CHANCO INTERNATIONAL GROUP LIMITED

卓高國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 0264)

Annual Report 2009

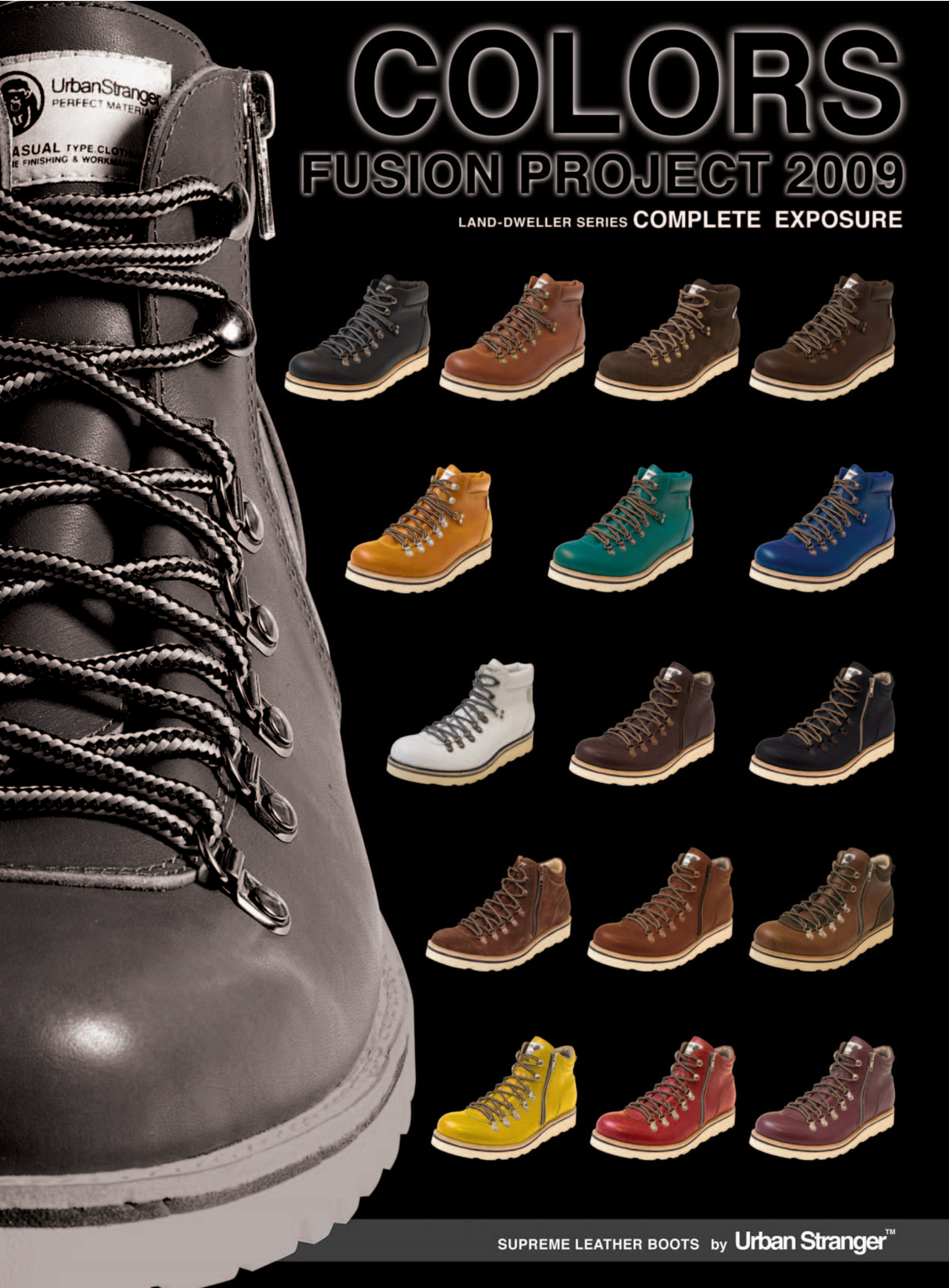
THE

PREMIER

DESIGNER & MANUFACTURER

of

QUALITY LEATHER ACCESSORIES


COLORS
FUSION PROJECT 2009
LAND-DWELLER SERIES COMPLETE EXPOSURE
UrbanStranger
SUPREME LEATHER BOOTS by Urban Stranger™

Contents

Corporate Information

DIRECTORS

Executive Directors

Chan King Hong Edwin *(Chairman & Chief Executive Officer)*
Chan King Yuen Stanley *(Vice Chairman)*
Chan Wai Po Rebecca

Independent Non-executive Directors

Chau Cynthia Sin Ha *JP*
Fong Pui Sheung David *MH*
Or Kam Chung Janson *FCCA CPA*

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Lau Wai Hung *FCCA CPA*

AUDIT COMMITTEE

Fong Pui Sheung David *MH (Committee Chairman)*
Chau Cynthia Sin Ha *JP*
Or Kam Chung Janson *FCCA CPA*

REMUNERATION COMMITTEE

Or Kam Chung Janson *FCCA CPA (Committee Chairman)*
Fong Pui Sheung David *MH*
Chau Cynthia Sin Ha *JP*

NOMINATION COMMITTEE

Chau Cynthia Sin Ha *JP (Committee Chairlady)*
Fong Pui Sheung David *MH*
Or Kam Chung Janson *FCCA CPA*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3rd Floor, Victory Industrial Building
Nos. 151-157 Wo Yi Hop Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL BANKERS

Nanyang Commercial Bank Limited
Wing Hang Bank Limited

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISER ON THE CAYMAN ISLANDS LAW

Conyers Dill & Pearman

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman

HONG KONG BRANCH SHARE AND REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.chancogroup.com
www.irasia.com/listco/hk/chanco/index.htm

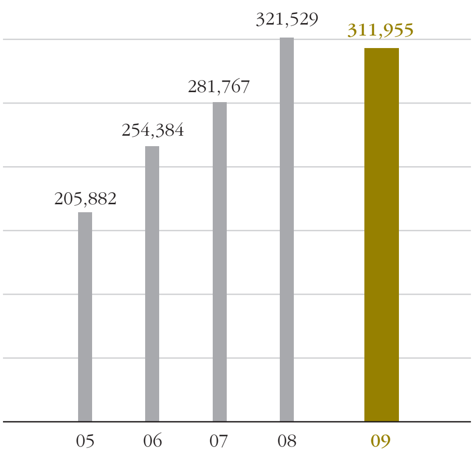
STOCK CODE

264

Financial Highlights

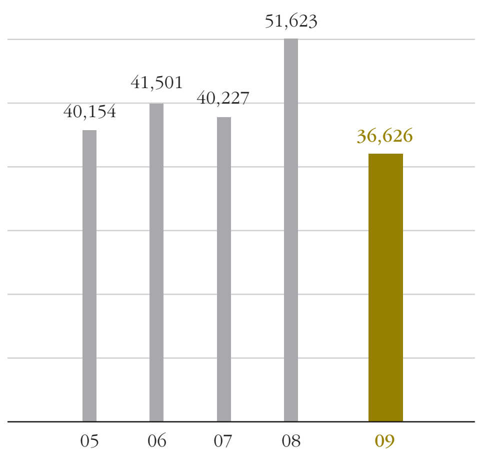
TURNOVER

(HK$'000)



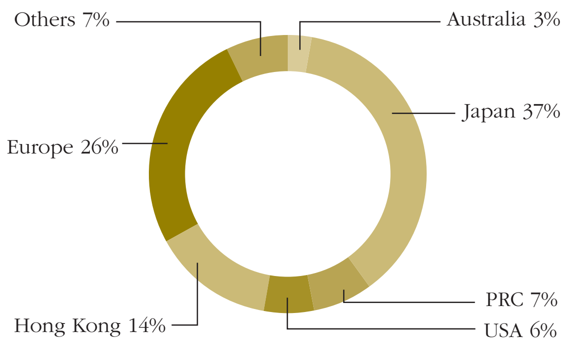
PROFIT FOR THE YEAR

(HK$'000)

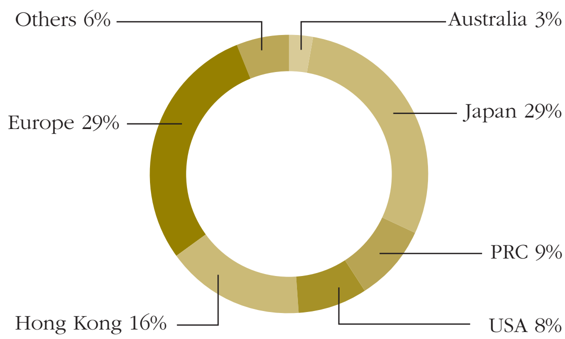


TURNOVER BY GEOGRAPHICAL SEGMENT

Fiscal Year 2009

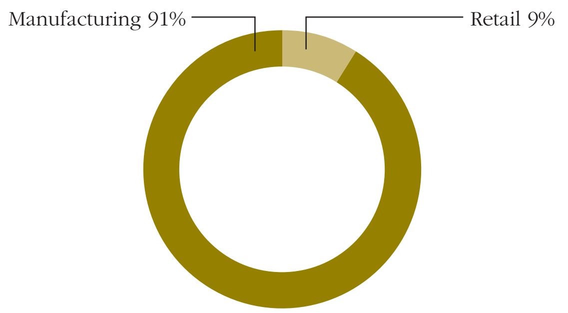


Fiscal Year 2008

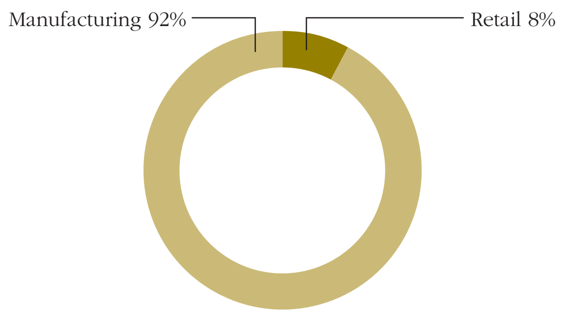


TURNOVER BY BUSINESS SEGMENT

Fiscal Year 2009



Fiscal Year 2008



Financial Highlights

	2009	2008	Change
	HK$'000	*HK$'000*	
Operating results			
Turnover	**311,955**	321,529	-3%
Gross Profit	**84,328**	98,043	-14%
Profit before income tax expense	**41,125**	56,963	-28%
Profit for the year	**36,626**	51,623	-29%
Business performance ratios			
Gross profit margin	**27.0%**	30.4%	
Net profit margin	**11.7%**	16.0%	
Return on shareholders' equity	**14.8%**	23.1%	
Current ratio	**10.32**	7.31	
Quick ratio	**7.22**	5.66	
Debt ratio	**0.09**	0.13	
Share data *(as at year end date)*			
Shares in issue ('000)	**318,804**	318,804	
Shares closing price	**HK$0.42**	HK$1.00	
Market capitalization (HK$'000)	**133,898**	318,804	
Basic earnings per share	**HK11.49 cents**	HK16.20 cents	
Price earnings ratio	**3.65**	6.17	
Interim dividend per share	**HK1.3 cents**	HK3.1 cents	
Final dividend per share	**HK1.0 cents**	HK2.4 cents	
Total dividend per share	**HK2.3 cents**	HK5.5 cents	
Dividend payout ratio	**20.0%**	33.9%	
Net asset value per share	**HK$0.77**	HK$0.70	
Price-to-book value ratio	**0.54**	1.43	

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual results of the Company and its subsidiaries (collectively refer to the "Group") for the year ended 31 March 2009.

BUSINESS REVIEW

The global economic environment was extremely challenging in fiscal year 2009. The Group's turnover for the year dropped 3% to HK$311,955,000. Global economy was severely hit by the outbreak of the financial tsunami in the third quarter in 2008 which subsequently caused significant impact on global consumption. The Group's manufacturing business was inevitably adversely affected by the unprecedented global financial crisis. The U.S. and European markets were deteriorating as a result of rising unemployment rate and negative wealth effects amid the slump of stock and property markets. Weak consumer confidence slowed the consumer spending in these markets. Nevertheless, export sales to Japanese market was encouraging. Satisfactory growth of sales in Japan largely offset the sales downturn in other market segments. The Group's major customer in Japan performed extremely well during the reporting year and its aggressive sales promotion and advertising campaign proved successful in rigorous operating environment. Turnover of manufacturing business for the year slid from HK$297,150,000 to HK$285,200,000.

Operating costs in the PRC have risen markedly over the past several years. Profit margin was severely eroded by the rise of labor cost and appreciation of Renminbi. During the reporting year, the Group had implemented an effective control in operating expenses such as optimizing the production schedule to reduce unnecessary over-time payment and relocating the storage of leather in the public warehouse from Hong Kong to the mainland. Slowdown of orders and high operating costs put a great pressure on the Group's manufacturing business. With dedicated efforts of our management team, we managed to minimize the negative impacts of the global economic crisis.

The Group's retail operation stayed profitable despite the difficult economic environment. Corporate cutbacks, salary reductions and layoff resulted in curtailed private spending. Lower comparable same store sales were reported in the second half of fiscal year 2009. Throughout the year, the Group had made necessary adjustment to its operating strategies to keep track on the fast changing operating environment. The Group continued to expand and diversify the product range to different categories such as footwear, shirt jeans and trendy accessories. Sales of in-house brand kept growing during the reporting year and retail gross margin went up to 53%. As at 31 March 2009, we operated four AREA 0264 stores in Hong Kong.

PROSPECTS

Moving forward, the global economic outlook continues to be very challenging with the prolonged financial crisis that is not expected to recover in the short term. The PRC government has launched the RMB 4 trillion stimulus packages in late 2008 in order to drive the economic growth and stimulate domestic consumption. With the expected slowdown in the demand from major export markets, we will endeavor to expand the market share in the PRC for the next fiscal year ahead. Besides, we will continue to rationalize the cost structure and optimize the current production capacity to improve our profitability. In the past few months, the downward trend in leather price was recognized. The exchange rate of Renminbi is expected to remain stable in near future. With our sound business fundamentals, we are confident that we can overcome the current challenges.

Retail prospect in Hong Kong is expected to be tough in the near term. Some formerly aggressive retailers are scaling back operation in Hong Kong in view of continuous slump in private consumption. With relatively small scale of operation, we have great flexibility to surmount the current difficulties. We will continue to develop customer loyalty and further enhance the brand equity of AREA0264 and Stranger and introduce innovative and timely promotion to increase our market share. Besides, we will stay cautious to look for new location in prime shopping district for expansion of our business. To enhance our profitability, we will adjust the product mix in our stores by reducing import of luxury brand products. Barring unforeseeable circumstances, we expect the retail operation remain profitable in the next fiscal year.

Various governments around the world have endeavored to mitigate the impacts from the economic crisis through combination of monetary and fiscal policy. We believe our healthy balance sheet together with our talented management team is able to meet the challenges in this downturn. We are confident that the Group will become stronger after the storm is over.

APPRECIATION

We would like to express our gratitude to the directors, our management and all our staff for their commitment, dedication and contribution. We would also like to extend my heartfelt gratitude to all of our shareholders, valuable customers and bank for their support.

Chan King Hong Edwin
Chairman

Hong Kong, 21 July 2009

Management Discussion and Analysis

FINANCIAL REVIEW

(All the analysis below is based on the results of the Group for the year ended 31 March 2009 and the year ended 31 March 2008 for comparison purpose only)

For the year ended 31 March 2009, the Group recorded lower turnover of HK$311,955,000 as compared to HK$321,529,000 of last year. The fall in turnover was due to the global economic downturn in the second half of fiscal year 2009 which affecting the Group's manufacturing business. Gross profit dropped 14% to HK$84,328,000 which was attributable to higher labor cost and raw materials cost and appreciation of Renminbi. Gross profit margin slipped from 30% in 2008 to 27% in 2009.

Selling and distribution expenses remained flat at HK$17,205,000 in 2009 (2008: HK$17,145,000). Higher operating cost for retail operation was neutralized by lower selling and distribution expenses incurred for manufacturing business. Administrative and other operating expenses increased slightly to HK$31,596,000 (2008: HK$30,201,000). It was mainly due to the increase of staff salaries and higher bonus paid to the executive directors of the Company.

The lower gross margin led to decline in net profit by around 29% to HK$36,626,000. Basic earnings per share was HK11.49 cents compared to HK16.20 cents of last year.

The Board has recommended a final dividend of HK1 cent per share for the year ended 31 March 2009. Together with the interim dividend of HK1.3 cents per share paid, the total dividend paid and payable for the year will be HK2.3 cents per share, making a total dividend payout ratio of around 20% for the year ended 31 March 2009.

BUSINESS REVIEW

- ***Manufacturing Business***

  Manufacturing business remained the biggest revenue contributor for the Group, accounting for 91% of the Group's turnover. Turnover from this business segment downed 4% to HK$285,200,000 in fiscal year 2009. Geographically, Japan once again became the largest export market of the Group. Satisfactory growth of sales to Japan largely offset the slow down of sales in other market segments including U.S., Europe, Hong Kong and the PRC. Sales to Japan surged by 24% to HK$115,387,000 which was driven by strong demand from the Group's major customer in Japan. With continuing economy slowdown in the U.S., sales to this market segment plunged by 19% to HK$20,522,000 compared with HK$25,290,000 in last year. Export sales to European markets decreased 14% to HK$80,320,000 as a result of slowdown of orders in the second half of the fiscal year. Hong Kong apparel retailers turned conservative and tightened inventory control and delayed their order placement. For the PRC market, sales dropped by 27% to HK$20,639,000 as a result of customer portfolio restructuring. Apart from the major export markets, sales revenue from other countries including Canada, Taiwan, Philippines, Singapore and Malaysia, etc. increased by 7%, to HK$20,604,000.

In the reviewing year, sales of belts decreased to HK$270,540,000 (2008: HK$280,550,000). Sales of leather goods and other accessories was approximately HK$14,660,000 (2008: HK$16,600,000). Higher labor cost and raw materials prices and appreciation of Renminbi contributed to the higher cost of sales in the reporting year. Gross profit of manufacturing operation decreased 19% to HK$70,086,000 (2008: HK$86,419,000) and gross margin downed to around 25%.

- *Retail Business*

  The retail business recorded an operating profit of HK$2,997,000. Retail sales for the reporting year grew by around 10% to HK$26,755,000, representing 9% of the Group's total turnover. Comparable same store sales decreased 11% against last year. It was attributable to the decline in consumer sentiment in the second half of the fiscal year. With continuing effort on widening the product range like footwear, shirt, jeans and trendy accessories, sales of in-house brand products grew by 38% against last year and retail gross margin widened from 47% to 53%. The overall shop rental to turnover ratio was around 22%. The Group had renewed the tenancy of two existing stores during the reporting year. As at 31 March 2009, the Group operated 4 AREA 0264 stores in Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2009, the Group's cash and bank deposits were approximately HK$156,594,000 (2008: HK$151,867,000).

As at 31 March 2009, the Company's subsidiaries had aggregate banking facilities in respect of import/export facilities of approximately HK$15,000,000 which were secured by corporate guarantees provided by the Company.

The Group recorded total current assets of approximately HK$260,330,000 on as at 31 March 2009 (2008: HK$247,117,000) and total current liabilities of approximately HK$25,218,000 (2008: HK$33,799,000). The current ratio of the Group, calculated by dividing the total currents assets by the total current liabilities, was approximately 10 times as at 31 March 2009 (2008: 7 times).

Supported by its strong financial position, the Group had not raised any bank loan during the year.

The Group recorded an increase in shareholders' funds from approximately HK$223,062,000 at 31 March 2008 to approximately HK$247,009,000 at 31 March 2009. The increase was mainly attributable to operating profit generated during the year.

TREASURY POLICY

The Group generally finances its operation with internally generated resources.

Cash and bank deposits of the Group are mainly denominated in Hong Kong dollars, US dollars and Renminbi.

Transactions of the Group are mainly denominated either in Hong Kong dollars, Renminbi or US dollars such that the Group does not have significant exposure to foreign exchange fluctuation save for the gradual appreciation of Renminbi. Though the Group does not engage in any hedging contracts, the Group's exposure to foreign exchange risk is relatively limited.

CHARGES ON ASSETS

The Group did not have any assets pledged for general facilities granted by banks.

MATERIAL ACQUISITIONS/DISPOSALS

The Group had no material acquisition/disposal for the year ended 31 March 2009.

EMPLOYEE INFORMATION

As at 31 March 2009, the Group had 205 full times employees in Hong Kong and the PRC and the processing factory had around 1480 workers. The Group remunerated its employees mainly based on their individual performance. Apart from basic salaries, discretionary bonus, contribution to the statutory retirement scheme, the Group adopted a share option scheme whereby certain employees of the Group may be granted options to subscribe for shares of the Company.

CONTINGENT LIABILITIES

As at 31 March 2009, the Group did not have any contingent liabilities.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. CHAN King Hong Edwin, aged 51, is the chairman and chief executive officer of the Company who joined the Group in around 1980. Mr. Chan is responsible for the development of corporate strategies, overseas sales and marketing strategic planning and overall management of the Group. He has over 24 years of experience in the manufacturing and sales of leather goods, corporate management and strategic planning. Mr. Chan graduated from the University of Toronto in Canada with a bachelor's degree in arts in 1980. Mr. Edwin Chan is the brother of Mr. Stanley Chan, Ms. Rebecca Chan and Ms. Chan Wai Foon and the husband of Ms. Li Shuk Han.

Mr. CHAN King Yuen Stanley, aged 48, is the vice chairman of the Company who joined the Group in around 1980. Mr. Chan is responsible for the design and product development, local sales and marketing strategic planning and overall management of the Group. He has over 24 years of experience in the manufacturing and sales of leather goods, product development and sampling designed training. Mr. Stanley Chan is the brother of Mr. Edwin Chan, Ms. Rebecca Chan and Ms. Chan Wai Foon.

Ms. CHAN Wai Po Rebecca, aged 45, is the production director of the Company who joined the Group in 1986. Ms. Chan is responsible for production planning and control, labour training and overall management of the Group's production facilities in Dongguan, the PRC. She has over 19 years of experience in the manufacturing of leather goods, production system design and quality assurance system management. She graduated from Tunghai University in Taiwan with a Bachelor's degree in Business Administration in 1986. Ms. Rebecca Chan is the sister of Mr. Edwin Chan, Mr. Stanley Chan and Ms. Chan Wai Foon.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. CHAU Cynthia Sin Ha *JP*, aged 69, is an independent non-executive director of the Company. Ms. Chau has been appointed as a Non-official Justice of the Peace for Hong Kong since 17 July 1996. She obtained a diploma in Arts from Chung Chi College in Hong Kong in 1961 and a master's degree of social welfare from the Regents of the University of California in the U.S. in 1967. Ms. Chau had served as the Welfare Superintendent of Po Leung Kuk for 26 years until her retirement in March 2001. As Welfare Superintendent, Ms. Chau was head of the Welfare Department of Po Leung Kuk and was responsible for developing and improving the welfare services provided by Po Leung Kuk. Ms. Chau was appointed as the independent non-executive director of the Company in February 2003.

Mr. FONG Pui Sheung David, *MH* aged 66, is an independent non-executive director of the Company. Mr. Fong was granted a Badge of Honour by Hong Kong Government in January 1989 and a Medal of Honour by the Government of Hong Kong Special Administrative Region for his contribution to the society in July 2000. He holds a diploma in Chinese Literature from the Chinese University of Hong Kong in 1970. Mr. Fong is a school manager of Fong Shu Fook Tong Foundation Fong Shu Chuen Primary School. Mr. Fong had served as the principal of Tung Koon District Society Fong Shu Chuen School from 1970 to 2003. Mr. Fong had been actively participating in the Community works in Kowloon City and Ho Man Tin Area Committee since 1973 and was appointed as Appointed Member of Kowloon City District Board from 1985 to 1991. Mr. Fong was acted as Councilor of Urban Council from 1989 to 1991. From 1992 to 2003, Mr. Fong was appointed as member of Board of Control, Hong Kong Subsidized Schools Provident Fund and participated in administration over HK$30 billion Hong Kong Subsidized Schools Provident Fund. Mr. Fong was appointed as the independent non-executive director of the Company in February 2003.

Mr. OR Kam Chung, Janson, aged 39, is an independent non-executive director of the Company. Mr. Or is a practising Certified Public Accountant in Hong Kong. Mr. Or is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountant. Mr. Or obtained a Higher Diploma in Accountancy from the City University of Hong Kong in 1995. Mr. Or has over 11 years of experience in auditing, accounting, taxation and company secretary with public accounting firms. Mr. Or is the co-founder of a public accounting firm, KCPS & Partners Certified Public Accountants, and is now a practising partner of the firm. Mr. Or was appointed as the independent non-executive director of the Company in June 2004.

SENIOR MANAGEMENT

Ms. LI Shuk Han, aged 44, is the general manager of the Group. Ms. Li is responsible for the personnel and general management of the Group's operation in Hong Kong. She has over 20 years of experience in general administration including staff performance analysis and office system innovation. She is the wife of Mr. Edwin Chan. She joined the Group in 1984.

Mr. LAU Wai Hung, aged 33, is the financial controller and the company secretary of the Company. Mr. Lau is responsible for overseeing the financial and the company secretarial functions of the Company. Mr. Lau obtained a Bachelor's degree in Business Administration from the Chinese University of Hong Kong in 1997. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau has over 11 years of experience in auditing, finance, taxation and corporate development advisory. Prior to joining the Group, Mr. Lau worked for a consulting firm which provides business advisory services to clients. Mr. Lau joined the Group in July 2002.

Ms. CHAN Wai Foon, aged 53, is the accounting manager of the Group. Ms. Chan is responsible for the financial and management accounting of the Group. She holds a diploma in accounting from Centennial College in Canada in 1980. She has over 25 years of experience in accounting and finance. Prior to joining the Group, Ms. Chan had worked as an accountant of a system integration company. She is the sister of Mr. Edwin Chan, Mr. Stanley Chan and Ms. Rebecca Chan. She joined the Group in 1997.

Mr. CHO Sau Man, aged 45, is the deputy general manager of the Group's processing factory in Dongguan, the PRC. Mr. Cho is responsible for overseeing the overall factory administration and handling regulatory compliance in the PRC. Mr. Cho is also a director of Elite Leatherware Company Limited, a subsidiary of the Company. Mr. Cho has over 12 years of experience in factory administration. Prior to joining the Group, Mr. Cho had worked as deputy general manager of an electric motor company located in Shenzhen. He joined the Group in April 2007.

Mr. HUI Kwok Fai, aged 38, is the product development manager of the Group. Mr. Hui is responsible for product design and retail business operation of the Group. Mr. Hui has over 16 years of experience in product development and brand building. Prior to joining the Group, Mr. Hui had worked as product designer of Tough Jeans Ltd. and had successfully build up the distribution network for TOUGH bags and other accessories product to Japan, Singapore, Malaysia, Thailand, Germany, Italy, Spain and Australia. He joined the Group in October 2003.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company believes that good corporate governance is importance to the success of the Company. The Company is committed to attaining good standard of corporate governance practices in order to enhance shareholders' value and safeguard the interests of shareholders.

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 March 2009, except for the deviations from CG Code provision A2.1 in respect of the separation of roles of the chairman and chief executive officer. Due to the small size of the existing management team, both the roles of the chairman and chief executive officer of the Company are currently played by Mr. Chan King Hong, Edwin. Mr. Chan has considerable experience in manufacturing industry and is the person most knowledgeable about the business of the Group. The Board believes that the current structure will enable us to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of Group.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 the Listing Rules during the year ended 31 March 2009.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic directions and financial performance. The management was delegated authority and responsibility by the Board for the day-to-day management of the Group. In addition, the Board has also delegated various responsibilities to Remuneration Committee, Audit Committee and Nomination Committee.

The Board currently consists of 3 executive directors and 3 independent non-executive directors. Their brief biographical details and the relationships among the members of the Board are set out in the "Biographical details of directors and senior management" on pages 10 and 12 of this Annual Report.

The Board holds four regular meetings a year to review the financial and operating performance of the Company. Apart from the regular Board meetings, the Board will meet on other occasion when required.

During the financial year ended 31 March 2009, 5 board meetings were held by the Company. The individual attendance record of each Director at the meetings of the Board during the year ended 31 March 2009 is as follows:

	Number of board meetings attended
Executive Directors	
Mr. Chan King Hong, Edwin *(Chairman and Chief Executive Officer)*	5/5
Mr. Chan King Yuen, Stanley	5/5
Mr. Chan Wai Po, Rebecca	5/5
Independent non-executive directors	
Mr. Fong Pui Sheung, David	5/5
Ms. Chau Cynthia Sin Ha	4/5
Mr. Or Kam Chung, Janson	5/5

All independent non-executive Directors of the Company are appointed for a specific term not exceeding three years and are subject to retirement by rotation and re-election by shareholders at annual general meeting in accordance with Company's articles of associations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Due to the small size of the existing management team, both the roles of the Chairman and Chief Executive Officer of the Company are currently played by Mr. Chan King Hong, Edwin. The Board is of the view that Mr. Chan King Hong, Edwin has considerable experience in manufacturing industry and is the person most knowledgeable about the business of the Group. The Board believes that the current structure will enable us to make and implement decisions promptly and efficiently. The Board will meet regularly to consider that this structure will not impair the balance of power and authority between the Board and the management of the Group.

OTHER COMMITTEES

There are three committees established under the Board, namely Audit Committee, Remuneration Committee and Nomination Committee.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Mr. Fong Pui Sheung David, Ms. Chau Cynthia Sin Ha, and Mr. Or Kam Chung Janson.

During the financial year ended 31 March 2009, 3 audit committee meetings were held by the Company. Individual attendance of each committee member at the meeting is as follows:

	Number of meetings attended
Independent non-executive directors	
Mr. Fong Pui Sheung, David *(Committee Chairman)*	3/3
Ms. Chau Cynthia Sin Ha	2/3
Mr. Or Kam Chung, Janson	3/3

The major roles and functions of the Audit Committee are as follow:

- To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal;
- To review the interim and annual results of the Group;
- To discuss with external auditor before and audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- To review the external auditor's management letter and management's response;
- To consider the major findings of internal investigations and management's response;
- To ensure that the Board will provide a timely response to the issue raised in the external auditor's management letter.

The Audit Committee has reviewed the Group's management the principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the unaudited financial statements and results of the Group for the six months ended 30 September 2008 and audited financial statements and results of the Group for the year ended 31 March 2009.

AUDITOR'S REMUNERATION

For the financial year ended 31 March 2009, the fees paid/payable to the Group's auditor, Messrs BDO Limited, is set out as follow:–

Nature of services	**Amount** *HK' $000*
Audit Services	418
Non-audit services	45
Total:	463

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive directors Mr. Or Kam Chung Janson, Ms. Chau Cynthia Sin Ha, and Mr. Fong Pui Sheung David.

The Remuneration Committee meets at least once a year and the Committee will meet on other occasion when required.

During the financial year ended 31 March 2009, 1 remuneration committee meetings were held by the Company. Individual attendance of each committee member at the meeting is as follows:

	Number of meetings attended
Independent non-executive directors	
Mr. Or Kam Chung, Janson *(Committee Chairman)*	1/1
Ms. Chau Cynthia Sin Ha	1/1
Mr. Fong Pui Sheung, David	1/1

The major roles and functions of the Remuneration Committee are as follow:

- to make recommendations to the board on the issuer's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;

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

- 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 to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;

- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

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

NOMINATION COMMITTEE

The Nomination Committee comprises three independent non-executive directors Ms. Chau Cynthia Sin Ha, Mr. Or Kam Chung Janson and Mr. Fong Pui Sheung David.

The Nomination Committee meets at least once a year and the Committee will meet on other occasion when required.

During the financial year ended 31 March 2009, 1 nomination committee meeting was held by the Company. Individual attendance of each committee member at the meeting is as follows:

	Number of meetings attended
Independent non-executive directors	
Ms. Chau Cynthia Sin Ha *(Committee Chairlady)*	1/1
Mr. Fong Pui Sheung, David	1/1
Mr. Or Kam Chung, Janson	1/1

The major roles and functions of the Nomination Committee are as follow:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board when requested by the Chairman of the Company and to make recommendations to the Board after such review;

- to assess the suitability and qualification of candidates put forward by the chief executive officer and to become new board members and to report to the Board on their assessment;

- to assess the independence of Independent Non-Executive Directors, having regard to the requirements under the Listing Rules; and

- to make recommendations to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group and ensure that financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors have also ensured the timely publication of the financial statements of the Group.

The Directors' responsibilities in preparing financial statements and auditor's responsibilities are set out in the Independent Auditor's Report on pages 31 and 32 of this Annual Report.

INTERNAL CONTROL

The Board is responsible for maintaining an effective system of internal control to safeguard shareholders' investment and the Company's assets. The internal control system is designed to provide reasonable assurance on the effectiveness and efficiency of operations, to safeguard assets against unauthorized use or disposition and to maintain proper accounting records for producing reliable financial information.

During the year ended 31 March 2009, the Board had assessed the effectiveness of the Group's internal control system through reviewing the findings made by the auditor in respect of issues encountered during the process of annual audit and engaging ANDA CPA Limited to perform testing on the key controls procedure set up by the Group.

Based on the result of the testing, the Audit Committee and the Board are satisfied that the Group has implemented adequate internal controls procedure. No material weaknesses which might affect the Group's operations were found.

CORPORATE COMMUNICATION

The Company communicates with its shareholders through publication of interim report and annual report in accordance with the Listing Rules. The Company welcomes shareholders to attend the general meetings and express their view. All directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditors are also required to be present to assist the directors in addressing any relevant queries by shareholders.

Report of the Directors

The directors (the "Directors") are pleased to present their report together with the audited financial statements of Chanco International Group Limited (the "Company") and its subsidiaries (collectively refer to the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 15 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 71.

An interim dividend of HK1.3 cents per share amounting to HK$4,144,000 was paid to shareholders during the year. The Directors recommended the payment of a final dividend of HK1 cent per share amounting to HK$3,188,000 to shareholders, whose names appear in the register of members of the Company on 10 September 2009. Subject to the passing of the necessary resolution at the forthcoming annual general meeting, such dividend will be payable on or about 6 October 2009.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2009, amounted to HK$87 million. Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the memorandum and articles of association of the Company and no distribution or dividend may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in ordinary course of business.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's memorandum and articles of association and there was no restriction against such rights under the laws of the Cayman Islands.

BANK LOANS AND OVERDRAFTS

The Group did not have bank loans and overdrafts at 31 March 2009.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 72.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DIRECTORS

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

Executive directors

Mr. Chan King Hong Edwin

Mr. Chan King Yuen Stanley

Ms. Chan Wai Po Rebecca

Independent non-executive directors

Ms. Chau Cynthia Sin Ha

Mr. Fong Pui Sheung David

Mr. Or Kam Chung Janson

In accordance with Article 87 of the Company's Articles of Association, Mr. Chan King Yuen, Stanley and Ms. Chau Cynthia Sin Ha shall retire from office by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service agreements with all the Directors of the Company for the provision of management services to the Group, details are as follow:

Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley and Ms. Chan Wai Po Rebecca entered into service contracts with the Company for an initial term of two years commencing from 1 March, 2003 and renewable automatically for successive terms of one year, until terminated by not less than six months' notice in writing served by either party on the other.

Ms. Chau Cynthia Siu Ha and Mr. Fong Pui Sheung David are independent non-executive directors. They entered into service contracts with the Company for an initial term of two years commencing from 1 March 2003. On 23 January 2009, their contracts were renewed for another two year term expiring on 28 February 2011.

Mr. Or Kam Chung, Janson is independent non-executive director of the Company. He entered into service contracts with the Company for an initial term of two years commencing from 16 June 2004. On 26 March 2008, his contract was renewed for another two year term expiring on 15 June 2010.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company has received from each of the independent non-executive directors an annual written confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors as independent.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions

(a) Ordinary shares of HK$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Chan King Hong Edwin	Interest of a controlled corporation	47,727,352 *(Note 1(a))*	
	Beneficial owner	5,788,000	
		53,515,352	16.79
Chan King Yuen Stanley	Interest of a controlled corporation	47,727,352 *(Note 2)*	
	Beneficial owner	6,740,000	
		54,467,352	17.08
Chan Wai Po Rebecca	Interest of a controlled corporation	39,204,648 *(Note 3)*	12.30

(b) Share options

Name	Capacity	Number of options held	Number of underlying shares
Chan King Hong Edwin	Beneficial owner	3,181,200 *(Note 4)*	3,181,200
	Interest of spouse	3,181,200 *(Note 1(b))*	3,181,200
Chan King Yuen Stanley	Beneficial owner	3,181,200 *(Note 4)*	3,181,200
Chan Wai Po Rebecca	Beneficial owner	3,181,200 *(Note 4)*	3,181,200

Notes:

1(a) 47,727,352 shares are held by Leopark Worldwide Inc., a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Mr. Chan King Hong Edwin.

1(b) An option to subscribe for 3,181,200 shares of the Company was granted to Ms. Li Shuk Han on 24 September 2003, who is the spouse of Mr. Chan King Hong Edwin. By virtue of the SFO, Mr. Chan King Hong Edwin is taken to be interested in these 3,181,200 long positions held by Ms. Li Shuk Han.

2. 47,727,352 shares are held by New Paramount Profits Limited, a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Mr. Chan King Yuen Stanley.

3. 39,204,648 shares are held by Prevail Assets Limited, a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Ms. Chan Wai Po Rebecca.

4. On 24 September 2003, each of Mr. Chan King Hong Edwin, Mr. Chan King Yuen Stanley and Ms. Chan Wai Po Rebecca was granted an option to subscribe for 3,181,200 shares of the Company. Details of the options are stated under section headed "Share Option" below.

Save as disclosed above, none of the directors, chief executives and their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 31 March 2009.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, the interests or short positions of the persons, other than a director or chief executive of the Company in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions

(a) Ordinary shares of HK$0.01 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Leopark Worldwide Inc.	Beneficial owner	47,727,352 *(Note i)*	14.97
New Paramount Profits Limited	Beneficial owner	47,727,352 *(Note i)*	14.97
Prevail Assets Limited	Beneficial owner	39,204,648 *(Note i)*	12.30
Smarty Worldwide Limited	Beneficial owner	39,204,648 *(Note ii)*	12.30
Chan Woon Man	Interest of a controlled corporation	39,204,648 *(Note ii)*	12.30
Li Shuk Han	Interest of spouse	53,515,352 *(Note iii)*	16.79
CIM Dividend Income Fund Limited	Investment manager	28,692,000	9.00
Yeoman Capital Management Pte Ltd	Investment manager	35,412,000	11.11
Yeoman 3-Rights Value Asia Fund	Beneficial owner	19,732,000	6.19
Yeo Seng Chong	Interest of a controlled corporation	33,568,000	
	Interest of spouse	2,600,000	
		36,168,000	11.34
Lim Mee Hwa	Interest of a controlled corporation	33,568,000	
	Beneficial owner	2,600,000	
		36,168,000	11.34

(b) Share Options

Name	Capacity	Number of options held	Number of underlying shares
Li Shuk Han	Beneficial owner and interest of spouse	6,362,400 *(Note iv)*	6,362,400
Chan Woon Man	Beneficial owner	3,181,200 *(Note ii)*	3,181,200

Notes:

(i) These shareholdings have also been included as corporate interests of Directors as disclosed under the section headed "Directors' interests in shares and underlying shares" above.

(ii) 39,204,648 shares are held by Smarty Worldwide Limited, a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Mr. Chan Woon Man. In addition, an option to subscribe for 3,181,200 shares of the Company was granted to Mr. Chan Woon Man on 24 September 2003.

(iii) These shares are held by a company controlled by Mr. Chan King Hong Edwin. By virtue of the SFO, Ms. Li Shuk Han, who is the spouse of Mr. Chan King Hong Edwin, is taken to be interested in these long positions.

(iv) Being an option to subscribe for 3,181,200 shares of the Company granted to Mr. Chan King Hong Edwin and an option to subscribe for 3,181,200 shares of the Company granted to Ms. Li Shuk Han on 24 September 2003.

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 31 March 2009.

SHARE OPTIONS

Pursuant to the written resolutions of all the shareholders of the Company passed on 18 February 2003, the Company adopted a share option scheme (the "Share Option Scheme").

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentive or rewards for their contributions to the Group.

The Share Option Scheme is available to, at the discretion of the Directors, any employee (whether full time or part time, including any executive directors) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which any member of the Group holds any equity interest; any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiary or any Invested Entity; any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; and any consultants, advisers, managers, officers or entities that provide research, development or other technological support to the Group or any Invested Entity.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other share option scheme of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not exceed 10% of the shares of the Company in issue on 12 March 2003, the date of the Company being listed on the Main Board of the Stock Exchange.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company to each participants in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to shareholders' approval at general meeting of the Company with such participant and his associates abstaining from voting.

An option may be accepted by a participant at a nominal consideration of HK$1 within 28 days from the date of the offer of grant of the options. The subscription price for shares under the Share Option Scheme will be a price determined by the Directors but shall not be less than the highest of (i) the nominal value of shares; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant of option, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end and in any event not later than ten years from the date on which the offer for grant of the option is made subject to the provisions of early termination thereof.

There were no movements in share options during the year ended 31 March 2009. Details of share options outstanding at 31 March 2009 are as follows:

Name or category of participant	Date of grant	Outstanding as at 1 April 2008 and 31 March 2009	Exercisable period	Exercise price per share
(a) Executive directors				
Chan King Hong Edwin	24 Sept 2003	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
Chan King Yuen Stanley	24 Sept 2003	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
Chan Wai Po Rebecca	24 Sept 2003	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
(b) Employees, in aggregate	26 May 2003	60,000	26 May 2003 – 25 May 2013	0.580
	24 Sept 2003	6,362,400	24 Sept 2003 – 23 Sept 2013	0.830
(c) Others, in aggregate	26 May 2003	3,000,000	26 May 2003 – 25 May 2013	0.580
Total		18,966,000		

Notes:

(i) All the options were immediately vested upon granted.

(ii) The share options granted under the Share Option Scheme are not recognised in the financial statements until they are exercised.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests in shares and underlying shares" and "Share option" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	16%
– five largest suppliers combined	50%
Sales	
– the largest customer	35%
– five largest customers combined	62%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers stated above.

CONNECTED TRANSACTIONS

No significant connected transactions were entered into by the Group during the year ended 31 March 2009, which constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the year.

AUDITOR

BDO McCabe Lo Limited has changed its name to BDO Limited. Accordingly, the auditor's report is now signed under the new name. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Chan King Hong Edwin
Chairman

Hong Kong, 21 July 2009

Independent Auditor's Report

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

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TO THE SHAREHOLDERS OF CHANCO INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Chanco International Group Limited (the "Company") set out on pages 33 to 71, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

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

BDO Limited
Certified Public Accountants

Lee Ka Leung, Daniel
Practising Certificate Number P01220

Hong Kong, 21 July 2009

Consolidated Income Statement

For the year ended 31 march 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	5	**311,955**	321,529
Cost of sales		**(227,627)**	(223,486)
Gross profit		**84,328**	98,043
Other income and gains		**5,598**	6,266
Selling and distribution costs		**(17,205)**	(17,145)
Administrative and other operating expenses		**(31,596)**	(30,201)
Profit before income tax expense	7	**41,125**	56,963
Income tax expense	10	**(4,499)**	(5,340)
Profit for the year	11	**36,626**	51,623
Dividends	12	**7,332**	17,534
Earnings per share	13		
– Basic		**HK11.49 cents**	HK16.20 cents
– Diluted		**HK11.47 cents**	HK16.14 cents

Consolidated Balance Sheet

As at 31 march 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current asset			
Property, plant and equipment	14	**9,482**	9,987
Available-for-sale investments	16	**2,579**	–
		12,061	9,987
Current assets			
Inventories	17	**78,175**	55,703
Trade and bills receivables	18	**22,390**	34,452
Other receivables, deposits and prepayments		**2,983**	5,095
Tax recoverable		**188**	–
Cash and cash equivalents		**156,594**	151,867
		260,330	247,117
Current liabilities			
Trade and bills payables	20	**10,082**	15,317
Other payables and accrued charges		**13,945**	17,388
Tax payable		**1,191**	1,094
		25,218	33,799
Net current assets		**235,112**	213,318
Total assets less current liabilities		**247,173**	223,305
Non-current liabilities			
Deferred tax liabilities	21	**164**	243
Net assets		**247,009**	223,062
Capital and reserves			
Share capital	22	**3,188**	3,188
Reserves		**243,821**	219,874
Total equity		**247,009**	223,062

On behalf of the Board

Chan King Hong Edwin
Executive Director

Chan King Yuen Stanley
Executive Director

Balance Sheet

As at 31 march 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current asset			
Investments in subsidiaries	15	**48,181**	48,181
Available-for-sale investments	16	**2,579**	–
		50,760	48,181
Current assets			
Other receivables		**164**	117
Amounts due from subsidiaries	19	**26,879**	32,072
Cash and cash equivalents		**12,964**	13,638
		40,007	45,827
Current liabilities			
Accrued charges		**203**	16
Net current assets		**39,804**	45,811
Net assets		**90,564**	93,992
Capital and reserves			
Share capital	22	**3,188**	3,188
Reserves	24	**87,376**	90,804
Total equity		**90,564**	93,992

On behalf of the Board

Chan King Hong Edwin
Executive Director

Chan King Yuen Stanley
Executive Director

Consolidated Statement Of Changes In Equity

For the year ended 31 march 2009

	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	Statutory surplus reserve *HK$'000* *(Note)*	Investment revaluation reserve *HK$'000*	Retained earnings *HK$'000*	Proposed dividends *HK$'000*	Total *HK$'000*
At 1 April 2007	3,185	32,435	659	888	–	142,379	8,281	187,827
Profit for the year	–	–	–	–	–	51,623	–	51,623
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	1,608	–	–	–	–	1,608
Total recognised income and expense for the year	–	–	1,608	–	–	51,623	–	53,231
Shares issued under share option scheme	3	173	–	–	–	–	–	176
2007 final dividend paid	–	–	–	–	–	(6)	(6,051)	(6,057)
2007 special dividend paid	–	–	–	–	–	(2)	(2,230)	(2,232)
2008 interim dividend paid	–	–	–	–	–	(9,883)	–	(9,883)
2008 proposed final dividend	–	–	–	–	–	(7,651)	7,651	–
	3	173	1,608	–	–	34,081	(630)	35,235
At 31 March 2008 and 1 April 2008	3,188	32,608	2,267	888	–	176,460	7,651	223,062
Change in fair value of available-for-sale investments	–	–	–	–	(1,338)	–	–	(1,338)
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	454	–	–	–	–	454
Net gain/(loss) recognised directly in equity	–	–	454	–	(1,338)	–	–	(884)
Profit for the year	–	–	–	–	–	36,626	–	36,626
Total recognised income and expense for the year	–	–	454	–	(1,338)	36,626	–	35,742
2008 final dividend paid	–	–	–	–	–	–	(7,651)	(7,651)
2009 interim dividend paid	–	–	–	–	–	(4,144)	–	(4,144)
2009 proposed final dividend	–	–	–	–	–	(3,188)	3,188	–
	–	–	454	–	(1,338)	29,294	(4,463)	23,947
At 31 March 2009	3,188	32,608	2,721	888	(1,338)	205,754	3,188	247,009

Note:

As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiary of the Group is required to maintain a statutory surplus reserve which is not distributable. Appropriation to the reserve is made out of profit for the year as per the statutory financial statements of the PRC subsidiary and the amount and allocation basis are decided by its board of directors annually.

Consolidated Cash Flow Statement

For the year ended 31 march 2009

	2009 *HK$'000*	2008 *HK$'000*
Operating activities		
Profit before income tax expense	**41,125**	56,963
Adjustments for:		
Interest income	**(3,529)**	(5,274)
Depreciation of property, plant and equipment	**2,338**	2,726
Loss on disposal of property, plant and equipment	**129**	74
(Reversal of impairment loss)/impairment loss on trade receivables	**(122)**	124
Write down of inventories	**807**	979
Operating profit before working capital changes	**40,748**	55,592
Increase in inventories	**(23,234)**	(4,056)
Decrease/(increase) in trade and bills receivables	**12,345**	(6,656)
Decrease/(increase) in other receivables, deposits and prepayments	**2,118**	(806)
(Decrease)/increase in trade and bills payables	**(5,265)**	3,567
(Decrease)/increase in other payables and accrued charges	**(3,480)**	2,787
Cash generated from operations	**23,232**	50,428
Hong Kong Profits Tax paid	**(3,468)**	(2,666)
PRC Corporate Income Tax paid	**(1,212)**	(1,223)
Net cash from operating activities	**18,552**	46,539
Investing activities		
Acquisition of property, plant and equipment	**(1,948)**	(2,664)
Proceeds from disposal of property, plant and equipment	**–**	104
Purchase of available-for-sale investments	**(3,917)**	–
Interest received	**3,529**	5,274
Net cash (used in)/from investing activities	**(2,336)**	2,714
Financing activities		
Proceeds from shares issued under share option scheme	**–**	176
Dividends paid	**(11,795)**	(18,172)
Net cash used in financing activities	**(11,795)**	(17,996)
Net increase in cash and cash equivalents	**4,421**	31,257
Cash and cash equivalents at beginning of year	**151,867**	119,573
Effect of foreign exchange rate changes	**306**	1,037
Cash and cash equivalents at end of year, representing bank balances and cash	**156,594**	151,867

1. GENERAL

Chanco International Group Limited (the "Company") was incorporated in the Cayman Islands on 12 April 2002 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 15.

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) In the current year, the Group has applied, for the first time, the following amendments and new interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period of the Group and the Company.

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

The adoption of the above amendments and new interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised.

(b) Potential impact arising on HKFRSs not yet effective

The Group has not yet applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [3]
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation [4]
Amendment to HKAS 39	Eligible Hedged Items [3]
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [4]
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments [4]

2. ADOPTION OF AMENDMENTS AND NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective (Continued)

Amendments to HK(IFRIC) – Interpretation 9 and HKAS 39	Embedded Derivatives [5]
HKAS 1 (Revised)	Presentation of Financial Statements [4]
HKAS 23 (Revised)	Borrowing Costs [4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements 3
HKFRS 2 Amendment	Share-based Payment – Vesting Conditions and Cancellations [4]
HKFRS 3 (Revised)	Business Combinations [3]
HKFRS 8	Operating Segments [4]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes [6]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate [4]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation [7]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners [3]
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers [8]

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

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

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

[4] Effective for annual periods beginning on or after 1 January 2009

[5] Effective for annual periods ending on or after 30 June 2009

[6] Effective for annual periods beginning on or after 1 July 2008

[7] Effective for annual periods beginning on or after 1 October 2008

[8] Effective for transfers of assets from customers received on or after 1 July 2009

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the directors of the Company so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

(a) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

(b) *Basis of measurement*

The financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

(c) *Use of estimate and judgements*

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 31.

(d) *Functional and presentation currency*

The financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company.

4. PRINCIPAL ACCOUNTING POLICIES

(a) *Basis of consolidation*

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies are eliminated in full in preparing the consolidated financial statements.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) *Subsidiaries*

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives using reducing balance method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date. The principal annual rates are as follows:

Plant and machinery	–	30%
Furniture and fixtures	–	20%
Leasehold improvements	–	Shorter of expected useful life or over the unexpired period of the leases
Motor vehicles	–	30%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the income statement on disposal.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Operating leases

Leases that do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Rentals payable under operating leases are recognised in the income statement on a straight-line basis over the terms of the respective leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(e) Financial instruments

The Group classified its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

(i) Financial assets

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, and also incorporate other types of contractual monetary asset. At each balance sheet date subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. At each balance sheet date subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in equity.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) *Financial instruments (Continued)*

(ii) *Impairment loss on financial assets*

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group includes the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation

For Loan and receivables

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments (Continued)

(iii) Financial liabilities

Financial liabilities include trade and bills payables, other payables and accrued charges, are initially recognised at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost, using the effective interest method.

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

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instruments. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) Inventories

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) *Revenue recognition*

Revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(h) *Income taxes*

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes and is accounted for using the balance sheet liability method. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in the income statement except when they relate to items directly recognised to equity in which case the taxes are also directly recognised in equity.

(i) *Foreign currency*

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Foreign currency (Continued)

On consolidation, the results of foreign operations are translated into the presentation currency of the Group (i.e. HKD) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the balance sheet date. Exchange differences are recognised directly in equity (the "exchange reserve"). Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operations concerned are reclassified to the exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

(j) Employee benefits

(i) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in the income statement when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(k) Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period with a corresponding increase in equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting conditions.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Share based payments (Continued)

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods or services received unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised.

(l) Impairment of other assets

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(n) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet. Final dividends are recognised as a liability when they are approved by the shareholders.

5. TURNOVER

Turnover, which is also the revenue, represents the net amounts received and receivable for goods sold to outside customers, less returns and discount, if any, during the year.

6. TURNOVER AND SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two major operating divisions – manufacturing business and retail business. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Manufacturing business	–	Manufacture and distribution of leather products
Retail business	–	Retail of fashion apparel and leather accessories

6. SEGMENT INFORMATION *(Continued)*

Business segments (Continued)

Segment information about these business is presented below:

	Manufacturing business HK$'000	Retail business HK$'000	Inter-segment elimination HK$'000	Unallocated HK$'000	Consolidated HK$'000
Year ended 31 March 2009					
Revenue					
External sales	285,200	26,755	–	–	311,955
Inter-segment sales	2,789	–	(2,789)	–	–
Total	287,989	26,755	(2,789)	–	311,955
Segment results	35,559	2,997	(109)	–	38,447
Unallocated income					3,601
Unallocated expenses					(923)
Profit before income tax expense					41,125
Income tax expense					(4,499)
Profit for the year					36,626
At 31 March 2009					
Assets					
Segment assets	100,984	10,157	–	–	111,141
Unallocated assets					161,250
Total assets					272,391
Liabilities					
Segment liabilities	22,571	1,254	–	–	23,825
Unallocated liabilities					1,557
Total liabilities					25,382
Other information					
Capital expenditure	1,444	456	–	48	1,948
Depreciation of property, plant and equipment	1,488	574	–	276	2,338
Loss on disposal of property, plant and equipment	128	1	–	–	129
Reversal of impairment loss on trade receivables	(122)	–	–	–	(122)
Write down of inventories	645	162	–	–	807

6. SEGMENT INFORMATION *(Continued)*

Business segments (Continued)

	Manufacturing business *HK$'000*	Retail business *HK$'000*	Inter-segment elimination *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Year ended 31 March 2008					
Revenue					
External sales	297,150	24,379	–	–	321,529
Inter-segment sales	1,901	–	(1,901)	–	–
Total	299,051	24,379	(1,901)	–	321,529
Segment results	50,728	1,382	(80)	–	52,030
Unallocated income					5,872
Unallocated expenses					(939)
Profit before income tax expense					56,963
Income tax expense					(5,340)
Profit for the year					51,623
At 31 March 2008					
Assets					
Segment assets	94,396	8,777	–	–	103,173
Unallocated assets					153,931
Total assets					257,104
Liabilities					
Segment liabilities	31,690	991	–	–	32,681
Unallocated liabilities					1,361
Total liabilities					34,042
Other information					
Capital expenditure	1,555	1,004	–	105	2,664
Depreciation of property, plant and equipment	1,711	697	–	318	2,726
(Gain)/loss on disposal of property, plant and equipment	(36)	110	–	–	74
Impairment loss on trade receivables	124	–	–	–	124
Write down of inventories	713	266	–	–	979

6. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group's operations are principally located in Hong Kong and the PRC. Group administration is carried out in Hong Kong and the manufacturing function is carried out in the PRC.

The following table provides an analysis of the Group's revenue by geographical market and analysis of the carrying amount of total assets and capital expenditure by the geographical area in which the assets are located.

	Revenue 2009 *HK$'000*	**Total assets 2009 *HK$'000***	**Capital expenditure 2009 *HK$'000***
Japan	**115,387**	**–**	**–**
Europe	**80,320**	**–**	**–**
The United States of America ("USA")	**20,522**	**–**	**–**
Hong Kong	**43,084**	**178,441**	**504**
PRC	**20,639**	**91,158**	**1,444**
Australia	**11,399**	**–**	**–**
Others	**20,604**	**2,792**	**–**
	311,955	**272,391**	**1,948**

	Revenue 2008 *HK$'000*	Total assets 2008 *HK$'000*	Capital expenditure 2008 *HK$'000*
Japan	92,823	–	–
Europe	93,926	–	–
USA	25,290	–	–
Hong Kong	50,961	197,717	1,109
PRC	28,260	57,838	1,555
Australia	11,057	–	–
Others	19,212	1,549	–
	321,529	257,104	2,664

7. PROFIT BEFORE INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Profit before income tax expense is arrived at after charging:		
Auditor's remuneration	**418**	440
Cost of inventories sold	**227,627**	223,486
Depreciation of property, plant and equipment	**2,338**	2,726
Loss on disposal of property, plant and equipment	**129**	74
Operating lease rentals in respect of leasehold land and buildings	**10,622**	9,796
Impairment loss on trade receivables	**–**	124
Write down of inventories	**807**	979
Foreign exchange losses, net	**814**	810
Staff costs, excluding directors' emoluments *(note 8)*	**16,042**	15,235
and after crediting:		
Reversal of impairment loss on trade receivables	**122**	–
Interest income	**3,529**	5,274

8. STAFF COSTS, EXCLUDING DIRECTORS' EMOLUMENTS

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**15,051**	14,393
Retirement benefits scheme contributions	**991**	842
	16,042	15,235

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	2009 HK$'000	2008 HK$'000
Directors' fees	**150**	150
Other emoluments:		
Salaries and other benefits	**4,380**	3,750
Discretionary bonuses	**3,500**	2,600
Retirement benefits scheme contributions	**60**	60
	8,090	6,560

Details of directors' emoluments for the year ended 31 March 2009 are as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:					
Chan King Hong Edwin	–	1,500	1,500	24	3,024
Chan King Yuen Stanley	–	1,500	1,500	24	3,024
Chan Wai Po Rebecca	–	1,380	500	12	1,892
Independent non-executive directors:					
Chau Cynthia Sin Ha	50	–	–	–	50
Fong Pui Sheung David	50	–	–	–	50
Or Kam Chung Janson	50	–	–	–	50
Total	150	4,380	3,500	60	8,090

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) *Directors' emoluments (Continued)*

Details of directors' emoluments for the year ended 31 March 2008 are as follows:

	Fees	Salaries and other benefits	Discretionary bonuses	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
Chan King Hong Edwin	–	1,290	1,300	24	2,614
Chan King Yuen Stanley	–	1,290	1,300	24	2,614
Chan Wai Po Rebecca	–	1,170	–	12	1,182
Independent non-executive directors:					
Chau Cynthia Sin Ha	50	–	–	–	50
Fong Pui Sheung David	50	–	–	–	50
Or Kam Chung Janson	50	–	–	–	50
Total	150	3,750	2,600	60	6,560

No directors waived any emoluments during the two years ended 31 March 2009.

The discretionary bonuses are determined by reference to the financial performance of the Group and the performance of the individual director for each financial year.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) *Five highest paid individuals*

Of the five individuals whose emoluments were the highest in the Group for the year include three (2008: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: two) individuals during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Salaries and other benefits	**1,661**	1,396
Discretionary bonuses	**95**	230
Retirement benefits scheme contributions	**24**	24
	1,780	1,650

The emoluments of each of the remaining individual was below HK$1,000,000 for the two years ended 31 March 2009.

During the two years ended 31 March 2009, no emolument was paid to the directors or any of the five highest paid individuals as an inducement to join or upon joining by the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current tax – Hong Kong Profits Tax		
– tax for the year	**3,357**	3,809
– (over)/under provision in respect of prior years	**(13)**	151
	3,344	3,960
Current tax – PRC Corporate Income Tax		
– tax for the year	**1,234**	1,420
Deferred tax *(note 21)*		
– current year	**(65)**	(40)
– attributable to change in tax rate	**(14)**	–
Income tax expense	**4,499**	5,340

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) on the estimated assessable profits for the year.

The PRC Corporate Income Tax rate for the Company's subsidiary in the PRC is 25% (2008: 25%).

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

	2009 HK$'000	2008 HK$'000
Profit before income tax expense	**41,125**	56,963
Tax at the domestic tax rate of 16.5% (2008: 17.5%)	**6,786**	9,969
Tax effect of expenses not deductible for tax purpose	**20,244**	20,254
Tax effect of income not taxable for tax purpose	**(22,869)**	(24,498)
(Over)/underprovision in respect of prior years	**(13)**	151
Effect on opening deferred tax balance resulting from a decrease in applicable tax rate	**(14)**	–
Effect of tax concession of a subsidiary	**–**	(1,096)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**436**	856
Tax effect of deductible temporary difference not recognised	**96**	82
Utilisation of tax losses previously not recognised	**(167)**	(378)
Income tax expense	**4,499**	5,340

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's profit for the year includes a loss of HK$295,000 (2008: HK$317,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend of HK$0.013 (2008: HK$0.031) per ordinary share	**4,144**	9,883
Proposed final dividend of HK$0.01 (2008: HK$0.024) per ordinary share	**3,188**	7,651
	7,332	17,534

The proposed final dividend of HK$0.01 (2008: HK$0.024) per share has been proposed by the directors on 21 July 2009 and are subject to approval by the shareholders in forthcoming annual general meeting.

The amount of proposed final dividend is based on 318,804,000 shares in issue as at 21 July 2009 (2008: 318,804,000 shares in issue as at 15 July 2008).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the year of HK$36,626,000 (2008: HK$51,623,000) and weighted average number of 318,804,000 (2008: 318,704,328) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the Group's profit for the year of HK$36,626,000 (2008: HK$51,623,000) and the weighted average number of 319,328,571 (2008: 319,871,679) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 318,804,000 (2008: 318,704,328) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of 524,571 (2008: 1,167,351) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

14. PROPERTY, PLANT AND EQUIPMENT

The Group	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2008	8,834	4,680	9,889	863	24,266
Additions	48	310	1,590	–	1,948
Disposals	–	(57)	(129)	–	(186)
Exchange realignment	39	2	–	7	48
At 31 March 2009	**8,921**	**4,935**	**11,350**	**870**	**26,076**
Accumulated depreciation					
At 1 April 2008	6,588	3,078	4,167	446	14,279
Provided for the year	747	313	1,152	126	2,338
Eliminated on disposals	–	(28)	(29)	–	(57)
Exchange realignment	31	1	–	2	34
At 31 March 2009	**7,366**	**3,364**	**5,290**	**574**	**16,594**
Cost					
At 1 April 2007	8,186	4,518	8,874	856	22,434
Additions	523	292	1,410	439	2,664
Disposals	(29)	(136)	(395)	(450)	(1,010)
Exchange realignment	154	6	–	18	178
At 31 March 2008	8,834	4,680	9,889	863	24,266
Accumulated depreciation					
At 1 April 2007	5,686	2,666	3,226	680	12,258
Provided for the year	889	436	1,227	174	2,726
Eliminated on disposals	(106)	(27)	(286)	(413)	(832)
Exchange realignment	119	3	–	5	127
At 31 March 2008	6,588	3,078	4,167	446	14,279
Net book value					
At 31 March 2009	**1,555**	**1,571**	**6,060**	**296**	**9,482**
At 31 March 2008	2,246	1,602	5,722	417	9,987

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**48,181**	48,181

Details of the Company's subsidiaries at 31 March 2009 are as follows:

Name	Place of incorporation or establishment/ operations	Issued share capital/paid-up registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Chanco International Holding Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$1,000	100%		Investment holding
Sun Ray Manufactory, Limited	Hong Kong	Non-voting deferred shares HK$6 Ordinary shares HK$2		100%	Manufacturing and trading of leather accessories
Elite Leatherware Company Limited	Hong Kong	Ordinary shares HK$10,000		100%	Trading of leather accessories
Talent Union Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$8		100%	Investment holding
Dongguan Ngai Luen Leather Goods Company Limited *(Note)*	PRC	Registered capital HK$2,000,000		100%	Manufacturing and trading of leather accessories
Amid Success Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$1		100%	Investment holding
Urban Stranger Company Limited	Hong Kong	Ordinary shares HK$1		100%	Retail of fashion apparel and leather accessories

15. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Note:

The subsidiary is a wholly foreign-owned enterprise in the PRC.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

16. AVAILABLE-FOR-SALE INVESTMENTS

	The Group and the Company	
	2009	2008
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**2,579**	–

Fair value is determined by reference to published price quotation in an active market.

17. INVENTORIES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**61,703**	38,777
Work in progress	**6,340**	7,136
Finished goods	**10,132**	9,790
	78,175	55,703

18. TRADE AND BILLS RECEIVABLES

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Trade and bills receivables	**22,904**	35,088
Less: allowance for doubtful debts	**(514)**	(636)
	22,390	34,452

Customers are generally granted with credit terms of 30 to 90 days. The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) at the balance sheet date is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current	**8,268**	10,624
Less than 30 days past due	**10,643**	10,031
31 – 60 days past due	**1,333**	7,467
61 – 90 days past due	**1,467**	2,504
91 – 120 days past due	**122**	746
121 – 365 days past due	**409**	3,062
Over 365 days past due	**148**	18
Amounts past due but not impaired	**14,122**	23,828
	22,390	34,452

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers that have good creditworthiness. Based on past experience, the management considered no impairment is necessary as there has not been a significant change in credit quality of these balances, which are still considered fully recoverable.

18. TRADE AND BILLS RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts

	The Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 April	**636**	645
Impairment loss recognised	**11**	124
Reversal of impairment loss previously recognised	**(133)**	–
Bad debts written off	**–**	(133)
At 31 March	**514**	636

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4.

19. AMOUNTS DUE FROM SUBSIDIARIES

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

20. TRADE AND BILLS PAYABLES

Details of the ageing analysis are as follows:

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Current to 30 days	**7,098**	7,762
31 – 60 days	**2,203**	4,382
61 – 90 days	**339**	1,671
91 – 120 days	**219**	385
121 – 365 days	**184**	706
Over 365 days	**39**	411
	10,082	15,317

21. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities provided by the Group and movements thereof:

	Accelerated tax depreciation
	HK$'000
At 1 April 2007	283
Credit to consolidated income statement for the year *(note 10)*	(40)
At 31 March 2008 and 1 April 2008	243
Credit to consolidated income statement for the year *(note 10)*	(65)
Effect of change in tax rate	(14)
At 31 March 2009	**164**

At 31 March 2009, the Group had deductible temporary difference of HK$1,728,000 (2008: deductible temporary difference of HK$1,583,000 and unused tax losses of HK$628,000). The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

No deferred tax liability has been recognised on temporary difference of HK$4,774,000 (2008: HK$1,428,000) relating to the undistributed earnings of the subsidiary in the PRC because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in the foreseeable future.

At 31 March 2009, the Company did not have material unprovided deferred tax assets and liabilities (2008: nil).

22. SHARE CAPITAL

(a) *Authorised and issued share capital*

	The Company	
	Number of share	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2007, 31 March 2008 and 2009	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2007	318,500,000	3,185
Shares issued under share option scheme	304,000	3
At 31 March 2008 and 2009	318,804,000	3,188

(b) *Capital management policy*

The Group regards the equity attributable to equity holders of the Company as its capital. The Group's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may raise bank borrowings and adjust the amount of dividends paid to shareholders.

23. SHARE OPTIONS

Under the share option scheme (the "Share Option Scheme") approved by the shareholders on 18 February 2003, the directors of the Company may, at its discretion, invite non-executive directors, employees, invested entities, suppliers of goods or services, customers, consultants and advisors of the Group or any entity in which any member of the Group holds any equity interest to take up options to subscribe for shares in the Company representing up to a maximum of 30 per cent of the issued share capital of the Company from time to time.

The subscription price for the shares in relation to options to be granted under the Share Option Scheme shall be determined by the board and shall be at least the highest of (i) the nominal value of the shares of the Company; (ii) the closing price of the shares on the date of grant (the "Offer Date"); and (iii) the average closing price of the shares for the five business days immediately preceding the Offer Date. The options are exercisable within 10 years from the Offer Date.

The following table discloses movements in the Company's share option during the year ended 31 March 2008 and 2009.

Name or category of participant	Date of grant	Outstanding as at 1 April 2007	Exercised during the year	Outstanding as at 31 March 2008 and 2009	Exercisable period	Exercise price per share
						HK$
(a) Executive directors						
Chan King Hong Edwin	24 Sept 2003	3,181,200	–	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
Chan King Yuen Stanley	24 Sept 2003	3,181,200	–	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
Chan Wai Po Rebecca	24 Sept 2003	3,181,200	–	3,181,200	24 Sept 2003 – 23 Sept 2013	0.830
(b) Employees, in aggregate	26 May 2003	364,000	(304,000)	60,000	26 May 2003 – 25 May 2013	0.580
	24 Sept 2003	6,362,400	–	6,362,400	24 Sept 2003 – 23 Sept 2013	0.830
(c) Others, in aggregate	26 May 2003	3,000,000	–	3,000,000	26 May 2003 – 25 May 2013	0.580
Total		19,270,000	(304,000)	18,966,000		
Weighted average exercise price		HK$0.786	HK$0.580	HK$0.790		

23. SHARE OPTIONS *(Continued)*

The weighted average share price at the date of exercise for shares options exercised during the year ended 31 March 2008 was HK$1.06.

The options outstanding at 31 March 2009 had an exercise price of HK$0.58 or HK$0.83 (2008: HK$0.58 or HK$0.83) and a weighted average remaining contractual life of 4.43 years (2008: 5.43 years).

Note: All the options were immediately vested when granted and the Group has taken the advantage of the transitional provisions of HKFRS 2 in respect of the above equity-settled awards; as a result the HKFRS 2 has not been applied.

24. RESERVES

The Company

	Share premium	Investment revaluation reserve	Retained earnings	Proposed dividends	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	80,606	–	232	8,281	89,119
Profit for the year	–	–	19,684	–	19,684
Shares issued under share option scheme	173	–	–	–	173
2007 final dividend paid	–	–	(6)	(6,051)	(6,057)
2007 special dividend paid	–	–	(2)	(2,230)	(2,232)
2008 interim dividend paid	–	–	(9,883)	–	(9,883)
2008 proposed final dividend	–	–	(7,651)	7,651	–
At 31 March 2008 and 1 April 2008	80,779	–	2,374	7,651	90,804
Profit for the year	–	–	9,705	–	9,705
Change in fair value of available-for-sale investments	–	(1,338)	–	–	(1,338)
2008 final dividend paid	–	–	–	(7,651)	(7,651)
2009 interim dividend paid	–	–	(4,144)	–	(4,144)
2009 proposed final dividend	–	–	(3,188)	3,188	–
At 31 March 2009	**80,779**	**(1,338)**	**4,747**	**3,188**	**87,376**

25. CONTINGENT LIABILITIES

At 31 March 2009, the Company issued guarantees to banks in respect of general facilities granted to its subsidiaries to the extent of HK$15,000,000 (2008: HK$8,000,000), of which HK$2,854,000 (2008: HK$5,488,000) was utilised by the subsidiaries at 31 March 2009. The fair value of the financial guarantee at date of inception is immaterial.

26. OPERATING LEASES COMMITMENTS

Operating lease payments represent rental payable by the Group for its offices, retail outlets and production plants. Leases are negotiated and rentals are fixed for an average term of one to three years.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	HK$'000	*HK$'000*
Not later than one year	**6,570**	6,218
Later than one year and not later than five years	**3,258**	3,177
	9,828	9,395

27. CAPITAL COMMITMENTS

	The Group	
	2009	2008
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	–	318

28. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2009	2008
	HK$'000	*HK$'000*
Rental expenses paid to Mr. Chan Woon Man and Ms. Tsang Sau Lin for office premises	**264**	264

Mr. Chan Woon Man is a substantial shareholder of the Company and Ms. Tsang Sau Lin is the wife of Mr. Chan Woon Man.

(b) ***Compensation of key management personnel***

The remuneration of directors and other members of key management during the year was as follows:

	2009	2008
	HK$'000	*HK$'000*
Short-term benefits	**11,536**	10,076
Post employment benefits	**120**	120
	11,656	10,196

29. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme.

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, mainly denominated in United States Dollars ("USD") and Renminbi ("RMB"), which expose the Group to foreign currency risk. Certain financial assets and liabilities of the Group are also denominated in USD and RMB. As HKD is pegged to USD, the Group does not expect any significant movements in the USD/HKD exchange rate. In this regard, the Group does not expose to significant currency risk arising from USD. It is estimated that an appreciation or depreciation of 5% and 3% in RMB against HKD at 31 March 2009 and 2008 respectively, with all other variables held constant, would have insignificant effects on the profits or other equity of the Group for the years ended 31 March 2009 and 2008. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

(ii) Interest rate risk

The Group's exposure to changes in interest rate is mainly attributable to its interest-bearing bank deposits. The interest rate is subject to changes as determined by banks. The Group currently does not have an interest rate hedging policy and will consider enter into interest rate hedging should the need arise.

At 31 March 2009 and 2008, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would have insignificant effect on the profits or other equity of the Group for the years ended 31 March 2009 and 2008.

(iii) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2009 and 2008 in relation to each class of recognised financial assets is the carrying amount of those financial assets as stated in the balance sheet. The Group has policies in place to determine credit limit, credit approval and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group does not expose to significant credit risk.

The Group has no significant concentration of credit risk, with exposure spreading over a number of counterparties and customers.

The credit risk for bank deposits is limited because the counterparties are banks with high credit-ratings.

(iv) Liquidity risk

Internally generated cash flow are the general sources of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group's financial liabilities mature in less than one year and their contractual undiscounted payments approximate their carrying amount included in the balance sheet.

31. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for inventories

The management of the Company estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at each balance sheet date and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the subsequent estimated net realisable value of inventories is less than the original estimate, a material impairment loss may arise.

Allowance for doubtful receivables

Allowance for trade receivables is made based on the evaluation of collectability and ageing analysis of accounts and on directors' judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 July 2009.

Five Year Financial Summary

31 March 2009

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out as follows:

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Profit for the year	**36,626**	51,623	40,227	41,501	40,154
Assets and liabilities					
Total assets	**272,391**	257,104	214,468	182,635	154,433
Total liabilities	**(25,382)**	(34,042)	(26,641)	(21,782)	(20,647)
Shareholders funds	**247,009**	223,062	187,827	160,853	133,786