Rainbow Brothers Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 33

十友控股有限公司*

* For identification purpose only

Annual Report 2008

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The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

CORPORATE INFORMATION

Board Of Directors

Executive Directors
Hui Kwan Wah, Hugo *(Chairman)*
Ng Chi Man *(Vice Chairman and Chief Executive Officer)*
Wong Sai Ming
Wong Kwok Ting
(Resigned with effect from April 30, 2008)

Non-executive Director
Chan Cheuk Ming

Independent Non-executive Directors
Cheung Wah Keung
Anthony Espina
Wong Che Keung

Audit Committee

Anthony Espina *(Chairman)*
Cheung Wah Keung
Wong Che Keung
Chan Cheuk Ming

Remuneration Committee

Cheung Wah Keung *(Chairman)*
Anthony Espina
Wong Che Keung
Chan Cheuk Ming

Authorised Representatives

Hui Kwan Wah, Hugo
Ng Chi Man

Company Secretary and Qualified Accountant

Wu Kwok Choi, Chris

Registered Office

PO Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Principal Place of Business in Hong Kong

29/F Paul Y Centre
51 Hung To Road
Kwun Tong
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman, KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Hang Seng Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Legal Adviser

Tsang, Chan & Woo
12th Floor, Grand Building
15-18 Connaught Road Central
Hong Kong

Auditor

CCIF CPA Limited
Certified Public Accountants
20th Floor, Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Stock Code

33 (listed on the Main Board of The Stock Exchange of Hong Kong Limited)

Website

www.irasia.com/listco/hk/rainbowbrothers

Rainbow Brothers Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in designing, developing, merchandising and providing party and festivity products mainly to dollar store business operators. Most of the products shipped by the Group are retailed at or below US$1, or its equivalent.

The origin of the Group can be traced back to 1996 when Rainbow Brothers Limited ("Rainbow Brothers") was founded. Since then, the focus of Rainbow Brothers has evolved, and the Group has grown from trading in toys to providing a variety of products to consumers with particular focus on dollar store business operators. The Group had made two significant acquisitions in 2005 and 2006 as a result of strategic plans developed earlier. These acquisitions enabled the Group to substantially broaden its customer base, widen its supply source as well as increase its sales and profit growth. On November 19, 2007, the Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The main product category supplied by the Group is party and festivity items. Other product categories include stationery, gift, household and garden products and toys. The Group's products are predominantly distributed to North America. As at March 31, 2008, the Group had 66 employees, most of them are located in Hong Kong.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to you the annual results of the Group for the year ended March 31, 2008.

FINANCIAL RESULTS

The Group's consolidated turnover for this year grew by 18.0% to HK$371.6 million as compared to HK$314.8 million for last year. The Group's consolidated profit attributable to equity shareholders for this year was HK$25.5 million compared to HK$37.3 million for last year. The basic earnings per share for this year was HK15 cents compared to HK25 cents for last year.

BUSINESS REVIEW

The decline in net profit was the result of the recent fall in US dollars and surge in Renminbi ("RMB") which brought continuous pressure on the Group's profit margin. The Group acceded to the request of major customers to keep the selling prices of our products relatively stable for the year ended March 31, 2008 for the sake of long term relationship. However, with the continued appreciation of RMB, most customers have accepted raises in the selling prices to various degrees after March 31, 2008. The impact of our price increases should be reflected, with a time lag of a few months, in our results for the year ended March 31, 2009. Given our strong product development capabilities, we believe we can eventually pass on a significant portion of the effect of further rises in RMB to our customers.

The Group attained a milestone this year by successfully having the Company's shares listed on the Main Board of the Stock Exchange on November 19, 2007. Besides enhancing the corporate profile and image of the Group, the success of our initial public offering provided the Group with better access to capital market, making us well-positioned to capture new business development and additional growth opportunities as they arise.

USE OF PROCEEDS

The net proceeds from the initial public offering amounted to approximately HK$58.0 million. Since the listing date to March 31, 2008, the Company has applied the net proceeds from the initial public offering to repay the bank borrowings amounting to approximately HK$28.0 million, and to purchase new machineries amounting to approximately HK$1.7 million. Further purchases of machineries for HK$5.3 million are expected in the forthcoming two years. In respect of the development of licensing business and future expansion including possible acquisitions as set out in the Prospectus, the Group has already established various channels to identifying, reviewing and evaluating several of such opportunities.

In the wake of a global financial turmoil, the management believes that a conservative and cautious use of fund is preferred. The balance of net proceeds has been applied towards general working capital purposes.

DIVIDEND

In accordance with our policy of an approximately 30% to 50% dividend payout ratio, the Board recommended the payment of a final dividend of HK6.5 cents per share for the year ended March 31, 2008 to shareholders whose names appear on the Register of Members of the Company on August 25, 2008.

PROSPECT

Unlike other industries, the recent recessionary pressure in the US economy has minimal adverse impact on dollar store business operators. In fact, during the reporting year, most of the Group's major customers have continued to perform and grow. The Group is optimistic on the continuous growth of the dollar store business in the US market and in Europe. To capture opportunities in these growing markets, the Group will continue to dedicate its effort in product development and further enhance its high-value added role in the supply process.

We believe RMB appreciation will continue. However, we expect its adverse impact on our Group will be mitigated in the coming year following our raises in selling prices. Nonetheless, a longer term solution would be to open up sources of RMB income to the Group. As such, we intend to place greater emphasis on developing RMB income as we develop our future expansion plans and consider new business opportunities.

APPRECIATION

I take this opportunity to extend my sincere gratitude to the shareholders, customers and suppliers for their long term support to the Group. I would also like to express my gratitude to the management team and all our staff for their dedication and contribution in the past year.

Hui Kwan Wah, Hugo
Chairman

Hong Kong
July 15, 2008

BUSINESS REVIEW (all figures are approximates)

For the year ended March 31, 2008, the Group's turnover was HK$371.6 million, representing an increase of 18.0% from HK$314.8 million for last year. This increase was mainly due to the growth of the Group's party and festivity products business and stationery and gift business. Geographically, the sales to North America market recorded a 24.2% increase from HK$214.0 million in 2007 to HK$265.7 million in 2008. The sales trend for Asian market was relatively flat, with a slight drop from HK$72.4 million in 2007 to HK$69.5 million in 2008. The sales to European market increased by 10.3% from HK$18.6 million in 2007 to HK$20.5 million in 2008. The sales to South American and others market surged by 60.5% from HK$9.8 million in 2007 to HK$15.8 million in 2008.

Operating expenses for this year was HK$31.1 million, representing an increase of 30.7% from HK$23.8 million for last year. The increase in operating expenses mainly resulted from an increase in staff costs, rental expenses, marketing expenses and general office expenses. Operating expenses as a percentage of turnover edged from 7.6% in 2007 to 8.4% in 2008.

Gross profit for this year was HK$60.3 million, representing a decrease of 7.6% from HK$65.3 million for last year. Net profit for this year was HK$25.5 million, representing a decrease of 31.6% from the HK$37.3 million for last year. Gross profit margin and net profit margin for this year were 16.2% and 6.9% respectively, representing a drop of 4.5 and 4.9 percentage points from 20.7% and 11.8% for last year.

As the Group's sales were denominated in US dollar and HK dollar while merchandise purchases were denominated in US dollar, HK dollar and RMB, the surge in RMB has brought continuous pressure on the Group's profit margin, resulting in the above drop in gross and net margin ratios.

LIQUIDITY AND FINANCIAL RESOURCES (all figures are approximates)

As at March 31, 2008, net current assets was HK$74.7 million (2007: HK$18.3 million). Current ratio was 2.8 (2007: 1.4). The gearing ratio, total borrowings divided by total assets at the end of each period, decreased from 34.3% as at March 31, 2007 to 14.6% as at March 31, 2008, as bank borrowings were reduced by fund raised from the listing of the Company.

As at March 31, 2008, the Group had cash and bank balances of HK$36.9 million (2007: HK$7.8 million) and unused banking facilities of HK$49.1 million (2007: HK$35.5 million). As at March 31, 2008, the Group had bank borrowings of HK$22.5 million (2007: HK$36.8 million) which was mainly denominated in HK dollar and US dollar.

The Company, and its wholly-owned subsidiaries, Rainbow Brothers and Silver Lining Limited ("Silver Lining") have provided corporate guarantees and, in association therewith, floating charges on monies standing to the credits of, or owing to, the Group's account with a bank, to secure banking facilities granted to the Group.

As at March 31, 2008, the Group had no material capital commitments or significant investment commitments. In April 2008, however, the Group had signed an operating lease for office premises with commitments of HK$11.7 million up to December 2011. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity and banking facilities to meet operation requirements and acquisition opportunities.

The Group received net proceeds of approximately HK$58.0 million from listing. As at the date hereof, approximately HK$28.0 million and HK$1.7 million have been used to reduce bank borrowings and used for capital expenditures respectively. There has been no major deviation, or intended deviation, in the use of proceeds from listing from that specified in the Prospectus.

CONTINGENT LIABILITIES

The Group's contingent liabilities, if any, are set out in the notes to the financial statements.

HUMAN RESOURCES

As at March 31, 2008, the Group had 66 employees. It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK6.5 cents per share for the year ended March 31, 2008 to shareholders whose names appear on the register of members of the Company on August 25, 2008. The proposed final dividend will be payable on September 8, 2008 following approval at the forthcoming Annual General Meeting scheduled on August 29, 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, August 25, 2008 to Thursday, August 28, 2008, both dates inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, August 22, 2008. The dividend warrants are expected to be sent on about Monday, September 8, 2008.

OUTLOOK

Looking forward, we will continue to dedicate our effort in enhancing product development to become an ever better supplier to our customers, most of whom have continued to perform and grow. Recently, we have established sourcing offices in Dongguan and Zhejiang to further strengthen and widen our sourcing network and improve on cost of purchases. We have also recently set up a new office in Shenzhen with a view to developing new business opportunities in China and thus opening up sources of Renminbi income to the Group. Meanwhile, we will continue to look for expansion opportunities through possible acquisitions.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Hui Kwan Wah, Hugo (許坤華) , aged 47, is the Chairman and an Executive Director of the Group. Mr. Hui plays a pivotal role in the Group and is responsible for strategic planning and corporate and business development. Mr. Hui obtained a master degree in Business Administration from the University of Hong Kong in 1995. He held several senior positions in regional finance for multinational companies. Before founding the Group in 1996, Mr. Hui was the Managing Director of a local trading and property group.

Mr. Ng Chi Man (吳志民) , aged 39, is the Vice-Chairman, the Chief Executive Officer, and an Executive Director of the Group. Mr. Ng is responsible for overall management, customer management, supplier management, new sourcing and order management of the Group. Mr. Ng had been in commercial procurement business for approximately 12 years before joining the Group in 2000.

Mr. Wong Sai Ming (黃世明) , aged 46, is an Executive Director of the Group. Mr. Wong joined the Group after selling his business to the Group in 2005 under the First Acquisition as mentioned in the Prospectus. Mr. Wong has a wide network of business contacts and working relationships in the party products industry. He is now in charge of developing new businesses for the Group in China.

NON-EXECUTIVE DIRECTOR

Mr. Chan Cheuk Ming (陳卓明) , aged 50, is a Non-Executive Director of the Group. He has more than 25 years' research and development, logistic and operation management experience in commercial electronic products in various multinational corporations and local enterprises. Mr. Chan graduated from Loughborough University of Technology in United Kingdom with a bachelor degree in Electronic and Electrical Engineering in 1980, and obtained a Master of Science degree in Engineering in 1988 as well as a master degree in Business Administration in 1992, both from the University of Hong Kong. In 1998, Mr. Chan received a Diploma in Accounting for Managers from the Chinese University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wah Keung (張華強) , aged 47, was appointed as an Independent Non-Executive Director of the Company on June 4, 2007. Mr. Cheung has over 15 years of experience in the management of trading and manufacturing of consumer electronic products. Mr. Cheung graduated from the Chinese University of Hong Kong with a bachelor degree in Business Administration in 1994. Mr. Cheung is currently the Chairman, the Chief Executive Officer and an Executive Director as well as the controlling shareholder of Shinhint Acoustic Link Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Anthony Espina, aged 60, was appointed as an Independent Non-Executive Director of the Company on June 4, 2007. Mr. Espina has over 30 years of experience in the accounting and finance industry. He is the Managing Director of Goldride Securities Limited and was the Chairman of the Hong Kong Stockbrokers Association Limited. Mr. Espina was a partner of Arthur Andersen & Co. from 1982 to 1986 and Deloitte Touche Tohmatsu from 1986 to 1990. He was also the president of the Hong Kong Computer Society from 1978 to 1979. He graduated from the University of Southern Queensland with a bachelor degree in business and is the Associate Member of CPA Australia, is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Hong Kong Institute of Directors. Mr. Espina was from May 2001 to May 2005 a non-executive director of International Financial Network Holdings Ltd., a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Wong Che Keung (黃熾強) , aged 44, was appointed as an Independent Non-Executive Director of the Company on June 4, 2007. Mr. Wong has over 18 years of experience in the securities industry including in the Enforcement Division of Securities and Futures Commission of Hong Kong for 7 years. He is a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Wong obtained his bachelor degree in Economics from the University of Hong Kong in 1987 and a master degree in Business Administration from the Chinese University of Hong Kong in 1995. Mr. Wong currently holds a business title as finance director and is the Company Secretary of Shenyin Wanguo (H.K.) Limited, a company listed on the Main Board of the Stock Exchange.

Note: Mr. Wong Kwok Ting resigned as an Executive Director with effect from April 30, 2008.

SENIOR MANAGEMENT

Mr. Ho Ka Ping (何嘉平), aged 45, is a division General Manager of the Group and is responsible for overseeing the trading activities of the Group especially for markets outside of the United States. He joined the Group in 2006 as a result of the Second Acquisition as mentioned in the Prospectus. Mr. Ho has been in the party and novelty products trading industry for approximately 25 years, of which more than 20 years were in party products exporting and customer relationship, especially in Europe, North America and South America.

Mr. Cheng Hon Yan (鄭漢仁), aged 41, was appointed as Director of China Business Development on April 15, 2008. Mr. Cheng is responsible for developing new business in China. Mr. Cheng has 15 years of sales & marketing experience in the consumer products industry in China with multi-national companies. Mr. Cheng graduated from Heriot-Watt University with a master degree in Business Administration in 1993.

Mr. Wu Kwok Choi, Chris (胡國才), aged 35, joined the Group on April 21, 2008 as Finance Director and was appointed as the Company Secretary and the Qualified Accountant of the Company with effect from May 14, 2008. Mr. Wu is responsible for overall finance & accounting matters. Mr. Wu has over 10 years of finance & accounting experience in the Greater China region. Mr. Wu graduated from the Hong Kong University of Science & Technology with a bachelor degree in Business Administration in 1995. Mr. Wu is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Yu Sui Fong, Wendy (余瑞芳), aged 43, is the Group Accounting Manager and is responsible for overseeing the financial controls of the Group. Ms. Yu joined the Group in September 2005. Ms. Yu has over 15 years working experience in finance and accounting. Prior to joining the Group, she worked for Ng & Law CPA Limited (previously called K.W. Law & Co.). Ms. Yu holds a bachelor degree in Accounting from Dongbei University of Finance and Economics.

Mr. Chan Wing Yan, Howard (陳永昕), aged 35, is an Assistant General Manager of Rainbow Brothers and is jointly responsible for business development and overall administration of Rainbow Brothers. He is responsible for the operation coordination between the sales function and production and manages customer relationships. He joined the Group in June 2005. Mr. Chan graduated from the University of British Columbia in Canada in 1998 with a bachelor degree of science.

Mr. Li Chung Fai (李松輝), aged 37, is an Assistant General Manager of the Rainbow Brothers and is jointly responsible for business development and overall administration of Rainbow Brothers. Mr. Li joined the Group in May 2006, and has over 10 years of experience in the trading industry. Prior to joining the Group, Mr. Li worked for several multinational trading groups. Mr. Li graduated from Lingnan College in Hong Kong with a bachelor degree in Business Administration in 1997 and obtained a professional diploma in Logistics Management from the Hong Kong Management Association in 2000. In 2004, Mr. Li obtained a master degree in Business Administration from the University of Bradford.

Mr. Wong Chi Yin (王志賢), aged 36, is a Manager of Silver Lining and is responsible for the plastics division of Silver Lining. Mr. Wong has 12 years of experience in the plastics industry, and joined the Group in June 2005.

Mr. Ng Wai Keung (吳偉強), aged 30, is a Merchandising Manager of the Group and is responsible for business development with key customers of the Group. Mr. Ng joined the Group in March 2004. Mr. Ng has approximately 10 years of experience in the export trading industry, and has brought experience and support to the Group in new product developments from his previous employment.

Mr. Wong Kai Hang (黃啟恒), aged 32, is a Merchandising Manager of the Group and is responsible for the gifting accessories products of the Group. Mr. Wong joined the Group in 2004. Mr. Wong graduated from Baptist University in 1998 with a bachelor degree in Applied Chemistry.

Ms. Yuen Miu Kam (袁妙金), aged 38, is a Merchandising Manager of the Group and is responsible for business development and coordination with key customers of the Group. Ms. Yuen joined the Group in March 2007. Ms. Yuen obtained a diploma in Business Administration and Management from the Institute of Business Administration and Management in 2002. Prior to joining the group, Ms. Yuen was a Sales Manager of a toys manufacturing company.

The Directors are pleased to present the directors' report of the Group for the year ended March 31, 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of the Group are set out in the "Company Profile" section of this annual report.

RESULTS AND DIVIDEND

The results of the Group for the year ended March 31, 2008 are set out in the consolidated income statement on page 23. A final dividend of HK6.5 cents per ordinary share has been proposed by the Directors and is subject to approval by shareholders in the forthcoming Annual General Meeting of the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at March 31, 2008 are set out in the notes to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DONATIONS

During the year ended March 31, 2008, the Group made charitable donations amounting to HK$1,006,000.

SHARE CAPITAL

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

DIRECTORS

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

Executive Directors
Hui Kwan Wah, Hugo *(Chairman)*
Ng Chi Man *(Vice Chairman and Chief Executive Officer)*
Wong Sai Ming
Wong Kwok Ting (resigned with effect from April 30, 2008)

Non-executive Director
Chan Cheuk Ming

Independent Non-executive Directors
Cheung Wah Keung
Anthony Espina
Wong Che Keung

None of the Directors offering themselves 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).

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors to be independent.

Each of the Independent Non-executive Directors and the Non-executive Director was appointed for a period commencing from his appointment date and is subject to retirement by rotation at the Annual General Meeting.

All Executive Directors, namely Mr. Hui Kwan Wah, Hugo, Mr. Ng Chi Man and Mr. Wong Sai Ming, have each entered into a service contract with the Group for an initial fixed term of contract for three years commencing from November 19, 2007. Each Executive Director is entitled to a basic salary based on his experience, involvement in and contribution to the Group, qualification and by reference to the market rate. Under the relevant service contracts, annual increase of the basic salary of each of Mr. Hui and Mr. Ng shall not exceed 10% of the salary under review. Total discretionary bonuses for all Executive Directors shall not exceed 15% of the Group's net profit for any financial year.

Saved as aforementioned, none of the Executive Directors has service contract with any member of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at March 31, 2008, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (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 otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of Listing Rules, were as follows:

Name	**Nature of Interests**	**Number of shares**	**Percentage to the issued share capital of the Company**
Mr. Hui Kwan Wah, Hugo	Interest of a controlled corporation *(Note)*	150,000,000 (long position)	75%
Mr. Ng Chi Man	Interest of a controlled corporation *(Note)*	150,000,000 (long position)	75%

Note: 150,000,000 shares were held by Direct Value Limited, a company owned as to 70% by Mr. Hui Kwan Wah, Hugo and as to 30% by Mr. Ng Chi Man.

Save as disclosed above, as at March 31, 2008, as far as the Directors are aware, none of the Directors and Chief Executive Officer had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at March 31, 2008, the Company had no outstanding debenture.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at March 31, 2008, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name	Nature of Interests	Number of shares	Percentage to the issued share capital of the Company
Direct Value Limited ("Direct Value") *(note 1)*	Beneficial Owner	150,000,000 (long position)	75%
Ms. Cheng Yin Lee, Francie *(note 2)*	Interest of spouse	150,000,000 (long position)	75%
Ms. Lee Lai Lai *(note 3)*	Interest of spouse	150,000,000 (long position)	75%

Notes:

1 150,000,000 ordinary shares were held by Direct Value, a company owned as to 70% by Mr. Hui Kwan Wah, Hugo and as to 30% by Mr. Ng Chi Man. Mr. Hui Kwan Wah, Hugo and Mr. Ng Chi Man are deemed to be interested in 150,000,000 ordinary shares held by Direct Value Limited by virtue of SFO. These shares have been included in the interest disclosure of Mr. Hui Kwan Wah, Hugo and Mr. Ng Chi Man as set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and the Associated Corporations" above.

2 Ms. Cheng Yin Lee, Francie is the spouse of Mr. Hui Kwan Wah, Hugo. By virtue of the SFO, Ms. Cheng Yin Lee, Francie is also deemed, as spouse, to be interested in all the shares in which Mr. Hui Kwan Wah, Hugo is deemed to be interested.

3 Ms. Lee Lai Lai is the spouse of Mr. Ng Chi Man. By virtue of the SFO, Ms. Lee Lai Lai is also deemed, as spouse, to be interested in all the shares in which Mr. Ng Chi Man is deemed to be interested.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors 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 OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, any of its subsidiaries or any of its fellow subsidiaries was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the employees of the Group is set up by the Remuneration Committee on the basis of the merits, qualifications and competence of employees. The emoluments of the Directors are decided by the Remuneration Committee with regard to the Group's operating results, individual performance and comparable market statistics. None of the Directors or any of their associates, and executive is involved in deciding his own remuneration. As at March 31, 2008, the Group had 66 employees. The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

SHARE OPTION SCHEME

The Company adopted a share option scheme on October 30, 2007, but has not granted any share options.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Since the date of listing, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended March 31, 2008, the percentages of purchases attributable to the Group's largest supplier and 5 largest suppliers combined were 17.3% and 47.6%, respectively. For the year ended March 31, 2008, the percentages of sales attributable to the Group's largest customer and 5 largest customers combined were 32.4% and 65.4%, respectively. None of the Directors, their associates or any shareholders (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) had an interest in any of the five largest suppliers or customers of the Group.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

Referring to the table under note 30(a) to the consolidated financial statements, the transactions named "Rental expenses paid to a director" and "Rental expenses paid to close family members of a director" were regarded as continuing connected transactions for the financial year ended March 31, 2008. All such continuing connected transactions are exempted from the reporting, announcement and independent shareholders' approval requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules.

The Independent Non-Executive Directors of the Company have reviewed the continuing connected transactions and confirmed that these transactions have been entered into:

a) in the ordinary and usual course of business of the Group; and

b) on normal commercial terms that are fair and reasonable; and

c) 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.

AUDITOR

The consolidated financial statements of the Group for the year ended March 31, 2008 have been audited by CCIF CPA Limited ("CCIF"). CCIF retires and, being eligible, offers itself for reappointment. A resolution for reappointment of CCIF as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Hui Kwan Wah, Hugo
Chairman

Hong Kong
July 15, 2008

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance and has put in place self regulatory corporate practices to protect the interests of its shareholders and the enhancement of shareholder's value. We are committed to providing high-quality products and services to the satisfaction of our customers; to maintaining high standards of business ethics and achieving these goals while, at the same time, providing satisfactory and sustainable returns to shareholders.

The board has, since the Company's listing on November 19, 2007 to March 31, 2008, adopted and complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code as set out in Appendix 10 of the Listing Rules regarding directors' securities since its listing on November 19, 2007. Having made specific enquiries to all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code for the period covered by this annual report.

THE BOARD

The Board is responsible for the formulation of business policies and strategies in relation to the business operation of the Group, for nomination and appointment of directors, and to ensure the availability of resources as well as to the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times. From the Company's listing on November 19, 2007 to March 31, 2008, one Board meeting was held and the attendance of each director is set out as follows:

Directors	**Number of Attendance**
Executive Directors	
Hui Kwan Wah, Hugo	1/1
Ng Chi Man	1/1
Wong Sai Ming	1/1
Wong Kwok Ting (resigned with effect from April 30, 2008)	1/1
Non-executive Director	
Chan Cheuk Ming	1/1
Independent Non-executive Directors	
Cheung Wah Keung	1/1
Anthony Espina	1/1
Wong Che Keung	1/1

Board minutes are kept by the Company Secretary and are open for inspection by the Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. The Company has complied with this code provision.

Chairman and Chief Executive Officer are two separate persons. Mr. Hui Kwan Wah, Hugo, is the Chairman and Mr. Ng Chi Man is the Chief Executive Officer of the Company.

The division of responsibilities is established and set out in writing as follows:

The Chairman focuses on the Group's business and strategic matters by ensuring that all Directors are properly briefed on issues arising at Board meetings. The Chairman also ensures that the Board is operated effectively. In addition, the Chairman will lead the Board to establish good corporate governance practices and procedures for the Group.

The Chief Executive Officer is responsible for ensuring the strategies and policies of the Group as approved by the Board are effectively implemented to achieve the goals of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are persons with academic and professional qualifications of as stated in Directors and Senior Management section. They support the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has provided an annual confirmation of independence to the Company and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

BOARD SUB-COMMITTEES

A. EXECUTIVE COMMITTEE

Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer. To assist the Chief Executive Officer in running the operations on a daily basis, the Board has recently set up a sub-committee, namely Executive Committee on July 15, 2008.

The terms of reference of the Executive Committee are available on the Company's website at www.irasia.com/listco/hk/rainbowbrothers.

B. REMUNERATION COMMITTEE

The Remuneration Committee was established on October 30, 2007. The Remuneration Committee assists the Board to determine policy and structure for Directors and senior management's remuneration and to develop a formal and transparent remuneration policy.

The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Cheung Wah Keung, Mr. Anthony Espina, Mr. Wong Che Keung and one Non-executive Director, namely Mr. Chan Cheuk Ming. Mr. Cheung Wah Keung is the Chairman of the Remuneration Committee.

From the Company's listing on November 19, 2007 to March 31, 2008, no Remuneration Committee meeting was held. The terms of reference of Remuneration Committee are available on the Company's website at www.irasia.com/listco/hk/rainbowbrothers.

C. AUDIT COMMITTEE

The Audit Committee was established on October 30, 2007. The Audit Committee is mainly responsible for corporate governance, financial reporting and corporate control.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Cheung Wah Keung, Mr. Wong Che Keung and one Non-executive Director, namely Mr. Chan Cheuk Ming. Mr. Anthony Espina is the Chairman of the Audit Committee.

The Audit Committee meets at least four times a year. From the Company's listing on November 19, 2007 to fiscal year end on March 31, 2008, the Audit Committee held two meetings respectively on December 10, 2007 and December 17, 2007. Minutes of the Audit Committee meetings were kept by the Company Secretary. The terms of reference of Audit Committee are available on the Company's website at www.irasia.com/listco/hk/rainbowbrothers.

The attendance of each member of Audit Committee is set out as follows:

Directors	Number of attendance
Anthony Espina	2/2
Cheung Wah Keung	2/2
Wong Che Keung	2/2
Chan Cheuk Ming	2/2

From the listing date to the end of the financial year, the work performed by the Audit Committee included:

- reviewing the interim report which comprised the unaudited consolidated financial statements for the six months ended September 30, 2007;
- reviewing the interim result announcement for the six months ended September 30, 2007;
- reviewing the significant accounting issues raised by the management;
- reviewing the Company's compliance with regulatory and statutory requirements; and
- reviewing the Group's risk management process.

The Audit Committee of the Company has reviewed the Group's financial results for the year ended March 31, 2008.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the year ended March 31, 2008 and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such consolidated financial statements.

The statement of the external auditor of the Company, CCIF CPA Limited, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditor's Report included in this annual report.

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 which may cause the Group not to continue as a going concern.

AUDITOR'S REMUNERATION

For the year ended March 31, 2008, the fees paid/payable to the Company's auditor in respect of audit and non-audit services provided by the Company's auditor to the Group were as follows:

	HK$'000
Service rendered	
Audit service as the reporting accountants for the Company's initial public offering on the Stock Exchange	1,500
Audit services	500
Non-audit services	–
	2,000

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

Pursuant to Article 130 of the Articles of Association of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall, subject to re-election, retire from office by rotation in every Annual General Meeting. Every Director shall be subject to retirement by rotation at least once every 3 years.

The Non-executive Director and the Independent Non-executive Directors were appointed for a fixed term of three years commencing from November 19, 2007 and are subject to re-election in compliance with CG Code A.4.1.

INTERNAL CONTROLS

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is independently conducted by the management on an on-going basis.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Company and its subsidiaries for the year ended March 31, 2008 and that they consider such system to be effective and adequate. The review covered all material controls, including financial, operational, compliance control and risk management functions.

On behalf of the Board

Hui Kwan Wah, Hugo
Chairman

Hong Kong
July 15, 2008

CCIF

CCIF CPA LIMITED
20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAINBOW BROTHERS HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Rainbow Brothers Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 23 to 74 which comprise the consolidated and Company balance sheets as at March 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the 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.

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

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

CCIF CPA Limited
Certified Public Accountants
Hong Kong, July 15, 2008

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Turnover	*3*	**371,558**	314,837
Cost of sales		**(311,223)**	(249,535)
Gross profit		**60,335**	65,302
Other revenue and other net income	*4*	**1,951**	2,068
Operating expenses		**(31,051)**	(23,767)
Profit from operations		**31,235**	43,603
Finance costs	*5*	**(2,006)**	(1,139)
Profit before taxation	*6*	**29,229**	42,464
Income tax	*7*	**(3,689)**	(5,191)
Profit attributable to equity shareholders of the Company	*8*	**25,540**	37,273
Dividends	*9*	**13,000**	30,000
Earnings per share	*10*		
– Basic		**HK15 cents**	HK25 cents
– Diluted		**N/A**	N/A

The notes on pages 28 to 74 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At March 31, 2008

	Note	**2008**	2007
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	*13*	**10,740**	12,921
Goodwill	*14*	**26,375**	26,375
		37,115	39,296
Current assets			
Inventories	*16*	**14,007**	8,288
Trade receivables	*17*	**50,737**	35,589
Prepayments, deposits and other receivables	*18*	**14,832**	6,947
Tax recoverable	*25(a)*	**408**	–
Loan to a director	*20*	**–**	9,343
Cash and cash equivalents	*21*	**36,869**	7,765
		116,853	67,932
Current liabilities			
Trade and bills payable	*22*	**(12,167)**	(5,894)
Accruals and other payables	*23*	**(7,468)**	(4,448)
Bank borrowings and overdrafts – secured	*24*	**(22,512)**	(36,783)
Tax payable	*25(a)*	**–**	(2,462)
		(42,147)	(49,587)
Net current assets		**74,706**	18,345
Total assets less current liabilities		**111,821**	57,641
Non-current liabilities			
Deferred taxation	*25(b)*	**(537)**	(665)
NET ASSETS		**111,284**	56,976
CAPITAL AND RESERVES			
Share capital	*26*	**20,000**	–
Reserves	*27*	**91,284**	56,976
TOTAL EQUITY		**111,284**	56,976

Approved and authorised for issue by the board of directors on July 15, 2008

On behalf of the board

Hui Kwan Wah, Hugo
Director

Ng Chi Man
Director

The notes on pages 28 to 74 form an integral part of these financial statements.

BALANCE SHEET

At March 31, 2008

	Note	2008 HK$'000
Non-current assets		
Investment in subsidiaries	*15*	**46,971**
Current assets		
Prepayments, deposits and other receivables	*18*	**207**
Amounts due from subsidiaries	*19*	**55,622**
Cash and cash equivalents	*21*	**3,047**
		58,876
Current liabilities		
Accruals and other payables	*23*	**(212)**
Net current assets		**58,664**
NET ASSETS		**105,635**
CAPITAL AND RESERVES		
Share capital	*26*	**20,000**
Reserves	*27*	**85,635**
TOTAL EQUITY		**105,635**

Approved and authorised for issue by the board of directors on July 15, 2008

On behalf of the board

Hui Kwan Wah, Hugo
Director

Ng Chi Man
Director

The notes on pages 28 to 74 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2008

	Share capital	Share premium	Capital reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2006	–	–	–	19,703	19,703
Profit for the year	–	–	–	37,273	37,273
At March 31, 2007 and April 1, 2007	–	–	–	56,976	56,976
Issuance of ordinary shares pursuant to group reorganisation	15,000	–	(15,000)	–	–
Issuance of ordinary shares for initial public offering	5,000	70,000	–	–	75,000
Share issuing expenses	–	(16,232)	–	–	(16,232)
Dividend paid *(note 9)*	–	–	–	(30,000)	(30,000)
Profit for the year	–	–	–	25,540	25,540
At March 31, 2008	20,000	53,768	(15,000)	52,516	111,284

The notes on pages 28 to 74 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended March 31, 2008

	Note	2008 HK$'000	2007 HK$'000
Operating activities			
Profit before taxation		**29,229**	42,464
Adjustments for:			
Interest income		**(539)**	(527)
Interest expenses		**2,006**	1,139
Depreciation		**4,661**	4,441
Impairment loss of trade receivables		**125**	–
Loss/(gain) on disposal of property, plant and equipment		**40**	(9)
(Reversal of write down)/write down of inventories		**(601)**	631
Operating profit before changes in working capital		**34,921**	48,139
(Increase)/decrease in inventories		**(5,118)**	1,049
(Increase) in trade receivables		**(15,273)**	(17,156)
(Increase) in prepayments, deposits and other receivables		**(7,885)**	(3,998)
Increase/(decrease) in trade and bills payable		**6,273**	(7,947)
Increase/(decrease) in accruals and other payables		**3,020**	(934)
(Decrease) in amount due to a director		**–**	(451)
Cash generated from operations		**15,938**	18,702
Hong Kong profits tax paid		**(6,687)**	(6,892)
Net cash generated from operating activities		**9,251**	11,810
Investing activities			
Purchase of property, plant and equipment		**(2,520)**	(3,699)
Acquisition of business	*34*	**–**	(10,268)
Sales proceeds of property, plant and equipment		**–**	135
Increase in loan to a director		**(11,057)**	(8,497)
Interest received		**539**	527
Net cash used in investing activities		**(13,038)**	(21,802)
Financing activities			
Proceeds from issuance of ordinary shares on initial public offering		**75,000**	–
Share issuing expenses		**(16,232)**	–
Interest paid		**(2,006)**	(1,139)
Repayment of bank borrowings		**(34,916)**	(27,500)
Increase in bank borrowings		**22,512**	34,916
Dividend paid	*29(b)*	**(9,600)**	–
Net cash generated from financing activities		**34,758**	6,277
Net increase/(decrease) in cash and cash equivalents		**30,971**	(3,715)
Cash and cash equivalents at beginning of year		**5,898**	9,613
Cash and cash equivalents at end of year	*21*	**36,869**	5,898

The notes on pages 28 to 74 form an integral part of these financial statements.

1. CORPORATE INFORMATION

General information

Rainbow Brothers Holdings Limited (the "Company") was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007. Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure in preparation for listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries now comprising the Group on October 30, 2007. Details of the Reorganisation are set out in the section headed "Corporate Reorganisation" in Appendix V to the prospectus dated November 6, 2007, issued by the Company (the "Prospectus"). The Company's shares were listed on the Stock Exchange on November 19, 2007.

The Company is an investment holding company. The Group is principally engaged in designing, developing, merchandising and providing party and festivity products, mainly to dollar store business operators. Most of the products shipped by the Group are retailed at or below US$1, or its equivalent.

The address of its principal place of business in Hong Kong is 29/F Paul Y Centre, 51 Hung To Road, Kwun Tong, Hong Kong and the Company has been registered as an overseas company under Part XI of the Hong Kong Companies Ordinance on September 4, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Company is set out below.

b) Basis of Preparation

The Group is regarded as a continuing entity resulting from the Reorganisation of entities under common control. The consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation. Accordingly, the consolidated results of the Group for the years ended March 31, 2007 and 2008 include the results of the Company and its subsidiaries with effect from April 1, 2006 or, if later, since their respective dates of incorporation or at the date that common control was established as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheet at March 31, 2007 and March 31, 2008 have been prepared on the basis that the current group structure was in place with effect from April 1, 2006. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the Group as a whole. As the Company was incorporated on March 20, 2007, no comparative figures are presented in respect of the Company's balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of Preparation *(Continued)*

The consolidated financial statements comprising the Company and its subsidiaries have been prepared in accordance with HKFRSs and under the historical cost convention. These financial statements are presented in Hong Kong dollar and all values are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 36.

c) Amendments, new standards and interpretations issued and effective for the year ended March 31, 2008

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, Financial instruments: Disclosures and the amendment to HKAS 1, Presentation of financial statements: Capital disclosures, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial Instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 35.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 35(b).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Amendments, new standards and interpretations issued and effective for the year ended March 31, 2008 *(Continued)*

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

d) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended March 31, 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for annual period beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	January 1, 2009
HKAS 23 (Revised)	Borrowing Costs	January 1, 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	July 1, 2009
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations	January 1, 2009
HKFRS 3 (Revised)	Business Combinations	July 1, 2009
HKFRS 8	Operating Segments	January 1, 2009

e) Business Combinations under Common Control Combinations

Business combinations under common control are accounted for in accordance with the merger accounting. In applying merger accounting, the combined financial information incorporates the financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of controlling party.

The net assets of the combining entities or businesses are combined using the existing book values prior to the common control combinations from the controlling parties' perspective. No account is recognised in respect of goodwill or excess acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Business Combinations under Common Control Combinations *(Continued)*

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the combined financial information are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

f) Business Combinations other than Common Control Combinations

The Acquisition of subsidiaries/businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the profit or loss.

g) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) Subsidiaries *(Continued)*

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet an investment in a subsidiary is stated at cost less any impairment losses (see note 2(n)) unless the investment is classified as held for sale.

h) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(n)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

i) Revenue Recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised in the profit or loss as follows:

i) Sale of goods

Revenue is recognised on the transfer of risks and rewards of ownership, which generally coincide with the time when goods are delivered to customers and title has passed. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

ii) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) Borrowing Costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

k) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Income Tax *(Continued)*

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation of property, plant and equipment is calculated to write off their cost less residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates are as follows:

Leasehold improvement	4 – 5 years
Plant and machinery	2 – 5 years
Furniture, fixtures and equipment	4 – 5 years
Moulds	5 years
Motor vehicles	3 – 5 years

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to the profit or loss. Improvements are capitalised and depreciated over their expected useful lives.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard performance of the existing asset will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the disposal or retirement of an item of property, plant and equipment are determined as the differences between the net sales proceeds and the carrying amount of the relevant assets and are recognised in profit or loss on the date of disposal or retirement.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

m) Related Parties

For the purpose of these financial statements, parties are considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) Related Parties *(Continued)*

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

n) Impairment of Assets

i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed periodically to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original the effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) Impairment of Assets *(Continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) Impairment of other assets

Internal and external sources of information are reviewed periodically to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– investments in subsidiaries; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing the 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

2. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

n) **Impairment of Assets** *(Continued)*

– Recognition of impairment losses

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(n)).

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

o) **Trade and Other Receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts (see note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts (see note 2(n)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) Trade and Other Payables

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

q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank overdrafts that the repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

r) Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases net of any incentives received from the leasing company are charged to the profit or loss on a straight-line basis over the lease term.

s) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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

t) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

u) Financial Guarantees Issued, Provisions and Contingent Liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

v) Translation of foreign currencies

i) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

v) Translation of foreign currencies *(Continued)*

ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

w) Employee Benefits

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution retirement scheme are recognised as an expense in the profit or loss as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

x) Segment Reporting

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

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

x) Segment Reporting *(Continued)*

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings and corporate and financing expenses.

3. TURNOVER

Turnover represents net amounts received and receivable for goods sold, less sales returns and discounts for the year.

	2008	2007
	HK$'000	*HK$'000*
Sales of goods	**371,558**	314,837

4. OTHER REVENUE AND OTHER NET INCOME

	2008	2007
	HK$'000	*HK$'000*
Other revenue		
Bank interest income	**264**	249
Other interest income *(note 30)*	**275**	278
Total interest income on financial assets not at fair value through profit or loss	**539**	527
Sundry income	**132**	276
	671	803
Other net income		
Net gain on disposal of property, plant and equipment	**–**	9
Net exchange gain	**1,280**	1,256
	1,280	1,265
	1,951	2,068

5. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest expense on bank borrowings and bank overdrafts wholly repayable within five years	**2,006**	1,139
Total interest expense on financial liabilities not at fair value through profit or loss	**2,006**	1,139

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following:

	2008	2007
	HK$'000	*HK$'000*
Auditor's remuneration	**500**	300
Cost of inventories *(note 16(b))*	**311,824**	248,904
Depreciation	**4,661**	4,441
Impairment loss of trade receivables *(note 17(b))*	**125**	–
Loss/(gain) on disposal of property, plant and equipment	**40**	(9)
Staff costs:		
– Salaries, wages and other benefits (including directors' emoluments – *note 12)*	**18,645**	14,317
– Contributions to defined contribution retirement plans	**597**	460
Operating lease charges on rented premises	**1,993**	1,434

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) The amount of taxation charged to the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax		
Provision for the year	**3,969**	5,988
Over-provision in respect of prior years	**(152)**	–
Deferred tax		
Reversal of temporary differences	**(128)**	(797)
	3,689	5,191

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

a) The amount of taxation charged to the consolidated income statement represents: *(Continued)*

i) No provision for profits tax in the Cayman Islands and British Virgin Islands has been made as the Company and Silver Pattern Limited ("Silver Pattern"), one of the subsidiaries of the Company, have no assessable profit for the year in those jurisdictions (2007: Nil).

ii) Hong Kong profits tax has been provided for at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

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

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**29,229**	42,464
Notional tax on profit before taxation, calculated at the applicable tax rate 17.5% (2007: 17.5%)	**5,115**	7,431
Tax effect of income not subject to taxation	**(1,436)**	(1,567)
Tax effect of expenses not deductible for taxation purposes	**823**	–
Tax effect of deductible temporary differences	**(553)**	(673)
Tax losses not recognised	**20**	–
Decrease in deferred taxation	**(128)**	–
Over-provision in prior years	**(152)**	–
Actual tax expense	**3,689**	5,191

8. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$104,000 (2007: Nil) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim dividend declared	**–**	–
Interim dividend paid	**–**	–
Final dividend proposed after the balance sheet date		
Company-HK6.5 cents per ordinary share	**13,000**	–
Silver Lining Limited ("Silver Lining")	**–**	30,000*
Silver Pattern	**–**	30,000*
Less: consolidation elimination	**–**	(30,000)
	13,000	30,000
Final dividend paid in respect of the previous financial year	**30,000**	–

* These dividends were declared and paid by the Company's subsidiaries, Silver Lining and, in turn, Silver Pattern, to its shareholders before the Reorganisation. The dividends included HK$7 million attributable to the earnings of Silver Lining for the year ended March 31, 2006. The rate and the number of shares ranking for these dividends are not presented as such information is not meaningful having regard to the purpose of this report.

The final dividend for 2008 proposed after the balance sheet date is subject to shareholders' approval in the forthcoming Annual General Meeting. It has not been recognised as a liability at the balance sheet date.

10. EARNINGS PER SHARE

a) Basic earnings per share

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

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity shareholders of the Company	**25,540**	37,273

10. EARNINGS PER SHARE *(Continued)*

a) Basic earnings per share *(Continued)*

	Number of shares	
	2008	2007
	'000	*'000*
Issuance of shares upon Reorganisation *(note 26(c))*	**150,000**	150,000
Effect of initial public offering *(note 26(d))*	**18,306**	–
Weighted average number of ordinary shares at March 31	**168,306**	150,000

In determining the weighted average number of ordinary shares in issue, a total of 150,000,000 ordinary shares were deemed to be in issue since April 1, 2006. Total ordinary shares outstanding at March 31, 2008 was 200,000,000 shares.

b) Diluted earnings per share

Diluted earnings per share is not presented as the Company did not have any dilutive potential ordinary shares throughout the years ended March 31, 2008 and March 31, 2007.

11. RETIREMENT BENEFITS COSTS

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from December 1, 2000. The Group contributed according to the minimum requirements of the MPF Ordinance and the contributions are charged to the profit or loss.

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY

a) Directors' remuneration disclosed pursuant to section 161 of Hong Kong Companies Ordinance is shown as follows:

	For the year ended March 31, 2008				
	Fees	Bonus	Basic salaries, allowance and other benefits	Contributions to retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Hui Kwan Wah, Hugo *(Chairman)*	–	–	1,146	12	1,158
Ng Chi Man *(Vice Chairman and Chief Executive Officer)*	–	–	1,146	12	1,158
Wong Sai Ming	–	–	1,300	12	1,312
Wong Kwok Ting (Resigned with effect from April 30, 2008)	–	555	585	12	1,152
Non-executive director					
Chan Cheuk Ming	22	–	–	–	22
Independent non-executive directors					
Cheung Wah Keung	55	–	–	–	55
Anthony Espina	55	–	–	–	55
Wong Che Keung	55	–	–	–	55
	187	555	4,177	48	4,967

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY *(Continued)*

a) Directors' remuneration disclosed pursuant to section 161 of Hong Kong Companies Ordinance is shown as follows: *(Continued)*

	For the year ended March 31, 2007				
	Fees	Bonus	Basic salaries, allowance and other benefits	Contributions to retirement scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Hui Kwan Wah, Hugo *(Chairman)*	–	–	520	12	532
Ng Chi Man *(Vice Chairman and Chief Executive officer)*	–	–	520	12	532
Wong Sai Ming	–	400	1,200	12	1,612
Wong Kwok Ting (Resigned with effect from April 30, 2008)	–	113	546	12	671
Non-executive director					
Chan Cheuk Ming	–	–	–	–	–
Independent non-executive directors					
Cheung Wah Keung	–	–	–	–	–
Anthony Espina	–	–	–	–	–
Wang Che Keung	–	–	–	–	–
	–	513	2,786	48	3,347

No director waived any emoluments during the year (2007: Nil). No inducement payment or compensation for loss of office was paid or payable to any director for the year ended March 31, 2008 and March 31, 2007.

As at March 31, 2008, no share option has been granted and held by the directors under the Company's share option scheme (2007: Nil). Details of the share option scheme are disclosed in note 26(e).

12. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY *(Continued)*

b) Individuals with highest pay

Of the five individuals with the highest paid in the Group, four (2007: three) were directors of the Company whose emoluments are disclosed in note 12(a) above. The emoluments of the remaining one (2007: two) individual(s) were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	**870**	1,741
Contributions to defined contribution retirement plans	**12**	24
	882	1,765

Their emoluments were all within the band of up to HK$1,000,000.

During the year, no inducement payment or compensation for loss of office was paid to the five highest paid individuals.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Moulds	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At April 1, 2006	1,125	13,997	1,814	743	1,255	18,934
Additions						
– through acquisition of business	–	–	168	–	142	310
– others	1,181	1,584	841	93	–	3,699
Disposals	–	–	–	–	(142)	(142)
At March 31, 2007 and April 1, 2007	**2,306**	**15,581**	**2,823**	**836**	**1,255**	**22,801**
Additions	**383**	**1,761**	**283**	**93**	**–**	**2,520**
Disposals	**–**	**(100)**	**–**	**–**	**–**	**(100)**
At March 31, 2008	**2,689**	**17,242**	**3,106**	**929**	**1,255**	**25,221**

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

	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Moulds	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation						
At April 1, 2006	578	3,380	920	148	429	5,455
Charge for the year	422	2,970	468	167	414	4,441
Written back on disposal	–	–	–	–	(16)	(16)
At March 31, 2007 and April 1, 2007	**1,000**	**6,350**	**1,388**	**315**	**827**	**9,880**
Charge for the year	**433**	**3,136**	**515**	**180**	**397**	**4,661**
Written back on disposal	**–**	**(60)**	**–**	**–**	**–**	**(60)**
At March 31, 2008	**1,433**	**9,426**	**1,903**	**495**	**1,224**	**14,481**
Net book value						
At March 31, 2008	**1,256**	**7,816**	**1,203**	**434**	**31**	**10,740**
At March 31, 2007	1,306	9,231	1,435	521	428	12,921

14. GOODWILL

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At April 1	**26,375**	16,492
Addition through acquisition of business *(note 34)*	**–**	9,883
At March 31	**26,375**	26,375

All goodwill arose as a result of acquisition of business.

14. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the following cash generating units ("CGU"). The carrying amount of goodwill as at the balance sheet date is allocated as follows:

	The Group 2008	2007
	HK$'000	*HK$'000*
Party products selling business	**16,492**	16,492
Party products trading business *(note 34)*	**9,883**	9,883
	26,375	26,375

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions for party products selling business used for value-in-use calculations:

	The Group 2008	2007
	%	%
Gross margin	**11%**	11%
Growth rate	**3%**	3%
Discount rate	**12%**	18%

Key assumptions for party products trading business used for value-in-use calculations:

	The Group 2008	2007
	%	%
Gross margin	**15%**	16%
Growth rate	**5%**	5%
Discount rate	**16%**	18%

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rate used is consistent with forecasts included in industry reports. The discount rate used is pre-tax and reflect specific risks relating to the relevant segments.

Based on the impairment tests performed, no impairment loss is recognised for the year (2007: Nil).

15. INVESTMENT IN SUBSIDIARIES

The Company

	2008
	HK$'000
Unlisted shares at cost	**46,971**

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Country of establishment/ incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Silver Pattern Limited	British Virgin Islands	US$1	100%	100%	–	Investment holding
Rainbow Brothers Limited	Hong Kong	HK$200,000	100%	–	100%	General trading
Silver Lining Limited	Hong Kong	HK$1	100%	–	100%	General trading and production of party products

16. INVENTORIES

a) Inventories in the consolidated balance sheet comprise:

	The Group **2008**	2007
	HK$'000	*HK$'000*
Raw materials	**8,298**	5,995
Work-in-progress	**398**	1,824
Finished goods	**5,311**	469
	14,007	8,288

16. INVENTORIES *(Continued)*

b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**312,425**	248,273
Write down of inventories	**–**	631
Reversal of write-down of inventories	**(601)**	–
	311,824	248,904

Certain inventories previously written off can be used in the production of other products with current demand. As a result, there was a reversal of write-down of inventories.

17. TRADE RECEIVABLES

Customers are usually offered a credit period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Further details on the Group's credit policy are set out in note 35(a)(i).

a) An ageing analysis of trade receivables is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**29,288**	9,926
31 to 60 days	**8,157**	14,756
61 to 90 days	**8,386**	2,925
Over 90 days	**4,906**	8,172
	50,737	35,779
Less: Provision for impairment	**–**	(190)
	50,737	35,589

Included in the trade receivables are the following amounts denominated in a currency other than the functional currency, which is Hong Kong dollar:

	The Group	
	2008	2007
	'000	*'000*
United States dollar ("US$")	**US$5,890**	US$3,537

17. TRADE RECEIVABLES *(Continued)*

b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(n)).

Movements in the allowance for doubtful debts:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At April 1	**190**	190
Impairment loss recognised	**125**	–
Uncollectible amounts written off	**(315)**	–
At March 31	**–**	190

For the year ended March 31, 2008, trade receivables of the Group amounting to HK$125,000 were individually determined to be impaired. This amount together with allowance provided in 2007 of HK$190,000, aggregating to HK$315,000, were written off during the year ended March 31, 2008. These individually impaired receivables were outstanding for over 180 days or were due from companies with financial difficulties, which are the two main factors the Group considered in determining the impairment.

c) Trade receivables that are not impaired

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**45,831**	27,607
Less than 1 month past due	**2,652**	2,741
1 to 3 months past due	**1,631**	3,078
Over 3 months, but less than 1 year past due	**623**	2,163
	4,906	7,982
	50,737	35,589

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

17. TRADE RECEIVABLES *(Continued)*

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

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, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company
	2008	2007	**2008**
	HK$'000	*HK$'000*	***HK$'000***
Prepayments	**2,540**	3,578	**207**
Rental, utility and sundry deposits	**891**	315	**–**
Trade deposits paid	**9,778**	2,609	–
Staff advances	**208**	154	–
Other receivables	**1,415**	291	–
	14,832	6,947	**207**

The carrying amounts of prepayments, deposits and other receivables at the balance sheet date approximated their fair values.

As at March 31, 2008 and 2007, none of the prepayments, deposits and other receivables were past due nor impaired. All of the prepayment, deposits and other receivables are expected to be recovered or recognised as expense within one year.

19. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured, interest free and have no fixed terms of repayments.

20. LOAN TO A DIRECTOR

The loan to a director was made to Mr. Ng Chi Man ("Mr. Ng") and was resulted from drawings made from time to time with the approval of the board of directors. It was unsecured, interest bearing at commercial rate and had no fixed repayment terms. No provision had been made. The maximum outstanding balance was HK$22,202,958 during the year ended March 31, 2008 (2007: HK$27,650,000). The balance was fully settled during the year ended March 31, 2008 by setting off with part of the final dividend of the subsidiaries of the Company for the year ended March 31, 2007 (note 29(b)).

21. CASH AND CASH EQUIVALENTS

	The Group		The Company
	2008	2007	**2008**
	HK$'000	*HK$'000*	***HK$'000***
Cash and bank balances	**36,869**	5,265	**3,047**
Time deposits	**–**	2,500	**–**
Cash and cash equivalents in the balance sheet	**36,869**	7,765	**3,047**
Bank overdrafts *(note 24)*	**–**	(1,867)	
Cash and cash equivalents in the consolidated cash flow statement	**36,869**	5,898	

Cash and cash equivalents includes short-term bank deposit, carrying interest at prevailing market rates. The carrying amounts at the balance sheet date approximated their fair values.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currency, which is Hong Kong dollar:

	The Group	
	2008	2007
	'000	*'000*
United States dollar ("US$")	**US$1,529**	US$198
Renminbi ("RMB")	**RMB446**	–

22. TRADE AND BILLS PAYABLE

The ageing analysis of trade and bills payable is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**9,563**	4,212
31 to 60 days	**2,266**	1,607
61 to 90 days	**324**	71
Over 90 days	**14**	4
	12,167	5,894

22. TRADE AND BILLS PAYABLE *(Continued)*

The trade and bills payable are non-interest bearing and are normally settled on 90-day terms. The carrying amounts of the trade and bills payable at the balance sheet date approximated their fair values.

Included in trade and bills payable are the following amounts denominated in currencies other than the functional currency, which is Hong Kong dollar:

	The Group	
	2008	2007
	'000	*'000*
United States dollar ("US$")	**US$327**	US$162
Renminbi ("RMB")	**RMB3,160**	RMB1,309

23. ACCRUALS AND OTHER PAYABLES

	The Group		**The Company**
	2008	2007	**2008**
	HK$'000	*HK$'000*	***HK$'000***
Interest payables	**28**	206	**–**
Accrued salaries and bonuses	**1,357**	2,146	**–**
Trade deposits received	**1,676**	71	**–**
Accrued expenses	**4,407**	2,025	**212**
	7,468	4,448	**212**

The carrying amounts of accruals and other payables at the balance sheet date approximated their fair values.

All of the accruals and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

24. BANK BORROWINGS AND OVERDRAFTS – SECURED

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Import trade loans	**–**	7,429
Short-term loans	**22,512**	27,487
Bank overdrafts *(note 21)*	**–**	1,867
	22,512	36,783

24. BANK BORROWINGS AND OVERDRAFTS – SECURED *(Continued)*

The bank borrowings and overdrafts are repayable within one year. The carrying amounts at the balance sheet date approximated their fair values.

Bank borrowings of the Group consisted of fixed-rate borrowings and floating-rate borrowings. Fixed-rate borrowings bore interest at effective interest rate ranging from 3.01% to 3.04% (2007: 4.97% to 6.35%). Floating-rate borrowings bore interest at 1% per annum over Hong Kong Interbank Offered Rate or Singapore Interbank Offered Rate.

Bank overdrafts of the Group bore interest rate ranging from 2.2% to 3.2% for the year ended March 31, 2007.

The Group's bank borrowings and overdrafts were secured by guarantees provided by a director and a related company, and by a second legal charge on properties held by a related company. Such guarantees and legal charge have been released upon the listing of the Company on the Stock Exchange on November 19, 2007, and replaced by corporate guarantees and, in association therewith, floating charges on monies standing to the credits of, or owing to, the Group's account with a bank, provided by the Company and its subsidiaries thereafter.

Included in bank borrowings and overdrafts are the following amounts denominated in a currency other than the functional currency, which is Hong Kong dollar:

	The Group	
	2008	2007
	'000	*'000*
United States dollar ("US$")	**–**	US$682

25. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

a) Taxation recoverable/(payable) in the consolidated balance sheet represents:

	2008	2007
	HK$'000	*HK$'000*
At April 1	**(2,462)**	(3,366)
Provision for Hong Kong Profits tax	**(3,969)**	(5,988)
Over-provision in prior years written back	**152**	–
Hong Kong Profits tax paid	**6,687**	6,892
At March 31	**408**	(2,462)

25. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

b) Deferred tax assets and liabilities recognised:

The component of deferred tax (assets) / liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowance in excess of the related depreciation
	HK$'000
At April 1, 2006	1,462
Credited to profit or loss	(797)
At March 31, 2007 and April 1, 2007	665
Credited to profit or loss	(128)
At March 31, 2008	537

26. SHARE CAPITAL

		The Group and the Company	
	Notes	Number of ordinary shares	Nominal value of ordinary shares
Authorised:			
Ordinary shares of US$1 each upon incorporation on March 20, 2007 and as of March 31, 2007 and April 1, 2007	*note (a)*	50,000	US$50,000
Increase in authorised share capital, ordinary shares of HK$0.1 each	*note(b)(i)*	1,000,000,000	HK$100,000,000
Cancellation of authorised share capital, ordinary shares of US$1 each	*note (b)(iii)*	(50,000)	(US$50,000)
At March 31, 2008		1,000,000,000	HK$100,000,000
Issued and fully paid:			
Ordinary share issued on April 3, 2007	*note (a)*	1	US$1
Repurchase of issued ordinary share	*note (b)(ii)*	(1)	(US$1)
Ordinary shares issued	*note (b)(iv)*	1	HK$1
Issuance of ordinary shares pursuant to the group reorganisation	*note (c)*	149,999,999	HK$14,999,999
Issuance of ordinary shares for initial public offering	*note (d)*	50,000,000	HK$5,000,000
At March 31, 2008		200,000,000	HK$20,000,000

26. SHARE CAPITAL *(Continued)*

a) The Company was incorporated in the Cayman Islands on March 20, 2007 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. On April 3, 2007, the Company issued and allotted one ordinary share of US$1 each, at par, credited as fully paid, to the then ultimate controlling shareholder of the Group.

b) On May 4, 2007, the Company resolved to approve various matters as follows:

   i) increase the Company's authorised share capital by HK$100,000,000 divided into 1,000,000,000 ordinary shares of HK$0.1 each;

   ii) repurchase the one issued ordinary share of US$1 at par;

   iii) reduce the authorised share capital of the Company by US$50,000 by cancelling 50,000 authorised but unissued shares of US$1 par value each; and

   iv) issue one of the 1,000,000,000 ordinary share of HK$0.1 each, at par, to the then ultimate controlling shareholder of the Group.

c) Pursuant to the Reorganisation, on October 30, 2007, 149,999,999 ordinary shares of HK$0.1 par value each credited as fully paid were allotted and issued by the Company to the then ultimate holding company of the Group as a consideration for the transfer of its entire interest in the issued share capital of Silver Pattern through a share swap and the Company became the holding company of the companies comprising the Group.

d) On November 19, 2007, 50,000,000 ordinary shares of HK$0.1 par value each were issued at a price of HK$1.5 per share under the Hong Kong Public Offering and the International Placement as set out in the Prospectus. The proceeds of HK$5,000,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$70,000,000 before the share issuing expenses, were credited to the share premium account.

e) The Company has a share option scheme, under which the Company may grant options to any employees or directors to subscribe for shares in the Company, up to a maximum of 10% of the issued share capital of the Company, from time to time, excluding shares issued on exercise of share options. No options have been granted since the adoption of the share option scheme.

27. RESERVES

The Group

	Share premium *(note (i))*	Capital reserve *(note (ii))*	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2006	–	–	19,703	19,703
Profit for the year	–	–	37,273	37,273
At March 31, 2007 and April 1, 2007	–	–	56,976	56,976
Issuance of ordinary shares pursuant to group reorganisation	–	(15,000)	–	(15,000)
Issuance of ordinary shares for initial public offering	70,000	–	–	70,000
Share issuing expenses	(16,232)	–	–	(16,232)
Dividend paid *(note 9)*	–	–	(30,000)	(30,000)
Profit for the year	–	–	25,540	25,540
At March 31, 2008	53,768	(15,000)	52,516	91,284

The Company

	Share premium *(note (i))*	Contributed surplus *(note (iii))*	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At April 1, 2006, March 31, 2007 and April 1, 2007	–	–	–	–
Issuance of ordinary shares pursuant to group reorganisation	–	31,971	–	31,971
Issuance of ordinary shares for initial public offering	70,000	–	–	70,000
Share issuing expenses	(16,232)	–	–	(16,232)
Loss for the year	–	–	(104)	(104)
At March 31, 2008	53,768	31,971	(104)	85,635

27. RESERVES *(Continued)*

i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

ii) Capital reserve

Capital reserve of the Group represents the difference between the nominal values of the ordinary shares issued by the Company and the share capital of Silver Pattern acquired through the share swap pursuant to the Reorganisation.

iii) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Silver Pattern determined on the basis of the consolidated net assets of Silver Pattern at the date of the Reorganisation over the nominal value of the shares issued by the Company in exchange thereof.

iv) Distributability of reserves

At March 31, 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$53,664,000. After the balance sheet date the directors proposed a final dividend of HK6.5 cents per ordinary share amounting to HK$13,000,000. This dividend has not been recognised as a liability at the balance sheet date.

28. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Business segment

The Group is principally engaged in designing, developing, merchandising and providing party and festivity products mainly to dollar store business operators in the North America, Asia, Europe, South America and others. Accordingly, the directors consider there is only one business segment and four geographical segments.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

28. SEGMENT REPORTING *(Continued)*

An analysis of geographical segments is as follows:

	North America		Asia		Europe		South America and others		Elimination		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover												
External sales	**265,707**	214,014	**69,540**	72,365	**20,546**	18,635	**15,765**	9,823	**–**	–	**371,558**	314,837
Intersegment sales	**–**	–	**28,094**	24,755	**–**	–	**–**	–	**(28,094)**	(24,755)	**–**	–
Total	**265,707**	214,014	**97,634**	97,120	**20,546**	18,635	**15,765**	9,823	**(28,094)**	(24,755)	**371,558**	314,837
Operating results												
Profit from operations											**28,690**	41,937
Interest income											**539**	527
Profit before taxation											**29,229**	42,464
Income tax											**(3,689)**	(5,191)
Profit attributable to equity shareholders of the Company											**25,540**	37,273
Other information												
Segment assets	**–**	–	**153,968**	107,228	**–**	–	**–**	–	**–**	–	**153,968**	107,228
Segment liabilities	**–**	–	**42,684**	50,252	**–**	–	**–**	–	**–**	–	**42,684**	50,252
Capital expenditure	**–**	–	**2,520**	4,084	**–**	–	**–**	–	**–**	–	**2,520**	4,084
Depreciation	**–**	–	**4,661**	4,441	**–**	–	**–**	–	**–**	–	**4,661**	4,441

29. NON-CASH TRANSACTIONS

a) For the year ended March 31, 2008, trade receivables of the Group amounting to HK$125,000 were individually determined to be impaired. This amount together with allowance provided in previous year of HK$190,000, aggregating to HK$315,000, were written off during the year ended March 31, 2008. The above transactions are non-cash transactions.

b) During the year ended March 31, 2008, the Company paid dividend of HK$30,000,000 for the year ended March 31, 2007. Out of this payment, an amount of HK$20,400,000 was made by netting off the loan to a director. This amount netted off is a non-cash transaction.

30. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

a) Related party transactions included in the consolidated income statement:

	2008	2007
	HK$'000	*HK$'000*
Acquisition of business from PPML *(note i)*	**–**	10,268
Sales to PPML *(note i)*	**–**	3,491
Interest income from a director *(note ii)*	**275**	278
Rental expenses paid to a director	**47**	55
Rental expenses paid to close family members of a director	**268**	228

Notes:

i) Party Products Manufacturing Limited ("PPML") is a related company as one of its shareholders is the spouse of a director of the Company, Mr. Wong Sai Ming.

ii) Interest income from loan to a director, Mr. Ng (see note 4).

In the opinion of the directors of the Company, the above related party transactions were carried out on normal commercial terms and in the ordinary course of the Group's business.

30. RELATED PARTY TRANSACTIONS *(Continued)*

b) Related party transactions included in the consolidated balance sheet:

	2008	2007
	HK$'000	*HK$'000*
Loan to a director *(note 20)*	**–**	9,343

c) Compensation of key management of the Group:

	2008	2007
	HK$'000	*HK$'000*
Salaries, allowance and other benefits	**8,411**	6,472
Contributions to defined contribution retirement plans	**140**	128
	8,551	6,600

Note: Further details of post-employment benefits and directors' and employees' emoluments are included in note 12 to the financial statements. Total remuneration is included in "staff costs" (see note 6).

d) Certain banking facilities of the Group were secured by the unlimited personal guarantees provided by a director, corporate guarantee in the amount of HK$10,000,000 provided by a related company, and by a second legal charge on properties held by a related company. In return, the Group provided an unlimited guarantee to that related company for the latter's banking facilities.

All the above guarantees and legal charge have been released upon the listing of the Company on the Stock Exchange on November 19, 2007.

31. OPERATING LEASE COMMITMENTS

The Group leases office premises under operating lease arrangements. At each balance sheet date, the Group had future aggregate minimum lease payment under non-cancellable operating leases arrangements as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**188**	987
In the second to fifth year, inclusive	**–**	49
	188	1,036

31. OPERATING LEASE COMMITMENTS *(Continued)*

In April 2008, the Group signed a new operating lease for office premises with commitments of HK$11.7 million through December 2011 (note 37(a)).

32. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As described in note 30 regarding related party transactions, the Group provided an unlimited guarantee to a related company to secure the latter's banking facilities. At March 31, 2007, the facilities drawn down by the related company amounted to approximately HK$47,000,000. The maximum liability of the Group under the guarantee issued represents the amount of facilities drawn down by that related company. No recognition was made in the year ended March 31, 2007 because the fair value of the guarantee was insignificant and that the directors of the Company did not consider it probable that a claim would be made against the Group under the guarantee.

33. BANKING FACILITIES

The Group's banking facilities are secured and supported by corporate guarantees granted by the Company and its subsidiaries. As at March 31, 2008, the amount of unused banking facilities was approximately HK$49.1 million (note 32).

34. ACQUISITION OF BUSINESS

Effective on June 1, 2006, the Company's wholly-own subsidiary, Silver Lining, acquired the party product trading business operated in the name of PPML. The acquisition was considered as a related party transaction (refer to note 30(a)). The acquisition agreement was dated July 2, 2006. The acquisition has been accounted for by the acquisition method of accounting. The fair value of the assets and liabilities acquired approximated the acquiree's carrying amounts. Trade receivables/payables arising from the old operation were not acquired.

	HK$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	310
Utility and other deposits	75
Net assets acquired	385
Goodwill	9,883
Total consideration	10,268
Satisfied by:	
Cash consideration*	10,268
An analysis of the net cash outflow in respect of the acquisition of business is as follows:	
Cash consideration	(10,268)
Net outflow of cash and cash equivalents in respect of the acquisition of business	(10,268)

* The cash consideration of HK$5,000,000 and HK$5,268,496 were settled on August 7 2006 and November 6 2006, respectively.

34. ACQUISITION OF BUSINESS *(Continued)*

Goodwill arose from the acquisition because the considerations paid included a control premium. In addition, it included amounts in relation to the benefit of expected synergies in terms of revenue growth, future market development and shared sourcing network. The Group also acquired the customer lists and customer relationships of PPML. These benefits are not recognised separately form goodwill as the future economic benefits arising from them cannot be reliably measured.

The acquired business contributed revenues of HK$41,618,000 and net profit of HK$1,958,000 to the Group for the period from June 1, 2006 to March 31, 2007. If the acquisition had occurred on April 1, 2006, Group revenue would have been HK$327,712,000, and profit for the year would have been HK$37,852,000 for the year ended March 31, 2007. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on April 1, 2006, nor is it intended to be a projection of future results.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Financial risk factors

The Group's major financial instruments include, cash and cash equivalents, trade and other receivables, trade and bills payable, other payables and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The Group does not hold or issue derivate financial instruments either for hedging or trading purposes. The policies on how to mitigate these risks are set out as below.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Credit risk

Credit risk arises from the possibility that the counterparty to transaction is unwilling or unable to fulfill its obligation thereby incurring financial loss to the Group.

– Trade and other receivables

As at March 31, 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

In respect of trade and other receivables, in order to minimise risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of customers' financial position and condition are performed on all customers periodically. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are usually due within 90 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collaterals from customers.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At March 31, 2008, the Group has a certain concentration of credit risk as approximately equals to 54% (2007: 41%) and 77% (2007: 59%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Financial risk factors *(Continued)*

– Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with the financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

– Financial guarantee

This is no financial guarantee outstanding as at March 31, 2008. Therefore, no credit risk in respect thereof existed. Details of financial guarantee are disclosed in note 32.

ii) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due.

The Group is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following liquidity risk tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group are required to pay:

	2008			2007		
	Within 1 year or on demand	**Total contractual undiscounted cash flow**	**Carrying amount**	Within 1 year or on demand	Total contractual undiscounted cash flow	Carrying amount
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Secured bank borrowings and overdrafts	**22,832**	**22,832**	**22,512**	37,176	37,176	36,783
Trade and bills payable	**12,167**	**12,167**	**12,167**	5,894	5,894	5,894
Accruals and other payables	**7,468**	**7,468**	**7,468**	4,448	4,448	4,448
	42,467	**42,467**	**42,147**	47,518	47,518	47,125

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Financial risk factors *(Continued)*

iii) Fair value and cash flow interest rate risk

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arise.

(i) Exposure to fair value and cash flow interest rate risk

The Group's fair value interest rate risk relates primarily to short-term bank borrowings carrying at fixed interest rates and cash flow interest rate risk in relation to short-term bank borrowings and bank deposits carrying at floating interest rates. The directors consider the Group's exposure of the bank borrowings to fair value interest rate risk is not significant as bank borrowings are within short maturity period. Details of the interest rate are disclosed in note 24.

The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from floating volatility. The Group also monitors interest rate exposure by borrowing at fixed rate, instead of floating rate.

(ii) Sensitivity analysis

All of the bank borrowings of the Group which are fixed rate instruments are insensitive in any change in interest rates. A change in interest rates at the balance sheet date would not affect profit or loss. At March 31, 2008, it is estimated that a general increase/decrease 100 basis points in interest rates for variable rate borrowings and bank deposits, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profit by approximately HK$366,000 (2007: HK$60,000). Other components of equity would not be affected (2007: Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

iv) Currency risk

Presently, there is no hedging policy with respect to the Group's foreign exchange exposure. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of operation to which they relate.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Financial risk factors *(Continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency which is Hong Kong dollar of the entity to which they relate. The Group is mainly exposed to the fluctuation of United States dollar and Renminbi.

The Group

	2008	
	US$'000	***RMB'000***
Cash and cash equivalents	**1,529**	**446**
Trade and other receivables	**6,655**	**2,377**
Trade and other payables	**(499)**	**(4,783)**
Overall exposure arising from recognised assets and liabilities	**7,685**	**(1,960)**

	2007	
	US$'000	*RMB'000*
Cash and cash equivalents	198	–
Trade and other receivables	3,686	1,462
Trade and other payables	(175)	(2,505)
Bank borrowings and overdrafts	(682)	–
Overall exposure arising from recognised assets and liabilities	3,027	(1,043)

Management closely monitors currency risk position to ensure that the net exposure is kept at an acceptable level.

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	%	**'000**	%	'000
Renminbi	**5%**	**(89)**	5%	(44)
	(5%)	**89**	(5%)	44

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Financial risk factors *(Continued)*

Other components of consolidated equity would not be affected (2007: HK$Nil) by the changes in foreign exchange rates.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for non– derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entitles profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

v) Fair values

The fair values of cash and cash equivalents, bank deposits, trade and other receivables, trade and bills payable and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amount of bank borrowings and overdrafts approximated its fair value.

b) Capital risk management

The primary objective of the Group's capital risk management is to ensure that it maintains a strong credit rating and 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 or policies during the year.

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as net debt divided by total equity. Net debt is calculated as interest-bearing bank borrowings and overdrafts less cash and cash equivalents. Total equity represents equity attributable to the equity shareholders of the Group. This ratio stood at 51% for the Group at March 31, 2007. As at March 31, 2008, both the Group and the Company had no net debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c) Estimation of fair values

The fair values of interest-bearing bank borrowings is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

36. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year, as discussed below.

i) Impairment of property, plant and equipment

The recoverable amount of an asset is the greater of its net selling price and value in use. 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, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based on periodic evaluation of the recoverability of the trade and other receivables. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

iii) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If the recoverable amount exceeds the estimated value in use of the cash generating unit, additional impairment allowance may be required.

iv) Estimated net realisable value of inventories

The Group's management writes down slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventories will be written down where events or changes in circumstances indicates that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed is required to be made.

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

b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the balance sheet date. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

37. POST BALANCE SHEET EVENTS

a) New operating lease commitments

Subsequent to the year ended March 31, 2008, the Group entered in to a 43-month tenancy agreement with independent landlords.

Pursuant to the tenancy agreement, the Group made a deposit for rent, management fee and air-conditioning charges, rates and Government rent, and a further rent prepayment of HK$3,892,000 to secure a longer rent free period.

b) Setting up a new subsidiary in the People's Republic of China ("PRC")

The Company has set up a new subsidiary in the PRC on July 3, 2008 with a view to developing new business opportunities in the PRC. The new subsidiary is a wholly foreign owned enterprise established in the PRC for a term of 20 years up to July 2028 with authorised share capital of US$2 million. As at the balance sheet date, no capital was injected to the new subsidiary.

c) Dividend proposed

On July 15, 2008, the Company's directors proposed a final dividend of HK6.5 cents per ordinary share, totaling HK$13,000,000, in respect of the year ended March 31, 2008. The proposed dividend is subject to shareholders' approval in the forthcoming Annual General Meeting.

38. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

The directors consider Direct Value Limited, a company incorporated in British Virgin Islands, to be the ultimate holding company.

The directors regard Mr. Hui Kwan Wah, Hugo, through his direct shareholding in Direct Value Limited, as being the ultimate controlling party.

39. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, Financial instruments: Disclosures, and the amendments to HKAS 1, Presentation of financial statements: Capital disclosures, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2(c).

FINANCIAL SUMMARY

The financial results of the Group for the financial years 2005 to 2008 and the assets and liabilities of the Group as at March 31, 2005, 2006, 2007 and 2008 are as follows:

	Year ended March 31			
Results	**2008**	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**371,558**	314,837	210,496	185,154
Profit before taxation	**29,229**	42,464	27,940	17,309
Income tax	**(3,689)**	(5,191)	(4,942)	(3,110)
Profit for the year	**25,540**	37,273	22,998	14,199
Attributable to:				
Equity shareholders of the Company	**25,540**	37,273	22,998	14,199

	At March 31			
Assets and liabilities	**2008**	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**153,968**	107,228	71,733	54,951
Total liabilities	**(42,684)**	(50,252)	(52,030)	(46,446)
Total equity	**111,284**	56,976	19,703	8,505

Note: The financial results of the Group for the years ended March 31, 2005 and 2006 and the assets and liabilities of the Group as at March 31, 2005 and 2006 have been prepared on combined basis and are extracted from the Prospectus.