by 19.60% and 38.15% respectively, the total sales of the Group decreased by 7.56% to HK\$510,083,000 compared to HK\$551,783,000 in last year.

The combined effect of increase in manufacturing costs and the decrease in sales has caused the Group's gross profit margin to decrease from 17.17% to 13.98%. Profit attributable to equity holders of the parent for the year ended 31 March 2009 dropped by 63.31% to HK\$17,611,000 as compared to HK\$48,001,000 in last year.

PROSPECT

It is still uncertain whether the most difficult moment has passed. Facing this uncertainty and economic recession, consumer confidence will not be resumed until there are signs of rebound. Economic recovery will largely depend on the effectiveness of the stimulus plans being implemented by each country around the world. The Group's sales in the rest of 2009 might be affected negatively.

Added to the difficulty is the fact that buyers are more cost conscious and have been increasingly aggressive in price cutting. More intense price pressure has since been felt and the near term persistence of the trend will be anticipated.

The Group has also been advised by its largest customer and a shareholder, the Safilo S.p.A. group of companies ("Safilo Group"), that negotiations with potential investors are taking place to identify injection of new funds to strengthen the financial and capital structure of the Safilo Group. Despite the global economic downturn which affected also the eyewear industry during the last year, Safilo Group still maintains a leadership position in the high end luxury market. However, the same leadership position at the same time exposes Safilo Group to a further worsening of luxury market conditions and, as a consequence, this would likely affect also the Group's sales and financial results, as Safilo Group is the most important customer of the Group. As at the date of this report, the Safilo Group has been making timely settlement of the trade receivables due to the Group.



Chairman's Statement

PROSPECT (continued)

The management of the Group is fully aware of the challenges it is facing. To cope with these challenges, on the one hand, the Group will reinforce its sales effort in all its existing market segments as well as exploring other market segments to widen its customer base. On the other hand, the Group will stringently control all levels of its costs to ensure its profitability.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, the Group continued to maintain a strong financial position with cash and bank balances of HK\$78,119,000 and without any bank borrowing. The Group's equity attributable to equity holders of the parent as at 31 March 2009 amounted to HK\$516,086,000 (31 March 2008: HK\$518,117,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to equity holders of the parent, was nil as at 31 March 2009 (31 March 2008: 0.97%).

FOREIGN CURRENCY RISK

The Group conducts its business transactions mainly in Hong Kong Dollar, Renminbi and U.S. dollars. As the Hong Kong Dollar is pegged to the U.S. Dollar, the Group does not foresee any material exchange risk in this respect. However, the Group is subject to certain foreign exchange impacts caused by the appreciation of Renminbi. The Group has not entered into any foreign exchange contract. The management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2009, the Group had capital commitments, which were contracted but not provided for, in respect of land and buildings and equipment and machinery of HK\$2,353,000 (31 March 2008: HK\$2,181,000). As at 31 March 2009, the Company had a contingent liability of HK\$107,900,000 (31 March 2008: HK\$182,000,000) in respect of guarantees given to banks in connection with facilities granted to its subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2009, the Group employed approximately 4,621 (31 March 2008: 6,402) full time employees in China and in Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of the individual employee, and are subject to review from time to time.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude to all of our staff and fellow Directors for their contributions, support and dedication. I would also like to thank our customers, shareholders, bankers, suppliers and other business partners for their continuous support.

Hui Leung Wah
Chairman

Hong Kong
17 July 2009

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

HUI Leung Wah, aged 56, is the chairman and managing director of the Group. He is the founder of the Group and has 43 years of experience in the optical frames manufacturing industry. He was awarded the Young Industrialist Awards of Hong Kong in September 1995, given by the Federation of Hong Kong Industries. He is responsible for the overall supervision and policy making of the Group's activities. Mr. Hui has served as a Committee Member of The Hong Kong Optical Manufacturers Association (the "Association") since 1990, and he has served as the President and Vice President of the Association for various terms from 1998 to present. Mr. Hui is the father of Ms. Hui Sze Man, Doris, a senior management of the Group. He is also the brother-in-law of Mr. Poon Sui Hong, Mr. Cheng Wai Keung, Edmond and Ms. Poon Kam Yee, an executive director and a senior management of the Group respectively.

POON Sui Hong, aged 50, is an executive director and a general manager of the Group. He joined the Group in 1984 and has over 23 years of experience in the marketing and production of optical frames. He is presently responsible for the strategic planning and supervision of the Group's marketing activities. Mr. Poon is the brother-in-law of Mr. Hui Leung Wah and Mr. Cheng Wai Keung, Edmond, the chairman and managing director and a senior management of the Group respectively. He is also the brother of Ms. Poon Kam Yee, a senior management of the Group.

LEUNG Shu Sum, aged 54, is an executive director and one of the founding members of the Group and has over 33 years of experience in optical frames production. He is currently responsible for supervising the production and engineering activities at the PRC production facilities.

NON-EXECUTIVE DIRECTORS

LISSI Barbara, aged 39, joined the Company as non-executive director on 18 July 2008. Ms. Lissi graduated in Chinese Language and Literature at the prestigious Venice University (Italy). She has over 15 years of extensive experience in the marketing, purchasing, and management function in Italian companies based in mainland China and Hong Kong. She is currently the Safilo's Sourcing Director of the Safilo S.p.A. based in Hong Kong. She speaks Italian, English and Chinese fluently.

MARCHISIO Paola, aged 47, joined the Company as a non-executive director on 18 July 2008. Ms. Marchisio graduated in Business Administration at the University of Turin (Italy) and has over 21 years of experience in the marketing and accounting fields in Italy and Hong Kong. Ms Marchisio is the Chief Financial Officer of Safilo Far East Limited, she is also a director of Safint Optical Investments Limited, an equity investment of the Group.

PIETRIBIASI Mario, aged 52, is the director of Safilo Far East Limited and Safilo Hong Kong Limited. He holds a Degree in Economics from University of Padova (Italy) and has over 25 years of experience in the commercial field. Mr. Pietribiasi resigned as non-executive director of the Company with effect from 18 July 2008.

TABACCHI Massimiliano, aged 38, joined the Company as a non-executive director on 24 September 2004. Mr. Tabacchi is a director of Safilo S.p.A., which is incorporated in Italy. He holds a Mechanical Engineering Degree from Padua University, Italy. Mr. Tabacchi resigned as non-executive director of the Company with effect from 18 July 2008.

Profiles of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

POON Kwok Fai, Ronald, aged 60, joined the Company as an independent non-executive director in 1996. Mr. Poon is a solicitor and notary public practising in Hong Kong and has over 28 years of experience in the legal profession.

TAM Hok Lam, Tommy, PhD, JP, aged 60, joined the Company as an independent non-executive director in 2005. Dr. Tam is a fellow member of the Association of International Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also an honorary director of Hong Kong Watch Manufacturer's Association Limited and a council member of the Hong Kong Institute of Directors. Dr. Tam currently is an independent non-executive director of Winbox International (Holdings) Limited, a listed company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board"), which is principally engaged in the manufacturing and sales of packaging products. Dr. Tam currently is the managing director of Tomson Holdings Limited which is an investment holdings company, and is also the chairman of Artistic Precision Holdings Ltd which is involved in watch design, production and trading. Dr. Tam is a Standing Committee member of Chinese People Political Consultative Conference in Shandong Province, the People's Republic of China.

WONG Chung Mat, Ben, JP, aged 57, joined the Company as an independent non-executive director in 2004. Mr. Wong is the chairman and chief executive officer of Wong's International (Holdings) Limited, a Hong Kong listed company on the Main Board (Stock code: 099). He obtained a Master of Science Degree in Operations Research from Ohio State University and has over 34 years of experience in the electronics industry.

SENIOR MANAGEMENT

TSANG Tak Hung, Donald, aged 50, is one of the general managers of the Group and is responsible for the management, strategic planning and corporate development of the Group. Prior to joining the Group in 1994, he had over 12 years of management experience by serving in various banking institutions in Hong Kong and Canada and in the Stock Exchange of Hong Kong.

CHENG Wai Keung, Edmond, aged 49, is the assistant general manager supervising the Group's production department. He joined the Group in 1988 and has worked in various departments within the Group including the marketing, production and purchasing departments. Mr. Cheng now oversees the production in the PRC production facilities. Mr. Cheng is the brother-in-law of Mr. Hui Leung Wah and Mr. Poon Sui Hong, the chairman and managing director and an executive director of the Group respectively. He is the spouse of Ms. Poon Kam Yee, a senior management of the Group. He holds directorships in some of the subsidiaries in the Company.

POON Kam Yee, aged 48, is the assistant to the chairman and managing director and is also a supervisor of the Group's marketing department – the PRC division. She joined the Group in 1988 and has over 28 years of experience in accounting and administration. She is responsible for the Group's sales in the PRC market. Ms. Poon is the sister-in-law and sister of Mr. Hui Leung Wah and Mr. Poon Sui Hong, the chairman and managing director and an executive director of the Group respectively. She is the spouse of Mr. Cheng Wai Keung, Edmond, a senior management of the Group. She holds directorships in some of the subsidiaries in the Company.

HUI Sze Man, Doris, aged 28, joined the Group in 2005 as assistant to chairman, Ms. Hui is in charge of the research and redevelopment and design departments. She is also responsible for the management of the Group's marketing policies and developments. She holds a Bachelor Degree in Arts from York University in Canada. Ms. Hui has served as director of Yan Chai Hospital from 2007 to 2009. She has also been a member of Hong Kong Young Industrialists Council Youth Group since 2003. She is the daughter of Mr. Hui Leung Wah, the chairman and managing director of the Group.

TSUI Choi Yee, Connie, aged 43, joined the Group in July 2007 as financial controller and company secretary. She holds a master degree in Business Administration from the Australian Graduate School of Management. Ms. Tsui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. She has over 15 years of experience in the field of accounting and auditing.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of optical frames, sunglasses and optical cases. There was no significant change in the nature of the principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 82.

The directors recommend the payment of a final dividend of HK3.0 cents per share in respect of the year to shareholders on the register of members on 28 August 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Results

	Year ended 31 March				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
REVENUE	<u>510,083</u>	<u>551,783</u>	<u>572,467</u>	<u>432,164</u>	<u>405,477</u>
PROFIT FOR THE YEAR	<u>16,156</u>	<u>51,369</u>	<u>61,323</u>	<u>27,896</u>	<u>35,645</u>
Attributable to:					
Equity holders of the parent	17,611	48,001	61,008	31,987	36,800
Minority interests	<u>(1,455)</u>	<u>3,368</u>	<u>315</u>	<u>(4,091)</u>	<u>(1,155)</u>
	<u>16,156</u>	<u>51,369</u>	<u>61,323</u>	<u>27,896</u>	<u>35,645</u>

Report of the Directors

SUMMARY FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	31 March				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
TOTAL ASSETS	618,764	651,945	679,777	645,248	606,055
TOTAL LIABILITIES	(83,487)	(113,026)	(170,241)	(177,551)	(134,204)
MINORITY INTERESTS	(19,191)	(20,802)	(17,722)	(16,797)	(20,004)
	<u>516,086</u>	<u>518,117</u>	<u>491,814</u>	<u>450,900</u>	<u>451,847</u>

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share option scheme are set out in notes 29 and 30 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity set out on page 27 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2009, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$158,213,000 of which HK\$9,709,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$56,831,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$558,000.



Report of the Directors

DIRECTORS

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

Executive directors

Mr. Hui Leung Wah (Chairman and Managing Director)
Mr. Poon Sui Hong
Mr. Leung Shu Sum

Non-executive directors

Ms. Barbara Lissi (appointed on 18 July 2008)
Ms. Paola Marchisio (appointed on 18 July 2008)
Mr. Mario Pietribiasi (resigned on 18 July 2008)
Mr. Massimiliano Tabacchi (resigned on 18 July 2008)

Independent non-executive directors

Mr. Poon Kwok Fai, Ronald
Mr. Wong Chung Mat, Ben, JP
Dr. Tam Hok Lam, Tommy, PhD, JP

In accordance with bye-law 110(A) of the Company's bye-laws, Mr. Hui Leung Wah, Mr. Leung Shu Sum and Mr. Poon Kwok Fai, Ronald will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Poon Kwok Fai, Ronald, Mr. Wong Chung Mat, Ben, JP and Dr. Tam Hok Lam, Tommy, PhD, JP, and as at the date of this report still considers them to be independent.

Detailed terms of the appointment of the non-executive directors are disclosed in the corporate governance report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Poon Sui Hong and Mr. Leung Shu Sum have each entered into a renewed service agreement with the Company for a term of three years commencing on 17 February 2008. The service agreements continue after the expiry of their previous terms, subject to termination by either party giving a not less than three months' notice.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Group.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held and capacity in which the shares are held		Total	Percentage of the issued share capital of the Company
	Beneficial owner	Other interests		
Hui Leung Wah (Note)	8,308,000	141,316,000	149,624,000	46.23
Poon Sui Hong	7,000,000	–	7,000,000	2.16
Leung Shu Sum	6,000,000	–	6,000,000	1.85
Paola Marchisio	198,000	–	198,000	0.06
	<u>21,506,000</u>	<u>141,316,000</u>	<u>162,822,000</u>	<u>50.30</u>

Note: The 141,316,000 shares held as other interests of Mr. Hui comprised 141,116,000 shares held by Best Quality Limited and 200,000 shares held by Deluxe Concept Limited. The entire issued share capital of both Best Quality Limited and Deluxe Concept Limited is held by Wahyee Limited as trustee for a unit trust, which, in turn, is beneficially owned by Docater Trust, a discretionary trust with LGT Trustees Limited as trustee, the beneficiaries of which include the spouse and children of Mr. Hui Leung Wah (Mr. Hui himself is not a beneficiary of the discretionary trust).

Long position in ordinary shares in the subsidiaries:

Mr. Hui Leung Wah is beneficially interested in 200,000 non-voting deferred shares in the capital of Elegance Optical Investments Limited. The rights and restrictions of such non-voting deferred shares are set out in note 16 to the financial statements.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed herein and as at 31 March 2009, none of the directors or chief executive of the Company had any interests in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the SEHK.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures set out in note 30 to the financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company, their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of issued ordinary shares held	Capacity in which the shares are held	Percentage of issued share capital of the Company
Poon Yuk Yee (Note 1)	149,624,000	Beneficiary of a trust	46.23
LGT Trustees Limited (Note 2)	141,316,000	Trustee	43.66
Wahyee Limited (Note 2)	141,316,000	Trustee	43.66
Safilo Far East Limited ("SFEL") (Note 3)	74,599,123	Beneficial owner	23.05
Safilo S.p.A. (Note 3)	74,599,123	Controlled corporation	23.05

Notes:

- Ms. Poon Yuk Yee is the spouse of Mr. Hui Leung Wah and is deemed to be interested in shares held by and shares taken to be interested by Mr. Hui Leung Wah.
- Details are stated in the above section headed "Directors' interests and short positions in shares and underlying shares".
- SFEL is a wholly-owned subsidiary of Safilo S.p.A.

Save as disclosed above, as at 31 March 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption of the Company's listed securities by the Company or by any of its subsidiaries during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's largest customer and the Group's five largest customers accounted for 37.08% and 57.66% of the Group's total sales, respectively. The Group's largest customer, the Safilo S.p.A. group of companies, owned 23.05% of the Company's issued share capital at the balance sheet date. Details of the sales to the Safilo S.p.A. group of companies are included in note 35 to the financial statements.

During the year under review, the Group's largest supplier and the Group's five largest suppliers accounted for 10.58% and 37.78% of the Group's total purchases, respectively.

Save as disclosed above, none of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Pursuant to a special general meeting held on 30 March 2007 by the independent shareholders, an ordinary resolution (the "Resolution") was passed which approved the sales of optical frames, sunglasses and related products (the "Sales") by the Company and its subsidiaries to the Safilo S.p.A. group of companies for the three years ending 31 March 2010 subject to certain conditions. According to the Resolution, the aggregate values of the Sales shall not exceed HK\$390 million, HK\$470 million and HK\$565 million for each of the three years ended 31 March 2008, 2009 and 2010, respectively.

The Resolution replaces the former resolution granted by the independent shareholders of the Company on 31 March 2004, which expired on 31 March 2007. Further details are set out in the circular to the Company's shareholders dated 9 March 2007.

The directors, including the independent non-executive directors, confirm that the Sales to the Safilo S.p.A. group of companies were approved by the board of directors and were:

- (a) entered into in the ordinary and usual course of business of the Group;
- (b) conducted on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than the terms available to or from independent third parties as appropriate;
- (c) entered into in accordance with the relevant terms and conditions governing such transactions, which are fair and reasonable so far as the shareholders of the Company were concerned and in the interests of the Group as a whole; and
- (d) did not exceed HK\$470 million for the year.

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and in note 35 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further details of the Sales to the Safilo S.p.A. group of companies are set out in note 35 to the financial statements.

In addition to the transactions with the Safilo S.p.A. group of companies set out above, certain non-wholly-owned subsidiaries of the Group also owed certain of the Group's wholly-owned subsidiaries amounts arising from their ordinary and usual course of business. The amounts due are unsecured, interest-free and are repayable in accordance with normal trading terms. Details of the amounts outstanding at the respective balance sheet dates are set out below:

	31 March 2009 HK\$'000	31 March 2008 HK\$'000
Gold Strong Industrial Limited	33,904	33,734
Grand Artic Limited	372	1,549
	<u>34,276</u>	<u>35,283</u>

During the year, a director's quarter was rented by the Group from Mr. Hui Leung Wah, the chairman and managing director of the Company, for the use by Mr. Poon Siu Hong as a directors' quarter. The annual rental amounting to HK\$444,000 for the year (2008: HK\$444,000) was mutually agreed by both parties based on market value and has been included in directors' remuneration in note 8 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Hui Leung Wah
Chairman

Hong Kong
17 July 2009

Corporate Governance Report

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standard of corporate governance practices and procedures in fulfilling its responsibilities. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has always recognised the importance of transparency and accountability. The Group has adopted the Code Provisions as set out in the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Listing Rules on the SEHK as its own code of corporate governance practices. The directors of the Company (the “Directors”) consider that the Company has complied with the Code throughout the year ended 31 March 2009, except for the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title “chief executive officer”. Mr. Hui Leung Wah assumes the role of both Chairman and Managing Director of the Company and he is in charge of the overall management of the Company. The Company does not have a separate Chairman and Managing Director as Mr. Hui currently holds both positions. The Board believes that the combination of the roles of Chairman and Managing Director can promote the efficient formulation and implementation of the strategies of the Company, which will enable the Group to grasp business opportunities efficiently and promptly. The Board also believes that through the supervision of its Board and its Independent Non-Executive Directors (the “INEDs”), a balancing mechanism exist so that the interests of the shareholders are adequately and fairly represented.

BOARD OF DIRECTORS

Board Composition

The Board comprises a total of eight directors. Three Executive Directors are Mr. Hui Leung Wah, who is also the chairman of the Board, Mr. Leung Shu Sum and Mr. Poon Sui Hong, two Non-Executive Directors are Ms. Barbara Lissi and Ms. Paola Marchisio (both appointed on 18 July 2008, Mr. Mario Pietribiasi and Mr. Massimiliano Tabacchi resigned as Non-Executive Directors on 18 July 2008), and three INEDs are Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP. One of the INEDs has appropriate professional qualifications, or accounting or related financial management expertise, which is in accordance with rules 3.10(1) and (2) of the Listing Rules.

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The composition of the Board will be reviewed regularly to ensure that it has a balance of skills and experience appropriate for the requirements of the business. The Directors’ biographical information is set out on pages 7 to 8 to the annual report.

Appointment and re-election

To comply with the Code Provision A.4.2 of the Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director of the Company shall be subject to retirement by rotation at least once every three years respectively. All non-executive directors were re-elected as a non-executive director for a specific term of not more than three years in previous annual general meetings.

In accordance with Bye-law 110(A) of the bye-laws, Mr. Hui Leung Wah, Mr. Leung Shu Sum and Mr. Poon Kwok Fai, Ronald will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-elections by shareholders.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Duties of the Board

The Board formulates the overall policies and strategies, monitors the financial performance, oversees the management, and ensures good corporate governance practices of the Company. The Board is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Directors meet regularly to review the financial performance and operational performance of the Company and to discuss and formulate the development plan of the Group. Daily operations and administration are delegated to the Executive Directors and management of the Group. The members of the Board are mostly professionally qualified and widely experienced personnel who bring in valuable contribution, provide different professional advices and consultancy for the development of the Company. They provide strong support towards the effective discharge of the duties and responsibilities of the Board. Every Director has access to board papers and related information; and has access to the services of the Company Secretary who updates the Board on corporate governance and regulatory frameworks.

The Chairman of the Board shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed and approved by the Board before execution. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary.

Functions of the Board

During the financial year ended 31 March 2009, four regular Board meetings were held and the attendance of each director is set out as follows:

Name of director	Attendance in 2008/2009
<i>Executive Directors</i>	
Mr. Hui Leung Wah	4/4
Mr. Poon Sui Hong	3/4
Mr. Leung Shu Sum	4/4
<i>Non-Executive Directors</i>	
Ms. Barbara Lissi	2/4
Ms. Paola Marchisio	3/4
Mr. Mario Pietribiasi	0/4
Mr. Massimiliano Tabacchi	0/4
<i>Independent Non-Executive Directors</i>	
Mr. Poon Kwok Fai, Ronald	3/4
Dr. Tam Hok Lam, Tommy, PhD, JP	3/4
Mr. Wong Chung Mat, Ben, JP	4/4

Four regular Board meetings of the year ended 31 March 2009 were scheduled in advance to give all Directors an opportunity to attend. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and adequate and reliable information are given to the Board in a timely manner.

The Company Secretary shall convene the Board meetings on the request of any one director of the Company and 14 days' notice of Board meetings will be given to all Directors. The Board papers are tabled not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary and Qualified Accountant shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. The Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings. Minutes of the Board are kept by the Company Secretary and are open for inspection at any reasonable time by any Director.

Corporate Governance Report

RESPONSIBILITY OF DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and prevailing accounting standards with the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company. The Directors also ensure the timely publication of the financial statements of the Group. The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in Independent Auditors' Report on pages 22 to 23 to the annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the code of conducts regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. The Company, having made specific enquiry, confirms that all Directors complied throughout the year with the required standard set out in the Model Code and the Company's code of conduct regarding Director's securities transactions.

REMUNERATION COMMITTEE AND DIRECTORS' REMUNERATION

The members of the Remuneration Committee comprise Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP. All members are INEDs of the Company and Mr. Wong is the chairman of the Remuneration Committee. The Remuneration Committee held one meeting to review and determine the Executive Directors' remuneration packages during the year.

The attendance of each member is set out as follows:

Members	Number of Attendance
Mr. Poon Kwok Fai, Ronald	1/1
Dr. Tam Hok Lam, Tommy, PhD, JP	1/1
Mr. Wong Chung Mat, Ben, JP	1/1

Its terms of reference are summarised as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;
2. to have the delegated responsibility to review and determine the specific remuneration packages of all Executive Directors and make recommendations to the Board of the remuneration of Non-Executive Directors;
3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
4. to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment;
5. to review and approve compensation arrangement relating to dismissal or removal of directors for misconduct; and
6. to ensure that no director or any of his associates is involved in deciding his own remuneration.

During the year, the Remuneration Committee has, among others things, reviewed and determined the remuneration packages of all Executive Directors with reference to market terms, their duties and responsibilities and performance, and made recommendation to the Board accordingly. The Board reviewed and approved the Directors' remuneration at the Board Meeting held on 17 July 2009.

Corporate Governance Report

REMUNERATION COMMITTEE AND DIRECTORS' REMUNERATION (continued)

Details of the emoluments of Directors are set out in Note 8 to the financial statements.

The terms of reference of the Remuneration Committee have been posted on the website of the Company.

NOMINATION COMMITTEE

The Nomination Committee currently comprises three INEDs. Dr. Tam Hok Lam, Tommy, PhD, JP is the chairman of the Nomination Committee. The other members are Mr. Poon Kwok Fai, Ronald and Mr. Wong Chung Mat, Ben, JP. The Nomination Committee assists the Board to fulfill its supervisory role over the Group in nominating new directors to the Board and assessing the performance and skills of Directors. The terms of reference of the Nomination Committee have been posted on the website of the Company. Nomination Committee held one meeting to review the nomination of Ms. Barbara Lissi and Ms. Paola Marchisio as non-executive directors of the Company during the financial year ended 31 March 2009. The attendance of each member is set out as follows:

Members	Number of Attendance
Mr. Poon Kwok Fai, Ronald	1/1
Dr. Tam Hok Lam, Tommy, PhD, JP	1/1
Mr. Wong Chung Mat, Ben, JP	1/1

AUDIT COMMITTEE

The Audit Committee was established in 1999 to consider the appointment of auditors and audit fee, to discuss with the auditors the nature and scope of audit, to review the Group's financial reporting, internal controls and corporate governance issues and make relevant recommendations to the Board. Its current members comprise Mr. Poon Kwok Fai, Ronald, Dr. Tam Hok Lam, Tommy, PhD, JP and Mr. Wong Chung Mat, Ben, JP. Mr. Poon Kwok Fai, Ronald is the chairman of the Audit Committee. All members of the Audit Committee are the INEDs. One of the members has appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules. None of them is employed by or otherwise affiliated with former or existing auditors of the Company. The main duties of the Audit Committee are as follows:

1. To consider the appointment, reappointment and removal of the external auditors, and to approve the remuneration and the terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors of the Company;
2. To assess the independence of external auditors and discuss with the external auditors the nature and scope of audit;
3. To review interim and annual financial statements of the Group before submission to the Board;
4. To review the financial control, internal control, and risk management system (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget) of the Group and make recommendations to the Board;
5. To review the external auditor's engagement letter, management letter, material queries raised by the auditors to management in respect of accounting records, financial control, internal control and management's response.

Corporate Governance Report

AUDIT COMMITTEE (continued)

The Audit Committee held two meetings during the year under review. Minutes of the audit committee are kept by the duly-appointed secretary of the audit committee and the copies of the minutes are sent to all members of the committee. The conclusions of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of director	Attendance in 2008/2009
Mr. Poon Kwok Fai, Ronald	1/2
Dr. Tam Hok lam, Tommy, PhD, JP	2/2
Mr. Wong Chung Mat, Ben, JP	2/2

During the meetings held in the year, the Audit Committee had performed the following work:

1. Reviewed with external auditors the accounting policies and the financial statements for the year ended 31 March 2008 and for the six months ended 30 September 2008 respectively;
2. Reviewed the accounting principles and practices adopted by the Group and ensured the Company to comply with the Listing Rules and other statutory compliance;
3. Reviewed the effectiveness of internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
4. Reviewed and recommended for the Board's approval the audit scope and auditors' remuneration; and
5. Reviewed and considered the connected transactions entered into by the Group during the year.

The terms of reference of the Audit Committee have been posted on the Website of the Company.

AUDITORS' REMUNERATION

For the year ended 31 March 2009, the remuneration paid or payable to the Company's auditors, Messrs Ernst & Young, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	1,100
Non-audit services – interim review	165
Non-audit services – taxation	103
Total	1,368

Corporate Governance Report

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with all shareholders. The Company establishes different communication channels with shareholders and investors: (i) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board, (ii) updated key information of the Group are available on the websites of the SEHK and the Company, and (iii) the Company's website offers communication channel between the Company and its shareholders and investors.

The annual general meeting is a channel for the Chairman of the Board and the sub-committees of the Board to address concern of shareholders. At the last annual general meeting, separate resolutions were proposed by the Chairman in respect of each separate issue including re-election of directors and the Chairman demanded a poll on all resolutions. The procedures for and the rights of shareholders for demanding a poll by the shareholders will be incorporated in the circular which will be sent to Shareholder on 29 July 2009.

The Company has established dedicated personnel for liaison with investors and shareholders by answering their enquiries.

INTERNAL CONTROL

The Board acknowledges its responsibility in maintaining effective and sound internal control system for the Group to safeguard investments of the shareholders and assets of the Company at all times.

The system of internal controls aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for the provision of reliable financial information. The design of system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

The internal audit section is responsible for internal audit function of the Group, it monitors the internal control system and the internal control procedures, its findings and recommendations are reported to the Board regularly. During the year ended 31 March 2009, the Audit Committee and the Board, with the assistance of the internal audit section, evaluated the effectiveness of the existing internal control system, which covered all material controls, including financial, operational and compliance controls and risk management functions, and reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget in the board meetings.

The Board has also kept the Company's system of internal control under review to ensure its effectiveness and convened meetings regularly to discuss financial, operational and risk management control.

Independent Auditors' Report



To the shareholders of Elegance International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Elegance International Holdings Limited set out on pages 24 to 82, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

To the shareholders of Elegance International Holdings Limited

(Incorporated in Bermuda with limited liability)

OPINION

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

Ernst & Young

Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

17 July 2009

Consolidated Income Statement

Year ended 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
REVENUE	5	510,083	551,783
Cost of sales		(438,793)	(457,046)
Gross profit		71,290	94,737
Other income and gain	5	3,366	11,159
Selling and distribution costs		(10,234)	(11,463)
General and administrative expenses		(56,170)	(54,461)
Other operating income, net		883	7,565
Finance costs	7	(70)	(1,797)
Share of profits and losses of:			
Jointly-controlled entities		(115)	452
Associates		6,342	10,242
PROFIT BEFORE TAX	6	15,292	56,434
Tax	9	864	(5,065)
PROFIT FOR THE YEAR		16,156	51,369
Attributable to:			
Equity holders of the parent	10	17,611	48,001
Minority interests		(1,455)	3,368
		16,156	51,369
DIVIDENDS	11		
Interim		–	9,709
Proposed final		9,709	19,419
		9,709	29,128
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		5.44 cents	14.83 cents
Diluted		N/A	N/A

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	229,636	229,560
Investment properties	14	2,800	4,416
Prepaid land lease payments	15	45,451	46,553
Interests in jointly-controlled entities	17	4,775	3,827
Interests in associates	18	3,179	19,155
Available-for-sale financial assets	19	32,279	650
Deferred tax assets	28	807	–
Deposits paid for items of property, plant and equipment		2,227	3,048
Total non-current assets		321,154	307,209
CURRENT ASSETS			
Inventories	20	78,393	90,286
Trade and bills receivables	21	125,894	137,468
Prepayments, deposits and other receivables	22	13,301	7,029
Equity investments at fair value through profit or loss	23	835	78
Tax recoverable		1,068	–
Available-for-sale financial assets	19	–	23,673
Due from associates	18	–	10,120
Cash and cash equivalents	24	78,119	76,082
Total current assets		297,610	344,736
CURRENT LIABILITIES			
Trade and bills payables	25	34,764	61,309
Other payables and accruals	26	39,335	31,852
Tax payable		3,838	3,150
Interest-bearing bank and other borrowings	27	–	5,000
Due to an associate	18	–	4,600
Total current liabilities		77,937	105,911
NET CURRENT ASSETS		219,673	238,825
TOTAL ASSETS LESS CURRENT LIABILITIES		540,827	546,034
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	5,550	7,115
Net assets		535,277	538,919

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	29	32,365	32,365
Reserves	31(a)	474,012	466,333
Proposed final dividend	11	9,709	19,419
		516,086	518,117
Minority interests		19,191	20,802
Total equity		535,277	538,919

Hui Leung Wah
Director

Poon Sui Hong
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

Attributable to equity holders of the parent											
Notes	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Available-for-sale financial asset revaluation reserve HK\$'000	Goodwill eliminated against reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 April 2007	32,365	56,831	41,800	(4,757)	(152)	1,893	344,415	19,419	491,814	17,722	509,536
Repayment of a loan to a minority shareholder	-	-	-	-	-	-	-	-	-	(836)	(836)
Change in fair value of available-for-sale financial assets	19	-	-	5,030	-	-	-	-	5,030	-	5,030
Exchange realignment	-	-	-	-	-	2,400	-	-	2,400	548	2,948
Total income and expenses for the year recognised directly in equity	-	-	-	5,030	-	2,400	-	-	7,430	548	7,978
Profit for the year	-	-	-	-	-	-	48,001	-	48,001	3,368	51,369
Total income and expenses for the year	-	-	-	5,030	-	2,400	48,001	-	55,431	3,916	59,347
2007 final dividend declared	-	-	-	-	-	-	-	(19,419)	(19,419)	-	(19,419)
2008 interim dividend paid	11	-	-	-	-	-	(9,709)	-	(9,709)	-	(9,709)
2008 proposed final dividend	11	-	-	-	-	-	(19,419)	19,419	-	-	-
At 31 March 2008 and 1 April 2008	32,365	56,831	41,800	273	(152)	4,293	363,288	19,419	518,117	20,802	538,919
Change in fair value of available-for-sale financial assets	19	-	-	(273)	-	-	-	-	(273)	-	(273)
Exchange realignment	-	-	-	-	-	50	-	-	50	(156)	(106)
Total income and expense for the year recognised directly in equity	-	-	-	(273)	-	50	-	-	(223)	(156)	(379)
Profit for the year	-	-	-	-	-	-	17,611	-	17,611	(1,455)	16,156
Total income and expenses for the year	-	-	-	(273)	-	50	17,611	-	17,388	(1,611)	15,777
2008 final dividend declared	-	-	-	-	-	-	-	(19,419)	(19,419)	-	(19,419)
2009 proposed final dividend	11	-	-	-	-	-	(9,709)	9,709	-	-	-
At 31 March 2009	32,365	56,831*	41,800*	-	(152)*	4,343*	371,190*	9,709	516,086	19,191	535,277

* Comprise the consolidated reserves of HK\$474,012,000 (2008: HK\$466,333,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		15,292	56,434
Adjustments for:			
Finance costs	7	70	1,797
Share of profits and losses of jointly-controlled entities and associates		(6,227)	(10,694)
Bank interest income	5	(1,484)	(2,026)
Dividend income from listed investments	5	(17)	(11)
Loss/(gain) on disposal of items of property, plant and equipment	6	204	(169)
Changes in fair value of investment properties	6	650	(1,287)
Write-back of provision for impairment of buildings	6	–	(96)
Write-back of provision for impairment of prepaid land lease payments	6	–	(614)
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss	6	159	(164)
Depreciation	6	32,676	36,667
Recognition of prepaid land lease payments	15	1,194	1,173
Write-back of impairment of trade receivables	6	(1,896)	(5,237)
Provision for inventory obsolescence	6	4,271	2,104
Write-off of other receivables	6	–	2
		44,892	77,879
Decrease/(increase) in inventories		7,622	(5,774)
Decrease in trade and bills receivables		13,470	27,827
Increase in prepayments, deposits and other receivables		(6,251)	(1,393)
Increase/(decrease) in trade and bills payables		(26,545)	5,306
Increase in other payables and accruals		7,483	4,336
Movements of balances with associates		5,520	(2,398)
Decrease/(increase) in equity investments at fair value through profit or loss		(916)	537
Exchange adjustments		(1,150)	(5,017)
		44,125	101,303
Cash generated from operations		44,125	101,303
Interest paid	7	(70)	(1,793)
Interest element on finance lease rental payments	7	–	(4)
Hong Kong profits tax paid		(1,667)	(11,247)
Overseas taxes paid		(221)	(893)
		42,167	87,366
Net cash inflow from operating activities		42,167	87,366

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Note	2009 HK\$'000	2008 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,484	2,026
Dividend received from listed investments		17	11
Purchases of items of property, plant and equipment		(28,649)	(29,123)
Deposits paid for items of property, plant and equipment		(2,227)	(3,048)
Proceeds from disposal of items of property, plant and equipment		406	771
Proceeds from disposal of available-for-sale financial assets		23,400	70,044
Purchases of shareholding in jointly-controlled entities		–	(1,225)
Advances of a loan to a jointly-controlled entity		(1,063)	(2,150)
Advances of a loan to an available-for-sale financial investment		(9,311)	–
Net cash inflow/(outflow) from investing activities		(15,943)	37,306
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(5,000)	(59,541)
Repayment of a loan to a minority shareholder		–	(836)
Capital element of finance lease rental payments		–	(226)
Dividends paid		(19,419)	(29,128)
Net cash outflow from financing activities		(24,419)	(89,731)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		76,082	39,087
Effect of foreign exchange rate changes, net		232	2,054
CASH AND CASH EQUIVALENTS AT END OF YEAR		78,119	76,082
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	78,119	32,330
Non-pledged time deposits with original maturity of less than three months when acquired	24	–	43,752
		78,119	76,082

Balance Sheet

31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	477,109	491,849
Deferred tax assets	28	785	–
Total non-current assets		477,894	491,849
CURRENT ASSETS			
Prepayments	22	170	166
Cash and bank balances	24	54	39
Total current assets		224	205
CURRENT LIABILITIES			
Other payables and accruals	26	238	181
NET CURRENT ASSETS/(LIABILITIES)		(14)	24
TOTAL ASSETS LESS CURRENT LIABILITIES		477,880	491,873
NON-CURRENT LIABILITY			
Loan from a subsidiary	16	230,471	227,250
Net assets		247,409	264,623
EQUITY			
Issued capital	29	32,365	32,365
Reserves	31(b)	205,335	212,839
Proposed final dividend	11	9,709	19,419
Total equity		247,409	264,623

Hui Leung Wah
Director

Poon Sui Hong
Director



Notes to Financial Statements

31 March 2009

1. CORPORATE INFORMATION

Elegance International Holdings Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

During the year, the Company was engaged in investment holding and the Group was engaged in the manufacture and trading of optical frames, sunglasses and optical cases.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale financial assets and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

Notes to Financial Statements

31 March 2009

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) **Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets***

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) **HK(IFRIC)-Int 12 *Service Concession Arrangements***

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(c) **HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

Notes to Financial Statements

31 March 2009

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 30 June 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

Notes to Financial Statements

31 March 2009

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.



Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities (continued)

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisition for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisition for which the agreement date is on or after 1 January 2005 (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the Hong Kong Institute of Certified Public Accountants' Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, 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, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	Shorter of the lease terms and the rates of 5% to 10%
Plant and machinery	10% to 20%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents the cost of a new factory building under construction, which is stated at cost less any impairment losses. No depreciation is provided on the construction until the related construction is completed and the assets are put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.



Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.



Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, interest-bearing loans and borrowings and an amount due to an associate are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “Finance costs” in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.



Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

No share options have been granted under the share option scheme since its adoption.

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on an annual basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Notes to Financial Statements

31 March 2009

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions to the MPF Scheme vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the central pension scheme. The only obligation for the Group with respect to the central pension scheme is the associated required contributions under the central pension scheme, which are charged to the income statement in the year to which they relate.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.



Notes to Financial Statements

31 March 2009

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of the ownership of these properties which are leased out on operating leases.

Classification between investment properties and owned-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

Notes to Financial Statements

31 March 2009

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment are impaired where an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units to which the property, plant and equipment are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for obsolete inventories

Management of the Group reviews the usage of the inventories at each balance sheet date, and makes provision for obsolete items where events or changes in circumstances show that the balances of inventories may not be realised or are no longer suitable for production use. In addition, physical count on all inventories is carried out on a periodical basis in order to determine whether provision needed to be made in respect of any obsolete inventories identified. The directors of the Company are satisfied that sufficient provision for obsolete inventories has been made in the consolidated financial statements.

Impairment of trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement at each balance sheet date whether there is any objective evidence that the trade receivables are impaired. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2009 was HK\$807,000 (2008: Nil). The amount of unrecognised tax losses at 31 March 2009 was HK\$15,102,000 (2008: HK\$19,251,000). Further details are contained in note 28 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. The Group also recognised an unlisted equity investment as available-for-sale and states at cost less impairment. Losses arising from the impairment of such investment should be recognised in the income statement as "Impairment losses on available-for-sale financial assets". At 31 March 2009, no impairment losses have been recognised for available-for-sale assets (2008: Nil). The carrying amounts of available-for-sale assets and loan to an available-for-sale financial asset were HK\$15,823,000 (2008: HK\$24,323,000) and HK\$16,456,000 (2008: Nil), respectively. Further details are contained in note 19 to the financial statements.

Notes to Financial Statements

31 March 2009

4. SEGMENT INFORMATION

Segment information is presented on the Group's primary segment reporting basis, by geographical segment.

No further business segment information is presented as the Group is principally engaged in the manufacture and trading of eyewear products and the management considers that the Group operates in one single business segment.

Each of the Group's geographical segments, based on the location of customers (the destination of sales), represents a strategic business unit that offers products to customers located in a geographical area which is subject to risks and returns that are different from those of the other geographical segments. The Group's customer-based geographical segments are as follows:

- (a) the North America segment mainly represents the sale of eyewear products to customers located in the United States;
- (b) the Europe segment mainly represents the sale of eyewear products to customers located in Italy, the United Kingdom, Spain, France, Germany and Sweden;
- (c) the People's Republic of China (including Hong Kong) segment mainly represents the sale of eyewear products to agents located in Hong Kong, but also includes sales made to local retailers. The directors believe that the agents in Hong Kong export most of the Group's products to Europe and North America;
- (d) the Other Asian countries segment mainly represents the sale of eyewear products to customers located in Malaysia, Singapore, the Philippines, Japan and India; and
- (e) the "Others" segment mainly represents the sale of eyewear products to customers located in Australia, South America and Africa.

Notes to Financial Statements

31 March 2009

4. SEGMENT INFORMATION (continued)

Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 March 2009 and 2008.

	North America		Europe		People's Republic of China (including Hong Kong)		Other Asian countries		Others		Consolidated	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue:												
Sales to external customers	167,897	169,038	297,119	342,296	30,162	25,219	11,124	8,052	3,781	7,178	510,083	551,783
Segment results	3,114	14,325	5,512	29,007	559	2,137	207	683	70	608	9,462	46,760
Interest and dividend income											1,501	2,037
Unallocated corporate expenses											(1,828)	(1,260)
Finance costs											(70)	(1,797)
Share of profits and losses of:												
Jointly-controlled entities	-	-	-	-	316	452	(431)	-	-	-	(115)	452
Associates	-	-	-	-	6,109	9,352	233	890	-	-	6,342	10,242
Profit before tax											15,292	56,434
Tax											864	(5,065)
Profit for the year											16,156	51,369
Segment assets	38,536	45,759	72,309	76,743	418,029	428,511	2,745	1,750	4	118	531,623	552,881
Interests in associates	-	-	-	-	-	16,209	3,179	2,946	-	-	3,179	19,155
Interests in jointly-controlled entities	-	-	-	-	4,449	3,070	326	757	-	-	4,775	3,827
Cash and cash equivalents											78,119	76,082
Unallocated assets											1,068	-
Total assets											618,764	651,945
Segment liabilities	1,689	1,745	7,270	9,342	64,320	84,974	820	1,668	-	32	74,099	97,761
Bank loans											-	5,000
Unallocated liabilities											9,388	10,265
Total liabilities											83,487	113,026
Other segment information:												
Capital expenditure	-	-	-	-	31,697	29,123	-	-	-	-	31,697	29,123
Depreciation and amortisation	-	-	-	-	33,870	37,840	-	-	-	-	33,870	37,840
Provision for inventory obsolescence	-	-	-	-	4,271	2,104	-	-	-	-	4,271	2,104
Impairment/(write-back of impairment) of trade receivables	(990)	-	306	-	(1,094)	(4,909)	(118)	(328)	-	-	(1,896)	(5,237)
Changes in fair value of investment properties	-	-	-	-	650	(1,287)	-	-	-	-	650	(1,287)
Write-back of provision for impairment of prepaid land lease payments and buildings	-	-	-	-	-	(710)	-	-	-	-	-	(710)



Notes to Financial Statements

31 March 2009

5. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold to third parties, net of trade discounts and returns.

An analysis of revenue, other income and gain is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Revenue		
Sale of goods	<u>510,083</u>	<u>551,783</u>
Other income		
Sale of scrap materials	899	6,998
Bank interest income	1,484	2,026
Gross rental income	156	208
Dividend income from equity investments at fair value through profit or loss	17	11
Others	<u>810</u>	<u>1,373</u>
	<u>3,366</u>	<u>10,616</u>
Gain		
Foreign exchange differences, net	<u>-</u>	<u>543</u>
	<u>3,366</u>	<u>11,159</u>

Notes to Financial Statements

31 March 2009

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Group	
		2009 HK\$'000	2008 HK\$'000
Cost of inventories sold		434,522	454,942
Depreciation	13	32,676	36,667
Auditors' remuneration		1,265	1,425
Minimum lease payments under operating leases in respect of buildings		2,465	2,874
Employee benefit expense (excluding directors' remuneration, as set out in note 8):			
Wages and salaries		159,987	133,613
Pension scheme contributions*		920	998
		160,907	134,611
Net rental income		(156)	(208)
Provision for inventory obsolescence		4,271	2,104
Foreign exchange differences, net		823	(543)
Other operating expenses/(income):			
Write-back of impairment of trade receivables	21	(1,896)	(5,237)
Loss/(gain) on disposal of items of property, plan and equipment		204	(169)
Write-back of provision for impairment of prepaid land lease payments	15	–	(614)
Write-back of provision for impairment of buildings	13	–	(96)
Write-off of other receivables		–	2
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss – held for trading		159	(164)
Changes in fair value of investment properties	14	650	(1,287)
		(883)	(7,565)

* At the balance sheet date, the Group had no forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years (2008: Nil).

Notes to Financial Statements

31 March 2009

7. FINANCE COSTS

	Group	
	2009 HK\$'000	2008 HK\$'000
Interest on bank loans wholly repayable within five years	70	1,793
Interest on finance leases	—	4
	<u>70</u>	<u>1,797</u>

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Fees	300	300
Other emoluments:		
Basic salaries and bonuses	2,502	2,498
Housing benefit	1,506	1,506
Pension scheme contributions	54	54
	<u>4,062</u>	<u>4,058</u>
	<u>4,362</u>	<u>4,358</u>

Three (2008: three) directors occupied certain of the Group's properties rent free during the year. The estimated value of the accommodation provided for them was HK\$1,506,000 (2008: HK\$1,506,000) for the year ended 31 March 2009, which has been included in the amounts detailed above.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009 HK\$'000	2008 HK\$'000
Poon Kwok Fai, Ronald	100	100
Wong Chung Mat, Ben	100	100
Tam Hok Lam, Tommy	100	100
	<u>300</u>	<u>300</u>

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

Notes to Financial Statements

31 March 2009

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

Directors' remuneration (continued)

(b) Executive directors and non-executive directors

	Basic salaries and bonuses HK\$'000	Housing benefit HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2009				
Executive directors:				
Hui Leung Wah	1,200	900	–	2,100
Poon Sui Hong	768	444	31	1,243
Leung Shu Sum	534	162	23	719
	<u>2,502</u>	<u>1,506</u>	<u>54</u>	<u>4,062</u>
2008				
Executive directors:				
Hui Leung Wah	1,200	900	–	2,100
Poon Sui Hong	766	444	31	1,241
Leung Shu Sum	532	162	23	717
	<u>2,498</u>	<u>1,506</u>	<u>54</u>	<u>4,058</u>

There were no fees and other emoluments payable to the non-executive directors during the year (2008: Nil).

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

Highest paid employees' emoluments

The five highest paid individuals during the year included two (2008: three) directors, details of whose remuneration are disclosed above. Details of the remuneration of the three (2008: two) non-director, highest paid individuals for the year are set out below:

	Group	
	2009 HK\$'000	2008 HK\$'000
Basic salaries and bonuses	2,415	1,703
Housing benefit	252	252
Pension scheme contributions	79	67
	<u>2,746</u>	<u>2,022</u>

Notes to Financial Statements

31 March 2009

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued) Highest paid employees' emoluments (continued)

The number of non-director, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of non-director, highest paid individuals	
	2009	2008
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	1
	3	2

One of the non-director, highest paid individuals occupied one of the Group's properties rent free during the year. The estimated value of the accommodation provided to him was HK\$252,000 (2008: HK\$252,000) for the year ended 31 March 2009, which has been included in the amounts detailed above.

9. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009 HK\$'000	2008 HK\$'000
Group:		
Current – Hong Kong		
Charge for the year	1,930	4,133
Overprovision in prior years	(481)	(1,397)
Current – Elsewhere	59	3,199
Deferred (note 28)	(2,372)	(870)
Total tax charge/(credit) for the year	(864)	5,065

Notes to Financial Statements

31 March 2009

9. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the effective tax rates is as follows:

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Group – 2009			
Profit before tax	20,618	(5,326)	15,292
Tax at the statutory tax rate	3,402	(1,331)	2,071
Effect on opening deferred tax of decrease in rates	(406)	–	(406)
Adjustments in respect of current tax of previous periods	(481)	–	(481)
Profits and losses attributable to jointly-controlled entities and associates	(1,027)	–	(1,027)
Results from offshore manufacturing operation not subject to tax	(1,099)	–	(1,099)
Income not subject to tax	(394)	(837)	(1,231)
Expenses not deductible for tax	150	1,706	1,856
Tax losses utilised from previous periods	(246)	–	(246)
Estimated tax losses not recognised	198	558	756
Others	(1,020)	(37)	(1,057)
Tax charge/(credit) at the Group's effective rate	(923)	59	(864)
Group – 2008			
Profit before tax	47,692	8,742	56,434
Tax at the statutory tax rate	8,346	2,885	11,231
Lower tax rates for specific provinces	–	(964)	(964)
Adjustments in respect of current tax of previous periods	(1,397)	–	(1,397)
Profits and losses attributable to jointly-controlled entities and associates	(1,872)	–	(1,872)
Results from offshore manufacturing operation not subject to tax	(2,696)	–	(2,696)
Income not subject to tax	(1,175)	(198)	(1,373)
Expenses not deductible for tax	88	1,333	1,421
Tax losses utilised from previous periods	(377)	–	(377)
Estimated tax losses not recognised	325	139	464
Others	624	4	628
Tax charge at the Group's effective rate	1,866	3,199	5,065

Notes to Financial Statements

31 March 2009

9. TAX (continued)

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In addition, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them to 25% over five years from its effective date.

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2009 includes a profit of HK\$2,205,000 (2008: HK\$21,144,000) which has been dealt with in the financial statements of the Company (note 31(b)).

11. DIVIDENDS

	2009 HK\$'000	2008 HK\$'000
Interim – Nil (2008: HK3.0 cents) per ordinary share	–	9,709
Proposed final – HK3.0 cents (2008: HK6.0 cents) per ordinary share	9,709	19,419
	<u>9,709</u>	<u>29,128</u>

The 2009 final dividend of HK3.0 cents per ordinary share has been proposed to be paid to shareholders whose names appear on the register of members on 28 August 2009 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent for the year of HK\$17,611,000 (2008: HK\$48,001,000) and 323,649,123 (2008: 323,649,123) shares in issue.

The diluted earnings per share amounts have not been calculated for the current and prior years as no diluting events existed throughout these years.

Notes to Financial Statements

31 March 2009

13. PROPERTY, PLANT AND EQUIPMENT Group

	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 March 2009							
At 31 March 2008 and at 1 April 2008:							
Cost	132,703	60,307	267,510	37,600	13,219	8,292	519,631
Accumulated depreciation and impairment	(11,680)	(33,712)	(207,921)	(27,423)	(9,335)	-	(290,071)
Net carrying amount	<u>121,023</u>	<u>26,595</u>	<u>59,589</u>	<u>10,177</u>	<u>3,884</u>	<u>8,292</u>	<u>229,560</u>
At 1 April 2008, net of accumulated depreciation and impairment	121,023	26,595	59,589	10,177	3,884	8,292	229,560
Additions	-	9,332	18,771	1,547	2,047	-	31,697
Disposals	-	-	(456)	(92)	(62)	-	(610)
Depreciation provided during the year	(2,808)	(3,901)	(22,454)	(2,011)	(1,502)	-	(32,676)
Transfer from investment properties (note 14)	966	-	-	-	-	-	966
Exchange realignment	432	62	79	24	4	98	699
At 31 March 2009, net of accumulated depreciation and impairment	<u>119,613</u>	<u>32,088</u>	<u>55,529</u>	<u>9,645</u>	<u>4,371</u>	<u>8,390</u>	<u>229,636</u>
At 31 March 2009:							
Cost	134,127	69,711	285,551	39,071	12,925	8,390	549,775
Accumulated depreciation and impairment	(14,514)	(37,623)	(230,022)	(29,426)	(8,554)	-	(320,139)
Net carrying amount	<u>119,613</u>	<u>32,088</u>	<u>55,529</u>	<u>9,645</u>	<u>4,371</u>	<u>8,390</u>	<u>229,636</u>

Notes to Financial Statements

31 March 2009

13. PROPERTY, PLANT AND EQUIPMENT (continued) Group (continued)

	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
31 March 2008							
At 1 April 2007							
Cost	129,057	56,394	251,885	35,564	11,273	3,725	487,898
Accumulated depreciation and impairment	(8,877)	(30,411)	(180,021)	(26,860)	(8,881)	–	(255,050)
Net carrying amount	120,180	25,983	71,864	8,704	2,392	3,725	232,848
At 1 April 2007, net of accumulated depreciation and impairment							
	120,180	25,983	71,864	8,704	2,392	3,725	232,848
Additions	372	3,657	15,184	3,023	2,770	4,117	29,123
Disposals	–	(216)	(103)	(283)	–	–	(602)
Reversal of impairment (note 6)	96	–	–	–	–	–	96
Depreciation provided during the year	(2,716)	(3,327)	(27,910)	(1,403)	(1,311)	–	(36,667)
Exchange realignment	3,091	498	554	136	33	450	4,762
At 31 March 2008, net of accumulated depreciation and impairment	121,023	26,595	59,589	10,177	3,884	8,292	229,560
At 31 March 2008:							
Cost	132,703	60,307	267,510	37,600	13,219	8,292	519,631
Accumulated depreciation and impairment	(11,680)	(33,712)	(207,921)	(27,423)	(9,335)	–	(290,071)
Net carrying amount	121,023	26,595	59,589	10,177	3,884	8,292	229,560

Further details of the leasehold land on which the above buildings were located are included in note 15 to the financial statements.

Notes to Financial Statements

31 March 2009

14. INVESTMENT PROPERTIES

	Notes	Group	
		2009 HK\$'000	2008 HK\$'000
Carrying amount at 1 April		4,416	3,129
Net profit/(loss) from a fair value adjustment	6	(650)	1,287
Transfer to buildings	13	(966)	–
Carrying amount at 31 March		<u>2,800</u>	<u>4,416</u>

At 31 March 2009, the investment properties were revalued at HK\$2,800,000 (2008: HK\$4,416,000) on an open market and existing use basis by Vigers Appraisal & Consulting Limited, an independent professionally qualified valuer. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

The investment properties above, which held under medium term leases, are located in:

	2009 HK\$'000	2008 HK\$'000
Hong Kong	2,800	3,450
Mainland China	–	966
	<u>2,800</u>	<u>4,416</u>

15. PREPAID LAND LEASE PAYMENTS

	Note	Group	
		2009 HK\$'000	2008 HK\$'000
Carrying amount at 1 April		47,726	47,136
Recognised during the year		(1,194)	(1,173)
Reversal of impairment loss during the year	6	–	614
Exchange realignment		113	1,149
Carrying amount at 31 March		<u>46,645</u>	<u>47,726</u>
Current portion included in prepayments, deposits and other receivables		<u>(1,194)</u>	<u>(1,173)</u>
Non-current portion		<u>45,451</u>	<u>46,553</u>

Notes to Financial Statements

31 March 2009

15. PREPAID LAND LEASE PAYMENTS (continued)

The leasehold land included above is held under medium term leases and is situated in:

	2009 HK\$'000	2008 HK\$'000
Hong Kong	30,895	31,723
Mainland China	15,750	16,003
	<u>46,645</u>	<u>47,726</u>

16. INTERESTS IN SUBSIDIARIES

	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	147,173	147,173
Loans to subsidiaries	329,936	344,676
	<u>477,109</u>	<u>491,849</u>

The loans to subsidiaries above are unsecured, interest-free and not repayable within one year. In the opinion of the directors, these loans are considered as quasi-equity investments in the subsidiaries.

The loan from a subsidiary included in the Company's non-current liabilities totalling HK\$230,471,000 (2008: HK\$227,250,000) is unsecured, interest-free and not repayable within one year.

Notes to Financial Statements

31 March 2009

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Place of operations	Nominal value of issued share capital/ paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Diamond Bright Industries Limited	Hong Kong	Hong Kong	Ordinary HK\$400	–	100	Investment holding
Dongguan Yick Yue Optical Limited**	People's Republic of China (the "PRC")***	Mainland China	HK\$16,715,000	–	55	Manufacture of optical frames
Elegance Group Limited	British Virgin Islands	Hong Kong	Ordinary US\$80	100	–	Investment holding
Elegance Optical Investments Limited	Hong Kong	Hong Kong	Ordinary HK\$200 Non-voting deferred HK\$20,000,000*	–	100	Investment and property holding
Elegance Optical Manufactory Limited	Hong Kong	Hong Kong	Ordinary HK\$2	–	100	Trading and manufacture of optical frames
Fortune Optical Limited**	PRC***	Mainland China	HK\$35,387,100 (2008: HK\$32,636,600)	–	55	Trading and manufacture of optical frames
Glory (Hui's) Trading Limited	Hong Kong	Hong Kong	Ordinary HK\$200	–	100	Trading of optical frames in Hong Kong and South East Asia
Gold Strong Industrial Limited	Hong Kong	Hong Kong	Ordinary HK\$100	–	55	Investment holding and trading of optical frames
Grand Artic Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	–	76	Manufacture of optical cases
Grand River Investments Limited**	Hong Kong	Hong Kong	Ordinary HK\$2	–	100	Property holding

Notes to Financial Statements

31 March 2009

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration	Place of operations	Nominal value of issued share capital/ paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Great Champ Asia Limited**	Hong Kong	Hong Kong	Ordinary HK\$2	–	100	Investment holding
Leader Up Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	–	100	Dormant
Million Wave Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	–	100	Property holding
Promisewell Company Limited	British Virgin Islands	Hong Kong	Ordinary US\$1	–	100	Intellectual property holding
Sandwalk Far East Limited**	Hong Kong	Hong Kong	Ordinary HK\$1	–	100	Trading of leather products
Standard Sun International Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	–	100	Dormant
United Wish Company Limited	Hong Kong	Mainland China	Ordinary HK\$100	–	100	Dormant
Winston Technology Limited	Hong Kong	Hong Kong	Ordinary HK\$1	–	100	Investment holding
Yieldly (International) Investment Limited	Hong Kong	Hong Kong	Ordinary HK\$400	–	100	Investment holding
東莞精奇機械科技有限公司**	PRC***	Mainland China	HK\$15,500,000 (2008: HK\$14,000,000)	–	100	Trading and manufacture of machinery
東莞豐誠貿易有限公司**	PRC***	Mainland China	HK\$3,000,000	–	100	Investment holding
廣州雅進貿易有限公司**	PRC***	Mainland China	RMB500,000	–	100	Retailing and trading of optical frames and leather products

Notes to Financial Statements

31 March 2009

16. INTERESTS IN SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* The first HK\$1,000,000,000,000 of the profits which the subsidiary may determine to distribute in any financial year must be distributed among the holders of ordinary shares where one half of the balance of the said profits is distributed among the holders of the non-voting deferred shares and the other half of such balance among the holders of ordinary shares. Moreover, the holders of the non-voting deferred shares have no other rights to dividends. The holders of the non-voting deferred shares have no right to attend or vote at general meetings, except for general meetings convened for the purpose of reducing the capital of the Company or altering their class rights. The non-voting deferred shares carry the right to receive one half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of HK\$5,000,000,000.

** Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

*** Dongguan Yick Yue Optical Limited, Fortune Optical Limited, 東莞精奇機械科技有限公司, 東莞豐誠貿易有限公司 and 廣州雅進貿易有限公司 are registered as wholly-foreign-owned enterprises under the PRC law.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets	1,055	1,677
Loan to a jointly-controlled entity	3,720	2,150
	4,775	3,827

The loan to a jointly-controlled entity is unsecured, interest-free and not repayable within one year from the balance sheet date. In the opinion of the directors, the loan is considered as quasi-equity investment in the jointly-controlled entity.

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Elegance Japan Co., Ltd.*	JPY20,000,000	Japan	50	50	50	Trading of eyewear products
廣州市佳視光學眼鏡 有限公司*	Registered capital of RMB1,000,000	PRC	41 (2008: 45)	41 45	41 (45)	Retailing and trading of optical frames

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Notes to Financial Statements

31 March 2009

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Both the above jointly-controlled entities have been accounted for using the equity method in these financial statements.

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2009 HK\$'000	2008 HK\$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	5,596	4,552
Non-current assets	155	124
Current liabilities	(1,378)	(1,107)
Non-current liabilities	(3,318)	(1,892)
Net assets	<u>1,055</u>	<u>1,677</u>
Share of the jointly-controlled entities' results:		
Revenue	4,485	1,820
Expenses	(4,592)	(1,368)
Profit/(loss) before tax	(107)	452
Tax	(8)	–
Profit/(loss) after tax	<u>(115)</u>	<u>452</u>

18. INTERESTS IN ASSOCIATES

	Group	
	2009 HK\$'000	2008 HK\$'000
Share of net assets	3,179	12,010
Loan to an associate	–	7,145
	<u>3,179</u>	<u>19,155</u>
Due from associates	–	10,120
Due to an associate	–	(4,600)
	<u>3,179</u>	<u>24,675</u>

Notes to Financial Statements

31 March 2009

18. INTERESTS IN ASSOCIATES (continued)

In the prior year, the loan to an associate was unsecured, interest-free and not repayable within one year from the balance sheet date. The amounts due from and to associates included in the Group's current assets and liabilities of HK\$10,120,000 and HK\$4,600,000, respectively, were unsecured, interest-free and were repayable on demand.

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Optics 2000 & Optics Café Pte., Ltd.*	Ordinary shares of SG\$1 each	Singapore	43.8	Retailing of eyewear products

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The above associate has been accounted for using the equity method in these financial statements.

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

The Group has ceased to account for the profits and losses of Safint Optical Investments Limited, Safilo Eyewear Ltd. and Safilo Trading (Shenzhen) Co., Ltd. under equity accounting since 1 January 2009. The management considers that due to the change of role of Mr. Hui Leung Wah, a director of the Company, from an executive to a non-executive director in those companies, the Group can no longer exercise significant influence over these entities. Accordingly, the carrying amounts of the Group's interests in those associates of HK\$15,173,000 (note 19) and a loan to an associate of HK\$7,145,000 as at 31 December 2008 were reclassified under available-for-sale financial assets.

The following table illustrates the summarised financial information of the Group's associates as at the balance sheet date and for the year extracted from their management accounts:

	2009 HK\$'000	2008 HK\$'000
Assets	8,101	202,738
Liabilities	(650)	(158,019)
Revenues	166,245	218,391
Profit	25,468	40,218

Notes to Financial Statements

31 March 2009

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2009 HK\$'000	2008 HK\$'000
Current		
Time deposit, at fair value	—	23,673
Non-current		
Club debenture, at fair value	650	650
Unlisted equity investment, at cost (note 18)	15,173	—
Loan to an unlisted equity investment	16,456	—
	31,629	—
	32,279	650

During the year, the gross loss of the Group's available-for-sale financial assets recognised directly in equity amounted to HK\$273,000 (2008: gross gain of HK\$5,030,000).

The time deposits in the prior year had maturity date in July 2008 and the full principal amount of HK\$23,400,000 was repaid upon maturity. The above time deposits were designated as available-for-sale financial assets on 1 April 2005. Interest income was charged at 4.25 % (2008: 4.25%) times the number of calendar days in the relevant period during which the LIBOR was within a pre-determined range. The fair values of available-for-sale financial assets had been estimated using a valuation technique based on the prevailing market interest rate. The directors believe that the estimated fair values resulting from such valuation technique, which were recorded directly in the consolidated balance sheet, and the related changes in fair values, which were recorded directly in equity, were reasonable, and that they were the most appropriate values at the balance sheet date. The time deposits were deposited with creditworthy banks with no recent history of default.

As at 31 March 2009, the unlisted equity investment with a carrying amount of HK\$15,173,000 (2008: Nil), which was reclassified from interests in associates on 1 January 2009 (note 18), has been stated at the carrying cost at the date of reclassification because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of such an investment in the near future.

The loan to an unlisted equity investment is unsecured, interest-free and not repayable within one year from the balance sheet date. In the opinion of the directors, the loan is considered as quasi-equity investment in the unlisted equity investment.

Notes to Financial Statements

31 March 2009

20. INVENTORIES

	Group	
	2009 HK\$'000	2008 HK\$'000
Raw materials	25,674	35,852
Work in progress	32,776	38,233
Finished goods	19,943	16,201
	<u>78,393</u>	<u>90,286</u>

21. TRADE AND BILLS RECEIVABLES

	Group	
	2009 HK\$'000	2008 HK\$'000
Trade and bills receivables	131,033	145,855
Impairment	(5,139)	(8,387)
	<u>125,894</u>	<u>137,468</u>

Credit is offered to customers following a financial assessment by the Group with regard to their established payment records. The Group usually allows average credit periods ranging from 45 to 120 days (2008: 45 to 120 days) to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. Trade and bills receivables are non-interest-bearing.

The following is an aged analysis of the trade and bills receivables (net of impairment of trade receivables) as at 31 March 2009 and 2008:

	Group	
	2009 HK\$'000	2008 HK\$'000
Current to 90 days	119,021	128,652
91 to 180 days	1,990	4,353
181 to 360 days	138	816
	<u>121,149</u>	<u>133,821</u>
Bills receivable	4,745	3,647
Total	<u>125,894</u>	<u>137,468</u>

Notes to Financial Statements

31 March 2009

21. TRADE AND BILLS RECEIVABLES (continued)

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
At 1 April	8,387	13,665
Amount written off as uncollectible	(1,352)	(41)
Impairment losses reversed (note 6)	(1,896)	(5,237)
At 31 March	<u>5,139</u>	<u>8,387</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$5,139,000 (2008: HK\$8,387,000) with aggregate carrying amounts of HK\$6,106,000 (2008: HK\$12,970,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Neither past due nor impaired	101,647	111,207
Less than one month past due	17,147	8,933
One to three months past due	4,972	10,470
Over three months past due	1,161	2,275
	<u>124,927</u>	<u>132,885</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The trade receivables of the Group include trade balances due from the Safilo S.p.A group of companies of HK\$62,532,000 (2008: HK\$65,202,000) (note 35 (a)(i)) in aggregate, which are unsecured, interest-free and are repayable in accordance with normal trading terms of 120 days (2008: 120 days).

Notes to Financial Statements

31 March 2009

21. TRADE AND BILLS RECEIVABLES (continued)

On 2 July 2009, Safilo S.p.A. announced that its lending banks have agreed to postpone the repayment of the loans originally due by 30 June 2009 to 31 December 2009 and have also granted a waiver of its financial covenants. The directors of the Company, after careful examination of the situation, are of the opinion that no provision for impairment is necessary in respect of the balance due from Safilo S.p.A. as at 31 March 2009 as Safilo S.p.A. has been making timely settlements of the outstanding receivables.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Prepayments	2,959	4,888	170	166
Deposits and other receivables	10,342	2,141	–	–
	<u>13,301</u>	<u>7,029</u>	<u>170</u>	<u>166</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there is no recent history of default.

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009 HK\$'000	2008 HK\$'000
Listed equity investments in Hong Kong, at market value	<u>835</u>	<u>78</u>

The above equity investments at 31 March 2008 and 2009 were classified as held for trading.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Cash and bank balances	78,119	32,330	54	39
Time deposits	–	43,752	–	–
Cash and cash equivalents	<u>78,119</u>	<u>76,082</u>	<u>54</u>	<u>39</u>

Notes to Financial Statements

31 March 2009

24. CASH AND CASH EQUIVALENTS (continued)

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$15,967,000 (2008: HK\$19,609,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

The following is an aged analysis of the trade and bills payables as at 31 March 2009 and 2008:

	Group	
	2009 HK\$'000	2008 HK\$'000
Current to 90 days	31,694	56,920
91 to 180 days	2,327	3,066
181 to 360 days	145	566
Over 360 days	598	757
Total	<u>34,764</u>	<u>61,309</u>

The trade and bills payables are non-interest-bearing and are normally settled on 90-day (2008: 30-day) terms.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Other payables	22,427	19,693	48	33
Accruals	16,908	12,159	190	148
	<u>39,335</u>	<u>31,852</u>	<u>238</u>	<u>181</u>

Other payables are non-interest-bearing and repayable on demand.

Notes to Financial Statements

31 March 2009

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

In the prior year, the bank loans of HK\$5,000,000 were denominated in Hong Kong dollars, unsecured, bore interest at floating interest rate of HIBOR plus 0.8% per annum and were repayable within one year. The banking facilities were secured by corporate guarantees in the amount of HK\$182,000,000 provided from the Company (note 32).

The carrying amounts of the Group's borrowings approximated to their fair values. The fair values of interest-bearing bank and other borrowings had been calculated by discounting the expected future cash flows at prevailing interest rates.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation HK\$'000	Others HK\$'000	Total HK\$'000
At 1 April 2007	9,150	(1,165)	7,985
Deferred tax credited to the income statement during the year (note 9)	(1,509)	639	(870)
Gross deferred tax liabilities at 31 March 2008 and 1 April 2008	7,641	(526)	7,115
Deferred tax credited to the income statement during the year (note 9)	(1,774)	209	(1,565)
Gross deferred tax liabilities at 31 March 2009	5,867	(317)	5,550

Deferred tax assets

	Group Losses available for offsetting against future taxable profits HK\$'000	Company Losses available for offsetting against future taxable profits HK\$'000
At 1 April 2007, 31 March 2008 and 1 April 2008	–	–
Deferred tax credited to the income statement during the year (note 9)	807	785
Gross deferred tax assets at 31 March 2009	807	785

Notes to Financial Statements

31 March 2009

28. DEFERRED TAX (continued)

At the balance sheet date, the Group had tax losses arising in Hong Kong of HK\$15,102,000 (2008: HK\$19,251,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2009, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$28,000 at 31 March 2009 (2008: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

	2009 HK\$'000	2008 HK\$'000
<i>Authorised:</i>		
1,000,000,000 shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
323,649,123 shares of HK\$0.10 each	<u>32,365</u>	<u>32,365</u>

Notes to Financial Statements

31 March 2009

30. 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 the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders and any minority shareholder in the Company's subsidiaries.

The share option scheme of the Company was approved by the shareholders at a special general meeting of the Company held on 16 May 2003 to comply with Chapter 17 of the Listing Rules on the SEHK. The Scheme became effective on 16 May 2003 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee with no consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the SEHK closing price of the Company's shares on the date of offer of the share options; and (ii) the average SEHK closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No options have been granted since the approval of the Scheme on 16 May 2003.

Notes to Financial Statements

31 March 2009

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of this annual report.

The capital reserve of the Group represents (i) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 8 February 1996, over the nominal value of the Company's shares issued in exchange therefor; and (ii) the premium arising on the subscription of shares of Elegance Group Limited ("EGL"), the then holding company of the Group's subsidiaries existing at that time, at an aggregate premium of HK\$22,000,000 which was credited to the capital reserve. Such Group reorganisation has resulted in EGL becoming a wholly-owned subsidiary of the Company.

Certain amounts of goodwill arising on the acquisition of subsidiaries in prior years remain eliminated against consolidated reserves.

(b) Company

	Note	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 April 2007		56,831	146,973	17,019	19,419	240,242
Profit for the year		–	–	21,144	–	21,144
2007 final dividend declared		–	–	–	(19,419)	(19,419)
2008 interim dividend paid	11	–	–	(9,709)	–	(9,709)
2008 final dividend proposed	11	–	–	(19,419)	19,419	–
At 31 March and 1 April 2008		56,831	146,973	9,035	19,419	232,258
Profit for the year		–	–	2,205	–	2,205
2008 final dividend declared		–	–	–	(19,419)	(19,419)
2009 final dividend proposed	11	–	–	(9,709)	9,709	–

At 31 March 2009

56,831*	146,973*	1,531*	9,709	215,044
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The contributed surplus of the Company represents the difference between the consolidated net asset value of EGL on 8 February 1996, the day on which its entire issued share capital was acquired by the Company pursuant to the Group reorganisation referred to in note 31(a), and the nominal amount of the Company's shares issued in consideration for such acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances.

* Comprise the Company's reserves of HK\$205,335,000 (2008: HK\$212,839,000) at the balance sheet date.

Notes to Financial Statements

31 March 2009

32. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2009 HK\$'000	2008 HK\$'000
Guarantees given for banking facilities granted to wholly-owned subsidiaries (note 27)	107,900	182,000
Amount utilised	-	5,000

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

In the prior year, the Group leased one of its investment properties (note 14) under an operating lease arrangement, with the lease negotiated for a term of three months. The terms of the lease also required the tenant to pay security deposits and provided for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2009, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Within one year	-	27

(b) As lessee

The Group leases certain of its office premises under operating lease arrangements. Leases for office premises are negotiated for terms ranging from 1 to 50 years.

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Within one year	2,578	2,628
In the second to fifth years, inclusive	3,342	4,475
After five years	49,614	48,315
	55,534	55,418

Notes to Financial Statements

31 March 2009

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2009 HK\$'000	2008 HK\$'000
Contracted, but not provided for:		
Land and buildings	113	1,246
Equipment and machinery	2,240	935
	2,353	2,181

The Company had no significant commitments at the balance sheet date.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions set out elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with the Safilo S.p.A. group of companies ("Safilo")

Safilo S.p.A., a company incorporated in Italy and beneficially owning a 23.05% equity interest in the Company, entered into the following commercial agreements with the Company since 1997:

(i) Supply Agreement

The Group committed to supply and Safilo committed to purchase, for an initial period of three years, minimum quantities (subject to adjustment) of optical frames, sunglasses and related products. Subsequent to the initial three-year period, the Supply Agreement would continue subject to termination by either party by a notice period of six months.

The terms of sales offered to Safilo are similar to the terms that the Group offers to other major customers.

During the year, the Group sold goods to Safilo with an aggregate sales value amounting to HK\$189,405,000 (2008: HK\$232,053,000).

The aggregate trade receivable balance due from Safilo at 31 March 2009 in respect of these sales amounted to HK\$62,532,000 (2008: HK\$65,202,000) (note 21).

(ii) Shareholders' Agreement and Sub-licence Agreement

Pursuant to the terms of the shareholders' agreement entered into between the Group and Safilo Far East Limited ("SFEL") which is a wholly-owned subsidiary of Safilo S.p.A and an independent third party, a joint venture company, Safint Optical Investments Limited ("Safint"), was established to manage and operate the manufacture and distribution of optical frames and sunglasses in Mainland China.

A Sub-licence Agreement was entered into between Safint and the Group pursuant to which the Group was granted a non-exclusive licence by Safint to manufacture and distribute Safilo's branded products in Mainland China.

During the year, the Group sold goods to Safint's group companies with an aggregate sales value amounting to HK\$351,000 (2008: HK\$1,126,000). The sales were carried out at prices mutually agreed between the parties.

Notes to Financial Statements

31 March 2009

35. RELATED PARTY TRANSACTIONS (continued)

(b) Transaction with a director of the Company

During the year, a director's quarter was rented by the Group from Mr. Hui Leung Wah, the chairman and managing director of the Company, for the use by Mr. Poon Siu Hong as a director's quarter. The annual rental amounting to HK\$444,000 for the year (2008: HK\$444,000) was mutually agreed by both parties based on market value and has been included in directors' remuneration in note 8 to the financial statements.

(c) Outstanding balances with related parties

Details of the Group's balances with its jointly-controlled entities and associates as at the balance sheet date are included in notes 17 and 18, respectively, to the financial statements.

(d) Compensation of key management personnel of the Group

	2009 HK\$'000	2008 HK\$'000
Short term employee benefits	5,979	5,959
Post-employment benefits	110	121
Total compensation paid to key management personnel	<u>6,089</u>	<u>6,080</u>

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions as set out in (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Interests in jointly-controlled entities (note 17)	–	3,720	–	3,720
Available-for-sale financial assets	–	16,456	15,823	32,279
Trade and bills receivables	–	125,894	–	125,894
Financial assets included in prepayments, deposits and other receivables (note 22)	–	10,342	–	10,342
Equity investments at fair value through profit or loss	835	–	–	835
Cash and cash equivalents	–	78,119	–	78,119
	<u>835</u>	<u>234,531</u>	<u>15,823</u>	<u>251,189</u>

Notes to Financial Statements

31 March 2009

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:
(continued)

2009	Group			
<i>Financial liabilities</i>				
				Financial liabilities at amortised cost HK\$'000
Trade and bills payables				34,764
Financial liabilities included in other payables and accruals (note 26)				22,427
				57,191
2008	Group			
<i>Financial assets</i>				
	Financial assets at fair value through profit or loss – held for trading HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Interests in jointly-controlled entities (note 17)	–	2,150	–	2,150
Interests in associates (note 18)	–	17,265	–	17,265
Available-for-sale financial assets	–	–	24,323	24,323
Trade and bills receivables	–	137,468	–	137,468
Financial assets included in prepayments, deposits and other receivables (note 22)	–	2,141	–	2,141
Equity investments at fair value through profit or loss	78	–	–	78
Cash and cash equivalents	–	76,082	–	76,082
	78	235,106	24,323	259,507
<i>Financial liabilities</i>				
				Financial liabilities at amortised cost HK\$'000
Trade and bills payables				61,309
Financial liabilities included in other payables and accruals (note 26)				19,693
Interest-bearing bank and other borrowings				5,000
Due to an associate				4,600
				90,602

Notes to Financial Statements

31 March 2009

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:
(continued)

Financial assets

	Company	
	Loans and receivables	
	2009	2008
	HK\$'000	HK\$'000
Loans to subsidiaries (note 16)	329,936	344,676
Cash and bank balances	54	39
	<u>329,990</u>	<u>344,715</u>

Financial liabilities

	Company	
	Financial liabilities at amortised cost	
	2009	2008
	HK\$'000	HK\$'000
Loan from a subsidiary (note 16)	230,471	227,250
Financial liabilities included in other payables and accruals (note 26)	48	33
	<u>230,519</u>	<u>227,283</u>

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and the time deposits with floating interest rates.

The Group does not hedge interest rate fluctuations. The Group's policy to manage its interest rate risk is to minimise its interest-bearing borrowings at floating rates.

Notes to Financial Statements

31 March 2009

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Group Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2009			
Hong Kong dollar	3%	(150)	–
United States dollar	3%	750	–
Hong Kong dollar	(3%)	150	–
United States dollar	(3%)	(750)	–
2008			
Hong Kong dollar	3%	(957)	–
United States dollar	3%	640	–
Hong Kong dollar	(3%)	957	–
United States dollar	(3%)	(640)	–

* Excluding retained earnings

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Most of the Group's sales are denominated in United States dollars while expenditure incurred in the operations of manufacturing plants and capital expenditure are denominated in RMB. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to Financial Statements

31 March 2009

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities of the Group's foreign subsidiaries).

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity * HK\$'000
2009			
If Hong Kong dollar weakens against RMB	5%	279	447
If Hong Kong dollar strengthens against RMB	(5%)	(279)	(447)
2008			
If Hong Kong dollar weakens against RMB	5%	1,291	1,481
If Hong Kong dollar strengthens against RMB	(5%)	(1,291)	(1,481)

* Excluding retained earnings

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, amounts due from associates and jointly-controlled entities and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 32 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the balance sheet date, the Group has certain concentrations of credit risk as 50% (2008: 47%) and 66% (2008: 59%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the Europe and North America segments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

Notes to Financial Statements

31 March 2009

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to minimise borrowings.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, is as follows:

Group

2009

	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	Total HK\$'000
Trade and bills payables	22,048	12,716	–	34,764
Other payables (note 26)	22,427	–	–	22,427
	<u>44,475</u>	<u>12,716</u>	<u>–</u>	<u>57,191</u>

2008

	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	Total HK\$'000
Interest-bearing bank and other borrowings	–	1,250	3,750	5,000
Trade and bills payables	28,327	32,982	–	61,309
Other payables (note 26)	19,693	–	–	19,693
Due to an associate (note 18)	4,600	–	–	4,600
	<u>52,620</u>	<u>34,232</u>	<u>3,750</u>	<u>90,602</u>

Notes to Financial Statements

31 March 2009

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2009		2008	
	On demand HK\$'000	Total HK\$'000	On demand HK\$'000	Total HK\$'000
Other payables (note 26)	48	48	33	33

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2009 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals and an amount due to an associate, less cash and cash equivalents. Capital represents total equity. The gearing ratios as at the balance sheet dates were as follows:

Group	2009 HK\$'000	2008 HK\$'000
Interest-bearing bank and other borrowings	–	5,000
Trade and bills payables	34,764	61,309
Other payables and accruals (note 26)	39,335	31,852
Due to an associate (note 18)	–	4,600
Less: Cash and cash equivalents	(78,119)	(76,082)
Net debt/(asset)	(4,020)	26,679
Capital	516,086	518,117
Capital and net debt/(asset)	512,066	544,796
Gearing ratio	N/A	5%

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 July 2009.