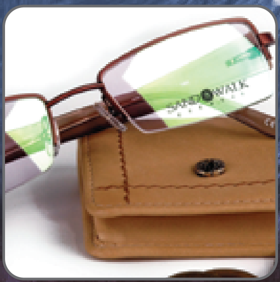
Elegance International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code : 907)

2010

ANNUAL REPORT



Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

LISSI Barbara
MARCHISIO Paola

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

TSUI Choi Yee, Connie

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young

HONG KONG SHARE REGISTRAR

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

PRINCIPAL SHARE REGISTRAR

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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

WEBSITE

www.elegance-group.com

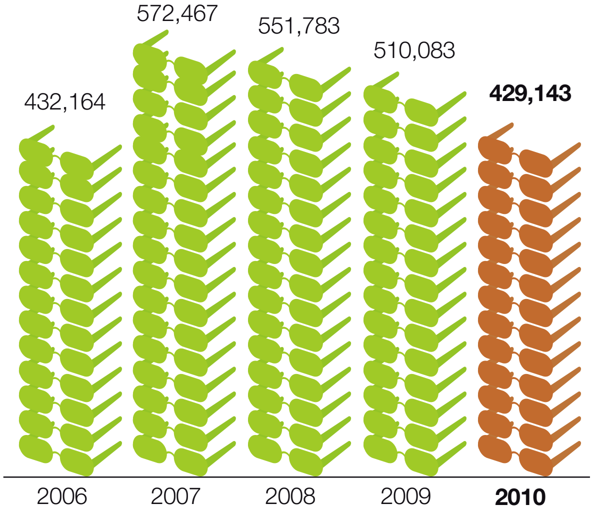
STOCK CODE

907

Financial Highlights

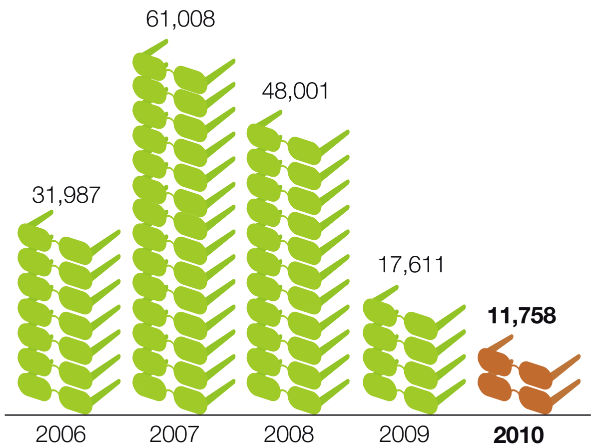
REVENUE

(HK$'000)

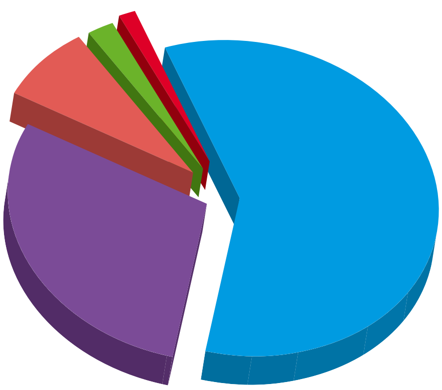


PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

(HK$'000)



BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA FOR THE YEAR ENDED 31 MARCH 2010



Europe	58.98%
North America	29.56%
The People's Republic of China (Including Hong Kong)	8.01%
Other Asian countries	2.31%
Others	1.14%

Chairman's Statement

DIVIDENDS

The board of directors (the "Board") of Elegance International Holdings Limited (the "Company") has resolved to recommend the payment of a final dividend of HK3.0 cents per ordinary share (2009: HK3.0 cents) for the year ended 31 March 2010 at the forthcoming annual general meeting of the Company to be held on 27 August 2010. The final dividend, if approved by shareholders, is expected to be payable on or around 22 September 2010 to those shareholders whose names appear on the register of members of the Company on 27 August 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 August 2010 to Friday, 27 August 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, and be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers of shares, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 20 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The financial year which ended on 31 March 2010 was another challenging year for the Company and its subsidiaries (the "Group"). Sales of the Group have not been fully recovered, especially in its two largest geographical markets, Europe and North America, as economic recovery in these two markets is slow. For the year under review, sales from these two markets decreased by 14.81% and 24.44% respectively as compared to those of last year. Although the sales to People's Republic of China (the "PRC") increased by 13.99%, the total sales of the Group dropped by 15.87% to HK$429,143,000 compared to HK$510,083,000 last year.

Chairman's Statement

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

During the year, operating environment was still difficult, especially in the PRC. The PRC labour cost increased consistently, while the Renminbi appreciated constantly over the financial year. Although demands for the Group's products from its customers increased in the second half of the financial year, in fulfilling this increase, the Group was facing the challenge of shortage of skilled labour, and as a result had to raise wages to compete for skilled labour, which pushed up further the PRC labour cost. While the Group is committed to various cost control methods, the gross profit margin for the year not only was maintained but slightly improved.

Profit attributable to equity holders of the parent for the year ended 31 March 2010 dropped by 33.23% to HK$11,758,000 as compared to HK$17,611,000 last year, which was mainly due to the significant decrease in the share of profit of associates, as a result of the reclassification of the Group's unlisted equity investment from an associate to available-for-sale financial assets on 1 January 2009.

PROSPECT

Looking forward, it is expected that the operating environment in the PRC will continue to be challenging. Although the global economy is recovering, the potential appreciation of Renminbi as well as the further increase of minimum wages in the PRC will affect the Group's business performance. Furthermore, the unstable recovery paces of various economies are going to add uncertainty to future business prospect of the Group.

To cope with these anticipated challenges and uncertainty, the Group will continue to control stringently its costs at all levels to ensure its profitability. Besides, the Group will explore the possibility of price increment to transfer a part of the increased costs to its customers. Furthermore, the Group will continue to streamline its production process to increase its productivity. The Group will also design and tailor make more machines through its machine making subsidiary to step up the selective automation process to tackle partly the pressure of labour shortage as well as to ensure product quality.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong financial position with cash and bank balances of HK$118,186,000 and a zero gearing ratio as at 31 March 2010. The Group's equity attributable to equity holders of the parent as at 31 March 2010 amounted to HK$517,866,000 (31 March 2009: HK$516,086,000).

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2010, the Group had capital commitments, which were contracted but not provided for, in respect of land and buildings and equipment and machinery of HK$1,700,000 (31 March 2009: HK$2,353,000). As at 31 March 2010, the Company had a contingent liability of HK$142,900,000 (31 March 2009: HK$107,900,000) in respect of guarantees given to banks in connection with facilities granted to its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2010, the Group employed 5,909 (31 March 2009: 4,621) full time employees in China and in Hong Kong. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of the individual employee, and are subject to review from time to time.

APPRECIATION

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

Hui Leung Wah
Chairman

Hong Kong
16 July 2010

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

HUI Leung Wah, aged 57, is the chairman and managing director of the Group. He is the founder of the Group and has 44 years of experience in the optical frames manufacturing industry. He is responsible for the overall supervision and policy making of the Group's activities. Mr. Hui is a director of certain subsidiaries of the Group. He was awarded the Young Industrialist Awards of Hong Kong in September 1995, given by the Federation of Hong Kong Industries. Mr. Hui has served as a Committee Member of The Hong Kong Optical Manufacturers Association (the "Association") since 1990, and he has served as the President and Vice President of the Association for various terms from 1998 to present. Mr. Hui is the father of Ms. Hui Sze Man, Doris, a member of the senior management of the Group. He is also the brother-in-law of Mr. Poon Sui Hong, an executive director of the Group and Mr. Cheng Wai Keung, Edmond and Ms. Poon Kam Yee, members of the senior management of the Group.

POON Sui Hong, aged 51, is an executive director and a general manager of the Group. He joined the Group in 1984 and has over 24 years of experience in the marketing and production of optical frames. He is presently responsible for the strategic planning and supervision of the Group's marketing activities. He is a director of certain subsidiaries of the Group. Mr. Poon is the brother-in-law of Mr. Hui Leung Wah and Mr. Cheng Wai Keung, Edmond, and the brother of Ms. Poon Kam Yee.

LEUNG Shu Sum, aged 55, is an executive director and one of the founding members of the Group and has over 34 years of experience in optical frames production. He is currently responsible for supervising the production and engineering activities at the PRC production facilities.

NON-EXECUTIVE DIRECTORS

Barbara Lissi, aged 40, joined the Company as a non-executive director on 18 July 2008. Ms. Lissi graduated in Chinese Language and Literature at the prestigious Venice University (Italy). She has over 16 years of extensive experience in the marketing, purchasing, and management function in Italian companies based in Mainland China and Hong Kong. She is currently the Safilo's Sourcing Director of the Safilo S.p.A. based in Hong Kong. She speaks Italian, English and Chinese fluently.

Paola Marchisio, aged 48, joined the Company as a non-executive director on 18 July 2008. Ms. Marchisio graduated in Business Administration at the University of Turin (Italy) and has over 22 years of experience in the marketing and accounting fields in Italy and Hong Kong. Ms Marchisio is the Chief Financial Officer of Safilo Far East Limited, she is also a director of Safint Optical Investments Limited, an equity investment of the Group.

Profiles of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

POON Kwok Fai, Ronald, aged 61, joined the Company as an independent non-executive director in 1996. Mr. Poon is a solicitor and notary public practising in Hong Kong and has over 30 years of experience in the legal profession.

TAM Hok Lam, Tommy, PhD, JP, aged 61, joined the Company as an independent non-executive director in 2005. Dr. Tam is a fellow member of the Association of International Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also an honorary director of Hong Kong Watch Manufacturer's Association Limited and a council member of the Hong Kong Institute of Directors. Dr. Tam currently is an independent non-executive director of Hao Tian Resources Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board"), which is principally engaged in exploitation of coal, coal mining, coal sales and development of coking coal mine in the PRC. On 11 June 2010, Dr. Tam has been appointed as an independent non-executive director of Madex International (Holdings) Limited, a company listed on the Main Board, its principal activity is investment holding, whilst its subsidiaries are mainly engaged in property investment and development in the PRC. Dr. Tam currently is the managing director of Tomson Holdings Limited which is an investment holdings company, and is also the chairman of Artistic Precision Holdings Ltd which is involved in watch design, production and trading. Dr. Tam is a Standing Committee member of Chinese People Political Consultative Conference in Shandong Province, the PRC.

WONG Chung Mat, Ben, JP, aged 58, joined the Company as an independent non-executive director in 2004. Mr. Wong is the chairman and chief executive officer of Wong's International (Holdings) Limited, a company listed on the Main Board. He obtained a Master of Science Degree in Operations Research from Ohio State University and has over 35 years of experience in the electronics industry.

SENIOR MANAGEMENT

TSANG Tak Hung, Donald, aged 51, is one of the general managers of the Group and is responsible for the management, strategic planning and corporate development of the Group. Prior to joining the Group in 1994, he has over 12 years of management experience by serving in various financial institutions in Hong Kong and Canada including The Stock Exchange of Hong Kong Limited.

CHENG Wai Keung, Edmond, aged 50, is an assistant general manager supervising the Group's production department. He joined the Group in 1988 and has worked in various departments within the Group including the marketing, production and purchasing departments. Mr. Cheng now oversees the production in the PRC production facilities. Mr. Cheng is the brother-in-law of Mr. Hui Leung Wah and Mr. Poon Sui Hong, and the spouse of Ms. Poon Kam Yee, a member of the senior management of the Group. He holds directorships in certain subsidiaries of the Group.

POON Kam Yee, aged 49, is an assistant to the Chairman and Managing Director and is also a supervisor of the Group's marketing department – the PRC division. She joined the Group in 1988 and has over 29 years of experience in administration. She is responsible for the Group's sales in the PRC market. Ms. Poon is the sister-in-law of Mr. Hui Leung Wah, and the sister of Mr. Poon Sui Hong. She is the spouse of Mr. Cheng Wai Keug, Edmond. Ms. Poon holds directorships in certain subsidiaries of the Group.

HUI Sze Man, Doris, aged 29, joined the Group in 2005 as an assistant to the Chairman. Ms. Hui is in charge of the research and development and design departments. She is also responsible for the management of the Group's marketing policies and developments. She holds a Bachelor degree in Arts from York University in Canada. Ms. Hui has served as director of Yan Chai Hospital from 2007 to 2009. She has also been a member of Hong Kong Young Industrialists Council Youth Group since 2003. She is the daughter of Mr. Hui Leung Wah.

TSUI Choi Yee, Connie, aged 44, joined the Group in July 2007 as financial controller and company secretary. She holds a master degree in Business Administration from the Australian Graduate School of Management. Ms. Tsui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. She has over 16 years of experience in the field of accounting and auditing.

Corporate Governance Report

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintain high standard of corporate governance practices and procedures in fulfilling its responsibilities. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has always recognised the importance of transparency and accountability. The Group has adopted the Code provisions as set out in the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “SEHK”) as its own code of corporate governance practices. The directors of the Company (the “Directors”) consider that the Company has complied with the Code throughout the year ended 31 March 2010, except for the following deviation:

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

BOARD OF DIRECTORS

Board Composition

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

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

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

Appointment and re-election

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

In accordance with bye-law 110(A) of the bye-laws of the Company, Mr. Poon Sui Hong, Dr. Tam Hok Lam, Tommy and Mr. Wong Chung Mat, Ben will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election by shareholders.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Duties of the Board

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

The Directors meet regularly to review the financial performance and operational performance of the Company and to discuss and formulate the development plan of the Group. Daily operations and administration are delegated to the Executive Directors and management of the Group. The members of the Board are mostly professionally qualified and widely experienced personnel who bring in valuable contribution, provide different professional advices and consultancy for the development of the Company. They provide strong support towards the effective discharge of the duties and responsibilities of the Board.

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

Functions of the Board

During the financial year ended 31 March 2010, four regular Board meetings were held and the attendance of each Director is set out as follows:

Name of director	Attendance in 2009/2010
Executive Directors	
Mr. Hui Leung Wah	4/4
Mr. Poon Sui Hong	4/4
Mr. Leung Shu Sum	4/4
Non-Executive Directors	
Ms. Barbara Lissi	4/4
Ms. Paola Marchisio	3/4
Independent Non-Executive Directors	
Mr. Poon Kwok Fai, Ronald	4/4
Dr. Tam Hok Lam, Tommy	4/4
Mr. Wong Chung Mat, Ben	4/4

Four regular Board meetings during the year ended 31 March 2010 were scheduled in advance to give all Directors an opportunity to attend. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings, he also seeks to ensure that Directors receive adequate information, which must be complete and reliable, in a timely manner.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Functions of the Board (continued)

The Company Secretary shall convene the Board meetings on the request of any one director of the Company and 14 days' notice of Board meetings is given to all Directors. Agendas and accompanying Board papers are sent to all Directors at least three days in advance of every Board meeting to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

The Company Secretary attends all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Every Director has access to the advice and services of the Company Secretary, who is responsible for providing Board papers and related materials to Directors and ensuring that Board procedures and all applicable rules and regulations are followed. Detailed minutes of Board meetings are kept by the Company Secretary and they are open for inspection at any reasonable time on reasonable notice by any Director. All Directors have access to Board papers and related materials and are able to obtain independent professional advice whenever deemed necessary by the Directors.

RESPONSIBILITY OF DIRECTORS AND AUDITORS FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcement and other disclosures required under the Listing Rules and other regulatory requirements. With the assistance of the Finance Department which is under the supervision of the Financial Controller of the Company, the Directors ensure that the preparation of the financial statements is in accordance with statutory requirements and prevailing accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code throughout the year.

REMUNERATION COMMITTEE AND DIRECTORS' REMUNERATION

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

The attendance of each member is set out as follows:

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

Corporate Governance Report

REMUNERATION COMMITTEE AND DIRECTORS' REMUNERATION (continued)

Its terms of reference are summarised as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;

2. to have the delegated responsibility to review and determine the specific remuneration packages of all Executive Directors and make recommendations to the Board of the remuneration of Non-Executive Directors;

3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment;

5. to review and approve compensation arrangement relating to dismissal or removal of directors for misconduct; and

6. to ensure that no director or any of his associates is involved in deciding his own remuneration.

During the year, the Remuneration Committee has, among other things, reviewed and determined the remuneration packages of all Executive Directors with reference to market terms, their duties and responsibilities and performance, and has made recommendation to the Board accordingly. The Board reviewed and approved the Directors' remuneration at the Board Meeting held on 16 July 2010.

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

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

NOMINATION COMMITTEE

The Nomination Committee currently comprises three INEDs. Dr. Tam Hok Lam, Tommy is the Chairman of the Nomination Committee. Other members of the Committee are Mr. Poon Kwok Fai, Ronald and Mr. Wong Chung Mat, Ben. The Nomination Committee assists the Board to fulfill its supervisory role over the Group in nominating new directors to the Board and assessing the performance and skills of Directors. The Nomination Committee develops nomination procedures and criteria for candidates. The terms of reference of the Nomination Committee have been posted on the website of the Company. The Nomination Committee did not hold any meeting during the financial year ended 31 March 2010.

Corporate Governance Report

AUDIT COMMITTEE

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

1. to consider the appointment, reappointment and removal of the external auditors, and to approve the remuneration and the terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors of the Company;

2. to assess the independence of external auditors and discuss with the external auditors the nature and scope of audit;

3. to review interim and annual financial statements of the Group before submission to the Board;

4. to review the financial control, internal control, and risk management system (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget) of the Group and make recommendations to the Board;

5. to review the external auditor's engagement letter, management letter, material queries raised by the auditors to management in respect of accounting records, financial control, internal control and management's response.

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

Name of director	Attendance in 2009/2010
Mr. Poon Kwok Fai, Ronald	2/2
Dr. Tam Hok lam, Tommy	2/2
Mr. Wong Chung Mat, Ben	2/2

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

1. reviewed with external auditors the accounting policies and the financial statements for the year ended 31 March 2009 and for the six months ended 30 September 2009 respectively;

2. reviewed the accounting principles and practices adopted by the Group and ensured the Company to comply with the Listing Rules and other statutory compliance;

3. reviewed the effectiveness of internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget;

4. reviewed and recommended for the Board's approval the audit scope and auditors' remuneration; and

5. reviewed and considered the connected transactions entered into by the Group during the year.

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

Corporate Governance Report

AUDITORS' REMUNERATION

For the year ended 31 March 2010, the remuneration paid or payable to the Company's auditors, Messrs Ernst & Young, is set out as follows:

Services rendered	Fees paid/payable HK$'000
Audit services	750
Non-audit services – interim review	150
Non-audit services – taxation	99
Total	999

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

The annual general meeting is a channel for the Chairman of the Board and the sub-committees of the Board to address concern of shareholders. At the last annual general meeting, separate resolutions were proposed by the Chairman in respect of each separate issue including re-election of Directors and the Chairman demanded a poll on all resolutions. The procedures for and the rights of shareholders for demanding a poll by the shareholders will be incorporated in the circular which will be sent to Shareholder on 28 July 2010.

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

INTERNAL CONTROL

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

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

The internal audit section is responsible for internal audit function of the Group, it monitors the internal control system and the internal control procedures, its findings and recommendations are reported to the Board regularly. During the year ended 31 March 2010, the Audit Committee and the Board, with the assistance of the internal audit section, evaluated the effectiveness of the existing internal control system, which covered all material controls, including financial, operational and compliance controls and risk management functions, and reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget in the board meetings.

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

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 82.

The directors recommend the payment of a final dividend of HK3.0 cents per share in respect of the year to shareholders on the register of members on 27 August 2010. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

SUMMARY FINANCIAL INFORMATION

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

Results

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**429,143**	510,083	551,783	572,467	432,164
PROFIT FOR THE YEAR	**9,268**	16,156	51,369	61,323	27,896
Attributable to:					
Equity holders of the parent	**11,758**	17,611	48,001	61,008	31,987
Minority interests	**(2,490)**	(1,455)	3,368	315	(4,091)
	9,268	16,156	51,369	61,323	27,896

Report of the Directors

SUMMARY FINANCIAL INFORMATION (continued)

Assets, liabilities and minority interests

	31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**625,410**	618,764	651,945	679,777	645,248
TOTAL LIABILITIES	**(90,736)**	(83,487)	(113,026)	(170,241)	(177,551)
MINORITY INTERESTS	**(16,808)**	(19,191)	(20,802)	(17,722)	(16,797)
	517,866	516,086	518,117	491,814	450,900

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share option scheme are set out in notes 28 and 29 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30(b) to the financial statements and in the consolidated statement of changes in equity set out on page 28 of this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2010, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$179,088,000 of which HK$9,709,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$56,831,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$571,000.

Report of the Directors

DIRECTORS

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

Executive directors

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

Non-executive directors

Ms. Barbara Lissi
Ms. Paola Marchisio

Independent non-executive directors

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

In accordance with bye-law 110(A) of the Company's bye-laws, Mr. Poon Sui Hong, Dr. Tam Hok Lam, Tommy and Mr. Wong Chung Mat, Ben will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2010, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

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

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

Long position in ordinary shares in the subsidiaries:

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

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

Save as disclosed herein and as at 31 March 2010, none of the directors or chief executive of the Company had any interests in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the SEHK.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures set out in note 29 to the financial statements, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company, their respective spouses or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

At 31 March 2010, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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

Notes:

1. Ms. Poon Yuk Yee is the spouse of Mr. Hui Leung Wah and is deemed to be interested in shares held by and shares taken to be interested by Mr. Hui Leung Wah.

2. Details are stated in the above section headed "Directors' interests and short positions in shares and underlying shares".

3. SFEL is a wholly-owned subsidiary of Safilo S.p.A.

Save as disclosed above, as at 31 March 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's largest customer and the Group's five largest customers accounted for 36.90% and 59.68% of the Group's total sales, respectively. The Group's largest customer, the Safilo S.p.A. group of companies, owned 23.05% of the Company's issued share capital at the end of the reporting period. Details of the sales to the Safilo S.p.A. group of companies are included in note 34 to the financial statements.

During the year under review, the Group's largest supplier and the Group's five largest suppliers accounted for 8.17% and 34.78% of the Group's total purchases, respectively.

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

(b) conducted on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than the terms available to or from independent third parties as appropriate;

(c) entered into in accordance with the relevant terms and conditions governing such transactions, which are fair and reasonable so far as the shareholders of the Company were concerned and in the interests of the Group as a whole; and

(d) did not exceed HK$565 million for the year.

Report of the Directors

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and in note 34 to the financial statements and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further details of the sales to the Safilo S.p.A. group of companies are set out in note 34 to the financial statements.

In addition to the transactions with the Safilo S.p.A. group of companies set out above, a non-wholly-owned subsidiary of the Group also owed certain of the Group's wholly-owned subsidiaries amounts arising from their ordinary and usual course of business. The amounts due are unsecured, bearing interest at the same rate charged to the Group by its banks and are repayable in accordance with normal trading terms. The balances of this non-wholly-owned subsidiary are eliminated in the Group's consolidated financial statements. Details of the amounts outstanding at the end of the reporting period are set out below:

	31 March 2010 HK$'000	31 March 2009 HK$'000
Gold Strong Industrial Limited	**34,185**	33,904

During the year, a director's quarter was rented by the Group from Mr. Hui Leung Wah, the chairman and managing director of the Company, for the use by Mr. Poon Sui Hong as a directors' quarter. The annual rental amounting to HK$444,000 for the year (2009: HK$444,000) was mutually agreed by both parties based on market value and has been included in directors' remuneration in note 8 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

ON BEHALF OF THE BOARD

Hui Leung Wah
Chairman

Hong Kong
16 July 2010

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of Elegance International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Elegance International Holdings Limited set out on pages 24 to 82, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

Independent Auditors' Report

To the shareholders of Elegance International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 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.

Ernst & Young
Certified Public Accountants

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

16 July 2010

Consolidated Income Statement

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**429,143**	510,083
Cost of sales		**(366,904)**	(438,793)
Gross profit		**62,239**	71,290
Other income	5	**2,502**	3,366
Selling and distribution costs		**(6,692)**	(10,234)
Administrative expenses		**(49,703)**	(56,170)
Other operating income, net		**1,496**	883
Finance costs	7	**(7)**	(70)
Share of profits and losses of:			
Jointly-controlled entities		**492**	(115)
Associates		**34**	6,342
PROFIT BEFORE TAX	6	**10,361**	15,292
Income tax expense	9	**(1,093)**	864
PROFIT FOR THE YEAR		**9,268**	16,156
Attributable to:			
Equity holders of the parent	10	**11,758**	17,611
Minority interests		**(2,490)**	(1,455)
		9,268	16,156
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**3.63 cents**	5.44 cents

Details of the dividend proposed for the year are disclosed in note 11 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**9,268**	16,156
OTHER COMPREHENSIVE INCOME			
Change in fair value of available-for-sale financial assets		**(130)**	(273)
Exchange differences on translation of foreign operations		**(32)**	(106)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(162)**	(379)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,106**	15,777
Attributable to:			
Equity holders of the parent	10	**11,489**	17,388
Minority interests		**(2,383)**	(1,611)
		9,106	15,777

Consolidated Statement of Financial Position

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	217,464	229,636
Investment property	14	3,760	2,800
Prepaid land lease payments	15	44,365	45,451
Interests in jointly-controlled entities	17	4,858	4,775
Interest in an associate	18	2,236	3,179
Available-for-sale financial assets	19	32,149	32,279
Deferred tax assets	27	497	807
Deposits paid for items of property, plant and equipment		652	2,227
Total non-current assets		305,981	321,154
CURRENT ASSETS			
Inventories	20	75,117	78,393
Trade and bills receivables	21	115,431	125,894
Prepayments, deposits and other receivables	22	10,601	13,301
Equity investments at fair value through profit or loss	23	37	835
Tax recoverable		57	1,068
Cash and cash equivalents	24	118,186	78,119
Total current assets		319,429	297,610
CURRENT LIABILITIES			
Trade and bills payables	25	41,218	34,764
Other payables and accruals	26	40,458	39,335
Tax payable		4,647	3,838
Total current liabilities		86,323	77,937
NET CURRENT ASSETS		233,106	219,673
TOTAL ASSETS LESS CURRENT LIABILITIES		539,087	540,827
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	4,413	5,550
Net assets		534,674	535,277

Consolidated Statement of Financial Position

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	28	**32,365**	32,365
Reserves	30(a)	**475,792**	474,012
Proposed final dividends	11	**9,709**	9,709
		517,866	516,086
Minority interests		**16,808**	19,191
Total equity		**534,674**	535,277

Hui Leung Wah
Director

Poon Sui Hong
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2010

		Attributable to equity holders of the parent										
	Note	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	Goodwill eliminated against reserves HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2008		32,365	56,831	41,800	273	(152)	4,293	363,288	19,419	518,117	20,802	538,919
Total comprehensive income for the year		–	–	–	(273)	–	50	17,611	–	17,388	(1,611)	15,777
Final 2008 dividend declared		–	–	–	–	–	–	–	(19,419)	(19,419)	–	(19,419)
Proposed final 2009 dividend	11	–	–	–	–	–	–	(9,709)	9,709	–	–	–
At 31 March 2009 and 1 April 2009		32,365	56,831	41,800	–	(152)	4,343	371,190	9,709	516,086	19,191	535,277
Total comprehensive income for the year		–	–	–	(130)	–	(139)	11,758	–	11,489	(2,383)	9,106
Final 2009 dividend declared		–	–	–	–	–	–	–	(9,709)	(9,709)	–	(9,709)
Proposed final 2010 dividend	11	–	–	–	–	–	–	(9,709)	9,709	–	–	–
At 31 March 2010		32,365	56,831*	41,800*	(130)*	(152)*	4,204*	373,239*	9,709	517,866	16,808	534,674

* These reserve accounts comprise the consolidated reserves of HK$475,792,000 (2009: HK$474,012,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**10,361**	15,292
Adjustments for:			
Finance costs	7	**7**	70
Share of profits and losses of jointly-controlled entities and associates		**(526)**	(6,227)
Bank interest income	5	**(409)**	(1,484)
Dividend income from listed investments	5	**(28)**	(17)
Loss/(gain) on disposal of items of property, plant and equipment	6	**(47)**	204
Changes in fair value of an investment property	6	**(960)**	650
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss	6	**(228)**	159
Depreciation	6	**32,916**	32,676
Recognition of prepaid land lease payments	15	**1,195**	1,194
Write-back of impairment of trade receivables	6	**(261)**	(1,896)
Provision/(write-back of provision) for inventory obsolescence	6	**(1,876)**	4,271
		40,144	44,892
Decrease in inventories		**5,152**	7,622
Decrease in trade and bills receivables		**10,724**	13,470
Decrease/(increase) in prepayments, deposits and other receivables		**2,701**	(6,251)
Increase/(decrease) in trade and bills payables		**6,454**	(26,545)
Increase in other payables and accruals		**1,123**	7,483
Movements of balances with associates		**–**	5,520
Decrease/(increase) in equity investments at fair value through profit or loss		**1,026**	(916)
Exchange adjustments		**(1,035)**	(1,150)
Cash generated from operations		**66,289**	44,125
Interest paid	7	**(7)**	(70)
Hong Kong profits tax paid		**(93)**	(1,667)
Overseas taxes paid		**(7)**	(221)
Net cash flows from operating activities		**66,182**	42,167

Consolidated Statement of Cash Flows

Year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		409	1,484
Dividend received from listed investments		28	17
Dividends received from a jointly-controlled entity and an associate		1,350	–
Purchases of items of property, plant and equipment		(18,159)	(28,649)
Deposits paid for items of property, plant and equipment		(652)	(2,227)
Proceeds from disposal of items of property, plant and equipment		421	406
Proceeds from disposal of available-for-sale financial assets		–	23,400
Repayment/(advances) of a loan to a jointly-controlled entity		36	(1,063)
Advances of a loan to an available-for-sale financial investment		–	(9,311)
Net cash flows used in investing activities		(16,567)	(15,943)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		–	(5,000)
Dividends paid		(9,709)	(19,419)
Net cash flows used in financing activities		(9,709)	(24,419)
NET INCREASE IN CASH AND CASH EQUIVALENTS		39,906	1,805
Cash and cash equivalents at beginning of year		78,119	76,082
Effect of foreign exchange rate changes, net		161	232
CASH AND CASH EQUIVALENTS AT END OF YEAR		118,186	78,119
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	71,386	78,119
Non-pledged time deposits with original maturity of less than three months when acquired	24	46,800	–
Cash and cash equivalents as stated in the statement of financial position		118,186	78,119

Statement of Financial Position

31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**506,496**	477,109
Deferred tax assets	27	**497**	785
Total non-current assets		**506,993**	477,894
CURRENT ASSETS			
Prepayments	22	**170**	170
Cash and bank balances	24	**32**	54
Total current assets		**202**	224
CURRENT LIABILITIES			
Other payables and accruals	26	**325**	238
NET CURRENT LIABILITIES		**(123)**	(14)
TOTAL ASSETS LESS CURRENT LIABILITIES		**506,870**	477,880
NON-CURRENT LIABILITY			
Loan from a subsidiary	16	**238,586**	230,471
Net assets		**268,284**	247,409
EQUITY			
Issued capital	28	**32,365**	32,365
Reserves	30(b)	**226,210**	205,335
Proposed final dividends	11	**9,709**	9,709
Total equity		**268,284**	247,409

Hui Leung Wah
Director

Poon Sui Hong
Director

Notes to Financial Statements

31 March 2010

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKAS 1 (Revised) ***Presentation of Financial Statements***

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) HKFRS 8 ***Operating Segments***

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

Notes to Financial Statements

31 March 2010

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for the amendment to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

Notes to Financial Statements

31 March 2010

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

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

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

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

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

Associates

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

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

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

Goodwill

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

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

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

Goodwill previously eliminated against consolidated reserves

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

Impairment of non-financial assets other than goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

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

Notes to Financial Statements

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Investment properties

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

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

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

Leases

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, deposits and quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Notes to Financial Statements

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for “Revenue recognition” below.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to Financial Statements

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Notes to Financial Statements

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Notes to Financial Statements

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(c) rental income, on a time proportion basis over the lease terms; and

(d) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

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

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

Other employee benefits

Paid leave carried forward

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

Pension schemes

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Notes to Financial Statements

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owned-occupied properties

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

Impairment of assets

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

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

Provision for obsolete inventories

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

Notes to Financial Statements

31 March 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of trade receivables

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2010 was HK$497,000 (2009: HK$807,000). The amount of unrecognised tax losses at 31 March 2010 was HK$19,641,000 (2009: HK$15,102,000). Further details are contained in note 27 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. The Group also recognised an unlisted equity investment as available-for-sale and states at cost less impairment. Losses arising from the impairment of such investment should be recognised in the income statement as "Impairment losses on available-for-sale financial assets". At 31 March 2010, impairment losses of HK$130,000 have been recognised for available-for-sale financial assets (2009: Nil). The carrying amounts of available-for-sale financial assets and a loan to an available-for-sale financial asset were HK$15,693,000 (2009: HK$15,823,000) and HK$16,456,000 (2009: HK$16,456,000), respectively. Further details are contained in note 19 to the financial statements.

4. SEGMENT INFORMATION

The Group is engaged in the manufacture and trading of optical frames, sunglasses and optical cases. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sale of eyewear products.

No operating segments have been aggregated to form the above reportable operating segment.

Notes to Financial Statements

31 March 2010

4. SEGMENT INFORMATION (continued)

Geographical information

(a) ***Revenue from external customers***

	2010 HK$'000	2009 HK$'000
Europe	253,104	297,119
North America	126,869	167,897
The PRC (including Hong Kong)	34,382	30,162
Other Asian countries	9,893	11,124
Others	4,895	3,781
	429,143	510,083

The revenue information above is based on the location of the customers.

(b) ***Non-current assets***

All significant operating assets of the Group are located in the PRC. Accordingly, no geographical information of segment assets is presented.

Information about a major customer

Revenue of approximately HK$158,361,000 (2009: HK$189,405,000) was derived from a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Revenue		
Sale of goods	429,143	510,083
Other income		
Sale of scrap materials	581	899
Bank interest income	409	1,484
Gross rental income	248	156
Dividend income from equity investments at fair value through profit or loss	28	17
Others	1,236	810
	2,502	3,366

Notes to Financial Statements

31 March 2010

6. PROFIT BEFORE TAX

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

	Notes	Group 2010 HK$'000	Group 2009 HK$'000
Cost of inventories sold		368,780	434,522
Depreciation	13	32,916	32,676
Auditors' remuneration		900	1,265
Minimum lease payments under operating leases in respect of buildings		2,611	2,465
Employee benefit expense (excluding directors' remuneration, as set out in note 8):			
Wages and salaries		148,571	159,987
Pension scheme contributions*		866	920
		149,437	160,907
Gross rental income		(248)	(156)
Provision/(write-back of provision) for inventory obsolescence		(1,876)	4,271
Foreign exchange differences, net		2,108	823
Other operating expenses/(income):			
Write-back of impairment of trade receivables	21	(261)	(1,896)
Loss/(gain) on disposal of items of property, plant and equipment		(47)	204
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss – held for trading		(228)	159
Changes in fair value of an investment property	14	(960)	650
		(1,496)	(883)

* At the end of the reporting period, the Group had no forfeited pension scheme contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Interest on bank loans wholly repayable within five years	7	70

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' remuneration

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

	Group	
	2010 HK$'000	2009 HK$'000
Fees	300	300
Other emoluments:		
Basic salaries and bonuses	2,511	2,502
Housing benefit	1,506	1,506
Pension scheme contributions	54	54
	4,071	4,062
	4,371	4,362

Three (2009: three) directors occupied certain of the Group's properties rent free during the year. The estimated value of the accommodation provided for them was HK$1,506,000 (2009: HK$1,506,000) for the year ended 31 March 2010, which has been included in the amounts detailed above.

(a) Independent non-executive directors

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

	2010 HK$'000	2009 HK$'000
Poon Kwok Fai, Ronald	100	100
Tam Hok Lam, Tommy	100	100
Wong Chung Mat, Ben	100	100
	300	300

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

Notes to Financial Statements

31 March 2010

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

Directors' remuneration (continued)

(b) Executive directors and non-executive directors

	Basic salaries and bonuses HK$'000	Housing benefit HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010				
Executive directors:				
Hui Leung Wah	**1,200**	**900**	**–**	**2,100**
Poon Sui Hong	**777**	**444**	**31**	**1,252**
Leung Shu Sum	**534**	**162**	**23**	**719**
	2,511	**1,506**	**54**	**4,071**
2009				
Executive directors:				
Hui Leung Wah	1,200	900	–	2,100
Poon Sui Hong	768	444	31	1,243
Leung Shu Sum	534	162	23	719
	2,502	1,506	54	4,062

There were no fees and other emoluments payable to the non-executive directors during the year (2009: Nil).

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

Highest paid employees' emoluments

The five highest paid individuals during the year included two (2009: two) directors, details of whose remuneration are disclosed above. Details of the remuneration of the three (2009: three) non-director, highest paid individuals for the year are set out below:

	Group 2010 HK$'000	2009 HK$'000
Basic salaries and bonuses	**2,414**	2,415
Housing benefit	**252**	252
Pension scheme contributions	**79**	79
	2,745	2,746

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

Highest paid employees' emoluments (continued)

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

	Number of non-director, highest paid individuals 2010	2009
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	1
	3	3

One of the non-director, highest paid individuals occupied one of the Group's properties rent free during the year. The estimated value of the accommodation provided to him was HK$252,000 (2009: HK$252,000) for the year ended 31 March 2010, which has been included in the amounts detailed above.

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

	2010 HK$'000	2009 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	2,264	1,930
Overprovision in prior years	(370)	(481)
Current – Elsewhere	26	59
Deferred (note 27)	(827)	(2,372)
Total tax charge/(credit) for the year	1,093	(864)

Notes to Financial Statements

31 March 2010

9. INCOME TAX EXPENSE (continued)

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

Group – 2010	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	14,823	(4,462)	10,361
Tax at the statutory tax rate	2,445	(1,115)	1,330
Adjustments in respect of current tax of previous periods	(370)	–	(370)
Profits and losses attributable to jointly-controlled entities and associates	(87)	–	(87)
Results from offshore manufacturing operations not subject to tax	(1,809)	–	(1,809)
Income not subject to tax	(181)	(1,279)	(1,460)
Expenses not deductible for tax	188	494	682
Estimated tax losses not recognised	688	1,900	2,588
Others	193	26	219
Tax charge at the Group's effective rate	1,067	26	1,093

Group – 2009	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Profit/(loss) before tax	20,618	(5,326)	15,292
Tax at the statutory tax rate	3,402	(1,331)	2,071
Effect on opening deferred tax of decrease in rates	(406)	–	(406)
Adjustments in respect of current tax of previous periods	(481)	–	(481)
Profits and losses attributable to jointly-controlled entities and associates	(1,027)	–	(1,027)
Results from offshore manufacturing operations not subject to tax	(1,099)	–	(1,099)
Income not subject to tax	(394)	(837)	(1,231)
Expenses not deductible for tax	150	1,706	1,856
Tax losses utilised from previous periods	(246)	–	(246)
Estimated tax losses not recognised	198	558	756
Others	(1,020)	(37)	(1,057)
Tax charge/(credit) at the Group's effective rate	(923)	59	(864)

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2010 includes a profit of HK$30,584,000 (2009: HK$2,205,000) which has been dealt with in the financial statements of the Company (note 30(b)).

11. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Proposed final – HK3.0 cents (2009: HK3.0 cents) per ordinary share	9,709	9,709

The 2010 final dividend of HK3.0 cents per ordinary share has been proposed to be paid to shareholders whose names appear on the register of members on 27 August 2010 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent for the year of HK$11,758,000 (2009: HK$17,611,000) and 323,649,123 (2009: 323,649,123) shares in issue.

The Group had no potentially dilutive ordinary shares in issue during those years.

Notes to Financial Statements

31 March 2010

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2010							
At 31 March 2009 and at 1 April 2009:							
Cost	134,127	69,711	285,551	39,071	12,925	8,390	549,775
Accumulated depreciation and impairment	(14,514)	(37,623)	(230,022)	(29,426)	(8,554)	–	(320,139)
Net carrying amount	119,613	32,088	55,529	9,645	4,371	8,390	229,636
At 1 April 2009, net of accumulated depreciation and impairment	119,613	32,088	55,529	9,645	4,371	8,390	229,636
Additions	–	1,973	16,776	1,202	435	–	20,386
Disposals	(220)	–	(132)	(22)	–	–	(374)
Depreciation provided during the year	(2,891)	(4,471)	(22,447)	(2,054)	(1,053)	–	(32,916)
Transfers	8,390	–	–	–	–	(8,390)	–
Exchange realignment	523	79	106	19	5	–	732
At 31 March 2010, net of accumulated depreciation and impairment	125,415	29,669	49,832	8,790	3,758	–	217,464
At 31 March 2010:							
Cost	142,858	71,341	304,061	39,409	13,268	–	570,937
Accumulated depreciation and impairment	(17,443)	(41,672)	(254,229)	(30,619)	(9,510)	–	(353,473)
Net carrying amount	125,415	29,669	49,832	8,790	3,758	–	217,464

Notes to Financial Statements

31 March 2010

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

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

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

14. INVESTMENT PROPERTY

	Notes	Group 2010 HK$'000	2009 HK$'000
Carrying amount at 1 April		**2,800**	4,416
Net profit/(loss) from a fair value adjustment	6	**960**	(650)
Transfer to buildings	13	**–**	(966)
Carrying amount at 31 March		**3,760**	2,800

At 31 March 2010, the investment property was revalued at HK$3,760,000 (2009: HK$2,800,000) on an open market and existing use basis by Vigers Appraisal & Consulting Limited, an independent professionally qualified valuer. The investment property is leased to a third party under operating leases, further summary details of which are included in note 32(a) to the financial statements.

The Group's investment property is held under a medium term lease and is situated in Hong Kong.

15. PREPAID LAND LEASE PAYMENTS

	Group 2010 HK$'000	2009 HK$'000
Carrying amount at 1 April	**46,645**	47,726
Recognised during the year	**(1,195)**	(1,194)
Exchange realignment	**110**	113
Carrying amount at 31 March	**45,560**	46,645
Current portion included in prepayments, deposits and other receivables	**(1,195)**	(1,194)
Non-current portion	**44,365**	45,451

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

	2010 HK$'000	2009 HK$'000
Hong Kong	**30,065**	30,895
Mainland China	**15,495**	15,750
	45,560	46,645

Notes to Financial Statements

31 March 2010

16. INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	Company 2009 HK$'000
Unlisted shares, at cost	147,173	147,173
Loans to subsidiaries	359,323	329,936
	506,496	477,109

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

The loan from a subsidiary included in the Company's non-current liabilities totalling HK$238,586,000 (2009: HK$230,471,000) is unsecured, interest-free and not repayable within one year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Place of operations	Nominal value of issued share capital/ paid-in capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Diamond Bright Industries Limited	Hong Kong	Hong Kong	Ordinary HK$400	–	100	Investment holding
Dongguan Yick Yue Optical Limited**	PRC***	Mainland China	HK$16,715,000	–	55	Manufacture of optical frames
Elegance Group Limited	British Virgin Islands	Hong Kong	Ordinary US$80	100	–	Investment holding
Elegance Optical Production Limited	British Virgin Islands	Hong Kong	Ordinary US$1	–	100	Investment holding
Elegance Optical Investments Limited	Hong Kong	Hong Kong	Ordinary HK$200 Non-voting deferred HK$20,000,000*	–	100	Investment and property holding
Elegance Optical Manufactory Limited	Hong Kong	Hong Kong	Ordinary HK$2	–	100	Trading and manufacture of optical frames

Notes to Financial Statements

31 March 2010

16. INTERESTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration	Place of operations	Nominal value of issued share capital/ paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Fortune Optical Limited**	PRC***	Mainland China	HK$35,387,100	–	55	Trading and manufacture of optical frames
Glory (Hui's) Trading Limited	Hong Kong	Hong Kong	Ordinary HK$200	–	100	Trading of optical frames in Hong Kong and South East Asia
Gold Strong Industrial Limited	Hong Kong	Hong Kong	Ordinary HK$100	–	55	Investment holding and trading of optical frames
Grand Artic Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	–	76	Manufacture of optical cases
Grand River Investments Limited	Hong Kong	Hong Kong	Ordinary HK$2	–	100	Property holding
Great Champ Asia Limited	Hong Kong	Hong Kong	Ordinary HK$2	–	100	Investment holding
Leader Up Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	–	100	Dormant
Million Wave Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	–	100	Property holding
Promisewell Company Limited	British Virgin Islands	Hong Kong	Ordinary US$1	–	100	Dormant
Sandwalk Far East Limited	Hong Kong	Hong Kong	Ordinary HK$1	–	100	Trading of optical frames and leather products
Standard Sun International Limited	Hong Kong	Hong Kong	Ordinary HK$10,000	–	100	Dormant

16. INTERESTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation/ registration	Place of operations	Nominal value of issued share capital/ paid-in capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
United Wish Company Limited	Hong Kong	Hong Kong	Ordinary HK$100	–	100	Dormant
Winston Technology Limited	Hong Kong	Hong Kong	Ordinary HK$1	–	100	Investment holding
Yieldly (International) Investment Limited	Hong Kong	Hong Kong	Ordinary HK$400	–	100	Investment holding
東莞精奇機械科技有限公司**	PRC***	Mainland China	HK$17,538,000 (2009: HK$15,500,000)	–	100	Trading and manufacture of machinery
東莞豐誠貿易有限公司**	PRC***	Mainland China	HK$3,000,000	–	100	Investment holding
廣州雅進貿易有限公司**	PRC***	Mainland China	RMB500,000	–	100	Retailing and trading of optical frames and leather products

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

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

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

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

Notes to Financial Statements

31 March 2010

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2010 HK$'000	2009 HK$'000
Share of net assets	1,174	1,055
Loan to a jointly-controlled entity	3,684	3,720
	4,858	4,775

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

Particulars of the jointly-controlled entities at the end of the reporting period are as follows:

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

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

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

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

During the year, the Group sold goods to and purchased goods from a jointly-controlled entity amounted to HK$291,000 (2009: HK$308,000) and HK$85,000 (2009: Nil), respectively. These sales were carried out at prices mutually agreed between the parties.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

	2010 HK$'000	2009 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	6,260	5,596
Non-current assets	82	155
Current liabilities	(1,727)	(1,378)
Non-current liabilities	(3,441)	(3,318)
Net assets	1,174	1,055
Share of the jointly-controlled entities' results:		
Revenue	5,320	4,485
Expenses	(4,819)	(4,592)
Profit/(loss) before tax	501	(107)
Tax	(9)	(8)
Profit/(loss) after tax	492	(115)

18. INTEREST IN AN ASSOCIATE

	Group 2010 HK$'000	Group 2009 HK$'000
Share of net assets	2,236	3,179

Particulars of the associate are as follows:

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

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

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

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

18. INTEREST IN AN ASSOCIATE (continued)

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

	2010 HK$'000	2009 HK$'000
Assets	6,265	8,101
Liabilities	(714)	(650)
Revenues	12,546	166,245
Profit	78	25,468

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010 HK$'000	2009 HK$'000
Non-current		
Club debenture, at fair value	520	650
Unlisted equity investment, at cost	15,173	15,173
Loan to an unlisted equity investment	16,456	16,456
	31,629	31,629
	32,149	32,279

During the year, the gross loss in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK$130,000 (2009: HK$273,000).

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

20. INVENTORIES

	Group	
	2010 HK$'000	2009 HK$'000
Raw materials	23,893	25,674
Work in progress	36,734	32,776
Finished goods	14,490	19,943
	75,117	78,393

Notes to Financial Statements

31 March 2010

21. TRADE AND BILLS RECEIVABLES

	Group	
	2010 HK$'000	2009 HK$'000
Trade and bills receivables	118,992	131,033
Impairment	(3,561)	(5,139)
	115,431	125,894

Credit is offered to customers following a financial assessment by the Group with regard to their established payment records. The Group usually allows average credit periods ranging from 45 to 120 days (2009: 45 to 120 days) to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. Trade and bills receivables are non-interest-bearing.

The following is an aged analysis of the trade and bills receivables (net of impairment of trade receivables) as at 31 March 2010 and 2009:

	Group	
	2010 HK$'000	2009 HK$'000
Current to 90 days	105,063	119,021
91 to 180 days	1,416	1,990
181 to 360 days	459	138
Over 360 days	13	–
	106,951	121,149
Bills receivable	8,480	4,745
Total	115,431	125,894

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

	Group	
	2010 HK$'000	2009 HK$'000
At 1 April	5,139	8,387
Amount written off as uncollectible	(1,317)	(1,352)
Impairment losses reversed (note 6)	(261)	(1,896)
At 31 March	3,561	5,139

21. TRADE AND BILLS RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$3,561,000 (2009: HK$5,139,000) with a carrying amount before provision of HK$3,954,000 (2009: HK$6,106,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**103,118**	101,647
Less than one month past due	**7,184**	17,147
One to three months past due	**3,271**	4,972
Over three months past due	**1,465**	1,161
	115,038	124,927

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**3,103**	2,959	**170**	170
Deposits and other receivables	**7,498**	10,342	**–**	–
	10,601	13,301	**170**	170

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

Notes to Financial Statements

31 March 2010

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010 HK$'000	2009 HK$'000
Listed equity investments in Hong Kong, at market value	37	835

The above equity investments at 31 March 2009 and 2010 were classified as held for trading.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Cash and bank balances	71,386	78,119	32	54
Time deposits	46,800	–	–	–
Cash and cash equivalents	118,186	78,119	32	54

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$12,165,000 (2009: HK$15,967,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. TRADE AND BILLS PAYABLES

The following is an aged analysis of the trade and bills payables as at 31 March 2010 and 2009:

	Group	
	2010 HK$'000	2009 HK$'000
Current to 90 days	39,274	31,694
91 to 180 days	982	2,327
181 to 360 days	170	145
Over 360 days	792	598
Total	41,218	34,764

The trade and bills payables are non-interest-bearing and are normally settled on 90-day (2009: 90-day) terms.

Notes to Financial Statements

31 March 2010

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Other payables	18,919	22,427	35	48
Accruals	21,539	16,908	290	190
	40,458	39,335	325	238

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

27. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 April 2008	7,641	(526)	7,115
Deferred tax debited/(credited) to the income statement during the year (note 9)	(1,774)	209	(1,565)
Gross deferred tax liabilities at 31 March 2009 and 1 April 2009	5,867	(317)	5,550
Deferred tax debited/(credited) to the income statement during the year (note 9)	(1,585)	448	(1,137)
Gross deferred tax liabilities at 31 March 2010	**4,282**	**131**	**4,413**

Notes to Financial Statements

31 March 2010

27. DEFERRED TAX (continued)

Deferred tax assets

	Group Losses available for offsetting against future taxable profits HK$'000	Company Losses available for offsetting against future taxable profits HK$'000
At 1 April 2008	–	–
Deferred tax credited to the income statement during the year (note 9)	807	785
At 31 March 2009 and at 1 April 2009	807	785
Deferred tax debited to the income statement during the year (note 9)	(310)	(288)
Gross deferred tax assets at 31 March 2010	**497**	**497**

At the end of the reporting period, the Group had tax losses arising in Hong Kong of HK$19,641,000 (2009: HK$15,102,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 March 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

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

28. SHARE CAPITAL

	2010 HK$'000	2009 HK$'000
Authorised:		
1,000,000,000 shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
323,649,123 shares of HK$0.10 each	**32,365**	32,365

Notes to Financial Statements

31 March 2010

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders and any minority shareholder in the Company's subsidiaries.

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

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

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

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

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

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

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

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of this annual report.

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

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

(b) Company

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 April 2008		56,831	146,973	9,035	19,419	232,258
Total comprehensive income for the year		–	–	2,205	–	2,205
Final 2008 dividend declared		–	–	–	(19,419)	(19,419)
Proposed final 2009 dividend	11	–	–	(9,709)	9,709	–
At 31 March and 1 April 2009		56,831	146,973	1,531	9,709	215,044
Total comprehensive income for the year		–	–	30,584	–	30,584
Final 2009 dividend declared		–	–	–	(9,709)	(9,709)
Proposed final 2010 dividend	11	–	–	(9,709)	9,709	–
At 31 March 2010		**56,831***	**146,973***	**22,406***	**9,709**	**235,919**

The contributed surplus of the Company represents the difference between the consolidated net asset value of EGL on 8 February 1996, the day on which its entire issued share capital was acquired by the Company pursuant to the Group reorganisation referred to in note 30(a), and the nominal amount of the Company's shares issued in consideration for such acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances.

* These reserve accounts comprise the Company's reserves of HK$226,210,000 (2009: HK$205,335,000) at the end of the reporting period.

Notes to Financial Statements

31 March 2010

31. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2010	2009
	HK$'000	HK$'000
Guarantees given for banking facilities granted to certain subsidiaries of the Company	**142,900**	107,900
Amount utilised	**–**	–

In the opinion of the directors, the fair values of the above financial guarantees for banking facilities granted to certain subsidiaries of the Company approximate to zero as at the end of the reporting period.

The Group had no other contingent liabilities at the end of the reporting period.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group subleases certain of its office premises under an operating lease arrangement, with the lease negotiated for a term of two years. The terms of the lease also require the tenant to pay security deposits and provided for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2010, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**655**	–
In the second to fifth years, inclusive	**547**	–
	1,202	–

(b) As lessee

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

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**2,564**	2,578
In the second to fifth years, inclusive	**5,061**	3,342
After five years	**49,313**	49,614
	56,938	55,534

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted, but not provided for:		
Land and buildings	**382**	113
Equipment and machinery	**1,318**	2,240
	1,700	2,353

The Company had no other significant commitments at the end of the reporting period.

34. RELATED PARTY TRANSACTIONS

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

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

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

(i) Supply Agreement

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

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

During the year, the Group sold goods to Safilo with an aggregate sales value amounting to HK$158,361,000 (2009: HK$189,405,000).

The aggregate trade receivable balance due from Safilo at 31 March 2010 in respect of these sales amounted to HK$55,855,000 (2009: HK$62,532,000).

(ii) Shareholders' Agreement and Sub-licence Agreement

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

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

During the year, the Group sold goods to Safint's group companies with an aggregate sales value amounting HK$59,000 (2009: HK$351,000). The sales were carried out at prices mutually agreed between the parties.

Notes to Financial Statements

31 March 2010

34. RELATED PARTY TRANSACTIONS (continued)

(b) Transaction with a director of the Company

During the year, a director's quarter was rented by the Group from Mr. Hui Leung Wah, the chairman and managing director of the Company, for the use by Mr. Poon Sui Hong as a director's quarter. The annual rental amounting to HK$444,000 for the year (2009: HK$444,000) was mutually agreed by both parties based on market value and has been included in directors' remuneration in note 8 to the financial statements.

(c) Outstanding balances with related parties

Details of the Group's balance with its jointly-controlled entity as at the end of the reporting period are included in note 17 to the financial statements.

(d) Compensation of key management personnel of the Group

	2010 HK$'000	2009 HK$'000
Short term employee benefits	5,987	5,979
Post-employment benefits	110	110
Total compensation paid to key management personnel	6,097	6,089

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

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

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Loan to a jointly-controlled entity (note 17)	–	3,684	–	3,684
Available-for-sale financial assets	–	16,456	15,693	32,149
Trade and bills receivables	–	115,431	–	115,431
Financial assets included in prepayments, deposits and other receivables (note 22)	–	7,498	–	7,498
Equity investments at fair value through profit or loss	37	–	–	37
Cash and cash equivalents	–	118,186	–	118,186
	37	261,255	15,693	276,985

Notes to Financial Statements

31 March 2010

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2010 **Group**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	**41,218**
Financial liabilities included in other payables and accruals (note 26)	**18,919**
	60,137

2009

Financial assets

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

Notes to Financial Statements

31 March 2010

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2009 Group

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	34,764
Financial liabilities included in other payables and accruals (note 26)	22,427
	57,191

Financial assets

	Company Loans and receivables 2010 HK$'000	2009 HK$'000
Loans to subsidiaries (note 16)	**359,323**	329,936
Cash and bank balances	**32**	54
	359,355	329,990

Financial liabilities

	Company Financial liabilities at amortised cost 2010 HK$'000	2009 HK$'000
Loan from a subsidiary (note 16)	**238,586**	230,471
Financial liabilities included in other payables and accruals (note 26)	**35**	48
	238,621	230,519

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Foreign currency risk

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

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

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2010			
If Hong Kong dollar weakens against RMB	**3%**	**(315)**	**(102)**
If Hong Kong dollar strengthens against RMB	**(3%)**	**315**	**102**
2009			
If Hong Kong dollar weakens against RMB	5%	279	447
If Hong Kong dollar strengthens against RMB	(5%)	(279)	(447)

* Excluding retained profits

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, a loan to a jointly-controlled entity and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 31 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the end of the reporting period, the Group has certain concentrations of credit risk as 48% (2009: 50%) and 68% (2009: 66%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively, within the Europe and North America regions.

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

Liquidity risk

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

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

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group	2010			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Trade and bills payables	20,636	20,582	–	41,218
Other payables (note 26)	18,919	–	–	18,919
	39,555	20,582	–	60,137

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	2009			
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Trade and bills payables	22,048	12,716	–	34,764
Other payables (note 26)	22,427	–	–	22,427
	44,475	12,716	–	57,191

Company

	2010		2009	
	On demand HK$'000	**Total HK$'000**	On demand HK$'000	Total HK$'000
Loan from a subsidiary	**238,586**	**238,586**	230,471	230,471
Other payables (note 26)	**35**	**35**	48	48
	238,621	**238,621**	230,519	230,519

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 2009.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 July 2010.